

AltaGas Utilities Inc.

TRANSPORTATION SERVICE REGULATIONS
for
Rate 10 – Producer Transportation Service

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ARTICLE 1 – Context

1.1. Application

The Service Regulations are part of every Transportation Contract of AUI.

1.2. Relationships

The Service Regulations govern the relationship between AUI and Producer. They are part of AUI’s Gas Distribution Tariff and as such must be approved by the Board. They apply to every Producer unless varied by an agreement approved by the Board.

1.3. Applicable Rate

When accepting a Transportation Contract, AUI will designate the rate to be applied to the service.

1.4. Definitions

The following words or terms when used in these Service Regulations, the Rate Schedule or in a Transportation Contract shall, unless the context otherwise requires, have the meanings given below:

“10³m³” means one thousand (1,000) cubic metres of Gas;

“Allocation Method” means the procedure used to assign portions of the Gas flows at a Point of Receipt or Point of Delivery to the various Transportation Contracts moving gas at the location;

“AltaGas Utilities Inc.” or “AUI” or “the Company” means AltaGas Utilities Inc. or its successor;

“Billing Commencement Date” means the commencement date for assessing the tariffs and charges as set forth in these Service Regulations; provided however that the Billing

Commencement Date shall be adjusted by AUI if AUI is unable to commence Transportation Service under the Transportation Contract on such date;

“Board” means the Alberta Energy and Utilities Board;

“Contract Demand” means the maximum quantity of Gas in any consecutive twenty-four (24) hour period that AUI shall be obligated to receive at the Point of Receipt, as agreed between the parties to the Transportation Contract;

“cubic metre of Gas” or “m³” means the quantity of Gas which at a temperature of fifteen degrees Celsius (15°C) and at a pressure of one hundred one and three hundred twenty-five one-thousandths (101.325) kPa absolute occupies one (1) cubic metre;

“Date of Initial Delivery” means the date AUI commenced Transportation Service under the Transportation Contract;

“Day” means a period of twenty-four (24) consecutive hours, beginning and ending at eight hours (08:00), Mountain Standard Time;

“Gas” means all natural gas both before and after it has been subjected to any treatment or process by absorption, purification, scrubbing or otherwise, and includes all fluid hydrocarbons;

“Gas Distribution Tariff” means the rates, tolls, charges and terms and conditions of service fixed by the Board, as defined in the Act, as amended from time to time;

“Gas Pipeline System” means all those facilities, including the Specific Facilities, owned or used by AUI in the receipt, transportation, measurement, testing and delivery of Gas;

“GJ” means gigajoules or one billion (1,000,000,000) joules;

“Gross Heating Value” means the number of megajoules obtained from the combustion of a cubic metre of Gas at a temperature of fifteen degrees Celsius (15°C), with the Gas free of water vapour, and at a pressure of one hundred one and three hundred twenty five one-thousandths (101.325) kPa absolute and with the products of combustion cooled to the initial temperature of the Gas and the water formed by the combustion condensed to the liquid state;

“J” means joule;

“kPa” means kilopascals of pressure gauge unless otherwise specified;

“Maximum Contract Pressure” has the meaning given in Article 5;

“MJ” means megajoules or one million (1,000,000) joules;

“Minimum Contract Pressure” has the meaning given in Article 5;

“Month” means a period beginning at eight hours (08:00), Mountain Standard Time, on the first Day of a calendar month and ending at eight hours (08:00), Mountain Standard Time, on the first Day of the next succeeding calendar month;

“Nomination” means a written or electronic request for Gas to flow at a Point of Receipt or a Point of Delivery: 1) at a specified rate of flow, commencing at a specified time, or 2) a specified quantity on a specified date;

“NOVA” means NOVA Gas Transmission Ltd., or its successor;

“Point of Delivery” means the point on AUI’s system at which AUI delivers from the Gas Pipeline System to Producer the Gas that has been transported under the Transportation Contract;

“Point of Receipt” means the point on AUI’s system at which the Gas to be transported under the Transportation Contract first enters the Gas Pipeline System;

“Producer Transporter” or “Producer” means a person, firm, partnership, corporation or organization that is an owner of natural gas requiring Transportation Service for transporting Gas through AUI’s Gas Pipeline System, served under the Rate 10 class of rates, pursuant to AUI’s Rate Schedule;

“Rate Schedule” means the Gas Distribution Tariff rate schedule, including the general terms and conditions of service and any applicable rate riders, for the rate specified in and applicable to the Transportation Contract, or such other rate schedule in replacement thereof, as approved by the Board and determined by AUI to be in effect from time to time;

“Specific Facilities” means those facilities installed by AUI for the benefit of Producer and required to transport Gas;

“Transportation Contract” means the transportation contract between AUI and Producer and includes all schedules attached thereto and these Service Regulations;

“Transportation Service” means the service of transporting Gas through AUI’s Gas Pipeline System or other facilities;

“Year” means a period commencing on the Billing Commencement Date or anniversary of same and ending on the next succeeding anniversary of the Billing Commencement Date.

1.5. Interpretation

- (1) In the interpretation of the Transportation Contract, words in the singular shall be read and construed in the plural or words in the plural shall be read and construed in the singular where the context so requires.

- (2) The headings used throughout the Transportation Contract are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any article, clause or schedule nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

- (3) The definitions of all units of measurement and their prefixes used throughout the Transportation Contract shall be in accordance with the International System of Units.

ARTICLE 2 – General Provisions

2.1. Transportation Only

The Transportation Contract is solely for Transportation Service and Producer shall not acquire any title or interest in the Gas Pipeline System of AUI and AUI shall not acquire any title or interest in the Gas being transported under the Transportation Contract.

2.2. Request for Service

When Producer requests Transportation Service from AUI, AUI must inform the Producer of the conditions to be satisfied before a Transportation Contract can be accepted and service commenced. Producer must provide any information AUI reasonably requires to assess the request. AUI retains the right to refuse a Producer's request for Transportation Service.

2.3. Need for a Contract

Every Producer must sign a Transportation Contract to receive Transportation Service.

2.4. Land Use

Producer must ensure that, with respect to property owned or controlled by the Producer, AUI is provided at no cost with any land use rights required to provide and maintain the service.

2.5. Right of Entry

- (1) AUI has the right to enter the installation or complex of the Producer at any reasonable time:
 - (a) to install, maintain, or remove its facilities,
 - (b) to read, inspect, repair, or remove its metering devices, or
 - (c) to do anything else incidental to providing or discontinuing the Transportation Service.

- (2) If any of AUI's equipment is situated within the Producer's installation or complex, the Producer must ensure that AUI can obtain access to the equipment when necessary.

2.6. Gas Under AUI Control

Gas delivered to AUI by Producer for Transportation Service shall be under the exclusive control of AUI from the time such Gas is accepted for Transportation Service at the Point of Receipt until delivered at the Point of Delivery.

2.7. AUI Determines Routing

AUI does not dedicate the Gas Pipeline System or any segment thereof for Transportation Service for Producer, and accordingly the routing and facilities used for Transportation Service for Producer shall be at AUI's discretion and may change from time to time.

2.8. Gas May be Commingled

- (1) AUI may in the course of transporting Gas in the Gas Pipeline System commingle with or exchange for Gas owned by or transported for others, or remove certain hydrocarbon components present in the Gas.
- (2) As commingling, exchanging, or the removal of certain hydrocarbon components may alter the Gross Heating Value or constituent parts of the Gas between the Point of Receipt and the Point of Delivery, AUI shall not be required to deliver at the Point of Delivery Gas with the same Gross Heating Value or containing the same constituent parts as Gas delivered at the Point of Receipt and AUI shall make whatever compensating adjustments to volume and Gross Heating Value as may be warranted.
- (3) In the event, and to the extent, that any hydrocarbon components in the Gas delivered at the Point of Receipt are absent from the Gas delivered at the Point of Delivery as the result of commingling, exchanging or removal of such hydrocarbon components in the course of transporting the Gas, title to such hydrocarbon components shall, notwithstanding anything to the contrary otherwise contained in the Transportation Contract, be deemed conclusively to have passed to AUI at the Point of Receipt.

2.9. Producer Confirms Right to Transport

Producer covenants with AUI that Producer shall have the right to transport all Gas delivered under the Transportation Contract to AUI at the Point of Receipt.

2.10. Commitment to Maintain Systems

The parties hereto mutually undertake to operate and maintain their respective pipeline systems and equipment safely and in such a manner as not to interfere with the system or equipment owned by the other party and in particular each party undertakes and agrees to consult with the other before commencing construction or operation of any new equipment or facilities which such party reasonably expects might interfere with or affect the operation of the other party's pipeline system or equipment and to make modifications to the design or construction of any such equipment or facilities as practically may be requested of it to minimize any interference with such party's pipeline system or equipment.

2.11. Specific Facilities

A Producer may be required to pay a contribution for any incremental facilities (“Specific Facilities”) required to provide the service.

ARTICLE 3 – Quality of Gas

3.1. Gas Must be of Merchantable Quality

- (1) All Gas tendered for Transportation Service shall be of merchantable quality and, without restricting the generality of the foregoing:
 - (a) shall not contain sand, dust, gums, crude oil, impurities and other substances which may be injurious to pipelines or which may interfere with its transmission through pipelines or its commercial utilization; and
 - (b) shall not have a hydrocarbon dewpoint in excess of minus ten degrees Celsius (-10°C) at an absolute pressure of five thousand five hundred (5500) kPa; and
 - (c) shall not contain more than six milligrams per cubic metre (6 mg/m^3) of hydrogen sulphide; and
 - (d) shall not contain more than five milligrams per cubic metre (5 mg/m^3) of mercaptan sulphur; and
 - (e) shall not contain more than twenty-three milligrams per cubic metre (23 mg/m^3) of total sulphur; and
 - (f) shall not contain more than two percent (2%) by volume of carbon dioxide; and
 - (g) shall not contain more than sixty-four milligrams per cubic metre (64 mg/m^3) of water vapour; and
 - (h) shall not exceed fifty degrees Celsius (50°C) in temperature; and

- (i) shall be as free of oxygen as can be achieved through the exercise of all reasonable precautions, and shall not in any event contain more than four-tenths percent (0.4%) by volume of oxygen; and
 - (j) shall have a Gross Heating Value of not less than thirty-six and five-tenths megajoules per cubic metre (36.5 MJ/m³); provided however that with the prior written consent of AUI, Gas of a lower Gross Heating Value may be delivered.
- (2) If in AUI's sole opinion Gas received by AUI at the Point of Receipt fails to be of merchantable quality or fails to meet any one or more of the quality specifications set forth in this Article, AUI may at any time and from time to time immediately and without prior notice cease to receive further deliveries of Gas at the Point of Receipt pending the remedying by Producer of such failure to the satisfaction of AUI. AUI may install, at Producer's expense, such Specific Facilities including any Gas quality control, monitoring and/or shutdown equipment deemed necessary, in AUI's sole opinion, to ensure that Gas received by AUI at the Point of Receipt meets the quality specifications set forth in this Article.

3.2. Quality on Delivery

All Gas delivered by AUI to Producer at the Point of Delivery shall have the Gross Heating Value and quality that results from the Gas having been commingled in AUI's system.

3.3. Notice on Change in Input Quality

Producer shall notify AUI as soon as practicable in the event of any adverse change in Gas quality that is determinable by Producer and which may be delivered into the Gas Pipeline System at the Point of Receipt.

3.4. Notice on change in output quality

AUI shall notify Producer as soon as practicable in the event of any adverse changes in Gas quality that is determined by AUI and which may be delivered from the Gas Pipeline System at the Point of Delivery.

ARTICLE 4 – Measurement

4.1. Statutory Standards Apply

All measurements, calculations and procedures used in determining the quantities of Gas delivered at the Point of Receipt or at the Point of Delivery, shall be in accordance with the *Electricity and Gas Inspection Act R.S. 1985 c.E-4* as amended and all applicable regulations issued pursuant thereto.

4.2. Measuring Equipment

All measuring equipment, devices and materials required to measure the Gas at the Point of Receipt or at the Point of Delivery shall be installed, maintained and operated by AUI, its agents, or third parties acceptable to AUI, and shall be of standard manufacture and of a type approved by Industry Canada, Electricity and Gas. Producer may install and operate check measuring equipment; provided that it does not interfere with the operation of AUI's equipment or system.

4.3. Testing of Measuring Equipment

The accuracy of the measuring equipment shall be verified by standard tests and methods acceptable to AUI and Producer, at least once every 3 Months and at other times at the initiative of AUI or upon the reasonable request of Producer. Notice of the time and nature of each test shall be given by AUI to Producer, sufficiently in advance to permit a representative of Producer to be present. If, after notice, Producer fails to have a representative present the results of the test and adjustment, if any, made by AUI or its agents shall nevertheless be accepted until the next test. All tests of such measuring equipment shall be made at AUI's expense, except that Producer shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.

4.4. Inspection of Records and Equipment

AUI and Producer shall have the right to inspect the charts, measurement or test data and measuring equipment installed or furnished by the other under this Article and Article 3, at all times during business hours; provided however that the readings, calibration and adjustment of such measuring equipment shall be done only by the party furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession for a period of at least six (6) years.

4.5. Units Used

- (1) Unit of Measurement: The unit of volume for purposes of measurement shall be one (1) cubic metre of Gas.
- (2) Unit of Billing/Payment: For the purpose of determining the amount to be billed by AUI and paid by Producer for Transportation Service under the Transportation Contract, the Gross Heating Value of each cubic metre of Gas transported shall be determined in accordance with this Article and AUI shall on the basis of such measurement bill Producer, and Producer shall pay AUI the applicable charges for each GJ of Gas transported.
- (3) Atmospheric Pressure: For the purposes of measurement the atmospheric pressure at the Point of Receipt and at the Point of Delivery shall be determined in accordance with the regulations provided in this Article and shall be rounded to the nearest one-hundredth (1/100) of a kPa and deemed to be constant.

4.6. Method of Measurement

In determining the quantities of Gas delivered at the Point of Receipt or at the Point of Delivery the following practices shall prevail:

- (1) Metering
 - (a) The gas to be metered at the Point of Receipt and at the Point of Delivery shall be metered by one or more orifice meters, turbine meters, rotary

meters or other metering device approved by Industry Canada, Electricity and Gas, and adopted by AUI.

- (b) Measurement by orifice meters shall be in accordance with the methods prescribed in “American National Standard Orifice Metering of Natural Gas”, ANSI/API 2530, first edition, including the Appendix thereto, as published June 1979, or any subsequent revision thereof, approved by the Standards Division, Department of Consumer and Corporate Affairs and adopted by AUI.
- (c) Measurement by turbine meter shall be in accordance with the methods prescribed in “Measurement of Fuel Gas by Turbine Meters”, American Gas Association Committee Report No. 7, or any subsequent revisions thereof, approved by the Standards Division, Department of Consumer and Corporate Affairs and adopted by AUI.
- (d) Correction shall be made for the deviation of the Gas from the Ideal Gas Law at the pressure and temperature at which the Gas is metered in accordance with the methods prescribed in the “Manual for the Determination of Supercompressibility Factors for Natural Gas” based on PAR Research Project NXi 9 completed December 1962, as published by the American Gas Association and any subsequent revision or amendment or as prescribed in “Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases”, American Gas Association Transmission Measurement Committee Report No. 8 or any subsequent revision thereof or any other method approved by the Department of Consumer and Corporate Affairs and adopted by AUI. To determine the factors for such corrections a quantitative analysis of the Gas shall be made at reasonable intervals.

(2) Gas Sampling

- (a) Gas samples shall be representative of the Gas being metered at the time such samples are taken and may be either spot samples or samples taken over a period of time.
 - (b) Samples shall be taken at reasonable intervals by AUI or its agents; provided that AUI shall take additional samples when reasonably requested by Producer.
 - (c) The Gas characteristics determined by any test shall apply to the Gas metered from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.
- (3) Temperature
- (a) The flowing temperature of the Gas being metered shall be determined by means of a temperature transmitter or recording thermometer installed and maintained in accordance with the specifications set forth in Gas Measurement Committee Report No.3 or No.7 as published by the American Gas Association or any subsequent revisions thereof adopted by AUI, whichever is appropriate.
 - (b) The arithmetic average of readings each Day shall be deemed the Gas temperature and used in computing the quantities of Gas metered during such Day.
- (4) Correction and Adjustment
- (a) If at any time any of the measuring equipment is found to be registering inaccurately by an amount exceeding two percent (2%) or such other amount as mutually agreeable between Producer and AUI at a reading corresponding to the average hourly rate of flow, it shall be adjusted at once to read as accurately as possible and the readings of such equipment shall be adjusted to zero error for any period definitely known or agreed

upon, or if not so known or agreed upon, for a period of sixteen (16) Days or one-half (1/2) of the elapsed time since the last test, whichever is shorter.

- (b) If the measuring equipment is found to be out of service, the quantity of Gas delivered during such period shall be determined:
- i. by using the data recorded by any check measuring equipment registering accurately; or
 - ii. if such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded and adjusted to zero error; or
 - iii. if neither of the methods provided in (i) or (ii) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when AUI's equipment was registering accurately.

4.7. Gross Heating Value

Tests to determine the Gross Heating Value of Gas transported shall be established by the use of a Gas chromatograph, recording calorimeter, or any other device that is approved by the Department of Consumer and Corporate Affairs and adopted by AUI and shall be used in the calculation of the number of gigajoules transported under the Transportation Contract.

4.8. Composition

- (1) The composition of the Gas transported shall be determined by tests of representative samples of Gas so transported and conducted by AUI or its agents utilizing a chromatograph of standard manufacture.
- (2) Such tests shall be done once per Month or at such other intervals as may be justified by the consistency of previous tests thereof.
- (3) The results of any such test shall be used during the period commencing on the Day such sample shall have been taken or from the commencement date if

a sample is taken over a period of time, as the case may be, until the next test; provided that the results of the first such test shall be used from the Date of Initial Delivery of Gas until the second test.

4.9. Gas Characteristics

- (1) The Gas characteristics including, without limiting the generality of the foregoing, Gross Heating Value, relative density, nitrogen and carbon dioxide content of the Gas shall be determined by continuous recording equipment or by laboratory equipment.
- (2) The Gas samples to be tested shall be representative of the Gas delivered at the time such samples are taken and may be either spot samples or samples taken over a period of time.
- (3) If continuous recording equipment is used the arithmetic average of the recordings for each Day shall be used to determine Gas characteristics.
- (4) If spot samples are taken or a spot sampler is used, Gas characteristics shall be determined from the analysis of the samples using laboratory equipment.

4.10. Pulsation Dampening

If there are any compression facilities upstream of the Point of Receipt or downstream of the Point of Delivery, Producer shall cause to be provided sufficient pulsation dampening equipment to ensure that the compression facilities do not interfere with the operation of AUI's facilities.

4.11. Facilities Interference

In the event Producer's facilities interfere with AUI's ability to provide accurate measurement at the Point of Receipt or the Point of Delivery, AUI may immediately and without prior notice cease to receive further deliveries of Gas at the Point of Receipt pending the remedying by Producer of the cause of such interference to the satisfaction of AUI.

4.12. Use of NOVA or Other Measurements

AUI and Producer hereby agree that notwithstanding anything contained elsewhere in the Transportation Contract, at a Point of Delivery or at a Point of Receipt which is a NOVA/AltaGas Utilities Inc. system interconnection, where NOVA's measuring equipment is used or relied on by AUI for measuring Gas transported under the Transportation Contract, NOVA's measurement and testing of Gas procedures shall apply. At a Point of Delivery or at a Point of Receipt which is not a system interconnection with NOVA, measurement and testing shall be based on procedures agreeable to AUI and Producer.

4.13. Forecast Volumes

Producer agrees to provide to AUI, for planning purposes, such forecasts of future Monthly volumes to be transported under the Transportation Contract as AUI may request from time to time.

ARTICLE 5 – Gas Delivery

5.1. Matching Receipts and Deliveries

Subject to the other provisions of this Article, AUI agrees to receive from Producer at the Point of Receipt the quantity of Gas which Producer tenders for transportation up to the Contract Demand; provided however that AUI shall not be required in any hour to accept at the Point of Receipt a quantity of Gas greater than 1/20th of the Contract Demand, unless otherwise specified on the applicable Rate Schedule. AUI agrees to tender for transportation to Customer and Customer shall receive at the Point of Delivery, a volume of Gas containing the equivalent number of joules as are contained in the volume of Gas tendered by Customer at the Point of Receipt less Customer's share of AUI's Unaccounted-For-Gas and compressor fuel.

5.2. Overriding Rights and Obligations

Notwithstanding anything contained elsewhere in this Article, AUI reserves the right to restrict the flow of Gas at the Point of Receipt or the Point of Delivery to achieve a

balance, to correct any imbalance or in the event Producer repeatedly exceeds the Contract Demand without AUI’s authorization.

5.3. Inability to exchange

- (1) Notwithstanding anything contained elsewhere in the Transportation Contract, if a Point of Delivery is an interconnection with a pipeline system of a third party (“Other System”) Producer recognizes that AUI’s ability to deliver Gas may be dependent upon an exchange with volumes of Gas which would normally be delivered into the Gas Pipeline System.
- (2) Producer further recognizes that changes in such incoming volumes of Gas or changes in either the capacity of the interconnection with the Other System or the capacity of the Gas Pipeline System may occur from time to time.
- (3) In the event that AUI is unable to continue to exchange volumes of Gas at the Point of Delivery which is an interconnection with the Other System with volumes of Gas which would normally be delivered into the Gas Pipeline System at the Point of Delivery, or there are changes in incoming Gas volumes or capacity, then this shall constitute an event of Force Majeure and AUI shall serve written notice to Producer advising of its inability to continue to provide Transportation Service under the Transportation Contract by the exchange of volumes of Gas which would normally be delivered into the Gas Pipeline System.
- (5) The notice under Clause 5.7(3) will specify:
 - (a) Producer’s proportionate share of the additional costs associated with the capital improvements that are required to maintain Transportation Service at that Point of Delivery; and
 - (b) The volume of Gas AUI is able to receive and transport to that Point of Delivery if no capital improvements are made; and
 - (c) The location of alternate Points of Delivery at which AUI can continue Transportation Service at the then current level.
- (6) In the event that Producer receives notice pursuant to Clause 5.7(3), Producer shall, within thirty (30) Days after the receipt of such notice, provide written

notice to AUI indicating which of the options set out in such notice Producer intends to exercise.

- (7) In the event that none of the options provided by AUI are acceptable to Producer, Producer may terminate the Transportation Contract effective on the date such notice is received by Producer; provided however that in the event Producer chooses to terminate the Transportation Contract, Producer shall reimburse AUI for Producer's share of the undepreciated book value of the Specific Facilities at the effective date of termination together with all costs of abandoning or removing such facilities.

5.4. Minimum and Maximum Contract Pressures

- (1) The Minimum Contract Pressure and Maximum Contract Pressure of the Gas at the Point of Receipt shall be as specified by AUI for that location.
- (2) AUI at its sole discretion may grant relief from the Minimum Contract Pressure at the Point of Receipt to permit delivery of Gas at a reduced pressure and such relief shall continue until AUI provides written notice to revise the reduced pressure then in effect to a pressure not in excess of the Maximum Contract Pressure.
- (3) Subject to Clause 5.4(2), Producer will deliver the Gas, or cause the Gas to be delivered, to AUI at the Point of Receipt at such pressures as AUI may require from time to time at the Point of Receipt up to the Maximum Contract Pressure.
- (4) AUI will deliver the Gas, or cause the Gas to be delivered, to Producer at the Point of Delivery at such pressures as are available in the Gas Pipeline System from time to time.

5.5. Lost Gas

Subject to Clause 10.1(3), AUI shall not be responsible for Gas lost by pipeline rupture, explosion, fire or other similar calamity, but shall maintain and provide to Producer a record of Producer's proportionate share of any such loss and cooperate with all

reasonable requests of Producer's insurers or their agents during the course of the investigation of any claim arising from any such loss.

5.6. Allocations

- (1) For the purpose of administering Transportation Contracts, Gas flows shall be allocated to determine the daily flow under each agreement.
- (2) Producer and AUI shall agree on an Allocation Method prior to the flow of Gas and it will be confirmed in a letter agreement. In the event Producer and AUI are unable to agree on an acceptable Allocation Method, AUI reserves the right to decide on the Allocation Method which will be used.
- (3) One of the following allocation methods may be used or a mutually acceptable alternative method may be determined:
 - (a) Allocation prorated to Nomination;
 - (b) Allocation equal to Nomination for all Transportation Contracts but one, which is allocated the difference between total Nomination and physical flow;
 - (c) Allocation by entitlement (allocation of deliveries based on actual receipts);
 - (d) Allocation based on preset priority (first-next).
- (4) At locations where a portion of the Gas flowing belongs to parties other than Producer and AUI, all parties must agree in writing on the Allocation Method used between those parties at that location.
- (5) A request for change in Allocation Method must be made by either Producer or AUI, thirty (30) days prior to the requested change date. Producer and AUI shall agree on the revised Allocation Method prior to the change and it will be confirmed in a letter agreement.
- (6) In the event Producer and AUI are unable to agree on an acceptable revised Allocation Method, AUI reserves the right to decide on the revised Allocation Method which will be used.

5.7. Impaired Transportation

- (1) If by reason of the causes set out in Clause 5.7(3), AUI is unable, in whole or in part, to transport the quantities of Gas provided for in the Transportation Contract, then AUI shall be relieved of liability for not transporting such quantities, and AUI may curtail or discontinue Transportation Service under the Transportation Contract during the continuance and to the extent of the inability; provided however that AUI shall endeavour to give reasonable notice of any curtailment or discontinuance of Transportation Service arising by virtue of such causes and shall promptly endeavour to remedy the cause of any curtailment or discontinuance of Transportation Service as soon as reasonably possible.
- (2) Such notice shall specify AUI's estimate of the duration of any such curtailment or discontinuance of Transportation Service under the Transportation Contract.
- (3) The causes referred to above are:
 - (a) the necessity, in AUI's sole opinion, of making modifications or improvements to the Gas Pipeline System; provided however that AUI shall, when practicable, endeavour to effect such modifications or improvements, which are not emergency in nature, at a time and in a manner which shall not unduly interfere with or interrupt transportation of Gas; or
 - (b) the necessity of making repairs to the Gas Pipeline System used to transport Gas.

ARTICLE 6 – Financial Matters

6.1. Producer Pays Tariffs

- (1) Producer shall pay to AUI, for Transportation Service provided under the Transportation Contract, commencing on the Billing Commencement Date, the charges set forth in the Transportation Contract.

- (2) Producer shall not be relieved by Force Majeure as described in Article 7 from the obligation to pay the charges set forth pursuant to this Article unless Force Majeure has been invoked by AUI.

6.2. Billing

- (1) AUI may render to Producer on or before the twenty fifth (25th) Day of each Month a statement with respect to Gas transported for Producer during the preceding Month for:
 - (a) the amount payable by Producer calculated in accordance with this Article, and
 - (b) the volume, Gross Heating Value and total energy of the Gas measured or estimated at the Point of Receipt.
- (2) AUI shall make corrections to prior statements, as may be required, and shall present the corrections to Producer as soon as reasonably possible.

6.3. Payment

- (1) Producer agrees to pay AUI on or before the twenty first (21st) Day following the rendering of the statement by AUI to Producer, the total amount payable by Producer as set forth in the statement.
- (2) Each such payment shall be made in Canadian funds by cheque drawn in AUI's favour and delivered to AUI at the address stated in the Transportation Contract.

6.4. Unpaid Bills

AUI shall assess a late payment charge calculated as 1.5% of any unpaid balance from a previous Month's statement, including unpaid previous late payment charges. Any unpaid balance from a previous Month's statement is considered past due.

6.5. Disputes

In the event that Producer disputes any part of any statement, Producer shall nevertheless pay to AUI the full amount of the statement when payment is due.

6.6. Failure to Pay

In the event Producer fails to pay the full amount of any statement within sixty (60) Days after payment is due, AUI, in addition to any other remedy it may have, may suspend the receipt and delivery of Gas until full payment is made and such suspension shall not terminate or otherwise affect Producer's obligations to AUI.

6.7. Letter of Credit

- (1) Producer shall provide AUI with any financial information AUI reasonably requests in order that AUI may establish Producer's credit worthiness.
- (2) AUI may require Producer to provide, and at all times maintain, an irrevocable letter of credit in favour of AUI issued by a financial institution acceptable to AUI in an amount equal to the sum of the maximum amount payable by Producer under this Transportation Contract for ninety (90) Days of service plus the installation cost of Specific Facilities.
- (3) Where AUI requires Producer to provide a letter of credit and Producer is able to provide alternative security acceptable to AUI, AUI shall accept such security in lieu of a letter of credit.
- (4) AUI may in any Month draw on the letter of credit in an amount necessary to satisfy the charges due for the previous Month where Producer has not paid such charges within the time and manner provided for in Clause 6.3.
- (5) AUI shall return the letter of credit within thirty (30) Days after termination of the Transportation Contract.

ARTICLE 7 – Force Majeure

7.1. Effect of Force Majeure on Breach

Subject to the other provisions of this Article, if either party to the Transportation Contract fails to observe or perform any of the covenants or obligations herein imposed upon it and such failure shall have been occasioned by, or in connection with, or in consequence of Force Majeure, as hereinafter defined, such failure shall be deemed not to be in a breach of such covenants or obligations.

7.2. Meaning of Force Majeure

For the purposes of the Transportation Contract, “Force Majeure” means any cause, other than financial, beyond the control of the party claiming suspension and which the party could not have prevented or overcome by due diligence, including, but not limited to:

- (a) acts of God, such as lightning, earthquakes, storms, floods, fires, landslides and washouts,
- (b) strikes, lockouts or other industrial disturbances,
- (c) acts of the Queen’s enemy, sabotage, wars, blockades, insurrections, riots, epidemics, civil disturbances, arrests and restraints,
- (d) explosions, breakages of or accidents to machinery or lines of pipe,
- (e) hydrate obstructions of lines of pipe,
- (f) temporary failure of Gas supply,
- (g) freezing of wells or delivery facilities, well blowouts and craterings, and
- (h) the orders of any court or governmental authority.

7.3. Exceptions to Force Majeure

Notwithstanding Section 7.2(h), a decision, direction, or order made by the Board in the normal course of it exercising its authority to establish the appropriate revenue requirement or rates of the parties to this agreement shall not be considered an event of Force Majeure.

Neither party is entitled to the benefit of the provisions of Clause 7.1 of this Article under any of the following circumstances:

- (a) to the extent that the failure was caused by the sole negligence of the party claiming suspension; or
- (b) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition where it is within that party’s ability alone to do so and to resume the performance of such covenants or obligations, with reasonable dispatch; or

- (c) if the failure was caused by lack of funds or with respect to the payment of any amount or amounts then due under the Transportation Contract; or
- (d) unless as soon as possible after the happening of the occurrence relied upon or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Transportation Contract, the party claiming suspension shall have given to the other party notice, either in writing or electronically, to the effect that such party is unable by reason of Force Majeure (the nature whereof shall be therein specified) to perform the particular covenants or obligations.

7.4. Notice of Remedy

The party claiming suspension shall likewise give notice, as soon as possible after the Force Majeure condition is remedied, to the effect that the same is remedied and that such party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

7.5. Labour disputes

Notwithstanding anything to the contrary in this Article expressed or implied, the parties agree that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the particular party involved therein and such party may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Clause 7.1 of this Article.

ARTICLE 8 – Termination on Default

8.1. Non-Defaulting Party May Terminate

If either party shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of the Transportation Contract (the “Defaulting Party”), then in any

such event, the other party (the “Non-Defaulting Party”) may at its option terminate the Transportation Contract by proceeding as set out in this Article.

8.2. Notice of Intent

The Non-Defaulting Party shall cause a notice in writing to be given to the Defaulting Party advising as to the nature of any default and declaring it to be the intention of the Non-Defaulting Party to terminate the Transportation Contract.

8.3. Time to Remedy

The Defaulting Party shall have ninety (90) Days after receiving any such notice to remedy the default specified and if, within the said period of ninety (90) Days, the Defaulting Party does remedy any such default to the satisfaction of the Non Defaulting Party then the notice given pursuant to Clause 8.1 of this Article shall be deemed to be withdrawn and the Transportation Contract shall continue in full force and effect.

8.4. Producers Failure to Remedy

- (1) In the event that Producer does not remedy any default of which it has been given notice by AUI to the reasonable satisfaction of AUI within the said ninety (90) Day period, then AUI may terminate the Transportation Contract after the said ninety (90) Day period and the appropriate charges for all Specific Facilities, as well as the present value of all system tariffs that would be in effect until the termination of the Transportation Contract, discounted at a rate equal to AUI’s weighted average cost of capital as approved by the Board and in effect on the date the Transportation Contract is terminated by such default, shall become due and payable.
- (2) All other rights and obligations of the parties under the Transportation Contract shall cease upon termination of the Transportation Contract; provided however that any such termination shall not affect any other remedy AUI may have at law or in equity.

8.5. AUI’s Failure to Remedy

- (1) In the event that AUI does not remedy any default of which it has been given notice by Producer to the reasonable satisfaction of Producer within the said ninety (90) Day period, then Producer may terminate the Transportation Contract.
- (2) All other rights and obligations of the parties hereunder shall cease upon the termination of the Transportation Contract; provided however that any such termination shall not effect any other remedy Producer may have at law or in equity.

ARTICLE 9 – Notice

9.1. Notice in Writing

Every notice, request, statement or bill provided for by the Transportation Contract or any notice which either AUI or Producer may desire to give to the other shall be in writing directed to the party to whom given, made or delivered at such party’s address stated in the Transportation Contract.

9.2. Delivery of Notice

- (1) Any notice may be given by mailing the same, postage prepaid, in an envelope properly addressed to the person to whom the notice is being given and shall be deemed to be given four (4) business days after the mailing thereof, Saturdays, Sundays and statutory holidays excepted.
- (2) Any notice may also be given by facsimile at the facsimile number designated in the Transportation Contract , and any such notice so served shall be deemed to have been given twenty four (24) hours after transmission of the same, Saturdays, Sundays and statutory holidays excepted.
- (3) Any notice may also be delivered by hand to the person, or his representative, to whom such notice is to be given at such person’s address for notice, and such notice shall be deemed to have been given when received by such person or his representative.

- (4) Any notice may also be given by telephone or other electronic means followed immediately by letter or facsimile and any notice so given shall be deemed to have been given of the date and time of the telephone notice.

9.3. Disruption of Mail

In the event of disruption of regular mail every payment shall be personally delivered and every notice, demand, statement or bill shall be given by one of the alternative means set out in Clause 9.2 of this Article.

ARTICLE 10 – Miscellaneous Matters

10.1 Indemnity

- (1) Producer agrees to indemnify and save AUI harmless from and against any and all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of or in any way connected, either directly or indirectly, with any act, omission or default on the part of Producer under the Transportation Contract;
- (2) Notwithstanding subsection (1), in no event, whether as a result of alleged negligence on the part of Producer or otherwise, shall Producer be liable to AUI for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of purchased or replacement Gas, claims of AUI's customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.
- (3) AUI agrees to indemnify and save Producer harmless from and against all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of the gross negligence or willful misconduct of AUI under the Transportation Contract.
- (4) Notwithstanding subsection (3), in no event, whether as a result of alleged gross negligence on the part of AUI or otherwise, shall AUI be liable to Producer for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of

purchased or replacement Gas, claims of Producer's customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.

10.2 Service Regulations Prevail

No representation or commitment inconsistent with these Service Regulations has any effect unless approved by the Board.

10.3 General Laws Apply

The Transportation Contract and the rights and obligations of the parties to the Transportation Contract are subject to all applicable present and future laws, rules, regulations, and orders of any legislative body or duly instituted authority now or hereafter having jurisdiction.

10.4 Commitment to Performance

The parties hereto shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of the Transportation Contract and these Service Regulations.

10.5 No Waiver

No waiver by AUI or Producer of any default by the other under the Transportation Contract and these Service Regulations shall operate as a waiver of a future default whether of a like or different character.

10.6 Application to All Receipt Points

The Transportation Contract and these Service Regulations shall apply mutatis mutandis to each Point of Receipt and corresponding Point of Delivery.

10.7 Application to Successors

The Transportation Contract shall bind and inure to the respective successors and assigns of the parties hereto; provided however that no assignment shall release either party from

such party's obligations under the Transportation Contract without the written consent of the other party to such release, which consent shall not be unreasonably withheld.

10.8 Use as Security

Nothing herein contained shall prevent either party from pledging or mortgaging its rights under the Transportation Contract as security for its indebtedness.

10.9 Applicable Laws

The Transportation Contract shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.