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5.1 DEFINITIONS

1. "Agreement" and "Service Agreement" shall mean the Transportation Service Agreement, or PAL Service Agreement executed by the Shipper and Transporter and any exhibits, attachments and/or amendments thereto.
2. "Banking Day" shall be defined as any day that the Royal Bank of Canada, Main Branch, Calgary, Canada, or other financial institutions agreed to by GLC for payment pursuant to Section 5.9 of the General Terms and Conditions of this Gas Tariff, conducts business.
3. "C.C.T." shall mean Central Clock Time, representing the time in effect in the Central Time Zone of the United States at the time a transaction occurs, regardless of whether that time may be Standard Time or Daylight Savings Time as those terms are commonly known and understood.
4. "Confirmed Price" shall mean the Transportation rate inclusive of all applicable fees and surcharges agreed upon by Transporter and Shipper, computed at one hundred percent (100%) load factor, if applicable.
5. "Contract Year" shall be a period of twelve consecutive Months beginning on the first Gas Day of November.
6. "Cubic Metre" and "m³" shall mean the volume of gas which occupies one cubic meter when such gas is at a temperature of fifteen degrees (15°) Celsius, and at a pressure of 101.325 kilopascals (kPa) absolute.
7. "Equivalent Quantity" shall mean a quantity of Gas containing an amount of GJ equal to the amount of GJ received by Transporter from Shipper for Transportation.
8. "Expedited Period of Gas Flow" and ("EPF") shall mean the minimum period of time in hours in which a Shipper may receive its full MDQ under Rate Schedule EFT, as represented by the term "MDQ/MHQ".
9. "Gas" shall mean pipeline quality gas that complies with the quality provisions as set forth in Section 5.8 of the General Terms and Conditions of this Gas Tariff, and (i) any hydrocarbons or mixture of hydrocarbons that, at a temperature of 15° C and a pressure of 101.325 kilopascals (kPa), is in a gaseous state, or (ii) any substance designated as a gas product by regulations made under section 130 of the National Energy Board Act.
10. "Gas Day" shall mean a period beginning at 9 a.m. Central Clock Time (C.C.T.) and ending at 9 a.m. (C.C.T.) on the next calendar day.

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11. "GJ" shall mean gigajoule being 1,000,000,000 joules and include the plural as the context requires.
12. "Gross Heating Value" shall mean the total joules expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion to be at standard temperature and all the water formed by combustion reaction to be condensed to the liquid state.
13. "Hour" shall mean a period of sixty (60) consecutive minutes beginning at the top of the hour, e.g., 9:00, or such other period of sixty consecutive minutes mutually acceptable to Transporter and Shipper.
14. "Joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force.
15. "Loan" and "Loan Service" shall mean an advance by Transporter to Shipper at a PAL Point of a quantity of Gas nominated by Shipper as provided for under Transporter's Rate Schedule PAL.
16. "Maximum Daily Quantity" and "MDQ" shall mean the largest daily quantity of gas exclusive of the Transporter's Use that (a) Shipper may tender for Transportation Service and/or Park and Loan Services at a point of receipt, and (b) Transporter is required to deliver to a point of delivery.
17. "Maximum Hourly Quantity" and "MHQ" shall mean the largest quantity of gas that Transporter is obligated to deliver to the point of delivery, as set forth in the Rate Schedule EFT Transportation Agreement, during any Hour of the Gas Day, and shall reflect an hourly rate of gas flow that is no less than 1/20th and no greater than 1/4th of the MDQ under the Agreement.
18. "Maximum Quantity" or "MQ" - shall mean the largest total quantity of Gas that a Shipper may have parked on or borrowed from Transporter's system.
19. "Month" shall mean the period beginning at 9 a.m. (C.C.T.), on the first Gas Day of a calendar Month, and ending at the same hour on the first Gas Day of the next succeeding calendar Month.
20. "NEB" and "Board" shall mean the National Energy Board of Canada, or any regulatory or government authority hereafter having a similar jurisdiction in substitution therefor.
21. "Off-System Capacity" shall mean capacity acquired by Transporter on other natural gas systems to provide service options to its shippers, including Seamless Transportation Service.

22. "Operator's Transactional System" shall mean the transactional portion of Transporter's Web site (Customer Activities Web site). In the event of a failure of electronic nomination/scheduling communication equipment, the Internet, or a third-party service provider, or any other similar emergency event, the term "Operator's Transactional System" shall also incorporate a mutually agreed upon means of alternate communication between Shipper and Transporter. Any such emergency shall be handled in a not unduly discriminatory manner.
23. "PAL Point" shall mean a nominatable point at which Transporter is authorized to receive and hold on behalf of Shipper or advance to Shipper a quantity of Gas nominated by Shipper pursuant to the Park and Loan Service of Rate Schedule PAL.
24. "PAL Service" shall mean the providing by Transporter of Park and Loan Service under Transporter's Rate Schedule PAL.
25. "Park" and "Parking Service" shall mean the receipt at a PAL Point by Transporter of a quantity of Gas nominated by Shipper and the holding of such Gas by Transporter on behalf of Shipper as provided for under Transporter's Rate Schedule PAL.
26. "Reduction Option" shall be an option to terminate a Rate Schedule FT, EFT, or LFT Service Agreement early and/or reduce the capacity held thereunder for some portion of the term, including multiple periods within the term.
27. "Scheduled Daily Delivery" shall mean the quantity of gas, up to the MDQ, scheduled by Transporter based upon Shippers nomination and the applicable allocation procedures, and confirmed by Shipper to be delivered or tendered to Transporter for Transportation.
28. "Seamless Transportation Service" shall mean service provided to a Shipper(s) utilizing capacity on Transporter's own system together with off-system capacity.
29. "Shipper" shall mean an entity or its agent that has executed an Agreement in the form prescribed under this Gas Tariff, providing for the Transportation or Park or Loan of Gas by Transporter. Shipper or its agent may also net or trade imbalances as provided in Section 5.3.9 of the General Terms and Conditions.
30. "Tariff" shall mean Transporter's NEB Transportation Tariff, as amended and filed from time to time with the Board.

31. "Tender Gas," "Tender of Gas" and "Gas Tendered" shall mean the actual quantity of gas the delivering party is able and willing, and offers, to deliver to the receiving party at the appropriate point of receipt or delivery.
32. "Title Transfer Tracking" shall mean the transfer of title between Shippers for a quantity of Gas at a receipt or delivery point on Transporter's system.
33. "Transportation" and "Transportation Service" shall mean transportation of gas.
34. "Transporter" shall mean Great Lakes Pipeline Canada Ltd.
35. "Transporter's Use" shall mean Transporter's lost and unaccounted for gas, other operating usage, and compressor fuel, as applicable.
36. "Unavailable Day" shall mean a Gas Day when Transportation Service shall not be provided under Transporter's Rate Schedule LFT.
37. "Web site" shall mean Transporter's Internet site operated by TransCanada PipeLines Limited for Transporter, which contains access to Transporter's Operator's Transactional System.
38. "Wobbe Index" shall mean a measure of the thermal input through a fixed orifice, calculated by dividing the natural gas Gross Heating Value in mega joules per cubic metre by the square root of the natural gas specific gravity with respect to air, based on a gross or higher heating value (HHV) at standard conditions 14.73 psi/60° F, 101.325 kPa/15° C real, dry basis.
39. "Year" shall mean a period of 365 consecutive Gas Days, provided however that any Year that contains a date of February 29 shall consist of 366 consecutive Gas Days.

5.2 REQUEST FOR SERVICE

5.2.1 Requests.

- (a) In order to be considered for firm (Rate Schedule FT), expedited firm (Rate Schedule EFT), limited firm (Rate Schedule LFT), and interruptible (Rate Schedule IT) Transportation Services or park and loan service (Rate Schedule PAL) under this Gas Tariff, a potential Shipper shall submit a request for such service to the Transporter in writing or via Transporter's Web site ("Request").

Requests shall be sent to:

Great Lakes Pipeline Canada Ltd.
TransCanada Tower
450 – 1st Street S.W.
Calgary, Alberta T2P 5H1
Attn: Customer Service

- (b) In circumstances where Transporter already possesses the static information, e.g., address, contacts, etc., for a Shipper and where the variable information, e.g., MDQ, term, etc., is provided through other reliable sources, e.g., a bid for Transportation Service, Shipper shall not be required to provide all or a portion of the information included in such Request. It will, however, be the responsibility of Shipper to notify Transporter of any changes to the information already in Transporter's possession.
- (c) Transporter shall evaluate and respond to each Request. If the Request has not provided all required information, Transporter will send a deficiency letter within fifteen (15) days of Transporter's receipt of the Request specifying the additional information needed before the Request can be evaluated. The Request shall be null and void if Shipper fails to furnish the additional information within fifteen (15) days of the date of the deficiency letter. Transporter may, on a not unduly discriminatory basis, exercise its right to extend the period within which Shipper must furnish the additional information. If the request is deemed valid the response to Shipper will be within ten (10) days of Transporter's receipt of the Request pursuant to Section 5.2.1, paragraph (e), below.
- (d) Any applicable filing fees relative to service under Rate Schedules FT, EFT, LFT, IT, and PAL shall be paid by the Shipper pursuant to Section 4.1.5 of Rate Schedule FT, Section 4.2.5 of Rate Schedule EFT, Section 4.3.5 of Rate Schedule LFT, Section 4.4.5 of Rate Schedule IT, and Section 4.5.5 of Rate Schedule PAL in this Gas Tariff.

- (e) Transporter shall tender an Agreement along with a letter identifying all subsequent information that is required before Transporter will execute the agreement, within thirty (30) Days after a Request is deemed valid; provided, however, that Transporter is not required to tender an Agreement for service pursuant to any Request seeking firm Transportation Service under Rate Schedule FT, expedited firm Transportation Service under Rate Schedule EFT, or limited firm Transportation Service under Rate Schedule LFT of this Gas Tariff, if: (1) Transporter does not have sufficient capacity to render additional firm, expedited firm, or limited firm service, or (2) Transporter has capacity to render the requested firm, expedited firm, or limited firm service, but Shipper cannot commence service the first Gas Day of the Month following the Shipper's execution of the Agreement, or on such later date as is mutually agreeable. Shipper shall have ten (10) days from the date the unexecuted Agreement is sent to Shipper in which to execute the Agreement and to provide the required subsequent information or the Request shall be deemed null and void. Transporter may in its sole discretion extend the ten (10) days referred to above for which Shipper can execute the Agreement. Within thirty (30) days of the receipt by Transporter of the executed Agreement, and all satisfactory subsequent information from the Shipper, the Transporter will execute the Agreement and return an executed original to the Shipper.
- (f) Transporter may conduct an open season for available capacity that is not otherwise subject to a pending request for transportation services. If Transporter conducts such an open season it will post a notice of the open season on its Web site to afford all potential shippers an opportunity to acquire the capacity. Any award of capacity through an open season is subject to the requirements for service to commence as set forth in this Gas Tariff, including Transporter's creditworthiness requirements. Any potential shipper wishing to purchase the capacity in an open season may participate in the open season. Transporter will use nondiscriminatory and objective posting, bidding, and evaluation criteria, which evaluation criteria will be specified in the notice of open season, along with the details of what constitutes a valid bid request. Once an open season commences, all requests for service for the capacity available through the open season will be treated under this open season process.
- (g) Transporter may consider offers for available or unsubscribed capacity containing Reduction Options. Transporter, in its determination of the value of a request for service containing a Reduction Option, will only consider the minimum incremental revenue guaranteed under the Service Agreement (i.e. the least possible revenue resulting from the transaction) if the option is or is not exercised, including any exit payment that the Shipper proposes to pay at the exercise of its option.

5.2.2 Pre-arranged Transportation Service and Interim Service

- (a) Pre-arranged Service. Transporter may enter into an agreement with a Shipper for Transportation Service for a future period ("Pre-arranged Service") for unsubscribed firm capacity posted on Transporter's Web site that is available or that will become available and is not subject to a right of first refusal, pursuant to Section 5.13 of the General Terms and Conditions of this Gas Tariff, or to any other Shipper renewal rights. If there is an open season ongoing for certain capacity, Transporter will not enter into a Pre-arranged Service for that capacity during the open season.
- (b) Interim Service. Capacity that is under contract for a future period may be available for Transportation Service on an interim basis up to the commencement date of the Pre-arranged Service. The availability of interim capacity, including any limitations on the renewal rights for such capacity pursuant to Section 5.2.2, paragraph (c), will be posted on Transporter's Web site. Transporter shall award the interim capacity up to the commencement date of the Pre-arranged Service to Shippers requesting such service.
- (c) Capacity Reservation. In order to reserve capacity under a Pre-arranged Service, Transporter reserves the right to limit any Shipper renewal rights, including the right of first refusal, which might otherwise apply to interim sales of the capacity, provided that:
1. Upon entering into a Pre-arranged Service for which capacity is to be reserved and for which renewal rights on any interim sales of such capacity shall be limited, Transporter will post a notice on its Web site indicating the terms of the Pre-arranged Service, and that the pre-arranged capacity is available for bidding.
 2. Except as provided otherwise in this Section 5.2.2, paragraph (c)(2), Transporter shall post for bids and award the pre-arranged capacity in accordance with Section 5.2.1, paragraph (f), of the General Terms and Conditions. Pre-arranged capacity shall be available for bidding for at least five (5) Banking Days, and Transporter shall evaluate acceptable bids on a net present value (NPV) basis. The criteria for acceptable bids shall be included in the posting for bids. Bids may be for service to commence on the earliest date such capacity is available or some other future date. At the end of the bidding period, Transporter shall evaluate acceptable bids on a net present value (NPV) basis, with the current value of any future bids reduced by the time value of the delay in the receipt of revenue. NPV shall only include revenues generated by the reservation rate, or any other form of revenue guarantee, as proposed in a bid for the capacity. If an acceptable bid yields a higher NPV than that of the Pre-arranged Service, the pre-arranged Shipper shall have a one-time right to match the highest competing bid in order to retain the capacity. If the pre-arranged Shipper elects not to match the

highest competing bid, the capacity shall be awarded to the competing shipper whose acceptable bid produced the highest NPV. Nothing in this section shall require Transporter to discount below the maximum rate applicable to a transportation service nor shall Transporter be required to agree to any other terms.

5.3 NOMINATIONS, SCHEDULING AND ALLOCATION

5.3.1 General Nomination Guidelines.

- (a) Shipper shall furnish a nomination under Transporter's Rate Schedule FT, EFT, LFT, or IT of the estimated daily quantities of gas it desires Transporter to transport from a point of receipt to a point of delivery. However, Shipper may nominate its full MDQ at a point as both a forward haul and a backhaul at the same time, subject to availability and operational capabilities at that point. Any quantities nominated at such point that are inverse in direction to that provided in the Agreement, shall be given a Category B Shipper priority status pursuant to Section 5.11.1, paragraph 2(b), of these General Terms and Conditions for allocation purposes.

For quantities required in excess of Shippers' MDQ, Shipper shall nominate all such quantities under a separate IT agreement.

Shipper shall also furnish a nomination for the estimated daily quantities of Gas for which it desires Park and Loan Service under Transporter's Rate Schedule PAL.

Shipper shall have the ability to make a nomination at a receipt or delivery point on Transporter's system to reflect the transfer of title for a quantity of Gas to another Shipper(s) at that same point ("Title Transfer Tracking"). The quantity of Gas nominated by a Shipper for title transfer must equal the quantity nominated for acceptance by the other Shipper(s). Such transfers do not involve any physical movement of Gas at the point and title to such Gas shall transfer directly from nominating Shipper to accepting Shipper(s). There is currently no charge assessed for Title Transfer Tracking.

- (b) All nominations must be made electronically through Operator's Transactional System or by such other mutually agreed upon method. In the event of a failure of electronic nomination communication equipment, the Internet, or a third party service provider, or any other similar emergency event, Shipper may submit and Transporter will accept written nominations. Any such emergency event shall be handled in a not unduly discriminatory manner.
- (c) If Transporter is required to allocate the capacity of its system among its Shippers on any Gas Day pursuant to Section 5.11 hereof, Transporter shall use the information furnished by each Shipper on the nomination in making such allocation.

- (d) In order to maintain efficient operation and to allow for optimum system utilization, Shipper shall notify Transporter of any changes of daily deliveries to Transporter or daily receipts from Transporter which deviate from scheduled nominations. Transporter shall notify Shipper of any changes of daily receipts from Shipper or of any daily deliveries to Shipper. The notification required by the preceding two sentences shall be made by telephone or other instant communication immediately upon knowledge thereof.
- (e) Shipper shall have the ability to make nominations with roll over options and shall have the ability to nominate for multiple months or years, provided the nomination begin and end dates are within the term of the Shipper's Service Agreement. Any Shipper submitting nominations, however, for periods beyond the current month shall be required to submit revised nominations for the upcoming business month after Transporter's Use percentages for said month are established. Transporter will post such percentages on its Web site by the fifteenth (15th) day of the month preceding business.

5.3.2 Nomination Timeline.

- (a) Shippers, including Title Transfer Tracking Service Providers, will have five (5) cycles during which nominations can be submitted: the Timely nomination cycle, the Evening nomination cycle, the Intraday 1 nomination cycle, the Intraday 2 nomination cycle, and the Intraday 3 nomination cycle. The nominations submitted during the Evening, Intraday 1, Intraday 2, and Intraday 3 nomination cycles shall be known as intraday nominations.
- (b) Transporter and its Shippers shall follow the following timeline for the nomination and confirmation of gas quantities (all times shown are Central Clock Time (C.C.T.)).
 - (1) The Timely Nomination Cycle
On the day prior to gas flow:
 - 1:00 p.m. Nominations leave control of the service requester;
 - 1:15 p.m. Nominations are received by Transporter;
 - 1:30 p.m. Transporter sends the quick response to the service requester;
 - 4:30 p.m. Transporter receives completed confirmations from confirming parties;
 - 5:00 p.m. Service requester and point operator receive scheduled quantities from Transporter.

Scheduled quantities resulting from Timely Nominations shall be effective at the start of the next Gas Day.

(2) The Evening Nomination Cycle

On the day prior to gas flow:

- 6:00 p.m. Nominations leave control of the service requester;
- 6:15 p.m. Nominations are received by Transporter;
- 6:30 p.m. Transporter sends the quick response to the service requester;
- 8:30 p.m. Transporter receives completed confirmations from confirming parties;
- 9:00 p.m. Transporter provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations shall be effective at the start of the next Gas Day.

(3) The Intraday 1 Nomination Cycle

On the current Gas Day:

- 10:00 a.m. Nominations leave control of the service requester;
- 10:15 a.m. Nominations are received by Transporter;
- 10:30 a.m. Transporter sends the quick response to the service requester;
- 12:30 p.m. Transporter receives completed confirmations from confirming parties;
- 1:00 p.m. Transporter provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations shall be effective at 2:00 p.m. on the current Gas Day.

(4) The Intraday 2 Nomination Cycle

On the current Gas Day:

- 2:30 p.m. Nominations leave control of the service requester;
- 2:45 p.m. Nominations are received by Transporter;
- 3:00 p.m. Transporter sends the quick response to the service requester;
- 5:00 p.m. Transporter receives completed confirmations from confirming parties;
- 5:30 p.m. Transporter provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations shall be effective at 6:00 p.m. on the current Gas Day.

(5) The Intraday 3 Nomination Cycle

On the current Gas Day:

- 7:00 p.m. Nominations leave control of the service requester;
- 7:15 p.m. Nominations are received by Transporter;
- 7:30 p.m. Transporter sends the quick response to the service requester;
- 9:30 p.m. Transporter receives completed confirmations from confirming parties;
- 10:00 p.m. Transporter provides scheduled quantities to the affected service requester and point operator.

Scheduled quantities resulting from Intraday 3 Nominations shall be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.

(6) "Provides" as used in Section 5.3.2, paragraphs (b)(2) through (b)(5) above, shall mean receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

- (c) Intraday nominations can be used to request increases or decreases in total flow, changes to a receipt point, or changes to a delivery point of scheduled gas.
- (d) Intraday nominations span only one Gas Day and do not replace the remainder of a standing nomination.
- (e) Bumping is not allowed during the Intraday 3 nomination cycle.
- (f) Transporter may, on a not unduly discriminatory basis, extend the "Nominations are received by Transporter" deadlines stated herein, provided that such action does not adversely impact any other shipper(s) on Transporter's pipeline system.

5.3.3 Imbalances and Penalties.

It is recognized that daily variances between scheduled and actual quantities at an interconnecting point may be beyond Shipper's control. Such variances will be considered imbalances. Transporter shall reconcile imbalances with the related interconnecting, or welded, party through the use of OBA arrangements or by allocating such imbalance to the primary transportation agreement at a particular interconnecting point, or as otherwise agreed upon by the parties. Other methodologies that may be agreed upon by the parties include Ranked, Pro-Rata, Percentage, and Operator Provided Value. In the absence of such arrangements between Transporter and the interconnecting

party, any imbalances at an interconnecting point shall be allocated on a pro-rata basis to all shippers at the affected point based on scheduled and confirmed nominations. All imbalances shall be kept to a minimum permitted by operating conditions and shall be balanced as soon as practicable without adversely affecting Transporter's operations or its ability to meet all other obligations. Transporter will provide a statement of imbalance to Shipper at the time of, or prior to, the rendering of the transportation invoice, as described in Section 5.9.1 of the General Terms and Conditions of this Gas Tariff. Transporter will also provide timely information, based on actual data, on the imbalance status of each Shipper and of the system as a whole on its Web site. Such information will include statements updated daily of the status during the course of a month and at month-end.

After notification to Shipper by Transporter of an imbalance, Shipper shall make the appropriate nomination, in accordance with the time periods set forth in Sections 5.3.1 and 5.3.2 above, or change in gas flow to correct the imbalance.

The time limitation for disputes of allocations should be 6 months from the date of the initial month-end allocation with a 3-month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

It shall be the responsibility of Shipper to monitor, control and adjust deliveries of gas to Transporter and receipts of gas from Transporter. Transporter shall not be obligated to deliver to Shipper at the delivery point quantities in excess of the quantities received from Shipper at the receipt point after deduction for Transporter's Use, nor shall Transporter be obligated to receive from Shipper at the receipt point quantities in excess of the quantities delivered to the Shipper at the delivery point after deduction for Transporter's Use. In the event of an imbalance resulting directly or indirectly from Shippers' actions or inactions, Transporter may, in addition to any other remedies under law that it may have, charge Shipper an imbalance penalty.

(a) **Accumulated Imbalances.** If Shipper fails to maintain a balance of receipts and deliveries and such failure is not the result of force majeure as specified in Section 5.10 of these General Terms and Conditions, Transporter may impose an imbalance penalty only to the extent that Transporter's ability to maintain reliable service was impaired. No imbalance penalty shall be assessed until Transporter has notified Shipper that an imbalance exists and Shipper has failed to take corrective action acceptable to Transporter.

1. For purposes of this provision, an "Accumulated Imbalance Quantity" shall mean the cumulative difference between actual month-end receipts and deliveries as posted on Transporter's Web site under the Service Agreement since the date of initial service; "Tolerance Level" shall mean the greater of 2,000 GJ or five percent (5%) of the total quantity of gas delivered by

Transporter to Shipper during any Month; and "Imbalance Penalty Quantity" shall mean that portion of the Accumulated Imbalance Quantity in excess of the Tolerance Level which threatens to impair reliable service.

An imbalance penalty shall be levied by Transporter against any Shipper who has not reduced the Accumulated Imbalance Quantity to within the Tolerance Level by the sixtieth (60th) Gas Day following notification of the imbalance (make-up period), but only to the extent that such imbalance impaired reliable service (Imbalance Penalty Quantity). Any additional net imbalances incurred during the make-up period will be subject to a separate make-up period.

At the end of any make-up period, if Shipper shall have an Accumulated Imbalance Quantity, regardless of whether this quantity is an overdelivery or an underdelivery of gas, which is in excess of the Tolerance Level, Transporter shall apply an imbalance penalty upon the Imbalance Penalty Quantity equal to twice the average of the daily midpoint prices reported for Dawn, Ontario, in the Daily price survey as published by Platts in Gas Daily for the month invoiced.

Once a penalty has been assessed the Imbalance Penalty Quantity is corrected. Imbalance Penalty Quantities for which a penalty has been paid shall be removed from the Accumulated Imbalance Quantity.

The netting and trading of imbalances is permitted pursuant to Section 5.3.9 of the General Terms and Conditions of this Gas Tariff. Nothing herein shall limit Transporter's right to take actions of whatever nature as may be required to correct imbalances which threaten the integrity of its system, including maintenance of service to other customers.

2. The imbalance penalty provided for hereunder shall not apply in the event of the occurrence of any event of force majeure as defined in Section 5.10 of the General Terms and Conditions or of an event of curtailment on the Transporter's System as defined in Section 5.11 of the General Terms and Conditions of this Tariff.

(b) Imbalances at Termination of Agreement.

In the event the quantities of gas received and delivered are not in balance at the end of the term of the Agreement, then such balancing shall be achieved within sixty (60) days after determination of such imbalance by extending receipts or deliveries as applicable at the appropriate point of receipt or point of delivery until such imbalance is satisfied or by such other method mutually agreed upon by the parties

which balances the parties with Equivalent Quantities of gas. The penalty charged by Transporter for imbalance gas still owing to the Transporter after such sixty (60) day period, if any, that Shipper is unable to supply to Transporter shall be twice the average of the daily midpoint prices reported for Dawn, Ontario, in the Daily price survey as published by Platts in Gas Daily for the month invoiced.

5.3.4 Scheduling of Transportation and Allocation of Capacity.

In scheduling nominated quantities, Transporter shall utilize the priorities established in Section 5.11 hereof. If, on any Gas Day, Transporter determines that the capacity of its system, or portion(s) thereof, is insufficient to serve all requirements scheduled for such Gas Day or is insufficient to accept the quantities of gas tendered for transportation by Shipper, then Transporter shall allocate its available capacity on the basis of the procedures contained in Section 5.11 hereof.

5.3.5 Scheduling Penalty.

For service under Rate Schedule FT, Rate Schedule LFT, and Rate Schedule IT, a penalty shall be levied by Transporter and paid in dollars (CAN) by any Shipper who deviates from the limits specified below. Such penalties shall apply on an individual contract basis. Nothing herein shall limit the Transporter's right to take actions of whatever nature as may be required to correct deviations which threaten the integrity of its system, including maintenance of service to other customers.

A daily scheduling penalty, as stated below, shall be levied by Transporter and paid in dollars (CAN) by any Shipper who, upon notification by Transporter of the existence of deviations in scheduled deliveries to be received by the Transporter at the point of receipt on a daily basis, fails to correct the problem on a prospective basis after a 48-hour grace period. Such penalty shall be applied daily to the quantities which deviate from the limits specified below, on a prospective basis, commencing after the 48-hour grace period and initial notification by Transporter. This penalty shall continue through the Month in which notification was given or until the deviation is corrected.

The penalty shall be the maximum applicable Rate Schedule IT rate for the service to be provided. The penalty shall be billed each month based on daily quantities which deviate from Scheduled Daily Deliveries by the greater of 10% or 2,000 GJ. The penalty is in addition to applicable transportation charges.

5.3.6 Hourly Variation.

Receipts and deliveries, except deliveries for Rate Schedule EFT, shall be made at uniform hourly rates throughout the Gas Day to the extent practicable; Transporter, however, may agree on a not unduly discriminatory basis to receive or deliver Gas at a non-uniform rate during any hour. Subject to Section 4.2.2, paragraph (e), of Rate Schedule EFT, Shippers under such Rate Schedule EFT shall be entitled to maximum hourly deliveries equal to the respective delivery point MHQ.

5.3.7 Limitation of Obligation.

In the event that any gas in excess of the Scheduled Daily Delivery would adversely affect Transporter's operations and/or its ability to meet its contract commitments to others, Transporter shall have the right to refuse to accept, without any liability to Shipper or any other person, all or such part of the excess delivery as Transporter deems necessary, and Transporter shall notify Shipper accordingly as soon as feasible. To the extent Transporter is required to accept any such gas due to operational conditions on its system, Transporter shall be entitled to retain the gas for its own account and to utilize such gas for any lawful purpose, without payment therefor, subject to the balancing provisions of this Gas Tariff.

5.3.8 Operational Arrangements.

It is essential that Transporter maintain operational and physical control of its pipeline system to ensure the integrity of that system and to assure that Transportation Service is provided during a contract year. From time to time it may be necessary for the Transporter to enter into operational arrangements with other pipeline companies, local distribution companies, Shippers under Transporter's Gas Tariff, or other persons to maintain such operational and physical control of the pipeline system. Examples of such operational arrangements include, but are not limited to, operational balancing agreements with companies, Shippers or other operators of facilities interconnecting with Transporter's system, agreements necessary to effectuate construction and maintenance on the system, agreements necessary to continue service during unplanned outages or emergency situations, and operational purchases and sales of gas pursuant to Section 5.3.8, paragraph (A), herein. As necessary, Transporter shall enter into such operational arrangements. These operational arrangements shall reflect the constraints on the Transporter's pipeline system that exist from time to time. The intended effect of such operational arrangements on Transporter's Shippers shall be to ensure the integrity of Transporter's pipeline system to minimize any inconvenience to Transporter's Shippers and assure that contracted Transportation Service is provided during a contract year.

(A) Operational Purchases and Sales

- (1) Transporter may buy and/or sell gas to the extent necessary to:
 - (a) maintain system pressure and line pack;
 - (b) manage system imbalances;
 - (c) perform other operational functions of Transporter in connection with transportation, and other similar services; or
 - (d) otherwise protect the operational integrity of Transporter's system.
- (2) Any operational purchases and/or sales will be made on an unbundled basis and at Receipt Points. Operational purchases or sales shall have a lower transportation priority than firm service.
- (3) Transporter may post its operational purchases and/or sales quantities for bidding on its Web site or alternatively on third party electronic bulletin boards(s) in accordance with the applicable bidding provisions, which will be posted. Transporter reserves the right, in its sole discretion, to:
 - (a) withdraw its postings;
 - (b) reject all bids due to operational changes; and
 - (c) reject any bids which do not meet the terms of the posting, which contain modifications to the terms of the posting, or which contain terms that are operationally unacceptable.

5.3.9 Imbalance Netting and Trading.

Operational Impact Area.

An Operational Impact Area is the largest possible area on Transporter's system in which imbalances have a similar operational effect and within which Shippers can net or trade imbalances. On Transporter's system there is one (1) Operational Impact Area.

(A) Imbalance Netting.

- (1) At the end of each Month, Transporter shall net all of a Shipper's imbalances across its Service Agreements to provide the Shipper with the lowest possible net imbalance to facilitate the trading of imbalances with other Shippers. Transporter will first net imbalances among a Shipper's Agreements under the same Rate Schedule and then will net imbalances across the Shipper's Service Agreements under all Rate Schedules.

(B) Imbalance Trading.

(1) Posting of Imbalances for Trade.

- (a) A Shipper may notify Transporter either electronically or in writing that it wishes its imbalance(s) to be posted on Transporter's Web site as being available for trading. Shipper shall communicate to Transporter: the quantity available for trading; the point where the imbalance is located; a contact name, phone number, and e-mail address; and any special conditions. Authorization to post imbalances received by Transporter by 11:45 a.m. (CCT) shall be posted by 8:00 a.m. (CCT) on the following Banking Day.
- (b) A Shipper may also notify Transporter to automatically post its imbalances on the Web site. In its notice Shipper shall communicate to Transporter a contact name, phone number, and e-mail address and any special conditions. Such imbalances shall be posted to Transporter's Web site concurrently with the daily issuance of imbalance statements. Such postings will reflect actual imbalance data. Transporter shall continue to post imbalances for trading until subsequent notice is provided to Transporter by Shipper to discontinue such posting.

(2) Trading of Imbalances.

- (a) After a trade has been negotiated by or among Shippers, one Shipper (the Initiating Trader) shall notify Transporter either electronically or in writing of its request to trade imbalances with another Shipper (the Confirming Trader). The Initiating Trader must also communicate to Transporter: the parties to the trade; contact names, phone numbers, and e-mail addresses; the imbalance quantity to be traded; and the locations of the imbalances to be traded.
- (b) Before Transporter shall facilitate the imbalance trade, the Confirming Trader must verify the terms of the trade and notify Transporter in writing of its acceptance of such terms.

5.3.10 Third Party Imbalance Management Services.

Nothing in Transporter's Gas Tariff shall preclude Shippers from obtaining imbalance management services from a third party provider.

5.4 PRESSURE AT POINT(S) OF RECEIPT AND DELIVERY

1. Pressure at Point(s) of Receipt.

Unless otherwise agreed to by the parties as set forth in the Agreement, Shipper shall cause the gas to be delivered to Transporter at the point of receipt at a pressure sufficient to allow the gas to enter Transporter's existing pipeline system at the varying pressures that may exist in the system from time to time; provided, however, that the pressure of the gas delivered or caused to be delivered by Shipper shall not exceed the Maximum Allowable Operating Pressure ("MAOP") of Transporter's system.

2. Pressure at Point(s) of Delivery.

Unless otherwise agreed to by the parties, Transporter shall deliver gas to Shipper at the point of delivery at Transporter's prevailing line pressure, which shall be a minimum of no less than a gauge pressure of 4000 kilopascals and up to the MAOP of Transporter's system at such point of delivery.

5.5 MODIFICATION OF POINTS OF RECEIPT AND DELIVERY

5.5.1 Definitions.

For purposes of this subsection, the following terms shall have the following meanings:

1. "Primary Receipt Point" shall mean the point designated within an Agreement under Rate Schedule FT, Rate Schedule EFT, or Rate Schedule LFT of this Gas Tariff as the primary point for receipt of natural gas on a firm basis.
2. "Secondary Receipt Point" shall mean a receipt point that is not a Primary Receipt Point.
3. "Primary Delivery Point" shall mean the point designated within an Agreement under Rate Schedule FT, Rate Schedule EFT, or Rate Schedule LFT of this Gas Tariff as the primary point for delivery of natural gas on a firm basis.
4. "Secondary Delivery Point" shall mean a delivery point that is not a Primary Delivery Point.
5. "Transportation Path" shall mean that area of the Transportation Service provided under Shipper's Agreement that is bounded by the Primary Receipt Point within Shipper's Agreement and the Primary Delivery Point within Shipper's Agreement.

5.5.2 Rate Schedule IT Agreements.

Shippers with Agreements under Rate Schedule IT of this Gas Tariff:

- (a) May utilize all receipt points on Transporter's system; and
- (b) May utilize all delivery points on Transporter's system.

5.5.3 Primary Receipt Point Adjustment.

Shipper may request to permanently move the maximum daily receipt quantity at the Primary Receipt Point designated within a Shipper's Transportation Service Agreement to another point on Transporter's pipeline system. Shippers seeking such a change shall provide Transporter with a written request at least 5 days prior to the desired effective date of the change. Acceptance of any such change is subject to the availability of capacity and the operational and metering capabilities at the specified point. Any

adjustment must not diminish Transporter's ability to maintain its service priorities to other customers. Transporter shall not be required to accept a Primary Receipt Point change if it would reduce the reservation charges applicable under the Shipper's Transportation Service Agreement. Transporter shall evaluate any such change by applying the same standards for evaluating any request(s) for new service at such point. Shipper shall permanently relinquish its right to points or quantities no longer reflected on its Transportation Service Agreement. Transporter may remarket the capacity and primary point rights relinquished by the Shipper.

5.5.4 Secondary Receipt Points.

1. Shipper may utilize any receipt point within its Transportation Path as a Secondary Receipt Point. Use of any such point is subject to the metering capabilities at that point and must not diminish Transporter's ability to maintain its service priorities to other customers. Shipper shall continue to pay the Reservation Fee applicable to its Primary Receipt Point, unless otherwise mutually agreed by Transporter and Shipper.
2. Shipper may utilize any receipt point outside its Transportation Path as a Secondary Receipt Point; such usage is subject to the availability of pipeline capacity at and from the Secondary Receipt Point. Shipper shall continue to pay the Reservation Fee applicable to its Primary Receipt Point, unless otherwise mutually agreed by Transporter and Shipper.
3. Secondary Receipt Points are automatically available. Notification of their use is to be made through the nominating process set forth in Section 5.3 of the General Terms and Conditions of this Gas Tariff.

5.5.5 Primary Delivery Point Adjustment.

Shipper may request to permanently move the maximum daily delivery quantity at the Primary Delivery Point designated within a Shipper's Transportation Service Agreement to another point on Transporter's pipeline system. Shippers seeking such a change shall provide Transporter with a written request at least 5 days prior to the desired effective date of the change. Acceptance of any such change is subject to the availability of capacity and the operational and metering capabilities at the specified point. Any adjustment must not diminish Transporter's ability to maintain its service priorities to other customers. Transporter shall not be required to accept a Primary Delivery Point change if it would reduce the reservation charges applicable under the Shipper's Transportation Service Agreement. Transporter shall evaluate any such change by applying the same standards for evaluating any request(s) for new service at such point. Shipper shall permanently relinquish its right to points or quantities no longer reflected

on its Transportation Service Agreement. Transporter may remarket the capacity and primary point rights relinquished by the Shipper.

5.5.6 Secondary Delivery Points.

1. Shipper may utilize any delivery point within its Transportation Path as a Secondary Delivery Point. Use of any such point is subject to the metering capabilities at that point and must not diminish Transporter's ability to maintain its service priorities to other customers. Shipper shall continue to pay the Reservation Fee to its Primary Delivery Point, unless otherwise mutually agreed by Transporter and Shipper.
2. Shipper may utilize any delivery point outside its Transportation Path as a Secondary Delivery Point; such usage is subject to the availability of pipeline capacity at and to the Secondary Delivery Point. Shipper shall continue to pay the Reservation Fee applicable to its Primary Delivery Point, unless otherwise mutually agreed by Transporter and Shipper.
3. Secondary Delivery Points are automatically available. Notification of their use is to be made through the nominating process set forth in Section 5.3 of the General Terms and Conditions of this Gas Tariff.

5.6 MEASUREMENT

1. Unit of Volume and Unit of Quantity: The unit of volume for the purpose of reporting shall be one thousand (1000) cubic metres (10^3m^3) of gas and the unit of quantity shall be GJ.
2. Determination of Volume and Gross Heating Value: The volume and the Gross Heating Value of the gas received by Transporter from Shipper and delivered to Shipper shall be determined as follows:
 - (a) The gas volumes shall be computed in accordance with the methodology prescribed in the Electricity and Gas Inspection Act (Canada) (R.S.C. 1985, c.E-4) as amended from time to time including all regulations and specifications promulgated pursuant to such Act (collectively, the "Electricity and Gas Inspection Act").
 - (b) For the purpose of measurement of gas received into and delivered from Transporter's system, the parties agree that the average absolute atmospheric (barometric) pressure at such points shall be assumed to be constant during the term thereof, regardless of variations in actual barometric pressure from time to time, and shall be calculated based on the elevation of the measurement point. The formula used to calculate the atmospheric pressure shall be in accordance with the methodology prescribed in the Electricity and Gas Inspection Act (Canada) (R.S.C. 1985, c.E-4) as amended from time to time including all regulations and specifications promulgated pursuant to such Act.
 - (c) The determination of the Gross Heating Value of the gas received or delivered shall be performed in a manner approved under the Electricity and Gas Inspection Act or, if such specification is not set out in such Act, in accordance with industry accepted standards, and, in any event, in such manner as to ensure that the Gross Heating Values so determined are representative of the gas received or delivered at the receipt or delivery point.
 - (d) The determination of the relative density of the gas received or delivered shall be performed in a manner approved under the Electricity and Gas Inspection Act or, if such specification is not set out in such Act, in accordance with industry accepted standards, and, in any event, in such manner as to ensure that the relative densities so determined are representative of the gas received or delivered at the receipt or delivery point.

5.7 MEASUREMENT EQUIPMENT

1. All meters and measuring equipment for the determination of Gross Heating Value and/or relative density shall be approved pursuant to, and installed and maintained in accordance with, the Electricity and Gas Inspection Act.

Notwithstanding the foregoing, all installation of equipment applying to or affecting deliveries of gas shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Care shall be exercised by both parties in the installation, maintenance and operation of pressure regulating equipment so as to prevent any inaccuracy in the determination of the volume or quantity of gas delivered under the Service Agreement.

- (a) **Measuring Station:** In accordance with the above, Transporter will install, maintain and operate, or will cause to be installed, maintained and operated, at or near each delivery point, a measuring station equipped with a meter or meters and other necessary equipment for accurate measurement of the gas delivered under the Service Agreement.
2. **Calibration and Test of Measuring Equipment:** The accuracy of measuring equipment shall be verified by Transporter at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Transporter shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party shall notify the other that it desires a special test of any measuring equipment the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment is found to be in error by not more than the limits set out as follows:
 - (a) 2.0% for measuring equipment utilized to determine volume,
 - (b) 1.0% for any instrument utilized to determine relative density,
 - (c) 0.5% for any instrument utilized to determine Gross Heating Value.

If upon test, any measuring equipment is found to be in error by not more than the limits specified above, the previous readings of such equipment shall be considered accurate in computing deliveries or receipts of gas but such equipment shall be adjusted at once to register accurately.

If, for the period since the last preceding test, it is determined that:

- (a) any measuring equipment, except for those instruments specified in (b) and (c) below, shall be found to be inaccurate by an amount exceeding 2%

- at a recording corresponding to the average hourly rate of flow for such period, and/or
- (b) any instrument utilized to determine the relative density shall be found to be inaccurate by an amount exceeding 1%, and/or
 - (c) any instrument utilized to determine the Gross Heating Value shall be found to be inaccurate by an amount exceeding 0.5%, then the previous readings of measurement equipment and/or instruments utilized to determine the relative density or Gross Heating Value, as the case may be, shall be corrected to zero error for any period which is known definitely but in any case where the period is not known or agreed upon such correction shall be for a period extending over 50% of the time elapsed since the date of the last test.

Notwithstanding the foregoing, when Transporter and Shipper mutually agree that a measurement instrument inaccuracy occurred at a definite point in time, a quantity correction shall be made even though said inaccuracy is less than the limits specified in (a), (b) and (c) above.

3. Correction of Metering Errors: Failure of Meters: In the event a meter is out of service, or registering inaccurately, the volume or quantity of gas delivered shall be determined by the most equitable method. Such methods shall include but not be limited to:
 - (a) mathematical calculations and comparisons including prevailing ratio with a parallel meter,
 - (b) the use of Shipper's check measuring equipment, and
 - (c) comparison to deliveries under similar conditions when the meter was registering accurately.
4. Preservation of Metering Records: Transporter and Shipper shall each preserve for a period of at least six (6) years all test data, charts and other similar records. Microfilms of the original documents shall be considered true records.
5. Check Measuring Equipment: Shipper may install, maintain and operate at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Transporter's measuring equipment. Any pressure or volume control regulators installed by Shipper shall be operated so as not to interfere with Transporter's measuring facilities.
6. Rights of Parties: The measuring equipment so installed by either party together with any building erected by it for such equipment, shall be and remain its property. However, Transporter and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing,

inspecting, testing, calibrating or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of the delivery of gas under the Service Agreement. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

5.8 QUALITY

1. The gas to be delivered hereunder shall be natural gas; provided, however, that helium, natural gasoline, butane, propane and any other hydrocarbons except methane may be removed prior to delivery. Transporter may subject, or permit the subjection of, the natural gas to compression, cooling, cleaning and other processes, as necessary.
2. Heating Value: The minimum Gross Heating Value of the gas to be received and delivered by Transporter shall be 36.00 MJ/m³. The maximum Gross Heating Value of the gas to be received and delivered by Transporter shall be 41.34 MJ/m³. Transporter shall have the right to refuse to accept Shipper's gas if the Gross Heating Value of such gas remains below 36.00 MJ/m³ or above 41.34 MJ/m³.

In the event that the Gross Heating Value of the gas to be delivered by Transporter is below 36.00 MJ/m³ or above 41.34 MJ/m³ the Shipper shall have the option to refuse to accept such gas so long as the Gross Heating Value remains below 36.00 MJ/m³ or above 41.34 MJ/m³.

3. Freedom from Objectionable Matter: The gas to be received by Transporter from Shipper and to be delivered by Transporter hereunder:
 - (a) Shall be commercially free (at prevailing pressure and temperature in Transporter's pipeline) from sand, dust, gums, oils, hydrocarbons liquefiable at temperatures in excess of minus ten degrees (-10°) Celsius at five thousand five hundred (5500) kPa absolute, impurities, other objectionable substances which may become separated from the gas, and other solids or liquids which will render it unmerchantable or cause injury to or interference with proper operations of the lines, regulators, meters or other appliances through which it flows; and shall not contain any substance not contained in the gas at the time the same was produced other than traces of those materials and chemicals necessary for the transportation and delivery of the gas and which do not cause it to fail to meet any of the quality specifications herein set forth.
 - (b) Shall contain no more than twenty-three (23) milligrams of hydrogen sulphide per cubic metre nor more than one hundred and fifteen (115) milligrams of total sulphur per cubic metre of gas as determined by standard methods of testing.
 - (c) Shall not contain more than two per cent (2%) by volume of carbon dioxide.
 - (d) Shall have been dehydrated, if necessary, for removal of water present therein in a vapour state, and in no event contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas.

- (e) Shall not exceed a temperature of fifty degrees (50°) Celsius.
 - (f) Shall be as free of oxygen as practicable and shall not in any event contain more than four tenths of one percent (0.4%) by volume of oxygen.
 - (g) Shall not have a total inert gas content in excess of 4% when used as a diluent to meet Natural Gas Interchangeability Indices.
 - (h) Shall be free of any microbiological organisms, active bacteria or bacterial agents, including but not limited to sulphate reducing bacteria, iron oxidizing bacteria, and/or acid producing bacteria.
4. Failure to Conform to Specifications Re Objectionable Matter: If the gas being received by Transporter from Shipper or transported by Transporter to Shipper fails at any time to conform to any of the specifications set forth in subsection 3 of this Section, then the party receiving such gas (the “First Party”) shall notify the party delivering such gas (the “Second Party”) of such deficiency and thereupon the First Party may at the First Party's option refuse to accept delivery pending correction by the Second Party. Upon the Second Party's failure promptly to remedy any deficiency in quality as specified in subsection 3 of this Section, the First Party may accept delivery of such gas and may make changes necessary to bring such gas into conformity with such specifications, and the Second Party shall reimburse the First Party for any reasonable expense incurred by the First Party in effecting such changes.
5. Natural Gas Interchangeability Indices: The natural gas received by Transporter shall conform to the following specifications (the “Natural Gas Interchangeability Indices”);
- i) Weaver Incomplete Combustion Index less than or equal to 0.05;
 - ii) AGA Yellow Tipping Index greater than or equal to 0.86;
 - iii) The minimum Wobbe Index of the gas shall be 47.23 MJ/m³;
 - iv) The maximum Wobbe Index of the gas shall be 51.16 MJ/m³; and
 - v) Shall not contain greater than 1.5 mole percent (%) Butanes Plus.

The Natural Gas Interchangeability Indices are based on the following historical supply gas composition:

<u>Compound</u>	<u>Mole %</u>
Methane	95.6734
Ethane	1.6241
Propane	0.1410
I-Butane	0.0180
N-Butane	0.0173
I-Pentane	0.0034
N-Pentane	0.0034

N-Hexane	0.0014
N-Heptane	0.0007
N-Octane	0.0002
Nitrogen	1.8419
Carbon Dioxide	0.6411
Helium	0.0339

5.9 BILLING AND PAYMENT

5.9.1 Billing.

On or before the tenth (10th) day of each Month, Transporter shall render bills for all services provided by Transporter for the preceding Month under Transporter's applicable rate schedule(s). In computing amounts due, Transporter may utilize estimates of the quantity of gas received from or delivered to Shipper during a Month in place of actual quantities when actual quantities are not reasonably available; provided, however, that adjustments shall be made as soon as is reasonably possible for differences between estimated and actual quantities. Any additional invoice backup shall accompany or precede the invoice.

When information necessary for billing purposes is in the control of Shipper, Shipper shall furnish that information to Transporter on or before the second (2nd) Banking Day of the Month following the Month of delivery.

5.9.2 Examination of Records.

Both Transporter and Shipper have the right to examine, at reasonable times, books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions hereof.

5.9.3 Payment.

Shipper shall pay Transporter on or before the twentieth (20th) day of the Month, subsequent to Transporter's rendering of a bill for services provided the preceding Month. If the day that a payment is otherwise due and payable falls on a non-banking day (such as Saturday, Sunday or a legal holiday), the payment shall become due and payable on the closest banking day that precedes such day. All payments by Shipper to Transporter shall be made in Canadian dollars at Transporter's address designated in the Agreement, or by electronic transfer directed to the Royal Bank of Canada, Main Branch, Calgary, Alberta, or at other institutions if agreed upon by Transporter, for deposit to the account of Transporter so that Transporter shall receive payment from Shipper by the date identified above in this Section 5.9.3.

Shipper should submit supporting documentation with payment and also identify invoice number(s) on all payments. Transporter will apply payment per supporting documentation provided by the Shipper and if payment differs from invoiced amount, remittance detail should be provided with the payment, except when payment is made by

electronic funds transfer, in which case the remittance detail is due within two (2) Banking Days of the payment due date.

5.9.4 Failure to Pay.

Should Shipper fail to pay all of the amount of any statement as herein provided when that amount is due, interest on the unpaid portion of the bill shall accrue daily at a rate of interest equal to the prime rate of interest of the Royal Bank of Canada as it may vary from time to time, plus one percent (1%) and the principle and accrued interest to date shall be payable and due immediately, from the due date until the date of payment. Transporter may, on a not unduly discriminatory basis, exercise its right to waive accrual of interest on any unpaid portion. Transporter shall have the right, pursuant to Section 5.17.2, paragraph (E), of the General Terms and Conditions of this Gas Tariff, to suspend or terminate service to Shipper in addition to any other remedy Transporter may have hereunder. However, if Shipper, in good faith, disputes the amount of any bill or part thereof and: (i) promptly pays to Transporter the undisputed amount, and (ii) furnishes to Transporter a good and sufficient surety bond in an amount and with surety satisfactory to Transporter, or provides other assurance acceptable to Transporter guaranteeing payment to Transporter of the amount ultimately found due upon the bill after a final determination that may be reached either by agreement or by judgment of the courts, as may be the case, then Transporter shall not be entitled to automatically suspend service under the Agreement unless and until default be made in the conditions of the bond or other assurance. If: (i) it is determined that Transporter is incorrect and also at fault with regard to the billing dispute and (ii) the Shipper has furnished a surety bond to avoid the suspension of service under the Agreement, then Transporter shall reimburse Shipper up to the reasonable and customary cost of the surety bond provided.

5.9.5 Adjustment of Billing Errors.

Subject to the provisions of Section 5.7, paragraph (3), if it shall be found that at any time or times Shipper has been overcharged or undercharged in any form and Shipper shall have actually paid the bills containing the overcharge or undercharge, then within thirty (30) days after the final determination thereof, either Transporter shall refund the amount of any overcharge or Shipper shall pay the amount of any such undercharge. If an error is discovered in the amount billed in any statement rendered by Transporter, the error shall be adjusted within thirty (30) days of the determination thereof, provided that claim therefor shall be made within thirty (30) days from the date of discovery of such error, but in any event within six (6) months from the date of such statement (the initial transportation invoice) with a three (3) month rebuttal period. The six (6) month limitation shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Notwithstanding the foregoing, parties' other statutory or

contractual rights shall not otherwise be diminished by the procedures described in this section. If the parties are unable to agree on the adjustment of any claimed error, then any legal proceedings shall be commenced by either of the parties within fifteen (15) months after the supposed cause of action is alleged to have arisen, or shall thereafter be forever barred. Transporter shall retain billing records for no less than three (3) years.

5.9.6 Third Party Charges.

Shipper shall be responsible for delivering all Gas to, and accepting redelivery of all Gas from, Transporter's system, and shall be free to contract with third party(s) upstream or downstream of Transporter's system to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, to provide service to Shipper, use service which Transporter has contracted for with third party(s) for the benefit of Shipper, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay such third party(s), which charges may include, but are not limited to, reservation and/or usage charges and surcharges, fuel charges, compression fees, balancing or storage fees, measurement fees, processing fees, and/or facility charges. Such charges shall be set forth as separate items on billings rendered to Shipper.

5.10 FORCE MAJEURE, REMEDIES, AND RESERVATION CHARGE CREDITS

1. Force Majeure.

Neither Shipper nor Transporter shall be liable in damages to the other for any act, omission or circumstances occasioned by or in consequence of: any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freezeups, decline in the Gross Heating Value of Gas received by Transporter to the effect that Transporter cannot transport Shipper's Scheduled Daily Delivery, and any other cause, whether of the kind herein enumerated or otherwise, including legislative, administrative or judicial action which has been resisted in good faith by all legal means, all of which are not reasonably expected and within the control of the party invoking this section, and whether caused or occasioned by or happening on account of the act or omission of one of the parties hereto or some person or concern not a party hereto, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

2. Remedies.

Such causes or contingencies affecting the performance of the Agreement by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting the performance of this Agreement relieve either party from its obligation to make payments of amounts then due thereunder, nor shall such cause or contingencies relieve either party of liability unless such party shall give notice and full particulars of the same in writing or by fax to the other party as soon as possible after the occurrence relied on.

3. Reservation Charge Credits.

(a) Firm Daily Volume

As used in this Section 5.10, Firm Daily Volume shall mean the volume of gas which Transporter is obligated to deliver on a firm basis at Shipper's primary firm delivery point on a Gas Day, based on confirmable nominations for firm service within Shipper's Maximum Daily Quantity.

(b) Force Majeure Event

If, due to an event of Force Majeure as defined in Section 5.10 of the General Terms and Conditions of this Gas Tariff, Transporter is unable to deliver any portion of Shipper's Firm Daily Volume for a period greater than ten (10) consecutive days, then for each day beyond ten (10) days that Transporter so fails to provide service the applicable reservation charges including applicable reservation-based surcharges shall not apply to the quantity of gas not delivered by Transporter within the Shipper's Firm Daily Volume; provided, however, that these charges shall not be eliminated to the extent that the Shipper utilizes secondary point service.

However, if Transporter's inability to deliver Shipper's Scheduled Daily Delivery is due to a decline in the Gross Heating Value of Gas received by Transporter, the reservation fee shall not be reduced by any amount.

Additionally, if Transporter's inability to deliver Shipper's Firm Daily Volume occurs on a Gas Day when service was unavailable pursuant to the terms of Transporter's Rate Schedule LFT, the reservation charges shall not be reduced by any amount.

(c) Non-Force Majeure Event

Except as provided for in Section 5.10, paragraph (3)(b) above, in the event Transporter fails to deliver any portion of Shipper's Firm Daily Volume on any Gas Day under any firm contract, then the applicable reservation charges including applicable reservation-based surcharges shall not apply to the quantity of gas not delivered by Transporter within Shipper's Firm Daily Volume; provided, however, that these charges shall not be eliminated to the extent that the Shipper utilizes secondary point service.

However, if Transporter's inability to deliver Shipper's Firm Daily Volume occurs on a Gas Day when service was unavailable pursuant to the terms of Transporter's Rate Schedule LFT, the reservation fees shall not be reduced by any amount.

(d) Confirmable Nominations

Any exemption from crediting for nominated amounts not confirmed, as provided in Section 5.10, paragraphs (3)(b) and (3)(c) above, is limited to events caused solely by the conduct of others, such as Shipper or upstream or downstream facility operators not controlled by Transporter.

5.11 PRIORITIES AND REDUCTIONS

5.11.1 Priorities.

1. Subject to the provisions of this Section 5.11.1, Transporter will schedule nominated services as of each nominating cycle in accordance with the following procedures:

Firm service shall have the highest priority on Transporter's system. From time to time, Transporter may not have sufficient capacity to accommodate all nominations for Transportation Service through a given path of its pipeline, receipt point, or delivery point. In that event, Transporter shall schedule nominated services according to Section 5.11.1, paragraphs 2 and 3 below.

For purposes of allocating capacity on Transporter's system, Shippers shall be divided into priority groups as follows:

- (a) Category A - Firm Transportation Service Shippers within their respective Transportation Paths as defined in Section 5.5.1, paragraph 5, pursuant to an Agreement under Transporter's Gas Tariff.
 - (b) Category B - Firm Transportation Service Shippers outside of their respective Transportation Paths as defined in Section 5.5.1, paragraph 5, pursuant to an Agreement under Transporter's Gas Tariff.
 - (c) Category C - Interruptible Transportation Service Shippers with Agreements under Transporter's Gas Tariff.
2. Transporter shall schedule nominated services by path as follows:
 - (a) First, to Category A Shippers to satisfy their nominations, and pro rata based on Category A Shipper nominations, if required;
 - (b) Second, to Category B Shippers to satisfy their nominations, and pro rata based on Category B Shipper nominations, if required; and
 - (c) Third, to Category C Shippers on the basis of Confirmed Price, provided that in the event Category C Shippers have nominated at an equivalent Confirmed Price, then pro rata based on those Shippers' nominations, if required.

3. Transporter shall schedule nominated services at Receipt and Delivery Points as follows:

In the event that there is insufficient capacity at a point to accommodate all nominations, the available capacity at the point will be allocated as follows:

- (a) First, to nominations at Primary Receipt Points or Primary Delivery Points as defined in Section 5.5.1, paragraphs 1 and 3, pro rata based on Shipper nominations within this group;
- (b) Second, to nominations at Secondary Receipt Points or Secondary Delivery Points as defined in Section 5.5.1, paragraphs 2 and 4, pro rata based on Shipper nominations within this group; and
- (c) Third, to interruptible (Category C Shipper) nominations on the basis of Confirmed Price, provided that in the event of an equal Confirmed Price, the capacity will be allocated pro rata based on the nominations of those Shippers with an equivalent Confirmed Price.

5.11.2 Bumping Provisions.

Transportation Service provided to any Shipper may not be interrupted to provide increased Transportation Service to another Shipper during the Intraday 3 Nomination Cycle as defined in Section 5.3.2 of the General Terms and Conditions of this Gas Tariff. During the Timely, Evening, Intraday 1, and Intraday 2 Nomination Cycles as defined in Section 5.3.2:

- 1) a Category A or Category B Shipper may nominate quantities up to that Shipper's MDQ and the scheduling shall interrupt already scheduled Transportation Service of Category C Shippers, but shall not interrupt already scheduled Transportation Service of other Category A or Category B Shippers, or
- 2) a Shipper utilizing Primary Receipt or Delivery Points, or Secondary Receipt or Delivery Points, as defined in Section 5.5.1 of the General Terms and Conditions of this Gas Tariff, may nominate quantities up to that Shipper's MDQ and the scheduling shall interrupt already scheduled Transportation Service of Category C Shippers, but shall not interrupt already scheduled Transportation Service of other Shippers utilizing Primary or Secondary Receipt or Delivery Points, or
- 3) a Category C Shipper may nominate quantities and the scheduling shall interrupt already scheduled Transportation Service of other Category C Shippers if the Confirmed Price for the nominated quantities is higher than for the already scheduled Transportation Service.

Transporter shall provide notification of intraday bumps to each affected Shipper through such Shipper's choice of Electronic Notice Delivery Mechanism(s). Unless Shipper and Transporter have agreed to exclusive notification via EDI/EDM, Shipper shall provide Transporter with at least one, but no more than two, Internet e-mail address(es) to be used for Electronic Notice Delivery. In this instance, unless and until Shipper provides Transporter with at least one Internet e-mail address, Transporter shall not be obligated to provide Shipper with notification of intraday bumps through Electronic Notice Delivery. Under such circumstances, Transporter shall provide notice either by telephone or by fax.

When a capacity constraint occurs due to force majeure or other operating condition on the Transporter's system that reduces the available capacity on the system, Shippers will be reallocated capacity as determined by the priorities within this Section 5.11. The Shipper can continue to maintain its priority for capacity at the constrained point by continuing to maintain its nomination. As the constrained capacity comes back on the system, Shippers will be reinstated as determined by the aforementioned priorities.

For the purpose of this Section 5.11, any Shipper paying a Confirmed Price above the maximum rate shall be deemed to be paying the maximum applicable rate.

5.11.3 Curtailment.

In the event that capacity on the Transporter's system or at receipt point(s) or at delivery point(s) must be curtailed, the curtailment shall occur in the inverse order to the allocation of that capacity pursuant to this Section 5.11; except that within Category A Shippers and Category B Shippers and for point capacity utilizing Primary and Secondary Points under Section 5.11, capacity will be curtailed equally pro-rata based upon scheduled quantities.

5.12 MISCELLANEOUS

5.12.1 Possession of Gas.

As between the parties hereto, Shipper shall be deemed to be in control and possession of the gas deliverable hereunder until it shall have been delivered to Transporter. Transporter shall be deemed to be in control and possession of the gas transported hereunder from the time of delivery of such gas into its facilities by Shipper until such gas is delivered to Shipper. Transporter shall not be responsible for any gas prior to its delivery into Transporter's system, or after its delivery from Transporter's system.

5.12.2 Warranty of Title to Gas.

Shipper warrants that it will at the time of delivery to Transporter have good title or good right to all gas caused to be delivered to Transporter hereunder, free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify and save Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse claims of any and all persons to said gas and/or to royalties, taxes, license fees, or charges thereon. Shipper agrees that as to the gas it causes to be delivered to Transporter hereunder, Transporter shall be entitled to all of the protection provided by the warranty of title or the rights to gas set forth in the contracts under which such gas was purchased.

Transporter will not suffer or permit any lien or encumbrance to be placed on or against the gas deliverable under this Gas Tariff, with respect to any claim against Transporter and will indemnify and save harmless Shipper from and against any such liens, encumbrances or claims, including Shipper's costs of disputing such liens, encumbrances or claims or defending any actions with respect thereto.

5.12.3 Waivers.

No waiver by either Transporter or Shipper of any one or more defaults by the other in the performance of any provisions of the Gas Tariff shall operate or be construed as a waiver of any continuing or future default or defaults, whether of a like or a different character.

Transporter may waive any rights hereunder or any obligations of Shipper applicable to any specific default that has already occurred, or case-by-case in advance of any specific, temporary operational problem, on a basis which is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.

5.12.4 Transfer and Assignments.

Any company which shall succeed by purchase, merger, or consolidation to the properties substantially as an entirety, of Shipper or of Transporter, as the case may be, shall be entitled to the right and shall be subject to the obligations of its predecessor in title under this Gas Tariff. Except as provided above, no assignment of an Agreement or any of its rights or obligations thereunder shall be made by Shipper or Transporter without the written consent, which shall not be unreasonably withheld, of the other party first obtained. It is agreed, however, that the provisions of this Section 5.12.4 shall not in any way prevent either party under an Agreement from pledging or mortgaging its rights as security for its indebtedness. Shipper hereby consents to such pledging or mortgaging of an Agreement by Transporter. An Agreement shall be binding upon and shall inure to the benefits of the respective successors and assigns of the parties thereto.

5.12.5 Limitation of Liability.

Except as otherwise provided herein, neither Transporter nor Shipper shall be liable in damages, whether direct, indirect, consequential or otherwise, other than for acts of gross negligence, undue discrimination or willful misconduct and then only to the extent that Force Majeure does not apply, provided that nothing herein shall limit Transporter's or Shipper's liability, if any, for direct damages resulting from its own negligence.

5.13 FIRM SERVICE AGREEMENT EXPIRATION - RIGHT OF FIRST REFUSAL

- (a) Section 5.13 applies to any Shipper with an Agreement under Rate Schedules FT, EFT, or LFT that is at the maximum applicable tariff rate and is either: (1) for a term of twelve (12) or more consecutive months or (2) for a term of more than one (1) year for a service which is not available for twelve (12) consecutive months, and that desires to continue Transportation Service beyond the primary term of the Agreement. However, this Section 5.13 shall not apply (i) to an interim Service Agreement associated with capacity that has been reserved for a Pre-arranged Service, for which Transporter has limited the interim service renewal rights, as provided in Section 5.2.2 of the General Terms and Conditions of this Gas Tariff, (ii) to a Service Agreement associated with off-system capacity, for which Transporter has limited the renewal rights, as provided in Section 5.15, paragraph 2, of the General Terms and Conditions of this Gas Tariff, or (iii) to a limited-term Service Agreement associated with capacity that has been reserved for a future expansion project, for which Transporter has limited any extension rights, as provided in Section 5.16 of the General Terms and Conditions of this Gas Tariff. Shipper may apply the provisions of this Section 5.13 to all or any part of the expiring capacity under its existing Agreement.
- (b) If a Shipper's Agreement does not qualify for the right of first refusal as identified above, Transporter may offer a right of first refusal.
- (c) If the terms of Shipper's Agreement include a Reduction Option, the quantity subject to Section 5.13 shall be the quantity in effect on the date of termination of the initial Agreement.
- (d) Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's firm Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a firm Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either Transporter or Shipper elects termination under an evergreen provision, Transporter shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Section 5.13.

5.13.1 Notification to Shipper and Shipper Response.

- (a) Transporter shall notify Shipper no later than six (6) months prior to the expiration of an existing Agreement of the impending termination, or may notify Shipper of Transporter's exercise of any contractual right to terminate the existing Agreement.

Within thirty (30) days of Transporter's notification, Shipper shall provide to Transporter:

- (1) a written response stating that Shipper wishes to exercise its right of first refusal pursuant to this Section 5.13, including the quantity, if any, for which Shipper does not wish the provisions of this Section 5.13 to apply; or
- (2) a written response stating that Shipper does not wish to exercise its right of first refusal.

Nothing in this section shall preclude Shipper from renewing the existing Agreement pursuant to Section 4.1.2, paragraph 1(b), of Rate Schedule FT, Section 4.2.2, paragraph (j)(2), of Rate Schedule EFT, or Section 4.3.2, paragraph (g)(2), of Rate Schedule LFT, as applicable.

- (b) Shipper's failure to provide within thirty (30) days of Transporter's notification the written response required by Section 5.13.1, paragraph (a), shall constitute an irrevocable waiver of Shipper's right of first refusal.
- (c) Prior to Transporter commencing an open season bidding process in accordance with Section 5.13.2 below, Shipper and Transporter may mutually agree to extend the existing Agreement, the exact terms of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner, thus avoiding commencement of the bidding process.

5.13.2 Posting of Notice for Bids.

Within five (5) Banking Days of receipt of Shipper's Section 5.13.1, paragraph (a)(1), written response that it wishes to exercise its right of first refusal, Transporter shall post upon its Web site a notice of capacity available for bids containing the following information:

- (a) The quantity of capacity available upon expiration of Shipper's existing Agreement subject to existing Shipper's right of first refusal (bids for partial capacity are permitted).
- (b) The date of expiration of the Agreement.
- (c) The Primary Receipt Point of the Agreement.
- (d) The Primary Delivery Point of the Agreement.
- (e) The maximum rate applicable to the Transportation Service as set forth in Section 3.
- (f) If the service to be renewed is under Transporter's Rate Schedule LFT, Transporter shall make clear in the posting that service is subject to periods of unavailability as provided for under such rate schedule and shall post the number of Gas Days that service shall be unavailable.

The notice shall remain posted on the Web site and the capacity shall remain open for bids for thirty (30) days.

5.13.3 Submission of Bids.

"Potential Shippers" are persons who desire Transportation Service to be provided to them in whole (or in part) from the capacity made available upon expiration of Shipper's existing Agreement. Bids from Potential Shippers must be received by Transporter within thirty (30) days of the Section 5.13.2 posting date. A bid shall be an offer to enter into a Transportation Service Agreement under Rate Schedule FT, Rate Schedule EFT, or Rate Schedule LFT of Transporter's Gas Tariff, as appropriate. Nothing in this section shall require Transporter to discount below the maximum rate applicable to a Transportation Service nor shall Transporter be required to agree to any other terms including, but not limited to, a term of discount not agreeable to Transporter.

5.13.4 Bid Requirements.

A bid must be:

- (a) posted directly on Operator's Transactional System or submitted in writing;
- (b) signed by one authorized to sign contracts on behalf of the Potential Shipper, or submitted to Operator's Transactional System by one authorized to submit bids for Transporter's capacity on behalf of the Potential Shipper pursuant to these General Terms and Conditions; and
- (c) submitted by a Potential Shipper that has complied with the requirements for a request for service pursuant to Rate Schedules FT, EFT, or LFT of Transporter's Gas Tariff, as appropriate, and with the creditworthiness provisions of Section 5.17 of the General Terms and Conditions.

Transporter may reject all bids which propose a discount rate and term of discount not agreeable to Transporter.

5.13.5 Best Bid(s) for Matching Purposes.

- (a) At the close of the bidding period, Transporter shall review all bids that met the bid requirements and that were not rejected by Transporter pursuant to Section 5.13.4. Such bids ("valid bids") shall be evaluated on the basis of the Net Present Value of the proposed reservation rate (or any other proposed form of revenue guarantee) and the associated proposed term ("NPV per unit"). As used in this Section 5.13.5, revenue guarantee shall include, but not be limited to, revenue based on any minimum through-put commitment proposed in a bid.

- (b) Transporter shall rank the valid bids in order of the highest to the lowest NPV per unit. From those ranked valid bids, Transporter will determine which valid bid(s) is the "Best Bid(s) for Matching Purposes" ("BBMP(s)"). The BBMP(s) shall be the bid(s), in order of ranking, which aggregate to a total quantity not greater than the capacity posted for bids under Section 5.13.2.

5.13.6 Notice of Bid Results.

Within fifteen (15) days of the close of the bidding period, Transporter will notify Shipper of any acceptable bids, including:

- (1) the rate, term, and quantity of each BBMP, if any, ranked from highest to lowest NPV per unit; or
- (2) that no valid bids were received.

5.13.7 Matching and Award of Capacity.

- (a) Shipper shall have thirty (30) days from Transporter's Section 5.13.6 notice to match the BBMP(s) for the quantity that Shipper wishes to renew. Shipper shall match the BBMP(s) in order of ranking (highest to lowest).
- (b) In order to match a BBMP, Shipper must agree to a net present value of rate and term which at least equals the net present value of the rate and term, as reflected in Transporter's Section 5.13.6 notice, of the BBMP being matched; provided that Transporter shall not be required to accept any rate other than the rate stated in the BBMP, or the maximum applicable tariff rate, nor shall Transporter be required to agree to any other terms.
- (c) If a matched BBMP represents a volumetric portion of the total capacity posted for bids under Section 5.13.2, the volumetric amount of capacity to which the matched BBMP applies shall be awarded to Shipper. Shipper may choose to renew a volumetric portion of a particular BBMP provided it has matched any and all higher-ranked BBMP(s) for their full volumetric capacity.
- (d) To the extent that the quantity Shipper wishes to renew exceeds the aggregate quantity of the BBMP(s), and after Shipper has matched all BBMP(s) for their full volumetric quantity, the provisions of Section 5.13.8 regarding absence of bids shall apply to the remaining quantity.

5.13.8 Absence of Bids.

In the event Transporter does not receive any valid bids, Transporter and Shipper shall have thirty (30) days from Transporter's Section 5.13.6 notice to mutually agree upon the terms and conditions of renewed service, provided that (a) Transporter shall not be required to discount below the maximum applicable tariff rate or to agree to any other terms; and (b) Shipper may select the term of renewed service after agreeing to pay the maximum rate.

5.13.9 Awarding of Capacity.

Any capacity not awarded to the existing Shipper shall be awarded to the Potential Shipper(s) whose bid(s) produces the highest NPV per unit utilizing the actual term set forth in the bid(s).

5.13.10 Shipper's Right of First Refusal.

Shipper's right of first refusal shall expire upon award to Shipper of the total capacity Shipper wishes to renew, or thirty (30) days from Transporter's Section 5.13.6 notice, whichever is earlier. Shipper shall have a new right of first refusal on its renewal agreement for (a) capacity renewed at the maximum rate that meets the requirements set forth in Section 5.13; and (b) capacity renewed under a discounted recourse rate Agreement or negotiated rate Agreement if Shipper and Transporter so agree in accordance with Section 5.13.

5.14 CONSTRUCTION & FINANCING OF FACILITIES

1. Unless otherwise agreed to by the parties, Transporter shall not be required to own, construct or install gas supply or market lateral facilities. In the event Transporter agrees to own, construct or install gas supply or market area lateral facilities, Transporter shall do so on a not unduly discriminatory basis, and may require the reimbursement of costs associated therewith as agreed to by the parties.
2. Transporter may agree to pay or contribute to the cost of building facilities for current or potential Shippers (a “Contribution in Aid of Construction”) when Transporter determines that doing so will result in an economic benefit or when Transporter determines that the project is economically neutral to Transporter. Transporter may conclude that a portion of the facilities are economically beneficial. Transporter will evaluate each prospective project under this policy based upon the incremental cost of service and incremental revenues which Transporter estimates will be generated as a result of the project. When estimating incremental revenues to be generated, Transporter will base those revenues upon transportation rates it expects to be able to charge, net of pass-through surcharges, and the incremental volumes or firm service contracts to be incremental if the volumes or firm service contracts that will be transported or provided, respectively, would not otherwise flow through, or be contracted for firm service on, Transporter’s system.

5.15 OFF-SYSTEM CAPACITY

Transporter will only utilize third party, off-system capacity for others pursuant to its existing Gas Tariff and the rates provided therein, as filed with the NEB.

1. Third Party Transporter's Use.

Transporter shall require Shipper to furnish Transporter's Use that Transporter is required to furnish to any third party attributable to performance of service on behalf of Shipper.

2. Renewal Limitations.

In the event that off-system capacity utilized by Transporter on behalf of Shipper is subject to renewal limitations, as specified in a third party provider's tariff and/or as provided by NEB regulation, Transporter will indicate in any posting of capacity available for service any limitation to renewal rights that will apply as a result of limitations on the off-system capacity.

5.16 RESERVATION OF CAPACITY FOR FUTURE EXPANSION PROJECTS

Transporter may elect to reserve for a future expansion project any unsubscribed firm capacity or capacity under expiring or terminating firm transportation agreements where such agreements do not carry a right of first refusal or where Shipper does not exercise its right of first refusal. Transporter may only reserve capacity for a future expansion project for which an open season for the expansion has been held or will be held within one (1) year of the date that Transporter posts such capacity as being reserved. Capacity reserved under this Section may be reserved for up to one (1) year prior to Transporter filing for certificate approval for the proposed expansion, and thereafter until such expansion is placed into service.

Capacity reserved under this Section will be made available for Transportation Service on a limited-term basis up to the in-service date of the expansion project. For such limited-term Service Agreements, Transporter reserves the right to limit any Shipper extension rights, including the right of first refusal, within the Service Agreement. The availability of limited-term capacity, including any limitations on the extension rights of such capacity, will be posted on Transporter's Web site.

Prior to reserving capacity for a future expansion project under this Section, Transporter must first make such capacity generally available to any Shipper or potential Shipper by posting such capacity for bidding through an open season for a time period of at least five (5) Banking Days, pursuant to Section 5.2.1, paragraph (f), of the General Terms and Conditions of this Gas Tariff. Capacity that remains available after the five (5) Banking Day posting may be reserved by Transporter by means of a posting on Transporter's Web site that shall include:

- (a) a description of the proposed expansion project for which the capacity will be reserved;
- (b) the total quantity of capacity to be reserved;
- (c) the location of the reserved capacity on Transporter's system;
- (d) the anticipated timing of an open season for the reserved capacity in connection with the proposed expansion project;
- (e) the projected in-service date of the proposed expansion project; and
- (f) on an on-going basis, how much of the reserved capacity has been sold on a limited-term basis that would otherwise be eligible for a right of first refusal.

Transporter shall make reasonable efforts to update the reservation posting up to the in-service date of the project to reflect any material changes in the scope of the project.

Transporter shall make a non-binding solicitation for turnback capacity from Transporter's existing Shippers to serve the expansion project. Transporter shall post a

non-binding solicitation for turnback capacity on its Web site no later than ninety (90) days after the close of the expansion project's open season, specifying the minimum term for a response to the solicitation.

Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within thirty (30) days of the date the capacity becomes available.

5.17 CREDITWORTHINESS

5.17.1 Determination of Creditworthiness.

- (A) For purposes herein, the determination of Shipper's creditworthiness will be based upon Shipper's credit/financial history and outlook, along with a comparison of the request for credit (defined as the sum of the reservation fees and other applicable fees and amounts calculated for three months of service or the effective period of Shipper's service, whichever is shorter) to the Shipper's adjusted tangible net worth as defined in Section 5.17.1, paragraph (B)(2). If the Shipper has multiple Agreements with Transporter, the exposure generated by the total of all such Agreements shall be considered in determining creditworthiness.
- (B) Shipper will be deemed creditworthy (on a standalone basis) if:
- (1) the Shipper provides verification that the lower of its senior unsecured debt rating or issuer rating is investment grade or better from each of the major rating agencies (if applicable), including, but not limited to, Moody's, Standard & Poor's, Fitch, and Dominion Bond Rating Service; and
 - (2) the request for credit is less than fifteen percent (15%) of the Shipper's tangible net worth, as adjusted. "Tangible net worth" is defined as Shipper's total assets, less total liabilities, less intangible assets, less off-balance sheet obligations. The fifteen percent (15%) referenced herein will be adjusted as appropriate by the use of key ratios to reflect issues and trends regarding Shipper's liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency, and profitability; and
 - (3) the Shipper's credit/financial history and outlook is determined to be acceptable by Transporter. Such determination shall be based upon Transporter's evaluation of: (a) Shipper's financial statements and auditor's notes, Shipper's annual report to stakeholders, and Shipper's annual report to regulators; (b) whether Shipper has been placed on credit watch and/or there has been a change in Shipper's credit rating; (c) bank and trade references or other information obtained that is relevant to Shipper's current and future financial strength and its ability to pay its obligations in a timely manner; (d) Shipper's payment history to Transporter for services provided under this Gas Tariff; (e) whether Shipper is subject to any proceedings under any laws pertaining to bankruptcy, insolvency, liquidation, or debt reduction procedures; and (f) whether Shipper is subject to any recently filed substantial litigation either against Shipper or affecting Shipper's business prospects.

- (C) In the event that Transporter determines an existing Shipper or potential Shipper to be non-creditworthy, and upon request of such Shipper, Transporter shall provide within five (5) days of the request a written explanation of the basis for the non-creditworthy determination.

5.17.2 Service to Non-creditworthy Shippers.

- (A) Transporter shall not be required to execute or extend an Agreement under any Rate Schedule on behalf of any Shipper, or to commence or to continue service to any Shipper, who is not deemed creditworthy pursuant to Transporter's credit standard as set forth in Section 5.17.1. Any Shipper failing to meet the credit standard may still receive service if Shipper furnishes and maintains with Transporter one of the following credit enhancements, in an amount determined pursuant to Section 5.17.2, paragraph (C), below, calculated for (3) three months of service or the effective period of Shipper's service, whichever is shorter:
 - (1) an unconditional, irrevocable guaranty executed from a party that meets Transporter's standards for creditworthiness as set forth in Section 5.17.1;
 - (2) a revolving irrevocable standby letter of credit from a creditworthy major Canadian or U.S. bank or finance company; or
 - (3) such other form of credit enhancement as may be acceptable to Transporter to assist the Shipper in meeting Transporter's standards for creditworthiness.
- (B) In lieu of credit enhancement, Transporter may agree to accept a prepayment for service.
- (C) The amount of credit enhancement or prepayment required to be provided by Shipper shall be determined by Transporter, giving consideration to, without limitation:
 - (1) the highest estimated charges that may be incurred by Shipper, including reservation, commodity, and any other applicable charges; and
 - (2) for loan transactions, any penalties that may apply under Sections 4.5.2, paragraph (d)(1) or 4.5.2, paragraph (i)(2), of Transporter's Rate Schedule PAL.
- (D) Transporter shall provide written notice of its determination that an existing Shipper no longer qualifies for standalone credit. Such notice shall state the amount of

security required by Transporter pursuant to this Section 5.17.2 in order for Shipper to continue to receive service. Further,

- (1) Within five (5) Banking Days of its receipt of Transporter's notice, Shipper shall:
 - (a) submit payment in full of any amounts which remain due and owing to Transporter for services already provided and invoiced to Shipper; and
 - (b) provide prepayment for one (1) month of service.
 - (2) Within thirty (30) days of its receipt of Transporter's notice, Shipper shall provide the form and amount of credit enhancement described in Section 5.17.2, paragraphs (A) through (C), in order to continue to receive service.
- (E) If Shipper should fail to provide: 1) the required information pursuant to Section 5.17.5, paragraphs (A) and (B) - Subsequent Information; 2) any payment required pursuant to Section 5.9.4 - Failure to Pay; or 3) any required credit enhancement and/or prepayment pursuant to this Section 5.17.2, Transporter may suspend or terminate service to Shipper. Transporter shall provide written notice to Shipper thirty (30) days prior to a termination of service and four (4) Banking Days prior to a suspension of service. Shipper shall not be obligated to pay any reservation fees for suspended service attributable to the period when such service is suspended. Upon resolution of the deficiencies cited by Transporter in a notice of suspension, Transporter shall promptly reactivate service to Shipper and notify Shipper of such reactivation.

5.17.3 Credit Requirements for Service Requiring New Non-Mainline Facilities.

Shippers that contract for service requiring new non-mainline facilities, such as laterals, meter stations, and other appurtenances, must be deemed creditworthy on a standalone basis, or provide such other forms of additional credit enhancement, in an amount agreeable to Transporter, for a period up to the termination date of Shipper's Agreement.

5.17.4 Initial Information.

A completed copy of Transporter's Credit Application, as provided on Transporter's Web site, shall be submitted as part of a Request for Service pursuant to Section 5.2 of the General Terms and Conditions of this Gas Tariff. In circumstances where Transporter already possesses a previously provided and current Credit Application from Shipper, Shipper may not be required to provide all or a portion of the Credit

Application information when submitting a Request for Service. However, such Shipper shall submit as part of a Request for Service any changes and/or updates to the Credit Application information already in Transporter's possession. Such information shall include:

- (a) a copy of Shipper's most recent year-end audited financial statements, most recent annual report to stakeholders, and most recent annual report to regulators;
- (b) a copy of Shipper's most recent quarterly financial statements, which must be signed and attested by the President and by the Chief Financial Officer as fairly representing the financial position and results of the company;
- (c) a statement of any proceedings having been commenced by or against such Shipper for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extensions. In the event that a court decree or order shall have been entered for the appointment of a receiver, liquidator, trustee, assignee in bankruptcy or insolvency of Shipper, or of a substantial part of its property, or for the winding up or liquidation of its affairs, or in the event that any substantial part of the property of Shipper shall be sequestered or attached and shall not be returned to the possession of Shipper or released from attachment within thirty (30) days thereafter; or in the event that Shipper shall make a general assignment for the benefit of creditors or shall admit in writing its inability to then pay its debts generally as they become due, then Shipper shall fully disclose any and all actions regarding the above described proceedings against Shipper or any affiliated companies;
- (d) any credit rating agency change in senior unsecured debt or issuer rating occurring since completion and submission of initial Credit Application;

If Shipper is providing a Guarantor Letter, the Guarantor Company must also provide the information requested in Section 5.17.4, paragraphs (a), (b), (c), and (d) above, and also the year Guarantor Company started; bank and trade references; and contact person relating to credit matters.

5.17.5 Subsequent Information.

- (A) If any of the events or actions described in Section 5.17.4, paragraph (c), hereof shall be initiated or imposed, on either Shipper or Guarantor during the term of service hereunder, Shipper shall provide notification to Transporter within two (2) Banking Days of any such initiated or imposed event or action. At any time during the term of service under any Rate Schedule Agreement, Shipper shall also be

required to update the information specified in Section 5.17.4 of this Gas Tariff, as may reasonably be requested by Transporter, to determine Shipper's continuing creditworthiness. Shipper shall provide such information within five (5) Banking Days of Transporter's request.

- (B) To maintain its assigned credit status, Shipper and/or Guarantor must provide the following (a) within five (5) Banking Days of request by Transporter, and (b) automatically on an annual basis no later than four (4) months following the close of Shipper's or Guarantor's year end: (1) a copy of the most recent audited financial statements; and (2) a copy of the most recent annual report to stakeholders or regulators.

5.17.6 Creditworthiness Requirements for Assignment of Service

In those instances of a temporary assignment of a Shipper's right to firm Transportation Service pursuant to Transporter's Gas Tariff, Shipper (assignor) shall be required to maintain creditworthiness to Transporter's reasonable satisfaction pursuant to this Section 5.17 prior to Transporter having any obligation to provide Transportation Service to Shipper's assignee. In those instances of a permanent assignment of a Shipper's right to firm Transportation Service pursuant to Transporter's Gas Tariff, Shipper's assignee shall be required to establish creditworthiness to Transporter's reasonable satisfaction pursuant to this Section 5.17 prior to Transporter having any obligation to provide Transportation Service to Shipper's assignee. If Shipper's assignee cannot establish creditworthiness to Transporter's reasonable satisfaction, Shipper may provide security in lieu of the assignee's provision of security to satisfy such requirements. Regardless of the nature and source of the security provided to Transporter, in those instances of a temporary assignment of Shipper's right to firm Transportation Service, Shipper shall at all times remain wholly liable to Transporter for Shipper's total contracted capacity through the term of Shipper's Transportation Agreement and Transporter may seek payment from Shipper if Shipper's assignee fails to meet its obligations under the Transportation Agreement or Transporter's Gas Tariff.

5.18 TRANSPORTER'S USE

- (a) Shipper shall furnish gas for Transporter's Use in the following manner: Shipper shall tender to Transporter, for Transporter's Use, quantities of gas, in addition to Shipper's Scheduled Daily Delivery for Transportation Service, equivalent to the total Gas Tendered times the percentage determined by Transporter for the Month during which the deliveries are made for the services applicable to Shipper.

As such, the Scheduled Daily Delivery for Transportation divided by one less the applicable Transporter's Use percentage shall be equal to the total Gas Tendered, as follows.

FORMULA: $SDD / (1 - TU\%) = GT,$

where

GT = Gas Tendered for Transport and Transporter's Use
TU% = Transporter's Use percentage
SDD = Scheduled Daily Delivery

- (b) The applicable percentages will be communicated to Shipper by way of Transporter's Web site by the twentieth (20th) day of the preceding month.
- (c) Changes to the percentages shall be made in the following manner:
- (1) By the twentieth (20th) day of the preceding month, Transporter will make the following calculations. Transporter will compare the actual system Transporter's Use to the Transporter's Use tendered by all Shippers for the prior Month (including any remaining over or underrecovery from the preceding prior period). These comparisons will be used to determine the Prior Period Difference for the applicable period.
 - (2) The Prior Period Difference, positive or negative, will be included in determining the Transporter's Use percentages applicable to the next Month. Except as provided in the preceding sentence, the Transporter's Use percentages applicable to a Month shall be based upon forecasted Transporter's Use gas.

5.19 ABANDONMENT COST ESTIMATE

Transporter is relying on a letter of credit as the set aside mechanism for the eventual cost of abandonment of Transporter's system. The costs incurred by Transporter to fund the abandonment letter of credit shall be included in Transporter's revenue requirement.

5.20 SCHEDULES AND CONTACT SUBJECT TO REGULATION

These General Terms and Conditions and all Rate Schedules and forms of service agreements which comprise Transporter's Tariff are subject to the provisions of the National Energy Board Act.

This Tariff, including these General Terms and Conditions and the respective obligations of the parties under a Service Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction and are subject to change from time to time by addition, amendment, or substitution as provided by law.

Shipper shall comply with all applicable export and import laws and regulations including (1) obtaining all required export and import licenses and authorizations, (2) timely filing with the appropriate governmental authorities of all notices, reports and forms required for the export and import of natural gas, and (3) paying all duties, charges and fees due for the export and import of natural gas. Upon written request of Transporter, Shipper shall promptly provide to Transporter evidence of compliance with the foregoing, including providing copies of documents filed with government authorities.