CANADA

National Energy Board

Reasons for Decision

Westcoast Energy Inc.

RH-2-97
Part II

August 1997

Multi-year Incentive Toll Settlement
1 January 1997 to 31 December 2001

National Energy Board

Reasons for Decision

In the Matter of

Westcoast Energy Inc.

Multi-year Incentive Toll Settlement
1 January 1997 to 31 December 2001

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Part II

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ARTICLE 1
INTRODUCTION

1.1 Purpose of Settlement

Westcoast and its stakeholders as represented by the Canadian Association of Petroleum Producers, the Council of Forest Industries, Cominco Ltd. and Methanex Corporation, the Export Users Group, BC Gas Utility Ltd. and CanWest Gas Supply Inc. (collectively, the "Parties") propose the implementation of this Settlement for the determination of Westcoast's tolls for service on the Pipeline System for a five year period commencing January 1, 1997. This Settlement provides incentives for Westcoast to operate in a manner consistent with the increasingly competitive nature of the natural gas industry and incentives for Westcoast to provide competitive service to its Shippers. The Parties intend this Settlement to be interpreted and applied in good faith and in a manner consistent with the spirit of the objectives set out in section 1.2.

1.2 Objectives

The primary objectives of this Settlement are as follows:

(a) to enhance the viability and competitiveness of the British Columbia natural gas basin by aligning more closely the interests of Shippers and Westcoast through a framework which encourages operating and capital cost efficiencies;

(b) to provide Shippers with toll certainty and stability over an extended period of time;

(c) to provide for a period of orderly transition for the regulation of Westcoast's tolls in Zone 1 and Zone 2 from the existing full cost of service method of regulation to a light-handed method of regulation encompassing negotiated market-based arrangements which the Parties desire to be fully implemented by the end of the Term;

(d) to provide the lowest possible tolls and the highest possible level of Pipeline System reliability and utilization, without compromising pipeline efficiency or adversely impacting safety or the environment;

(e) to maintain or improve the safe, efficient, reliable and flexible operation of the Pipeline System;

(f) to maintain the financial integrity of Westcoast; and

(g) to reduce the resources consumed by Westcoast, its tollpayers and the Board in the traditional regulatory process.

ARTICLE 2
INTERPRETATION

2.1 Definitions

In this Settlement and in the Schedules:

(a) "Accounting Policies and Procedures" means the accounting policies and procedures described in Schedule C;

(b) "Board" means the National Energy Board or such other regulatory authority having jurisdiction;

(c) "Cost Recovery Applications" means the Fort St. John Cost Recovery Application and the Grizzly Valley Cost Recovery Application;

(d) "Existing Facilities" means the Pipeline System facilities which were in-service on January 1, 1997 and any additions or modifications to such facilities after January 1, 1997 which are required for the safe, efficient or reliable operation of the Pipeline System at the capacity levels existing at January 1, 1997;

(e) "Fort St. John Cost Recovery Application" means the Fort St. John cost recovery application filed by Westcoast with the Board on July 15, 1996 and includes any amendments thereto;

(f) "General Terms and Conditions" means Westcoast's General Terms and Conditions for Service as amended from time to time;

(g) "Grizzly Valley Cost Recovery Application" means the Grizzly Valley cost recovery application filed by Westcoast with the Board on July 31, 1996 and includes any amendments thereto;

(h) "Incremental Facilities" means any additions or modifications to the Pipeline System after January 1, 1997 which do not constitute Existing Facilities;

(i) "NEB Act" means the National Energy Board Act;

(j) "Pipeline System" means the gas gathering, processing and transmission facilities owned and operated by Westcoast in British Columbia, Alberta, the Yukon Territory and the Northwest Territories;

(k) "Shipper" means any person who enters into an agreement with Westcoast for service on the Pipeline System;

(l) "Term" means the term of this Settlement as set forth in section 3.1;

(m) "Toll and Tariff Task Force" means the group comprised of representatives from Westcoast, Shippers and other interested parties formed for the purpose of addressing and attempting to resolve issues relating to Westcoast's tolls and tariff and commonly known as Westcoast's "Toll and Tariff Task Force";

(n) “Toll Schedules” means Westcoast’s Toll Schedules for Raw Gas Transmission Service, Treatment Service, Liquids Recovery Service, Liquid Products Stabilization and Fractionation Service, Fuel Gas Service, Offline Service, Transportation Service - Northern Long and Short Haul and Transportation Service - Southern as amended from time to time;

(o) “Westcoast” means Westcoast Energy Inc.;

(p) “Year” means a period of 12 consecutive months commencing on January 1 and ending on December 31;

(q) “Zone 1” means the toll zones on the Pipeline System designated as Zone 1 and Zone 1A in the 1997 Toll Application;

(r) “Zone 2” means the toll zone on the Pipeline System designated as Zone 2 in the 1997 Toll Application;

(s) “Zone 3” means the toll zone on the Pipeline System designated as Zone 3 in the 1997 Toll Application;

(t) “Zone 4” means the toll zone on the Pipeline System designated as Zone 4 in the 1997 Toll Application; and

(u) “1997 Toll Application” means Westcoast’s 1997 general toll application filed with the Board on November 6, 1996.

2.2 Schedules

The following are the Schedules attached to this Settlement:

Schedule A:	Gathering and Processing Tolls
Schedule B:	Transmission Tolls
Schedule C:	Accounting Policies and Procedures
Schedule D:	Service Reliability

2.3 Interpretation

In this Settlement, except as otherwise expressly provided:

(a) “this Settlement” or “the Settlement” means this settlement agreement, and includes the Schedules and the Appendices to the Schedules;

(b) all references in this Settlement to designated “Articles”, “sections” and other subdivisions or Schedules are to the designated Articles, sections and other subdivisions or Schedules of or to this Settlement;

(c) the headings are inserted for convenience only and are not intended to interpret, define or limit the scope, extent or intent of this Settlement;

(d) the singular of any term includes the plural, and vice versa, and the word “including” is not limiting whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto;

(e) all references to “dollars” or “$” mean the lawful currency of Canada;

(f) “business day” means a day other than a Saturday or Sunday or a day observed as a holiday under the laws of British Columbia or Alberta or the federal laws of Canada; and

(g) where the time for doing an act falls or expires on a day other than a business day, the time for doing such act is extended to the next day which is a business day.

2.4 Application

This Settlement only applies to the Pipeline System.

2.5 Negotiated Settlement

This Settlement is the result of negotiations and the Parties have entered into this Settlement on the understanding that no single component of this Settlement is to be construed as representing the position of any Party on the appropriate tolls that would be obtained in the absence of this Settlement. The Parties intend that this Settlement be viewed as a whole, and that no aspect of this Settlement should be considered as acceptable to any of the Parties in isolation from all other aspects of this Settlement. This Settlement does not prejudice the position of any of the Parties subsequent to the expiration or termination of this Settlement.

2.6 Board Approval

The implementation of this Settlement is subject to Board approval and the Parties agree that this Settlement will terminate if it is not approved in its entirety by the Board. The Parties also acknowledge that all matters respecting Westcoast’s tolls, including the tolls under this Settlement and the ultimate adjudication of any disputes which arise out of this Settlement which cannot be resolved by the Parties in accordance with the terms of this Settlement, will be determined by the Board.

ARTICLE 3
TERM

3.1 Term

The effective date of this Settlement is January 1, 1997 and this Settlement will continue in effect until December 31, 2001.

ARTICLE 4
PIPELINE SYSTEM TOLLS

4.1 Gathering and Processing Tolls

Westcoast's tolls for service in Zone 1 and Zone 2 during the Term will be determined in the manner set out in Schedule A.

4.2 Transmission Tolls

Westcoast's tolls for service in Zone 3 and Zone 4 during the Term will be determined in the manner set out in Schedule B.

ARTICLE 5
GRIZZLY VALLEY/FORT ST. JOHN ADJUSTMENT

5.1 Expansion Project Costs

The Parties agree that the Board should determine the amount that Westcoast is permitted to recover in its tolls on account of the costs incurred by Westcoast in connection with the Fort St. John and Grizzly Valley expansion projects. The Parties also acknowledge that the tolls provided for in Schedule A and Schedule B will need to be adjusted to reflect such a determination by the Board. Accordingly, Westcoast will at the time it applies to the Board for approval of this Settlement request that the Board make a determination with respect to the Cost Recovery Applications and the amount that Westcoast is permitted to recover in its tolls on account of the Fort St. John and Grizzly Valley expansion projects. Following the Board's decision Westcoast's tolls for service set out in Schedule A and Schedule B will be adjusted to reflect the Board's decision.

ARTICLE 6
SERVICE RELIABILITY

6.1 Service Reliability

The Parties have agreed to certain principles related to service reliability on the Pipeline System which are set out in Schedule D. The implementation of the principles set out in Schedule D will require amendments to the Toll Schedules and General Terms and Conditions which will be settled between Westcoast and the other Parties. If Westcoast and the other Parties are unable to settle the terms of such amendments to the Toll Schedules and General Terms and Conditions at least 45 days prior to the applicable implementation date set out in Schedule D, then Westcoast and the other Parties will jointly file an application with the Board requesting the Board to settle the appropriate form of such amendments.

6.2 Nominations ‘97

The introduction of Nominations ‘97 referred to in Part V of Schedule D will require Shippers to contract their fuel requirements on the Pipeline System which may result in an increase in contract demand allocation units and an offsetting reduction in tolls. Accordingly, Westcoast’s tolls for service set out in Schedule A and Schedule B will be adjusted to reflect any change in contract demand allocation units as a result of the introduction of Nominations ‘97.

ARTICLE 7
DISPUTE RESOLUTION PROCESS

7.1 Dispute Resolution

In the event of any dispute under this Settlement, including a dispute respecting the determination of tolls under Schedule A or Schedule B and a dispute respecting the application of this Settlement, Westcoast and the affected Parties or Shippers will in good faith attempt to resolve the dispute. If a satisfactory resolution cannot be achieved within 30 days, Westcoast or any of the affected Parties or Shippers may file an application with the Board requesting the Board to adjudicate the matter in dispute. Any such application must also contain a request that the Board deal with the matter in dispute on an expedited basis and may contain a request that Westcoast’s tolls be made interim pending the Board’s decision with respect to the matter.

ARTICLE 8
FILING REQUIREMENTS

8.1 Implementation of Settlement

Westcoast will as soon as practicable file an application with the Board under Part IV of the NEB Act to amend the 1997 Toll Application and give effect to the terms of this Settlement. Westcoast will also file with the Board all amendments to its tariff, including the Toll Schedules and General Terms and Conditions, necessary to give effect to the terms of this Settlement. Westcoast will consult with the other Parties concerning the form and content of such application and tariff amendments prior to filing such application and tariff amendments with the Board.

8.2 Annual Filing

Westcoast will, on or before March 1 of each Year during the Term commencing in 1998, file with the Board the Option B Tolls for service in Zone 3 and Zone 4 for such Year determined in the manner set out in Schedule B, together with sufficient supporting schedules and explanatory information necessary to establish that the proposed Option B Tolls have been determined in the manner set out in Schedule B. Westcoast will prior to January 1 of such Year request the Board to issue an order making the Option B Tolls for the immediately preceding Year interim from January 1 of such Year pending the determination of final Option B Tolls in accordance with the toll filing required under this section 8.2, provided that Westcoast may, after consulting with the other Parties, request the Board to base the interim toll order on a forecast of the Option B Tolls for such Year having regard to the Year-over-Year change in the Option B Tolls. Subject to the terms of this Settlement (including any toll adjustments pursuant to Article 6 of Schedule A or Article 6 or 7 of Schedule B) and any adjustment required as a result of the Board's disposition of the Cost Recovery Applications pursuant to Article 5, the tolls set out in Appendices A, B, C, D, E and F of Schedule A for service in Zone 1 and Zone 2 and the Option A Tolls set out in Appendix A of Schedule B for service in Zone 3 and Zone 4 will remain in place during the Term and, accordingly, there will be no requirement to file such tolls on an annual basis during the Term.

8.3 Forecasts and Reports

Westcoast will seek, with support of the other Parties, an exemption from the Board from the requirement to file annual cost of service and financial forecasts and:

(a) in the case of Zone 1 and Zone 2, an order or directive from the Board permitting Westcoast to file only year-end surveillance reports, commencing with the Year ending December 31, 1997, in a form amended to reflect the provisions of this Settlement; and

(b) in the case of Zone 3 and Zone 4, an order or directive from the Board permitting Westcoast to file quarterly surveillance reports, commencing with the quarter ending September 30, 1997, in a form amended to reflect the provisions of this Settlement.

Westcoast will work with the Toll and Tariff Task Force to settle the form of the year-end and quarterly surveillance reports.

ARTICLE 9
TERMINATION OF SETTLEMENT

9.1 Right to Terminate

Westcoast or any other Party acting in good faith will have the option to terminate this Settlement in accordance with section 9.2 in any of the following circumstances:

(a) if this Settlement is materially varied by an order or direction of the Board;

(b) if the Parties are unable to agree by December 31, 1997 on the principles of light-handed regulation which are to apply to the services provided by Westcoast in Zone 1 and Zone 2 after the end of the Term, as provided for in section 7.1 of Schedule A;

(c) if the Parties are unable to agree by December 31, 1997 on the terms of an interconnection policy in Zone 1 and Zone 2, as provided for in section 8.1 of Schedule A; or

(d) a change occurs in the governing body regulating Westcoast, government policy or regulatory policy which has an effect on Westcoast's tolls or tariff inconsistent with the provisions of this Settlement.

9.2 Exercise of Termination Right

A Party entitled to terminate this Settlement pursuant to section 9.1 may terminate this Settlement by giving written notice thereof to each of the other Parties and to the Board. A notice to terminate this Settlement will be effective the first day of the month following the expiration of 45 days from the date that the notice is given.

ARTICLE 10
GENERAL

10.1 Terms and Conditions of Service

Westcoast will during the Term continue to provide service in accordance with the terms and conditions of the Toll Schedules and General Terms and Conditions as modified or amended in accordance with the terms of this Settlement.

10.2 Accounting Policies and Procedures

Westcoast will during the Term apply the Accounting Policies and Procedures except to the extent that the same may be varied by the Board from time to time.

10.3 Board Audit

The Board will retain and perform its audit functions with respect to the Pipeline System.

10.4 Compliance with Board Orders

Nothing in this Settlement is intended to preclude Westcoast from complying with any directives or orders of the Board applicable to Westcoast.
THIS SETTLEMENT is hereby agreed to by the Parties this 16th day of May, 1997.

Westcoast Energy Inc.

per: ___________________________

Canadian Association of Petroleum Producers

per: ___________________________

Council of Forest Industries, Cominco Ltd. and Methanex Corporation

per: ___________________________

Export Users Group, comprised of Cascade Natural Gas Corporation, IGI Resources, Inc., InterMountain Gas Company, Northwest Natural Gas Company, Puget Sound Energy and Washington Water Power Company

per: ______________________________

BC Gas Utility Ltd.

per: ______________________________

CanWest Gas Supply Inc.

per: ______________________________

SCHEDULE A
GATHERING AND PROCESSING TOLLS

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Schedule A, except as otherwise expressly provided:

(a) "Fuel Gas Service" means the service provided by Westcoast under the Toll Schedule for Fuel Gas Service;

(b) "Fuel Gas Toll" means, in respect of any month, the demand toll payable for Fuel Gas Service during such month equal to the toll specified in Appendix F for such month;

(c) "LPSF Service" means the service provided by Westcoast under the Toll Schedule for Liquid Products Stabilization and Fractionation Service;

(d) "LPSF Toll" means, in respect of any month, the commodity toll payable for LPSF Service during such month equal to the toll specified in Appendix E for such month;

(e) "Liquids Recovery Service" means the service provided by Westcoast under the Toll Schedule for Liquids Recovery Service;

(f) "Liquids Recovery Toll" means, in respect of any month, the demand toll payable for Liquids Recovery Service during such month equal to the toll specified in Appendix D for such month;

(g) "Offline Service" means the service provided by Westcoast under the Toll Schedule for Offline Service;

(h) "RGT Demand Toll Adjustment" means, in respect of any month, the demand toll adjustment for such month for RGT Service expressed in Canadian dollars per 10^3m^3 per month determined pursuant to Article 4;

(i) "RGT Service" means the service provided by Westcoast under the Toll Schedule for Raw Gas Transmission Service;

(j) "Term Election Form" means an election form substantially in the form attached hereto as Appendix G;

(k) "Treatment Demand Toll Adjustment" means, in respect of any month, the demand toll adjustment for such month for Treatment Service expressed in Canadian dollars per 10^3m^3 per month determined pursuant to Article 4;

(l) “Treatment Service” means the service provided by Westcoast under the Toll Schedule for Treatment Service;

(m) “5 Year Service” means each RGT Service and Treatment Service designated for toll purposes as 5 Year Service pursuant to sections 3.3 (a) and 3.4;

(n) “3 Year Service” means each RGT Service and Treatment Service designated for toll purposes as 3 Year Service pursuant to sections 3.3 (b), 3.4, 3.7 and 3.8;

(o) “1 Year Service” means each RGT Service and Treatment Service designated for toll purposes as 1 Year Service pursuant to sections 3.3 (c) and 3.8;

(p) “5 Year Service Toll” means, in respect of any month, the demand toll payable for a 5 Year Service during such month equal to the sum of:

   (i) in the case of RGT Service, the toll specified in Appendix A for such service for such month and the RGT Demand Toll Adjustment, if any, for such month; and

   (ii) in the case of Treatment Service, the toll specified in Appendix A for such service for such month and the Treatment Demand Toll Adjustment, if any, for such month;

(q) “3 Year Service Toll” means, in respect of any month, the demand toll payable for a 3 Year Service during such month equal to the sum of:

   (i) in the case of RGT Service, the toll specified in Appendix B for such service for such month and the RGT Demand Toll Adjustment, if any, for such month; and

   (ii) in the case of Treatment Service, the toll specified in Appendix B for such service for such month and the Treatment Demand Toll Adjustment, if any, for such month;

(r) “1 Year Service Toll” means, in respect of any month, the demand toll payable for a 1 Year Service during such month equal to the sum of:

   (i) in the case of RGT Service, the toll specified in Appendix C for such service for such month and the RGT Demand Toll Adjustment, if any, for such month; and

   (ii) in the case of Treatment Service, the toll specified in Appendix C for such service for such month and the Treatment Demand Toll Adjustment, if any, for such month;

(s) “1997 Contract Demand Allocation Units” means, in respect of RGT Service or Treatment Service, the average daily contract demand allocation units for such service for the Year ending December 31, 1997 determined on the basis of contract levels for such Year as of the 1997 Contract Demand Allocation Units Date;

(t) "1997 Contract Demand Allocation Units Date" means July 1, 1997 or such other date as may be agreed to by the Parties; and

(u) "10^3m^3" means 1,000 cubic meters of gas.

1.2 Appendices

The following are the Appendices to this Schedule A:

Appendix A: 5 Year Service Tolls
Appendix B: 3 Year Service Tolls
Appendix C: 1 Year Service Tolls
Appendix D: Liquids Recovery Tolls
Appendix E: LPSF Tolls
Appendix F: Fuel Gas Tolls
Appendix G: Term Election Form
Appendix H: Illustrations of Calculation of RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment

ARTICLE 2
GATHERING AND PROCESSING TOLLS

2.1 Tolls for Firm Service

Subject to the provisions of this Settlement, Westcoast will each month during the Term charge the following tolls for the following firm services through Existing Facilities in Zone 1 and Zone 2:

(a) with respect to RGT Service and Treatment Service:

(i) the 5 Year Service Tolls for 5 Year Service;
(ii) the 3 Year Service Tolls for 3 Year Service; and
(iii) the 1 Year Service Tolls for 1 Year Service;

(b) the Liquids Recovery Tolls for Liquids Recovery Service;

(c) the LPSF Tolls for LPSF Service;

(d) the Fuel Gas Tolls for Fuel Gas Service; and

(e) with respect to those Shippers receiving service through the Helmet/Peggo facilities in the Fort Nelson resource area as of January 1, 1997, the surcharges for RGT Service set forth in the appendix attached to the Toll Schedule for RGT Service entitled "Demand and Commodity Toll Surcharges - Raw Gas Transmission Service - Helmet/Peggo Facilities".

Westcoast will amend the Toll Schedules for RGT Service, Treatment Service, Liquids Recovery Service, LPSF Service and Fuel Gas Service to reflect the tolls set out above, and the Board's decision with respect to the Cost Recovery Applications pursuant to Article 5 of the Settlement, by replacing the appendix of tolls attached to each such Toll Schedule with a new appendix which reflects such tolls.

2.2 Tolls for Renewed Firm RGT and Treatment Service

Subject to the provisions of this Settlement, Westcoast will each month during the Term charge the 1 Year Service Tolls for each 3 Year Service and each 1 Year Service which is renewed pursuant to the term renewal right specified in section 2.02 of the General Terms and Conditions.

2.3 Tolls for Uncontracted and Attrition Capacity

Subject to section 3.8, the tolls and terms and conditions for service for any RGT Service or Treatment Service provided by Westcoast during the Term through Existing Facilities in Zone 1 or Zone 2 and which is not 5 Year Service, 3 Year Service or 1 Year Service will be determined from time to time through negotiations between Westcoast and the Shippers requesting such service or, if Westcoast so elects at such time, through an open season bidding process. All such RGT Service and Treatment Service that becomes available from time to time for any reason will be posted by Westcoast on its public bulletin board. All tolls and any variation in terms and conditions of service requiring Board approval which result from such negotiations or bidding process will be subject to filing with or approval by the Board under Part IV of the NEB Act.

2.4 Tolls for New Services

The tolls and terms and conditions for service for any new services in Zone 1 and Zone 2 provided by Westcoast during the Term through Existing Facilities will be determined from time to time through negotiations between Westcoast and the Shippers requesting such service or, if Westcoast so elects at such time, through an open season bidding process. Westcoast will consult with the Toll and Tariff Task Force with respect to any new service which affects the provision of existing service. All tolls and any variation in terms and conditions of service requiring Board approval which result from such negotiations or bidding process will be subject to filing with or approval by the Board under Part IV of the NEB Act.

2.5 Tolls for Incremental Capacity

The tolls and terms and conditions for service for any RGT Service, Treatment Service, Liquids Recovery Service, LPSF Service, Fuel Gas Service or any new service in Zone 1 or Zone 2 provided by Westcoast during the Term through Incremental Facilities in Zone 1 and Zone 2 will be determined from time to time through negotiations between Westcoast and the Shippers requesting such service or, if Westcoast so elects at such time, through an open season bidding process. All tolls and any variation in terms and conditions of service requiring Board approval which result from such negotiations or bidding process will be subject to filing with or approval by the Board under Part IV of the NEB Act.

2.6 Negotiated Tolls

The Parties intend that during the Term there should be a transition towards more negotiated, market-based arrangements between Westcoast and the Shippers consistent with the objective of fully implementing a method of light-handed complaints-based regulation of Westcoast's tolls in Zone 1 and Zone 2 by the end of the Term as contemplated in Article 7. Accordingly, following the completion of the allocation process set forth in sections 3.3 and 3.4, Westcoast and any Shipper will be free to negotiate the tolls and terms and conditions of service with respect to any firm service agreements under which Westcoast is providing RGT Service, Treatment Service, Liquids Recovery Service, LPSF Service or Fuel Gas Service. All tolls and any variation in terms and conditions of service requiring Board approval which result from any such negotiations will be subject to filing with or approval by the Board under Part IV of the NEB Act.

2.7 Tolls for Interruptible Service

Subject to the provisions of this Settlement, Westcoast will each month during the Term charge the following tolls for the following interruptible services provided through Existing Facilities in Zone 1 and Zone 2:

(a) during the months of April to October, inclusive:

(i) with respect to RGT Service and Treatment Service, a commodity toll (expressed in \$ per 10^3m^3) equal to the 100% load factor equivalent of the 1 Year Service Tolls for such service for such month;

(ii) with respect to Liquids Recovery Service, a commodity toll (expressed in \$ per m^3) equal to the 100% load factor equivalent of the Liquids Recovery Toll for such month; and

(iii) with respect to Fuel Gas Service, a commodity toll (expressed in \$ per 10^3m^3) equal to the 75% load factor equivalent of the Fuel Gas Toll for such month; and

(b) during the months of November to March, inclusive:

(i) with respect to RGT Service and Treatment Service, a commodity toll (expressed in \$ per 10^3m^3) equal to the 75% load factor equivalent of the 1 Year Service Tolls for such service for such month;

(ii) with respect to Liquids Recovery Service, a commodity toll (expressed in \$ per m^3) equal to the 75% load factor equivalent of the Liquids Recovery Toll for such month; and

(iii) with respect to Fuel Gas Service, a commodity toll (expressed in \$ per 10^3m^3) equal to the 75% load factor equivalent of the Fuel Gas Toll for such month.

Notwithstanding the foregoing, the continued appropriateness of the load factors used in paragraphs (a) and (b) above for purposes of calculating the interruptible tolls for RGT Service, Treatment Service, Liquids Recovery Service and Fuel Gas Service will be reviewed from time to time by Westcoast and the Toll and Tariff Task Force and an adjustment to such load factors and interruptible tolls will be made if the Toll and Tariff Task Force by an unopposed resolution agrees to such adjustment. If the Toll and Tariff Task Force cannot reach agreement on a proposed adjustment to such load factors and interruptible tolls, then Westcoast may file an application with the Board requesting the Board to determine whether such an adjustment should be made.

2.8 Bidding Process to Determine Tolls for Interruptible Service

Notwithstanding section 2.7, it is the desire of the Parties that Westcoast, if feasible, introduce a bidding process for the determination of the tolls for interruptible service in Zone 1 and Zone 2 under which interruptible service would be allocated, subject to certain minimum bids and a maximum bid equal to the 50% load factor equivalent of the 1 Year Service Tolls, to Shippers willing to pay the highest toll for interruptible service. If Westcoast determines that the introduction of a bidding process is feasible, then Westcoast will work with the other Parties to implement such a process. Any such change in the determination of the tolls for interruptible service in Zone 1 and Zone 2 will be subject to filing with or approval by the Board under Part IV of the NEB Act.

ARTICLE 3
ALLOCATION OF SERVICE FOR TOLL PURPOSES

3.1 Allocation of Service

The Parties agree that the RGT Services and Treatment Services will be allocated for toll purposes to 5 Year Service, 3 Year Service and 1 Year Service in accordance with this Article 3 such that in any Year during the Term the amount of RGT Service and Treatment Service eligible for the 5 Year Service Tolls and the 3 Year Service Tolls will not exceed:

(a) in the case of the 5 Year Service Tolls, 50% of the 1997 Contract Demand Allocation Units for RGT Service and 50% of the 1997 Contract Demand Allocation Units for Treatment Service; and

(b) in the case of the 3 Year Service Tolls, 25% of the 1997 Contract Demand Allocation Units for RGT Service and 25% of the 1997 Contract Demand Allocation Units for Treatment Service.

3.2 Option to Extend Service Expiry Date

All Shippers who have contracted for RGT Services or Treatment Services as of the 1997 Contract Demand Allocation Units Date and for which service has commenced or will commence by November 1, 1997 will, provided that there is no existing limitation on the right to renew such services in accordance with Article 2 of the General Terms and Conditions, have the right to elect to extend the service expiry dates of all or any portion of such services which do not expire October 31, 1997 in order to qualify such services for the 5 Year Service Tolls or the 3 Year Service Tolls, by delivering to Westcoast, on or before July 11, 1997 (or such other date as may be agreed to by the Parties), a duly completed and executed Term Election Form. Such an election will only be binding on a Shipper to the extent that such Shipper is allocated 5 Year Service or 3 Year Service pursuant to the allocation process set out in section 3.3 or 3.4. In addition, if the Settlement is terminated prior to the end of the Term pursuant to section 9.1 of the Settlement, then any service expiry dates which were extended as a result of an election pursuant to this section 3.2 and which fall on a date later than October 31 next following the effective date of such termination will be amended to the later of the original service expiry date and October 31 next following the effective date of such termination.

3.3 Allocation Procedure

Westcoast will on or before August 15, 1997 (or such other date as may be agreed to by the Parties) allocate for toll purposes as 5 Year Service, 3 Year Service or 1 Year Service all RGT Services and Treatment Services which are contracted as of the 1997 Contract Demand Allocation Units Date and for which service has commenced or will commence by November 1, 1997 in accordance with the following procedure:

(a) 5 Year Service will be allocated in the following priority:

(i) each RGT Service and Treatment Service which, as of January 1, 1997, has a service expiry date later than October 30, 2001 will be allocated for toll purposes to the Shippers holding such service, and such service will be designated as 5 Year Service for the remaining term of such service; and

(ii) any remaining amount of RGT Service or Treatment Service available for the 5 Year Service Tolls pursuant to section 3.1 will be allocated for toll purposes to those Shippers who:

(A) elect pursuant to section 3.2 to extend the service expiry date of their RGT Service or Treatment Service to a date which, in the case of service which commenced on or before January 1, 1997, is later than October 30, 2001, and to a date which, in the case of service which commences after January 1, 1997, is at least five years later than the service commencement date of such service; and

(B) have contracted for RGT Service or Treatment Service after January 1, 1997 with a service expiry date which is at least five years later than the service commencement date of such service;

pro rata based on the amount of such service so elected or contracted by each such Shipper and having regard to the limitation in section 3.4, and such service will be designated as 5 Year Service for the remaining term of such service;

(b) 3 Year Service will be allocated in the following priority:

(i) each RGT Service and Treatment Service which, as of January 1, 1997, has a service expiry date later than October 30, 1999 and which is not designated as 5 Year Service pursuant to (a)(i) above will be allocated for toll purposes to the Shippers holding such service, and such service will be designated as 3 Year Service for the remaining term of such service; and

(ii) any remaining amount of RGT Service or Treatment Service available for the 3 Year Service Tolls pursuant to section 3.1 will be allocated for toll purposes to those Shippers who:

(A) elect pursuant to section 3.2 to extend the service expiry date of their RGT Service or Treatment Service to a date which, in the case of service which commenced on or before January 1, 1997, is later than October 30, 1999, and to a date which, in the case of service which commences after January 1, 1997, is at least three years later than the service commencement date of such service (including such service which as a result of the pro rata allocation in (a)(ii) above was not designated as 5 Year Service); and

(B) have contracted for RGT Service or Treatment Service after January 1, 1997 with a service expiry date which is at least three years later than the service commencement date of such service (including such service which as a result of the pro rata allocation in (a)(ii) above was not designated as 5 Year Service);

pro rata based on the amount of such service so elected or contracted by each such Shipper and having regard to the limitation in section 3.4, and such service will be designated as 3 Year Service for the remaining term of such service; and

(c) all remaining RGT Service and Treatment Service which is not designated as 5 Year Service or 3 Year Service pursuant to (a) and (b) above will be allocated for toll purposes to the Shippers holding such service and will be designated as 1 Year Service for the remaining term of such service.

3.4 <u>Limitation on Allocation of Service</u>

Notwithstanding section 3.3, the maximum amount of RGT Service and Treatment Service which may be allocated for toll purposes to any Shipper pursuant to section 3.3(a)(ii) and 3.3(b)(ii) and designated as 5 Year Service and 3 Year Service, respectively, will be limited to:

(a) in the case of section 3.3(a)(ii), the amount, if any, by which (i) 50% of all RGT Services and 50% of all Treatment Services which are contracted by such Shipper as of the 1997 Contract Demand Allocation Units Date and for which service has commenced or will commence by November 1, 1997, exceeds (ii) the amount of RGT Service and Treatment Service, respectively, allocated for toll purposes to such Shipper pursuant to section 3.3(a)(i); and

(b) in the case of section 3.3(b)(ii), the amount, if any, by which (i) 25% of all RGT Services and 25% of all Treatment Services which are contracted by such Shipper as of the 1997 Contract Demand Allocation Units Date and for which service has commenced or will commence by November 1, 1997, exceeds (ii) the amount of RGT Service and Treatment Service, respectively, allocated for toll purposes to such Shipper pursuant to section 3.3(b)(i).

If as a result of such limitation there is at the end of the allocation procedure in section 3.3 any remaining amount of RGT Service or Treatment Service available for the 5 Year Service Tolls or the 3 Year Service Tolls pursuant to section 3.1, then such service will be allocated for toll purposes to the Shippers affected by such limitation pro rata based on the amount of RGT Service or Treatment Service held by each such Shipper which, pursuant to this section 3.4, was excluded from the allocation procedure in sections 3.3 (a)(ii) and 3.3(b)(ii), and such service will be designated as 5 Year Service or 3 Year Service, as the case may be, for the remaining term of such service.

3.5 Notice of Allocation

Westcoast will following completion of the allocation process set forth in sections 3.3 and 3.4 advise all Shippers in Zone 1 and Zone 2 of the results of the allocation. The allocation will become final and binding on all Shippers on the later of (i) 15 days after the date on which Westcoast advises the Shippers of the results of the allocation, and (ii) the date on which any review of the allocation process requested pursuant to section 3.6 is completed.

3.6 Independent Review

At any time prior to the date which is 10 days after the date on which Westcoast advises Shippers pursuant to section 3.5 of the results of the allocation process set forth in sections 3.3 and 3.4, any Shipper may request an independent review of the results of the allocation. Any such review will be conducted by a qualified firm of nationally recognized chartered accountants having offices in Vancouver, British Columbia agreed to by Westcoast and such Shipper and must be completed within 15 days after such firm is appointed to conduct such review. The cost of any such review, including Westcoast's internal costs, will be borne by the Shipper requesting such review unless it is determined through the review process that (i) there should be an adjustment in the amount of 5 Year Service or 3 Year Service allocated by Westcoast to such Shipper of 10% or more, or (ii) there should be an adjustment in the amount of 5 Year Service or 3 Year Service allocated by Westcoast to all Shippers of 5% or more on an absolute basis.

3.7 Continued Availability of Unallocated 3 Year Service Tolls until December 31, 1998

If following the date on which the allocation process set forth in sections 3.3 and 3.4 becomes final and binding there is any remaining amount of RGT Service or Treatment Service available for the 3 Year Service Tolls pursuant to section 3.1, then such service will continue to be available until December 31, 1998 and will be allocated for toll purposes on a “first come first served basis” to those Shippers who:

(a) agree to extend the service expiry date of their existing RGT Service or Treatment Service to a date which is at least three years later than the date on which the payment of the 3 Year Service Tolls would become effective in respect of such existing RGT Service or Treatment Service pursuant to this section 3.7; or

(b) contract for RGT Service or Treatment Service having a service commencement date during such period and a service expiry date which is at least three years later than such service commencement date;

and such service will be designated as 3 Year Service for the remaining term of such service.

3.8 Continued Availability of 3 Year Service Tolls and 1 Year Service Tolls for Uncontracted and Attrition Capacity until December 31, 1998

Notwithstanding section 2.3, the 3 Year Service Tolls and the 1 Year Service Tolls will continue to be available until December 31, 1998 to any Shipper who contracts for any available RGT Service or Treatment Service (other than RGT Service or Treatment Service made available as a result of Incremental Facilities) provided that (i) such service commences on or before December 31, 1998, (ii) the amount of such service contracted by such Shipper which is allocated the 3 Year Service Tolls may not exceed 25% of the total amount of such service contracted by such Shipper, and (iii) the amount of such service which is allocated the 3 Year Service Tolls must have a service expiry date which is at least three years later than the service commencement date of such service. Any such RGT Service or Treatment Service allocated for toll purposes pursuant to this section 3.8 will be designated as 3 Year Service or 1 Year Service, as the case may be, for the remaining term of such service.

ARTICLE 4
DEMAND TOLL ADJUSTMENT

4.1 Definitions

In this Article 4:

(a) “$ U.S.” or “U.S. dollars” means the lawful currency of the United States of America;

(b) “AECO Price Index” means, in respect of any month, the price for “AECO ‘C’ N.I.T. One-Month Spot” located under the column “$/GJ, Avg” for such month in the “Canadian Natural Gas Supply Prices” section of the publication Canadian Gas Price Reporter (reported in Canadian dollars per GJ) for such month;

(c) “Contract Demand Allocation Units” means, in respect of RGT Service or Treatment Service provided through Existing Facilities in any Year, the actual average daily contract demand allocation units for such service for such Year;

(d) "Converted AECO Price Index" means, in respect of any month, the quotient obtained by dividing (i) the product obtained by multiplying the AECO Price Index for such month by 1.054615, by ii) the Exchange Rate for such month;

(e) "Exchange Rate" means, in respect of any month, the rate of exchange for converting U.S. dollars into Canadian dollars equal to the average of the noon spot exchange rates for the U.S. dollar in terms of the Canadian dollar for the immediately preceding month, as published by the Bank of Canada;

(f) "GJ" means 1,000,000,000 joules;

(g) "MMBtu" means 1,000,000 British thermal units;

(h) "Price Index" means, in respect of any month, the sum of (i) the product obtained by multiplying the Sumas Price Index for such month by .8, (ii) the product obtained by multiplying the Rockies Price Index for such month by .1, and (iii) the product obtained by multiplying the Converted AECO Price Index for such month by .1;

(i) "Rockies Price Index" means, in respect of any month, the price for "Northwest Pipeline Corp., Rocky Mountains" located under the column "Index" in the "Prices of Spot Gas Delivered to Pipelines" section in the issue of the publication Inside F.E.R.C.'s Gas Market Report (reported in U.S. dollars per MMBtu) in which such price is reported for such month; and

(j) "Sumas Price Index" means, in respect of any month, the price for "Northwest Pipeline Corp., Canadian border" located under the column "Index" in the "Prices of Spot Gas Delivered to Pipelines" section in the issue of the publication Inside F.E.R.C.'s Gas Market Report (reported in U.S. dollars per MMBtu) in which such price is reported for such month.

4.2 Demand Toll Adjustment

If in respect of any month the Price Index for such month exceeds $1.35 U.S. per MMBtu, then there will be an adjustment to the demand toll payable for such month for 1 Year Service, 3 Year Service and 5 Year Service calculated as follows:

(a) if the Price Index for such month is less than or equal to $1.45 U.S. per MMBtu, then a demand toll adjustment equal to the product obtained by multiplying the amount by which the Price Index exceeds $1.35 U.S. per MMBtu by .2;

(b) if the Price Index for such month is greater than $1.45 U.S. MMBtu and less than or equal to $1.65 U.S. per MMBtu, then a demand toll adjustment equal to $0.02 U.S. per MMBtu, plus an amount equal to the product obtained by multiplying the amount by which the Price Index exceeds $1.45 U.S. per MMBtu by .3; and

(c) if the Price Index for such month is greater than $1.65 U.S. per MMBtu, then a demand toll adjustment equal to $0.08 U.S. per MMBtu, plus an amount equal to the product obtained by multiplying the amount by which the lesser of the Price Index and $2.00 U.S. per MMBtu exceeds $1.65 U.S. per MMBtu by .1.

The demand toll adjustment calculated pursuant to paragraph a), b) or c) above for any month will be converted to a demand toll adjustment in Canadian dollars per 10^3m^3 per month and allocated to RGT Service and Treatment Service as follows:

<u>Conversion to Canadian Dollars per 10^3m^3 per Month</u>

$$\text{Demand Toll Adjustment} = \frac{\text{Adjustment x Exchange Rate}}{1.054615} \times \frac{\text{Days}}{12} \times 38.78$$

where:

"Days" is the number of days in the Year in which such month occurs;

"Adjustment" is the demand toll adjustment in U.S. dollars per MMBtu calculated pursuant to paragraph a), b) or c) above, as the case may be, for such month;

"Exchange Rate" is the Exchange Rate for such month;
"1.054615" is the rate to convert from MMBtu's to GJ's; and

"38.78" is the number of GJ's per 10^3m^3.

<u>Calculation of RGT Demand Toll Adjustment</u>

RGT Demand Toll Adjustment = Demand Toll Adjustment x .431 x .86

where:

"Demand Toll Adjustment" is the demand toll adjustment in Canadian dollars per 10^3m^3 per month calculated above;

".431" is the proportion of the Demand Toll Adjustment allocated to RGT Service; and

".86" is the rate to convert raw gas units to residue gas units.

<u>Calculation of Treatment Demand Toll Adjustment</u>

Treatment Demand Toll Adjustment = Demand Toll Adjustment x .569

where:

"Demand Toll Adjustment" is the demand toll adjustment in Canadian dollars per 10^3m^3 per month calculated above; and

".569" is the proportion of the Demand Toll Adjustment allocated to Treatment Service.

For greater certainty, illustrations of the calculation of the RGT Demand Toll Adjustment and the Treatment Demand Toll Adjustment under paragraphs (a), (b) and (c) of this section 4.2 are set out in Appendix H. The illustration shown in Appendix H for paragraph (c) of this section 4.2 represents the actual RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment for the month of January 1997.

4.3 Notice of Demand Toll Adjustment

Westcoast will each month following the publication of the AECO Price Index, the Rockies Price Index and the Sumas Price Index calculate the RGT Demand Toll Adjustment and the Treatment Demand Toll Adjustment for such month and, if a demand toll adjustment is payable, Westcoast will notify Shippers of the results of such calculation through its public bulletin board.

4.4 Accuracy of Calculations

The calculation of the Converted AECO Price Index, the Price Index and demand toll adjustment in Canadian dollars per 10^3m^3 per month (referred to in the calculation of the RGT Demand Toll Adjustment and the Treatment Demand Toll Adjustment pursuant to section 4.2 as the "Demand Toll Adjustment") will be carried to four significant figures after the decimal point, and the calculation of the RGT Demand Toll Adjustment and the Treatment Demand Toll Adjustment will be rounded to the nearest cent.

4.5 Price Indices

If the AECO Price Index, the Rockies Price Index or the Sumas Price Index ceases to be reported by the published sources referred to in section 4.1 or there is a change in the reporting of any such index by such published sources, then the Parties will in good faith attempt to agree to an appropriate amendment to this Article 4. If the Parties are unable to agree on such an amendment, then Westcoast will refer the matter to the Board for determination.

4.6 Increase in Depreciation Expense

If in any Year during the Term the aggregate amount of additional demand toll revenue collected by Westcoast pursuant to section 4.2 during such Year net of the amount of income tax expense, if any, for such Year attributable to Zone 1 and Zone 2 (the "Actual Amount"), exceeds an amount (the "Threshold Amount") equal to the sum of:

(a) the amount determined in accordance with the following formula:

$$\frac{\$.05}{.02832784} \times \text{Days} \times \text{RGT Allocation Units} \times .431 \times .86$$

where:

"Days" is the number of days in such Year;

"RGT Allocation Units" is the Contract Demand Allocation Units for RGT Service for such Year;

".02832784" is the rate to convert from Mcf's to 10^3m^3's;

".431" is the proportion of the Demand Toll Adjustment allocated to RGT Service; and

".86" is the rate to convert raw gas units to residue gas units; and

(b) the amount determined in accordance with the following formula:

$$\frac{\$.05}{.02832784} \times \text{Days} \times \text{Treatment Allocation Units} \times .569$$

where:

"Days" is the number of days in such Year;

"Treatment Allocation Units" is the Contract Demand Allocation Units for Treatment Service for such Year;

".02832784" is the rate to convert from Mcf's to 10^3m^3's; and

".569" is the proportion of the Demand Toll Adjustment allocated to Treatment Service;

(the amount, if any, by which the Actual Amount exceeds the Threshold Amount is herein referred to as the "Additional Amount") then in respect of such Year Westcoast will increase the amount of depreciation expense which it records on its books with respect to its facilities in Zone 1 and Zone 2 by an amount equal to the product obtained by multiplying the Additional Amount by .5.

ARTICLE 5
REVENUE DEFERRAL ACCOUNT

5.1 Definitions

In this Article 5:

(a) "Base Contract Demand Revenue" means, in respect of the following Years, the following amounts:

1997	$272.3 million
1998	$273.9 million
1999	$275.5 million
2000	$282.8 million
2001	$284.4 million

plus in respect of each such Year an amount equal to the amount that the Board permits Westcoast to recover in such Year on account of the costs incurred by Westcoast with respect to the Fort St. John and Grizzly Valley expansion projects and which are the subject of the Cost Recovery Applications;

(b) "Base Helmet/Peggo Surcharge Revenue" means $3.6 million, being the aggregate amount of revenue forecast by Westcoast for the Year ending December 31, 1997 on account of the surcharges set forth in the appendix attached to the Toll Schedule for RGT Service entitled "Demand and Commodity Toll Surcharges - Raw Gas Transmission Service - Helmet/Peggo Facilities" and in effect as at August 1, 1996.

(c) “Base Interruptible Revenue” means $4.0 million, being the aggregate amount of toll revenue forecast by Westcoast for the Year ending December 31, 1997 on account of interruptible RGT Service, interruptible Treatment Service, interruptible Liquids Recovery Service and interruptible Fuel Gas Service;

(d) “Carrying Charges” means, in respect of the Revenue Deferral Account, the carrying charges that will be applied monthly to the opening credit or debit balance in such deferral account for such month calculated at a rate that is equal to one-twelfth of the AFUDC Rate for Zone 1 and Zone 2 (as defined in the Accounting Policies and Procedures) in effect for such month;

(e) "CDC's" means the contract demand credits provided for in Schedule D to the Settlement;

(f) “Contract Demand Revenue” means, in respect of any Year, the sum of:

(i) the aggregate amount of toll revenue collected by Westcoast for such Year on account of firm RGT Service, firm Treatment Service, firm Liquids Recovery Service, firm Fuel Gas Service, firm and interruptible LPSF Service and Offline Service, other than any such revenue collected by Westcoast on account of the RGT Demand Toll Adjustment, the Treatment Demand Toll Adjustment, Incremental Facilities and tax on fuel gas consumed in Pipeline System operations and payable by Westcoast under the Motor Fuel Tax Act (British Columbia); and

(ii) an amount equal to the aggregate amount of CDC's credited to Shippers for such Year;

(g) “Helmet/Peggo Surcharge Revenue” means, in respect of any Year, the aggregate amount of toll revenue collected by Westcoast for such Year on account of the surcharges set forth in the appendix attached to the Toll Schedules for RGT Service entitled “Demand and Commodity Toll Surcharges - Raw Gas Transmission Service - Helmet/Peggo Facilities” and in effect as at August 1, 1996;

(h) “Interruptible Revenue” means, in respect of any Year, the aggregate amount of toll revenue collected by Westcoast for such Year on account of interruptible RGT Service, interruptible Treatment Service, interruptible Liquids Recovery Service and interruptible Fuel Gas Service, other than any such revenue attributable to the RGT Demand Toll Adjustment, the Treatment Demand Toll Adjustment, Incremental Facilities and tax on fuel gas consumed in Pipeline System operations and payable by Westcoast under the Motor Fuel Tax Act (British Columbia); and

(i) “Revenue Deferral Account” means the revenue deferral account maintained by Westcoast pursuant to section 5.2.

5.2 Revenue Deferral Account

If in any Year during the Term:

(a) the sum of the Contract Demand Revenue, Helmet/Peggo Surcharge Revenue and Interruptible Revenue (the “Annual Revenue”) for such Year;

(b) is greater or less than the sum of the Base Contract Demand Revenue for such Year, the Base Helmet/Peggo Surcharge Revenue and the Base Interruptible Revenue (the “Base Revenue”);

then the amount by which the Annual Revenue is greater or less than the Base Revenue will, net of the amount of any income tax expense associated with such amount, be recorded by Westcoast in a revenue deferral account (the “Revenue Deferral Account”) effective January 1 of the next succeeding Year.

5.3 Disposition of Revenue Deferral Account Balance

The balance, if any, in the Revenue Deferral Account will, together with Carrying Charges, be disposed of in accordance with the terms of the agreement between the Parties on the principles of light-handed regulation which are to apply to the services provided by Westcoast in Zone 1 and Zone 2 after the end of the Term, as provided for in section 7.1. In the absence of any such agreement between the Parties, and in the event that the disposition of the Revenue Deferral Account requires an order of the Board, the Parties contemplate that the Board in making such order should have regard to the risk and reward relationship contemplated by the Settlement and the desire of the Parties to move from the traditional full cost of service method of regulation to a light-handed method of regulation encompassing negotiated market-based arrangements.

5.4 Audit of Revenue Deferral Account

Any Party or any Shipper may during the Term, upon prior reasonable notice being given to Westcoast, request one independent audit per Year of the Revenue Deferral Account. Any such audit will be conducted by a qualified firm of nationally recognized chartered accountants having offices in Vancouver, British Columbia selected by Westcoast and the Party or Shipper requesting the audit and the report of the auditors will be limited to advising whether the balance in the Revenue Deferral Account has been properly determined in accordance with this Article 5. The cost of any such audit, including Westcoast’s internal costs, will be borne by the Party or Shipper requesting the audit unless it is determined through the audit process that there should be an adjustment to the balance in the Revenue Deferral Account by an amount greater than $2 million.

ARTICLE 6
REVIEW OF GATHERING AND PROCESSING TOLLS

6.1 Right to Initiate Review

Westcoast or any other Party will have the right to initiate a review of the tolls set forth in section 2.1 if one of the following events occurs during the Term:

(a) a long-term reduction in throughput capacity on the Pipeline System or any pipeline facilities downstream of the Pipeline System that materially reduces the volumes of gas transported on the Pipeline System;

(b) a change occurs in Westcoast's revenues or costs resulting from:

(i) changes in legislation, regulations or ordinances;

(ii) changes in applicable accounting standards of the Canadian Institute of Chartered Accountants; or

(iii) orders or directives issued by a regulatory authority having jurisdiction, including the Board;

to the extent that the aggregate amount of such changes exceed $1,000,000 in any Year;

(c) the incurrence of uninsured losses, to the extent that the aggregate amount of such losses exceeds $3,000,000 in any Year; or

(d) a change occurs in Westcoast's costs resulting from programs implemented or to be implemented by Westcoast, provided that the recovery of such costs is agreed to by at least two thirds of the Shippers by contract volume whose tolls would be affected by the recovery of such costs and who vote on the matter.

If such an event occurs, then Westcoast will as soon as practicable after it becomes aware of such event notify the other Parties and the Board of the occurrence of such event and the Parties will in good faith attempt to agree to an appropriate amendment to this Schedule A. If the Parties are unable to agree on such an amendment, then any Party may refer the matter to the Board for determination pursuant to section 7.1 of the Settlement.

ARTICLE 7
LIGHT-HANDED REGULATION

7.1 Light-Handed Regulation at the End of the Term

The Parties contemplate that by the end of the Term Westcoast and the Shippers will be freely negotiating market-based arrangements in a manner consistent with the provision of service by Westcoast on a competitive basis such that light-handed, complaints-based regulation would be appropriate for the services provided by Westcoast in Zone 1 and Zone 2. Among other things, the new approach to regulation will address the situation of Shippers who may be in a significantly unequal bargaining position relative to Westcoast. The principles of light-handed regulation which are to apply to the services provided by Westcoast in Zone 1 and Zone 2 after the end of the Term will be the subject of further negotiations between Westcoast and the other Parties which the Parties intend to complete by December 31, 1997 and will be subject to approval by the Board.

7.2 Renewal Rights

The Parties contemplate that by the end of the Term the existing term renewal right specified in section 2.02 of the General Terms and Conditions will be replaced by negotiated market-based arrangements. In this regard, the negotiations between Westcoast and the other Parties pursuant to section 7.1 concerning the principles of light-handed regulation will include consideration of the appropriate means of replacing section 2.02 of the General Terms and

Conditions (including consideration of how existing Shippers will be afforded a fair and reasonable opportunity to negotiate the terms of continued service). Prior to the earlier of (i) the date of any agreement between the Parties pursuant to section 7.1 concerning the principles of light-handed regulation, (ii) the effective date of any termination of the Settlement pursuant to Article 9 of the Settlement, and (iii) April 30, 2000, no Shipper will be permitted pursuant to section 2.02 of the General Terms and Conditions to extend the term of any service to a date later than December 31, 2001 and Westcoast will not contract the capacity required to accommodate such service after December 31, 2001 to other potential Shippers. The General Terms and Conditions will be revised to give effect to this standstill provision concerning section 2.02.

ARTICLE 8
GENERAL

8.1 Interconnection Policy

The Parties have agreed to negotiate the terms of an interconnection policy governing the interconnection of the gathering or treatment facilities of third parties with the facilities of Westcoast in Zone 1 and Zone 2. The policy will have regard to operational considerations and the costs and benefits of such interconnections and it is contemplated that the policy will result in the unbundling of the services provided by Westcoast in Zone 1 and Zone 2. The Parties intend to complete such negotiations by December 31, 1997.

APPENDIX A
5 YEAR SERVICE TOLLS FOR RGT SERVICE AND TREATMENT SERVICE

DESCRIPTION	ACID GAS PERCENTAGE OF RAW GAS	$/$10^3M^3$/MO.				
		1997	1998	1999	2000	2001
Contract Demand Raw Gas Transmission Service - Raw Gas		159.18	160.10	160.99	161.91	162.80
Contract Demand Treatment Service - Residue Gas	0%	134.03	134.86	135.65	136.48	137.27
	2%	155.37	156.33	157.25	158.21	159.12
	4%	179.16	180.27	181.33	182.44	183.49
	6%	205.66	206.94	208.16	209.43	210.63
	8%	235.12	236.59	237.97	239.43	240.81
	10%	267.79	269.46	271.04	272.70	274.27
	12%	303.93	305.81	307.61	309.49	311.27
	14%	343.77	345.90	347.93	350.06	352.08
	16%	387.57	389.98	392.26	394.67	396.94
	18%	435.58	438.29	440.86	443.56	446.11
	20%	488.05	491.09	493.97	496.99	499.85
	22%	545.24	548.63	551.85	555.23	558.42
	24%	607.39	611.16	614.75	618.52	622.07
	26%	674.75	678.94	682.93	687.11	691.06
	28%	742.31	746.92	751.30	755.90	760.25
	30%	809.86	814.89	819.68	824.70	829.44
	32%	877.42	882.87	888.05	893.49	898.63
	34%	944.97	950.84	956.42	962.28	967.81
	36%	1,012.53	1,018.82	1,024.80	1,031.07	1,037.00
	38%	1,080.08	1,086.79	1,093.17	1,099.87	1,106.19
	40%	1,147.63	1,154.77	1,161.54	1,168.66	1,175.38
	42%	1,215.19	1,222.74	1,229.92	1,237.45	1,244.57
	44%	1,282.74	1,290.72	1,298.29	1,306.24	1,313.75
	46%	1,350.30	1,358.69	1,366.67	1,375.04	1,382.94
	48%	1,417.85	1,426.67	1,435.04	1,443.83	1,452.13
	50%	1,485.41	1,494.64	1,503.41	1,512.62	1,521.32

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX B
3 YEAR SERVICE TOLLS FOR RGT SERVICE AND TREATMENT SERVICE

DESCRIPTION	ACID GAS PERCENTAGE OF RAW GAS	$/10^{3}M^3/MO. 1997	1998	1999	2000	2001
Contract Demand Raw Gas Transmission Service - Raw Gas		173.99	175.00	175.97	192.04	193.09
Contract Demand Treatment Service - Residue Gas	0%	146.50	147.41	148.27	161.88	162.81
	2%	169.82	170.87	171.88	187.65	188.73
	4%	195.83	197.04	198.20	216.38	217.63
	6%	224.79	226.19	227.52	248.39	249.82
	8%	257.00	258.59	260.11	283.98	285.61
	10%	292.71	294.53	296.25	323.44	325.30
	12%	332.20	334.26	336.22	367.07	369.18
	14%	375.74	378.08	380.30	415.19	417.58
	16%	423.62	426.25	428.75	468.09	470.79
	18%	476.10	479.06	481.87	526.08	529.11
	20%	533.45	536.77	539.92	589.46	592.85
	22%	595.96	599.66	603.18	658.53	662.31
	24%	663.89	668.02	671.94	733.59	737.81
	26%	737.52	742.10	746.46	814.95	819.63
	28%	811.36	816.40	821.19	896.54	901.69
	30%	885.20	890.70	895.92	978.13	983.75
	32%	959.04	965.00	970.66	1,059.72	1,065.81
	34%	1,032.87	1,039.29	1,045.39	1,141.31	1,147.87
	36%	1,106.71	1,113.59	1,120.13	1,222.90	1,229.93
	38%	1,180.55	1,187.89	1,194.86	1,304.49	1,311.99
	40%	1,254.39	1,262.19	1,269.60	1,386.08	1,394.05
	42%	1,328.23	1,336.49	1,344.33	1,467.67	1,476.11
	44%	1,402.07	1,410.78	1,419.06	1,549.26	1,558.17
	46%	1,475.91	1,485.08	1,493.80	1,630.86	1,640.23
	48%	1,549.75	1,559.38	1,568.53	1,712.45	1,722.29
	50%	1,623.59	1,633.68	1,643.27	1,794.04	1,804.35

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX C
1 YEAR SERVICE TOLLS FOR RGT SERVICE AND TREATMENT SERVICE

DESCRIPTION	ACID GAS PERCENTAGE OF RAW GAS	$/10^{3}M^3/MO. 1997	1998	1999	2000	2001
Contract Demand Raw Gas Transmission Service - Raw Gas		188.80	189.89	190.94	192.04	193.09
Contract Demand Treatment Service - Residue Gas	0%	158.96	159.95	160.89	161.88	162.81
	2%	184.27	185.42	186.50	187.65	188.73
	4%	212.49	213.81	215.07	216.38	217.63
	6%	243.93	245.44	246.88	248.39	249.82
	8%	278.87	280.60	282.25	283.98	285.61
	10%	317.62	319.59	321.47	323.44	325.30
	12%	360.47	362.71	364.84	367.07	369.18
	14%	407.72	410.26	412.66	415.19	417.58
	16%	459.67	462.53	465.24	468.09	470.79
	18%	516.62	519.83	522.88	526.08	529.11
	20%	578.85	582.45	585.87	589.46	592.85
	22%	646.68	650.70	654.52	658.53	662.31
	24%	720.39	724.87	729.12	733.59	737.81
	26%	800.29	805.26	809.98	814.95	819.63
	28%	880.41	885.88	891.08	896.54	901.69
	30%	960.53	966.50	972.17	978.13	983.75
	32%	1,040.66	1,047.12	1,053.27	1,059.72	1,065.81
	34%	1,120.78	1,127.74	1,134.36	1,141.31	1,147.87
	36%	1,200.90	1,208.37	1,215.46	1,222.90	1,229.93
	38%	1,281.03	1,288.99	1,296.55	1,304.49	1,311.99
	40%	1,361.15	1,369.61	1,377.65	1,386.08	1,394.05
	42%	1,441.27	1,450.23	1,458.74	1,467.67	1,476.11
	44%	1,521.40	1,530.85	1,539.83	1,549.26	1,558.17
	46%	1,601.52	1,611.47	1,620.93	1,630.86	1,640.23
	48%	1,681.64	1,692.09	1,702.02	1,712.45	1,722.29
	50%	1,761.76	1,772.72	1,783.12	1,794.04	1,804.35

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX D
LIQUIDS RECOVERY TOLLS

DESCRIPTION	$/M^3/MO.				
	1997	**1998**	**1999**	**2000**	**2001**
Contract Demand Liquids Recovery Service	829.46	835.28	840.67	845.84	851.15

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX E
LPSF TOLLS

DESCRIPTION	$/M^3				
	1997	**1998**	**1999**	**2000**	**2001**
Contract Demand Liquid Products Stabilization and Fractionation Service	10.231	10.299	10.363	10.425	10.488

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX F
FUEL GAS TOLLS

DESCRIPTION	$\$/10^3M^3/MO$				
	1997	**1998**	**1999**	**2000**	**2001**
Contract Demand Fuel Gas Service	905.23	909.75	914.30	918.87	923.47

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX G
TERM ELECTION FORM

TO: WESTCOAST ENERGY INC.

WHEREAS:

A. Westcoast Energy Inc. ("Westcoast") and its shippers and other stakeholders have agreed to a long-term settlement (the "Settlement") of the basis for fixing Westcoast's tolls for service on the Pipeline System, including Westcoast's tolls for RGT Service and Treatment Service;

B. Under the terms of the Settlement, Westcoast will charge, with respect to RGT Service and Treatment Service, the 5 Year Service Tolls for 5 Year Service, the 3 Year Service Tolls for 3 Year Service and the 1 Year Service Tolls for 1 Year Service;

C. Shippers holding firm service agreements with Westcoast have the right, pursuant to Section 3.2 of Schedule A to the Settlement, to elect on or before __________, 1997 to extend the service expiry dates of their existing RGT Services and Treatment Services in order to be eligible for the 5 Year Service Tolls or the 3 Year Service Tolls with respect to such services; and

D. The undersigned ("Shipper") holds RGT Service and Treatment Service under the firm service agreements (the "Firm Service Agreements") indicated on the Schedule hereto and wishes to be eligible for the 5 Year Service Tolls or the 3 Year Service Tolls effective January 1, 1997 with respect to such services.

NOW THEREFORE Shipper hereby:

(a) elects to extend the service expiry date with respect to the RGT Services and Treatment Services to the date indicated by Shipper on the Schedule hereto under the columns "Elected RGT Service Expiry Date" and "Elected Treatment Service Expiry Date", respectfully; and

(b) subject to the approval of the Settlement by the Board and to the allocation for toll purposes of 5 Year Service or 3 Year Service to Shipper pursuant to Section 3.3 or 3.4 of Schedule A to the Settlement, authorizes and directs Westcoast to issue revised pages to the applicable Firm Service Agreements (including the Schedules thereto) reflecting such allocation, which Firm Service Agreements shall thereupon, without further act or formality, be amended by deleting the applicable pages thereof and replacing such pages with the revised pages issued by Westcoast.

Capitalized terms which are not defined herein have the meaning assigned to such terms in the Settlement.

EXECUTED by Shipper this _____ day of _______________, 1997.

[SHIPPER]

SCHEDULE TO TERM ELECTION FORM

Firm Service Agreement Contract or Amendment No.	GMS Reference No.	RGT Service	Existing RGT Service Expiry Date	Elected RGT Service Expiry Date	Treatment Service	Existing Treatment Service Expiry Date	Elected Treatment Service Expiry Date

APPENDIX H
ILLUSTRATIONS OF CALCULATION OF RGT DEMAND TOLL ADJUSTMENT AND TREATMENT DEMAND TOLL ADJUSTMENT

PART I: *Illustration of RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment under Section 4.2(a), being an example of the RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment at a Price Index between $1.35 and $1.45 U.S. per MMBtu*

A. Inputs

Assumed Sumas Price Index	$1.41 U.S. per MMBtu
Assumed Rockies Price Index	$1.44 U.S. per MMBtu
Assumed AECO Price Index	$1.6528 per GJ
Assumed Exchange Rate for the immediately preceding month	1.3618

Converted AECO Price Index = $\frac{\$1.6528 \text{ per GJ} \times 1.054615}{1.3618}$ = $1.2800 U.S. per MMBtu

B. Price Index

Price Index = ($1.41 x .8) + ($1.44 x .1) + ($1.2800 x .1) = $1.40 U.S. per MMBtu.

C. Demand Toll Adjustment Calculation ($ U.S. per MMBtu)

Price Index ($1.40 U.S. per MMBtu) is greater than $1.35 U.S. per MMBtu and less than $1.45 U.S. per MMBtu, therefore, surcharge equals:

($1.40 - $1.35) x .2 = $0.01 per MMBtu.

D. Demand Toll Adjustment Calculation ($ Cdn. per 10^3m^3 per month)

$\frac{\$0.01 \times 1.3618}{1.054615} \times \frac{365}{12} \times 38.78$ = $15.2314 per 10^3m^3 per month.

E. RGT Demand Toll Adjustment

RGT Demand Toll Adjustment = $15.2314 x .431 x .86 = $5.65 per 10^3m^3 per month.

F. Treatment Demand Toll Adjustment

Treatment Demand Toll Adjustment = $15.2314 x .569 = $8.67 per 10^3m^3 per month.

PART II: *Illustration of RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment under Section 4.2(b), being an example of the RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment at a Price Index between $1.45 and $1.65 U.S. per MMBtu*

A. Inputs

Assumed Sumas Price Index	$1.56 U.S. per MMBtu
Assumed Rockies Price Index	$1.59 U.S. per MMBtu
Assumed AECO Price Index	$1.8465 per GJ
Assumed Exchange Rate for the immediately preceding month	1.3618

Converted AECO Price Index = $\dfrac{\$1.8465 \text{ per GJ} \times 1.054615}{1.3618}$ = $1.4300 U.S. per MMBtu

B. Price Index

Price Index = ($1.56 x .8) + ($1.59 x .1) + ($1.4300 x .1) = $1.55 U.S. per MMBtu.

C. Demand Toll Adjustment Calculation ($ U.S. per MMBtu)

Price Index ($1.55 U.S. per MMBtu) is greater than $1.45 U.S. per MMBtu and less than $1.65 U.S. per MMBtu, therefore, surcharge equals:

$0.02 + [($1.55 - $1.45) x .3] = $0.05 per MMBtu.

D. Demand Toll Adjustment Calculation ($ Cdn. per 10^3m^3 per month)

$\dfrac{\$0.05 \times 1.3618}{1.054615} \times \dfrac{365}{12} \times 38.78$ = $76.1568 per 10^3m^3 per month.

E. RGT Demand Toll Adjustment

RGT Demand Toll Adjustment = $76.1568 x .431 x .86 = $28.23 per 10^3m^3 per month

F. Treatment Demand Toll Adjustment

Treatment Demand Toll Adjustment = $76.1568 x .569 = $43.33 per 10^3m^3 per month

PART III: *Illustration of RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment under Section 4.2(c), being the actual RGT Demand Toll Adjustment and Treatment Demand Toll Adjustment for January, 1997*

A. Inputs

Sumas Price Index (January 3, 1997 issue of Inside F.E.R.C.'s Gas Market Report)	$4.15 U.S. per MMBtu
Rockies Price Index (January 3, 1997 issue of Inside F.E.R.C.'s Gas Market Report)	$4.20 U.S. per MMBtu
AECO Price Index (January, 1997 issue of Canadian Gas Price Reporter)	$2.1632 per GJ
Exchange Rate (average of the noon spot rates for December, 1996 as published by the Bank of Canada)	1.3618

Converted AECO Price Index = $\frac{\$2.1632 \text{ per GJ} \times 1.054615}{1.3618}$ = $1.6752 U.S. per MMBtu

B. Price Index

Price Index = ($4.15 x .8) + ($4.20 x .1) + ($1.6752 x .1) = $3.9075 U.S. per MMBtu.

C. Demand Toll Adjustment Calculation ($ U.S. per MMBtu)

Price Index ($3.9075 U.S. per MMBtu) is greater than $1.65 U.S. per MMBtu, therefore, surcharge equals:

$0.08 + [($2.00 - $1.65) x .1] = $0.115 U.S. per MMBtu.

D. Demand Toll Adjustment Calculation ($ Cdn. per 10^3m^3 per month)

$\frac{\$0.115 \times 1.3618}{1.054615} \times \frac{365}{12} \times 38.78$ = $175.1606 per 10^3m^3 per month.

E. RGT Demand Toll Adjustment

RGT Demand Toll Adjustment = $175.1606 x .431 x .86 = $64.93 per 10^3m^3 per month

F. Treatment Demand Toll Adjustment

Treatment Demand Toll Adjustment = $175.1606 x .569 = $99.67 per 10^3m^3 per month

SCHEDULE B
TRANSMISSION TOLLS

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Schedule B:

(a) "Actual Base Revenue Requirement" has the meaning assigned to that term in section 3.4;

(b) "Adjusted Threshold Earnings" means, in respect of the Year ending December 31, 1997, $30,053,000 and, in respect of each Year thereafter, an amount equal to the product obtained by multiplying the Threshold Earnings for such Year by the quotient obtained using the following formula:

$$\frac{10.67\% + (\text{NEB Approved ROE} - 10.67\%)\ /2}{10.67\%}$$

where:

"NEB Approved ROE" is the NEB Approved ROE for such Year;

(c) "Amortization Carrying Charges" means, with respect to any amount being amortized in any Year, the product obtained by multiplying one-half of such amount by Westcoast's actual average short term borrowing rate for the immediately preceding Year;

(d) "Base Discretionary Revenue" means, in respect of any Year, the lesser of (i) the Discretionary Revenue for such Year, and (ii) $800,000;

(e) "Base Property Taxes" means, for the Year ending December 31, 1997, $36,855,000, and for each Year thereafter an amount equal to the product obtained by multiplying the actual property taxes incurred by Westcoast in the immediately preceding Year by 1.021;

(f) "Base Revenue Requirement" has the meaning assigned to that term in section 3.3;

(g) "Base Revenue Sharing" has the meaning assigned to that term in section 3.5;

(h) “Base Revenue Variance” means, in respect of any Year, an amount calculated in accordance with the following formula:

BRV = (BRR - BPT) - (ABRR - APT)

where:

“BRV” is the Base Revenue Variance for such Year;

“BRR” is the Base Revenue Requirement for such Year determined pursuant to section 3.3;

“BPT” are the Base Property Taxes for such Year;

“ABRR” is the Actual Base Revenue Requirement for such Year determined pursuant to section 3.4; and

“APT” are the actual property taxes incurred by Westcoast in such Year;

(i) “Bidding Implementation Date” means the effective date for the implementation of a daily bidding process by Westcoast for the allocation of interruptible Transmission Service pursuant to section 2.4;

(j) “Carrying Charges” means, in respect of any deferral account maintained by Westcoast pursuant to this Schedule B during any Year, the carrying charges that will be applied monthly to the opening credit or debit balance in such deferral account for such month calculated at a rate that is equal to Westcoast’s actual short term borrowing rate for such month;

(k) “Discretionary Revenue” means, in respect of any Year, an amount equal to the sum of the amounts collected by Westcoast for such Year on account of the following items:
(i) interruptible Transmission Service;
(ii) miscellaneous operating revenue; and
(iii) revenue from new services;

and in respect of the Year ending December 31, 1997 includes the balance in the deferral account, including Carrying Charges, maintained by Westcoast pursuant to section 9.3;

(l) “Excess Discretionary Revenue” means, in respect of any Year, the amount, if any, by which Discretionary Revenue for such Year exceeds $800,000;

(m) “Income and Capital Tax Expense” means, in respect of any Year, Westcoast’s utility income tax expense associated with the Threshold Earnings for such Year and Westcoast’s British Columbia corporation capital tax and federal large corporation capital tax expense associated with the rate base for such Year;

(n) “Motor Fuel Tax” means, in respect of any Year, the tax payable by Westcoast under the Motor Fuel Tax Act (British Columbia) for such Year;

(o) "NEB Approved ROE" means, in respect of any Year after the Year ending December 31, 1997, the allowed rate of return on common equity approved by the Board for such Year in accordance with the Board's RH-2-94 Decision and any subsequent decision of the Board which supersedes the RH-2-94 Decision;

(p) "Net Excess Discretionary Revenue" means:

(i) in respect of any Year in which the Threshold Earnings Variance is a positive amount, the amount, if any, by which Excess Discretionary Revenue for such Year exceeds the Threshold Earnings Variance for such Year; and

(ii) in respect of any Year in which the Threshold Earnings Variance is not a positive amount, the amount of Excess Discretionary Revenue for such Year;

(q) "Non-Routine Adjustment" has the meaning assigned to that term in section 6.1;

(r) "Option A Contract Demand Allocation Units" means, in respect of any Year, the average daily contract demand allocation units for such Year for the Transmission Services in respect of which Westcoast is charging the Option A Tolls;

(s) "Option A Election Form" means an election form substantially in the form attached hereto as Apendix B;

(t) "Option A Toll" means, in respect of any month, the demand toll payable for a Transmission Service during such month equal to the toll specified in Appendix A for such service for such month;

(u) "Option A Zone 3 Factor" means the quotient obtained by dividing the 1997 Option A Contract Demand Allocation Units in Zone 3 by the sum of the 1997 Option B Contract Demand Allocation Units in Zone 3 and the 1997 Option A Contract Demand Allocation Units in Zone 3;

(v) "Option A Zone 4 Factor" means the quotient obtained by dividing the 1997 Option A Contract Demand Allocation Units in Zone 4 by the sum of the 1997 Option B Contract Demand Allocation Units in Zone 4 and the 1997 Option A Contract Demand Allocation Units in Zone 4;

(w) "Option B Contract Demand Allocation Units" means, in respect of any Year, the average daily contract demand allocation units for such Year for the Transmission Services in respect of which Westcoast is charging the Option B Tolls;

(x) "Option B Toll" means, in respect of any month, the demand toll payable for a Transmission Service during such month determined pursuant to Article 3;

(y) "Option B Zone 3 Factor" means the quotient obtained by dividing the 1997 Option B Contract Demand Allocation Units in Zone 3 by the sum of the 1997 Option B Contract Demand Allocation Units in Zone 3 and the 1997 Option A Contract Demand Allocation Units in Zone 3;

(z) “Option B Zone 4 Factor” means the quotient obtained by dividing the 1997 Option B Contract Demand Allocation Units in Zone 4 by the sum of the 1997 Option B Contract Demand Allocation Units in Zone 4 and the 1997 Option A Contract Demand Allocation Units in Zone 4;

(aa) “Property Tax Adjustment” has the meaning assigned to that term in section 3.6;

(ab) “Threshold Earnings” means the following amounts in respect of the following Years:

1997	$30,053,000
1998	$30,600,000
1999	$31,100,000
2000	$31,600,000
2001	$32,000,000

(ac) “Threshold Earnings Variance” means, in respect of any Year, an amount calculated in accordance with the following formula:

$$(ATE - TE) \times \frac{1}{1 - MRT}$$

where:

“ATE” is the Adjusted Threshold Earnings for such Year;

“TE” is the Threshold Earnings for such Year; and

“MRT” is the marginal rate of tax;

(ad) “TEV Shortfall” means:

(i) in respect of any Year in which the Threshold Earnings Variance is a positive amount, the amount, if any, by which the Threshold Earnings Variance for such Year exceeds the Excess Discretionary Revenue for such Year; and

(ii) in respect of any Year in which the Threshold Earnings Variance is not a positive amount, zero;

(ae) “T-North Long Haul Service” means the long haul service provided by Westcoast pursuant to the Toll Schedule for Transportation Service - Northern Long Haul and Short Haul;

(af) “T-North Short Haul Service” means the short haul service provided by Westcoast pursuant to the Toll Schedule for Transportation Service - Northern Long Haul and Short Haul;

(ag) “T-South Service” means the service provided by Westcoast pursuant to the Toll Schedule for Transportation Service Southern;

(ah) “Total Revenue Requirement” has the meaning assigned to that term in section 3.2;

(ai) “Transmission Services” means T-North Long Haul Service, T-North Short Haul Service and T-South Service;

(aj) “1997 Option A Contract Demand Allocation Units” means, in respect of Zone 3 or Zone 4, the Option A Contract Demand Allocation Units for such Zone for the Year ending December 31, 1997 determined on the basis of contract levels for such Year as of May 30, 1997, or such other date as may be agreed to by the Parties;

(ak) “1997 Option B Contract Demand Allocation Units” means, in respect of Zone 3 or Zone 4, the Option B Contract Demand Allocation Units for such Zone for the Year ending December 31, 1997 determined on the basis of contract levels for such Year as of May 30, 1997, or such other date as may be agreed to by the Parties;

(al) “1997 Option B Zone 3 Adjustment” means an amount equal to the product obtained by multiplying the Option B Zone 3 Factor by $234,000; and

(am) “1997 Option B Zone 4 Adjustment” means an amount equal to the product obtained by multiplying the Option B Zone 4 Factor by $666,000.

1.2 Zone 3 and Zone 4 Amounts

In this Schedule B, except as otherwise expressly provided, all amounts stated or referred to and all amounts to be calculated or determined are in relation only to Zone 3 and Zone 4.

1.3 Appendices

The following are the Appendices to this Schedule B:

Appendix A: Option A Tolls
Appendix B: Option A Election Form
Appendix C: Option B Tolls for 1997
Appendix D: Illustration of Calculation of Total Revenue Requirement

ARTICLE 2
TRANSMISSION TOLLS

2.1 Tolls for Firm Service

Subject to the provisions of this Settlement, Westcoast will each month during the Term charge the following demand tolls for firm Transmission Service in Zone 3 and Zone 4:

(a) the Option A Tolls with respect to each Transmission Service in respect of which a Shipper has made an election pursuant to section 2.2; and

(b) the Option B Tolls with respect to all other Transmission Services.

2.2 Option A Election

All Shippers who have contracted for Transmission Services as of May 30, 1997 (or such other date as may be agreed to by the Parties) and for which service has commenced or will commence by November 1, 1997 will, provided that there is no existing limitation on the right to renew such services in accordance with Article 2 of the General Terms and Conditions, have the option to elect to pay the Option A Tolls with respect to all or any of such services by delivering to Westcoast, on or before July 11, 1997 (or such other date as may be agreed to by the Parties), a duly completed and executed Option A Election Form. The delivery by a Shipper to Westcoast of a duly completed and executed Option A Election Form with respect to any Transmission Services which have a service expiry date earlier than October 31, 2001 will constitute the agreement of such Shipper to extend the service expiry date of such services to October 31, 2001. Any Shipper who has elected to pay the Option A Tolls with respect to any Transmission Services which have a service expiry date of October 31, 2001 (whether as a result of such election or otherwise) will be charged the Option A Tolls for the months of November and December, 2001 provided that such Shipper renews such services for the period beyond October 31, 2001 in accordance with Article 2 of the General Terms and Conditions. In addition, if the Settlement is terminated prior to the end of the Term pursuant to section 9.1 of the Settlement, then any service expiry dates which were extended as a result of an election pursuant to this section 2.2 and which fall on a date later than October 31 next following the effective date of such termination will be amended to the later of the original service expiry date and October 31 next following the effective date of such termination.

2.3 Tolls for Interruptible Service Prior to the Bidding Implementation Date

Subject to the provisions of this Settlement, Westcoast will each month during the period prior to the Bidding Implementation Date, charge the following tolls for the following interruptible Transmission Services in Zone 3 and Zone 4:

(a) during the months of January, 1997 to March, 1997, inclusive, a commodity toll (expressed in \$ per 10^3m^3) equal to the 75% load factor equivalent of the Option B Toll for such service for such month; and

(b) during the months of April, 1997 to October, 1997, inclusive, a commodity toll (expressed in \$ per 10^3m^3) equal to the 100% load factor equivalent of the Option B Toll for such service for such month.

2.4 Tolls for Interruptible Service from the Bidding Implementation Date

Commencing on the Bidding Implementation Date Westcoast will change the manner in which its tolls for interruptible Transmission Service are determined by allocating interruptible Transmission Service under a daily bidding process under which Shippers requesting interruptible service will nominate and bid for interruptible capacity within a range of tolls based on the daily demand equivalent of the Option B Tolls at different load factors. The ceiling of the tolling range for interruptible Transmission Service each month will be equal to a commodity toll (expressed in \$ per 10^3m^3) equal to the 50% load factor equivalent of the Option B Tolls for such service for such month and the floor of the tolling range will be equal to:

(a) during the months of April to October, inclusive, a commodity toll (expressed in \$ per 10^3m^3) equal to the 100% load factor equivalent of the Option B Tolls for such service for such month; and

(b) during the months of November to March, inclusive, a commodity toll (expressed in \$ per 10^3m^3) equal to the 75% load factor equivalent of the Option B Tolls for such service for such month.

The daily bids for interruptible Transmission Service will, in all cases, be expressed in \$ per 10^3m^3 subject to minimum increments of \$0.01 per 10^3m^3 per bid.

ARTICLE 3
OPTION B TOLLS

3.1 Option B Tolls

The Option B Tolls in Zone 3 and Zone 4 for the Year ending December 31, 1997 will be the tolls set out in Appendix C. The Option B Tolls in Zone 3 and Zone 4 for each of the Years 1998 to 2001 will be calculated in accordance with the toll design approved by the Board from time-to-time based on:

(a) in the case of Zone 3:

(i) a forecast of the Option B Contract Demand Allocation Units in Zone 3 for such Year; and

(ii) the sum of:

(A) that portion of the Total Revenue Requirement for such Year, excluding the amount of any CDV (as defined in section 3.2) included in the calculation of the Total Revenue Requirement for such Year, attributable to Zone 3 multiplied by the Option B Zone 3 Factor; and

(B) that portion of the amount of any CDV (as defined in section 3.2) included in the calculation of the Total Revenue Requirement for such Year attributable to Zone 3; and

(b) in the case of Zone 4:

(i) a forecast of the Option B Contract Demand Allocation Units in Zone 4 for such Year; and

(ii) the sum of:

(A) that portion of the Total Revenue Requirement for such Year, excluding the amount of any CDV (as defined in section 3.2) included in the calculation of the Total Revenue Requirement for such Year, attributable to Zone 4 multiplied by the Option B Zone 4 Factor; and

(B) that portion of the amount of any CDV (as defined in section 3.2) included in the calculation of the Total Revenue Requirement for such Year attributable to Zone 4.

Any variance in contract demand revenue in any Year arising from any variance between the forecast and actual Option B Contract Demand Allocation Units in Zone 3 and Zone 4 for such Year will be recorded in a deferral account. The year-end balance of such deferral account, together with Carrying Charges, will be included in the calculation of the Total Revenue Requirement for the next succeeding Year.

3.2 Total Revenue Requirement

The Total Revenue Requirement for the Year ending December 31, 1997 will be deemed to be $220,557,000. Subject to the provisions of this Settlement, the Total Revenue Requirement for each of the Years 1998 to 2001 will be an amount calculated annually in accordance with the following formula:

$$TRR = BRR \pm BRS \pm PTA + FTE + MFT - BDR - \left[NEDR \times \frac{2}{3}\right] + \left[NTEV \times \frac{1}{2}\right] \pm CDV \pm TRNRA$$

where:

"TRR" is the Total Revenue Requirement for such Year;

"BRR" is the Base Revenue Requirement for such Year calculated pursuant to section 3.3;

"BRS" is the amount of the Base Revenue Sharing in respect of the immediately preceding Year calculated pursuant to section 3.5, plus Amortization Carrying Charges with respect to such amount;

"PTA" is the amount of the Property Tax Adjustment in respect of the immediately preceding Year calculated pursuant to section 3.6, plus Amortization Carrying Charges with respect to such amount;

"FTE" is the sum of (i) Westcoast's forecast of Income and Capital Tax Expense for such Year determined pursuant to section 3.7, and (ii) the amount of any variance between the forecast and actual Income and Capital Tax Expense for the immediately preceding Year determined pursuant to section 3.7, plus Amortization Carrying Charges with respect to such amount;

"MFT" is Westcoast's forecast of Motor Fuel Tax for such Year determined pursuant to section 3.8;

"BDR" is the amount of Base Discretionary Revenue for the immediately preceding Year, plus Amortization Carrying Charges with respect to such amount;

"NEDR" is the amount of Net Excess Discretionary Revenue for the immediately preceding Year, plus Amortization Carrying Charges with respect to such amount;

"NTEV" is (i) in the case where the Threshold Earnings Variance for the immediately preceding Year is a negative amount, the amount of the Threshold Earnings Variance for such immediately preceding Year, plus Amortization Carrying Charges with respect to such amount, and (ii) in the case where the Threshold Earnings Variance for the immediately preceding Year is not a negative amount, zero;

"CDV" is the amount of any year-end balance from the immediately preceding Year in the contract demand revenue deferral account maintained by Westcoast pursuant to section 3.1, plus Amortization Carrying Charges with respect to such amount; and

"TRNRA" is the amount of any year-end balance from the immediately preceding Year in the Non-Routine Adjustment deferral account maintained by Westcoast pursuant to section 6.2, plus Amortization Carrying Charges with respect to such amount;

provided that for the Year ending December 31, 1998 the Total Revenue Requirement will be increased by $510,000, plus Amortization Carrying Charges with respect to such amount.

For greater certainty, an illustration of the calculation of the Total Revenue Requirement is set out in Appendix D.

3.3 Base Revenue Requirement

The Base Revenue Requirement for the Year ending December 31, 1997 will be deemed to be $196,481,000. The Base Revenue Requirement to be used in the calculation of the Total Revenue Requirement for each of the Years 1998 to 2001 will be an amount calculated in accordance with the following formula:

BRR = [ABRR x 1.021] ± BRNRA

where:

"BRR" is the Base Revenue Requirement to be used for purposes of calculating the Total Revenue Requirement for such Year;

"ABRR" is the Actual Base Revenue Requirement for the immediately preceding Year determined pursuant to section 3.4; and

"BRNRA" is the amount of any Non-Routine Adjustment determined by Westcoast pursuant to section 6.3 to re-occur in such Year.

3.4 Actual Base Revenue Requirement

The Actual Base Revenue Requirement for each of the Years 1997 to 2001 will be an amount equal to the sum of:

(a) the amounts actually incurred by Westcoast for such Year with respect to the provision of service in Zone 3 and Zone 4, including amounts with respect to the following items (excluding any amounts recorded during such Year in the Non-Routine Adjustment deferral account maintained by Westcoast pursuant to section 6.2), each such amount being determined in accordance with the Accounting Policies and Procedures:

(i) operating and maintenance expenses;
(ii) the amount allocated by the Board to Westcoast under the Board's cost recovery regulations;
(iii) depreciation expense;
(iv) amortization expense;
(v) property and business taxes;
(vi) sales tax on operations gas;
(vii) insurance deductibles;
(viii) foreign exchange on debt;
(ix) gas substitution costs;
(x) the cost associated with the funded and unfunded debt component of the rate base for such Year; and
(xi) the cost associated with the preferred equity component of the rate base for such Year; and

(b) an amount equal to the Threshold Earnings for such Year.

Westcoast will, for purposes of determining the Actual Base Revenue Requirement for each such Year, calculate the actual average rate base for such Year in accordance with the Accounting Policies and Procedures. For purposes of calculating the cost associated with the funded and unfunded debt and preferred equity components of the rate base for each such Year, Westcoast will utilize a capital structure with a deemed common equity component of 30%. The preferred equity component will be fixed initially at $13,548,000 of the Cumulative Redeemable First Preferred Shares, Series 5. The debt component consisting of funded and unfunded debt will make up the balance of the capital structure and will be determined in the usual fashion in accordance with the existing Board approved methodology. The cost associated with the funded and unfunded debt component of the rate base for each such Year will be based on the actual funded and unfunded debt costs incurred by Westcoast during such Year.

3.5 <u>Base Revenue Sharing</u>

The Base Revenue Sharing to be used for the purposes of calculating the Total Revenue Requirement for each of the Years 1998 to 2001 will be an amount calculated as follows:

(a) if the Base Revenue Variance for the immediately preceding Year is a positive amount, then the Base Revenue Sharing to be used for purposes of calculating the Total Revenue Requirement for such Year will be an amount calculated in accordance with the following formula:

$$BRS = [BRV - (\text{lesser of (i) } BRV \text{ and (ii) TEV Shortfall})] \times \frac{1}{2}$$

where:

"BRS" is the Base Revenue Sharing to be used in the calculation of the Total Revenue Requirement for such Year;

"BRV" is the Base Revenue Variance for the immediately preceding Year; and

"TEV Shortfall" is the TEV Shortfall for the immediately preceding Year; and

(b) if the Base Revenue Variance for the immediately preceding Year is not a positive amount, then the Base Revenue Sharing to be used for purposes of calculating the Total Revenue Requirement for such Year will be an amount calculated in accordance with the following formula:

$$BRS = BRV \times \frac{1}{2}$$

where:

"BRS" is the Base Revenue Sharing to be used in the calculation of the Total Revenue Requirement for such Year; and

"BRV" is the Base Revenue Variance for the immediately preceding year.

3.6 Property Tax Adjustment

The Property Tax Adjustment to be used for purposes of calculating the Total Revenue Requirement for each of the Years 1998 to 2001 will be calculated as follows:

(a) if the actual property taxes incurred by Westcoast in the immediately preceding Year are greater than the Base Property Taxes for the immediately preceding Year (the amount by which the actual property taxes incurred by Westcoast in the immediately preceding Year are greater than the Base Property Taxes for the immediately preceding Year is herein referred to as the "Property Tax Variance"), then:

(i) if the Property Tax Variance is less than $1,500,000, then the Property Tax Adjustment will be equal to the product obtained by multiplying the Property Tax Variance by .5; and

(ii) if the Property Tax Variance is equal to or greater than $1,500,000, then the Property Tax Adjustment will be equal to the sum of $750,000 plus the amount, if any, by which the Property Tax Variance exceeds $1,500,000; and

(b) if the actual property taxes incurred by Westcoast in the immediately preceding Year are less than the Base Property Taxes for the immediately preceding Year, then the Property Tax Adjustment will be equal to the product obtained by multiplying the amount by which the actual property taxes incurred by Westcoast in the immediately preceding Year are less than the Base Property Taxes for the immediately preceding Year by .5.

The amount calculated each Year pursuant to paragraph (a) or (b) above will be recorded in a deferral account. The year-end balance of such deferral account, together with Carrying Charges, will constitute the Property Tax Adjustment to be used for purposes of calculating the Total Revenue Requirement pursuant to section 3.2.

3.7 Income and Capital Tax Expense

Westcoast will for purposes of determining the Total Revenue Requirement for each of the Years 1998 to 2001 make a forecast of Income and Capital Tax Expense for each such Year in accordance with the Accounting Policies and Procedures. The forecast of Income and Capital Tax Expense included in the Total Revenue Requirement for the Year ending December 31, 1997 will be deemed to be $10,694,000. Any variance between the actual Income and Capital Tax Expense incurred by Westcoast in any Year and the forecast Income and Capital Tax Expense included in the Total Revenue Requirement for such Year will be included in the calculation of the Total Revenue Requirement for the following Year.

3.8 Motor Fuel Tax

Westcoast will for purposes of determining the Total Revenue Requirement for each of the Years 1998 to 2001 make a forecast of Motor Fuel Tax for each such Year in the usual fashion.

ARTICLE 4
ROLLED-IN TOLLS

4.1 Toll Adjustment for Rolled-in Costs

If an expansion to increase the capacity of the Pipeline System in Zone 3 or Zone 4 is placed in service during the Term and tolled on a rolled-in basis, then the Option A Tolls and the Option B Tolls (through an adjustment to the Total Revenue Requirement, including an adjustment to Threshold Earnings to reflect the capital cost of such expansion) will be adjusted upward or downward effective as of the in-service date of such expansion to reflect the impact of tolling such expansion on a rolled-in basis. If such an expansion is proposed by Westcoast, then the Parties will in good faith attempt to agree, subject to Board approval, to an appropriate adjustment to the Option A Tolls and the Option B Tolls. If the Parties are unable to agree on an appropriate adjustment to the Option A Tolls and the Option B Tolls, then such adjustment will be determined by the Board.

ARTICLE 5
AUDIT OF OPTION B TOLLS

5.1 Right to Audit

At any time prior to the determination of final Option B Tolls by the Board following the filing of the proposed Option B Tolls by Westcoast pursuant to section 8.2 of the Settlement, any Party or any Shipper may request an independent audit of the calculation of the Option B Tolls for such Year. Any such audit will be conducted by a qualified firm of nationally recognized chartered accountants having offices in Vancouver, British Columbia selected by Westcoast and the Party or Shipper requesting the audit and the report of the auditors will be limited to advising whether the Option B Tolls were calculated in accordance with this Schedule B. The cost of any such audit, including Westcoast's internal costs, will be borne by the Party or Shipper requesting the audit unless the Toll and Tariff Task Force by an unopposed resolution agrees prior to the commencement of the audit that the costs of the audit are recoverable as a Non-Routine Adjustment. Notwithstanding the foregoing, where the cost of the audit is to be borne by the Party or Shipper requesting the audit, and it is determined through the audit process that there should be an adjustment to the Option B Tolls in favour of the Shippers, then Westcoast will bear the cost of the audit if the amount of the adjustment in favour of the Shippers exceeds the cost of the audit, including Westcoast's internal costs.

5.2 Confidentiality

Westcoast will provide the auditors selected pursuant to section 5.1 to conduct an audit of the calculation of the Option B Tolls with reasonable access to the source data necessary for the conduct of the audit, provided that the auditors will be required to execute and deliver to Westcoast a confidentiality agreement in a form satisfactory to Westcoast pursuant to which the auditors agree to maintain confidential any of the source data identified by Westcoast as confidential.

5.3 Notice of Audit to the Board

If an audit is requested pursuant to section 5.1, then Westcoast will forthwith advise the Board that an audit has been requested and request the Board to postpone its determination of final Option B Tolls until the completion of the audit.

ARTICLE 6
NON-ROUTINE ADJUSTMENTS

6.1 Non-Routine Adjustments

Each of the following circumstances will constitute a Non-Routine Adjustment in respect of the Option A Tolls and the determination of the Total Revenue Requirement for the Option B Tolls:

(a) material changes in costs arising from changes in legislation or regulations or reassessments related to income and capital taxes;

(b) material changes in costs resulting from changes in legislation, regulations or ordinances or the issuance of orders or directives which result in changes to safety, health or environmental requirements, practices or procedures for Westcoast;

(c) material changes in costs or revenues resulting from changes in applicable accounting standards of the Canadian Institute of Chartered Accountants;

(d) material changes in costs resulting from orders or directives issued by a regulatory authority having jurisdiction, including the Board;

(e) the incurrence of uninsured losses, to the extent that the aggregate amount of such losses exceeds $2,000,000 in any Year;

(f) changes in costs resulting from programs related to stress corrosion cracking, corrosion and pipeline re-coating necessary to address existing, new or unanticipated pipeline integrity issues, to the extent that the aggregate cost of such programs exceeds $750,000 in any Year;

(g) changes in costs resulting from the litigation between Westcoast and the Government of British Columbia concerning the applicability to Westcoast of certain government levies relating to the British Columbia Energy Council;

(h) changes in costs resulting from programs implemented or to be implemented by Westcoast, provided that the recovery of such costs is agreed to by at least two thirds of the Shippers by contract volume whose tolls would be affected by the recovery of such costs and who vote on the matter; and

(i) costs associated with an audit requested pursuant to section 5.1 which the Toll and Tariff Task Force agrees are recoverable as a Non-Routine Adjustment;

provided that the circumstance described in paragraph (i) above will not constitute a Non-Routine Adjustment in respect of the Option A Tolls and all of the costs associated therewith will be borne by the Shippers paying the Option B Tolls.

6.2 Adjustment to Tolls and Total Revenue Requirement

The amount of any costs or revenue associated with a Non-Routine Adjustment in any Year will be recorded in a separate Non-Routine Adjustment deferral account. The year-end balance of such deferral account, together with Carrying Charges, will be applied to adjust the Total Revenue Requirement (as provided for in the determination of the Total Revenue Requirement pursuant to section 3.2) and the Option A Tolls (based on an allocation of such balance using the Option A Zone 3 Factor and the Option A Zone 4 Factor) in the next succeeding Year. Any such adjustment to the Option A Tolls will be subject to approval by the Board under Part IV of the NEB Act.

6.3 Re-Occurring Non-Routine Adjustments

All Non-Routine Adjustments that are determined by Westcoast, acting reasonably, to likely re-occur in any future Year will be applied to adjust the Base Revenue Requirement (as provided for in the determination of the Base Revenue Requirement pursuant to section 3.3) and the Option A Tolls (based on an allocation of the amount of such Non-Routine Adjustments using the Option A Zone 3 Factor and the Option A Zone 4 Factor) for such Year. Any such adjustment to the Option A Tolls will be subject to approval by the Board under Part IV of the NEB Act.

ARTICLE 7
REVIEW OF TRANSMISSION TOLLS

7.1 Right to Initiate Review

Westcoast or any other Party will have the right to initiate a review of the tolls set forth in this Schedule B if one of the following events occurs during the Term:

(a) if the Settlement is materially varied by an order or direction of the Board;

(b) a change occurs in the governing body regulating Westcoast, government policy or regulatory policy which may have a material effect on the Total Revenue Requirement or Westcoast's tolls or tariff inconsistent with the Settlement;

(c) regulatory approval is obtained for the construction and operation of a natural gas pipeline or an expansion of existing pipeline facilities which may have the effect of causing a material reduction in the firm contract demand allocation units in Zone 3 or Zone 4;

(d) a long-term reduction in throughput capacity on the Pipeline System or any pipeline facilities downstream of the Pipeline System which may have the effect of causing a material reduction in the firm contract demand allocation units in Zone 3 or Zone 4; or

(e) any geopolitical or constitutional changes which have a material impact on the financial markets.

If such an event occurs, then the Parties will in good faith attempt to agree, subject to Board approval, to an appropriate amendment to this Schedule B. If the Parties are unable to agree on such an amendment within 30 days, then any Party may refer the matter to the Board for determination pursuant to section 7.1 of the Settlement.

ARTICLE 8
DISPOSITION ON EXPIRATION OR TERMINATION OF THE SETTLEMENT

8.1 Disposition on Early Termination

If a notice to terminate the Settlement is given by any Party pursuant to section 9.2 of the Settlement prior to the date on which the Board makes a determination of final Option B Tolls for the Year ending December 31, 1998, then Westcoast will provide those Shippers who paid the Option B Tolls during the Year ending December 31, 1997 with a credit to their monthly bills for service in Zone 3 and Zone 4 equal to:

(a) in the case of service in Zone 3, the sum of:

(i) the 1997 Option B Zone 3 Adjustment; and

(ii) that portion of any variances and deferral account balances existing at December 31, 1997 attributable to Zone 3 with respect to the individual components of the Total Revenue Requirement calculation in section 3.2 after adjusting for the amount in (i) above, multiplied by the Option B Zone 3 Factor; and

(b) in the case of service in Zone 4, the sum of:

(i) the 1997 Option B Zone 4 Adjustment; and

(ii) that portion of any variances and deferral account balances existing at December 31, 1997 attributable to Zone 4 with respect to the individual components of the Total Revenue Requirement calculation in section 3.2 after adjusting for the amount in (i) above, multiplied by the Option B Zone 4 Factor;

in each case allocated to each such Shipper on the basis of weighted contract demand allocation units.

8.2 Disposition on Expiry or Termination

Any variances and deferral account balances existing at the expiry or termination (other than a termination to which section 8.1 above would apply) of the Settlement with respect to the individual components of the Total Revenue Requirement calculation in section 3.2 will be included in the calculation of tolls in Zone 3 and Zone 4 for the next tollmaking period following the expiry or termination of the Settlement.

ARTICLE 9
GENERAL

9.1 Existing Services Provided by Westcoast

The Option A Tolls and Option B Tolls include the cost of all services provided by Westcoast at December 31, 1996 in conjunction with or as part of the Transmission Services, including NrG information services.

9.2 New Services Provided by Westcoast

All new services introduced by Westcoast which are provided by Westcoast in conjunction with or as part of the Transmission Services subsequent to December 31, 1996 and which are tolled separately will be offered to shippers on an optional basis. New services proposed by Westcoast, such as “parking” or “loan” services, will be presented to the Toll and Tariff Task Force for review prior to implementation. The presentation to the Toll and Tariff Task Force will include a business case in support of any such proposal. Westcoast will implement those new services which the Toll and Tariff Task Force approves and may seek Board approval to implement those new services which the Toll and Tariff Task Force either does not approve or cannot reach agreement on.

9.3 Jackson Prairie Storage/Zone 4 Storage Service Deferral Account

In 1996 the Board approved the creation of a Jackson Prairie Storage/Zone 4 Firm Service deferral account to record the revenues and costs for the months of November and December, 1996 associated with the provision by Westcoast of an additional 30 MMcf per day of firm T-South Service between November 1, 1996 and October 31, 1997 through the availability of gas from the Jackson Prairie storage facility located near Chehalis, Washington. Westcoast will continue to maintain this deferral account in 1997 and will continue to record in the deferral account all of the revenue and costs associated with the additional 30 MMcf per day of firm T-South Service. The year-end balance of the deferral account as at December 31, 1997, including Carrying Charges, will be included in the calculation of Discretionary Revenue for 1997. The additional 30 MMcf per day of firm T-South Service from January 1, 1997 to October 31, 1997 will not be included in the determination of the 1997 Option A Contract Demand Allocation Units or the 1997 Option B Contract Demand Allocation Units or in the determination of any variance in contract demand revenue for purposes of the deferral account maintained by Westcoast pursuant to section 3.1.

APPENDIX A
OPTION A TOLLS
($/10^{3}m^3/mo.)

	1997	1998	1999	2000	2001
Transportation-North					
-Shorthaul	6.11	6.27	6.42	6.69	6.89
-Longhaul	88.00	90.23	92.47	96.38	99.17
Transportation-South					
-Pacific Northern Gas Ltd.	56.61	58.05	59.49	62.00	63.80
-BC Gas Inc. - Inland Div.	137.46	140.95	144.44	150.55	154.91
-BC Gas Inc. - Lower Mainland Div.	249.87	256.22	262.56	273.67	281.60
-Export	250.23	256.58	262.94	274.06	282.00

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX B
OPTION A ELECTION FORM

TO: WESTCOAST ENERGY INC.

WHEREAS:

A. Westcoast Energy Inc. ("Westcoast") and its shippers and other stakeholders have agreed to a long-term settlement (the "Settlement") of the basis for fixing Westcoast's tolls for service on the Pipeline System, including Westcoast's tolls for Transmission Service;

B. Under the terms of the Settlement, Westcoast will charge, with respect to Transmission Service, the Option A Tolls for shippers who elect to pay the Option A Tolls and the Option B Tolls for all other shippers;

C. Shippers holding firm service agreements with Westcoast have the right, pursuant to Section 2.2 of Schedule B to the Settlement, to elect on or before ___________, 1997 to pay the Option A Tolls with respect to all or any of their existing Transmission Services; and

D. The undersigned ("Shipper") holds Transmission Service under the firm service agreements (the "Firm Service Agreements") indicated on the Schedule hereto and wishes to avail itself of the Option A Tolls effective January 1, 1997 with respect to the Transmission Services indicated by Shipper on the Schedule hereto.

NOW THEREFORE, subject to approval of the Settlement by the Board, Shipper hereby:

(a) elects to pay the Option A Tolls with respect to the Transmission Services indicated by Shipper on the Schedule hereto under the column "Option A Election"; and

(b) if the existing service expiry date of the Transmission Services in respect of which the Shipper has elected to pay the Option A Tolls as indicated by Shipper on the Schedule hereto is earlier than October 31, 2001, then Shipper hereby agrees to extend the service expiry date of such service to October 31, 2001 and authorizes and directs Westcoast to issue revised pages to the applicable Firm Service Agreements (including the Schedules thereto) reflecting such extension of the service expiry date, which Firm Service Agreements shall thereupon, without further act or formality, be amended by deleting the applicable pages thereof and replacing such pages with the revised pages issued by Westcoast.

Capitalized terms which are not defined herein have the meaning assigned to such terms in the Settlement.

EXECUTED by Shipper this _____ day of _______________, 1997.

[SHIPPER]

SCHEDULE TO TERM ELECTION FORM

Firm Service Agreement Contract or Amendment No.	GMS Reference No.	Transmission Service	Existing Transmission Service Expiry Date	Option A Election

APPENDIX C
OPTION B TOLLS FOR 1997
($\$/10^3m^3$/mo.)

Transportation-North	
-Shorthaul	6.21
-Longhaul	89.39
Transportation-South	
-Pacific Northern Gas Ltd.	57.51
-BC Gas Inc. - Inland Div.	139.63
-BC Gas Inc. - Lower Mainland Div.	253.83
-Export	254.19

Plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Tax Act (British Columbia) allocated to Shipper for the month.

APPENDIX D
ILLUSTRATION OF CALCULATION OF TOTAL REVENUE REQUIREMENT

Allocation of Total Revenue Requirement to Zone 3 and Zone 4

A. Calculate the Total Revenue Requirement for Zones 3 and 4 together, as SHOWN in the model.

B. Determine the variances and sharing for Zones 3 and 4 together and include in the Total Revenue Requirement, as shown in the model.

C. Allocate each line of the Total Revenue Requirement shown on page A1 to Zones 3 and 4 using the methods described below.

1. Base Revenue Requirement (BRR) - The allocation used to define the tolls in 1997 is provided in the model. For the years 1998 to 2001, the BRR (excluding TE) will be allocated between Zones 3 and 4 in proportion to the actual BRR (excluding TE) from the previous year for each zone. The Threshold Earnings for each year by zone will be added to the allocated BRR (excluding TE) by zone as follows:

	Zone 3	Zone 4	Total
1997	7.8	22.2	30.1
1998	8.0	22.6	30.6
1999	8.1	23.0	31.1
2000	8.2	23.4	31.6
2001	8.3	23.7	32.0

2. Base Revenue Sharing (BRS) - The total BRS will be allocated between Zones 3 and 4 using the ratio of variance generated in each zone. To determine variance in each zone, the forecast for the zone will be determined as the previous year's actual BRR escalated by 2.1% and the actuals will be as incurred.

3. Property Tax Adjustment (PTA) - The total Property Tax Adjustment will be allocated between Zones 3 and 4 using the ratio of variance incurred in each zone, in the same way as it is calculated for BRS.

4. Income and Capital Tax Expense (FTE) - Income tax will be forecast and allocated between Zones 3 and 4 using notional taxable income. Capital tax will be allocated in relation to rate base.

5. Motor Fuel Tax (MFT) - Motor Fuel Tax for each of Zones 3 and 4 will be forecast on yearly basis.

6. Base Discretionary Revenue (BDR) - Total BDR will be allocated between Zones 3 and 4 based on the previous year's proportion of total Discretionary Revenue generated in that zone.

7. Net Excess Discretionary Revenue (NEDR) - The Net Excess Discretionary Income will be allocated to Zone 3 and 4 in the same fashion as Base Discretionary Revenue.

8. NTEV - Any negative Threshold Earnings Variance will be calculated in total for both Zones 3 and 4 and allocated between the zones in proportion to the forecast Threshold Earnings in such zone.

9. Contract Demand Volume (CDV) - The CDV variance will be allocated to each zone as it arises.

10. TRNRA - Non-Routine Adjustments will be calculated for each zone as they arise.

11. 1998 Revenue Adjustment - The 1998 Revenue Adjustment will be allocated in 1998 between Zone 3 and Zone 4 as it was forecast to occur in the 1997 Toll Application. This results in 47% being allocated to Zone 3 and 53% being allocated to Zone 4.

D. The Option B Factor for each of Zone 3 and Zone 4 will be calculated as follows:

1. Calculate the average allocation units under contract for 1997 as of May 30, 1997 in each of Zones 3 and 4. The composite demand will be calculated using the methodology described in prefiled evidence and shown on pages 4 and 5 of the Toll Design portion of the 1997 Toll Application.

2. Once elections have been made for Option A, calculate the composite demand allocation units for 1997 which have been contracted under each Option, using the same methodology.

3. Calculate the Option B Factor for each of Zone 3 and Zone 4 as follows:

$$\text{Option B Factor for Zone 3} = \frac{\text{Weighted Demand Units contracted under Option B in 1997 in Zone 3}}{\text{Weighted Demand Units contracted in 1997 in Zone 3}}$$

$$\text{Option B Factor for Zone 4} = \frac{\text{Weighted Demand Units contracted under Option B in 1997 in Zone 4}}{\text{Weighted Demand Units contracted in 1997 in Zone 4}}$$

E. Apply the Option B Factor for Zone 3 to the Zone 3 TRR to determine the TRR for Zone 3 Option B shippers. Apply the Option B Factor for Zone 4 to the Zone 4 TRR to determine the TRR for Zone 4 Option B shippers.

F. Forecast the total allocation units in each of Zones 3 and 4 and deduct Option A allocation units to determine the forecast Option B allocation units for such zone.

G. Calculate the tolls for Option B shippers each year using the TRR allocated to each of Zones 3 and 4 and the forecast Option B allocation units for such zone.

Total Revenue Requirement Summary

($ Millions)

		1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
1	Base Revenue Requirement (BRR)(Page A2)	196.50	198.59	203.71	206.37	208.61
2	Base Revenue Sharing(BRS)(Page A3)	0.00	-1.02	-0.71	-0.45	0.26
3	Property Tax Adjustment(PTA)(Page A6)	0.00	0.00	1.65	0.08	-1.34
4	Forecast of Income and Capital Tax Expense(FTE)(Page A8)	10.70	13.78	18.57	22.77	27.15
5	Forecast Motor Fuel Tax (MFT)	13.30	13.50	13.60	13.70	13.80
6	Base Discretionary Revenue(BDR)(Page A5)	0.00	-0.82	-0.82	-0.82	-0.51
7	Net Excess Discretionary Revenue(NEDR)(Page A5)	0.00	-0.68	-1.02	0.00	0.00
8	Negative Threshold Earnings Variance(NTEV)(Page A4)	0.00	0.00	-0.45	0.00	0.00
9	Contract Demand Volumes (CDV)(Note 2)	0.00	0.00	0.00	0.00	0.00
10	Non-Routine Adjustments (TRNRA)	0.00	0.00	0.00	0.00	0.00
11	1998 Revenue Adjustment	N/A	0.51	N/A	N/A	N/A
12	Total Revenue Requirement	220.50	223.86	234.53	241.65	247.96

Note 1 - This model is for illustrative purposes only. All figures other than the 1997 forecast are for illustrative purposes only.

2 - Applicable to Option B shippers only.

3 - Totals may not add due to computer rounding.

Forecast Base Revenue Requirement
($Millions)

	1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
1 **Base Revenue Requirement(Exc TE)**	166.40	167.99	172.61	174.77	176.61
2 Threshold Earnings-Forecast for 5 years @ 10.67%	30.10	30.60	31.10	31.60	32.00
3 Base Revenue Non-Routine Adjustments(BRNRA)	0.00	0.00	0.00	0.00	0.00
4 **Base Revenue Requirement(Line 11 below previous year escalated @ 2.1 %) for years 1998 to 2001**	**196.50**	**198.59**	**203.71**	**206.37**	**208.61**

Actual Base Revenue Requirement
($Millions)

	1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
5 Property Taxes	36.90	40.00	41.00	39.30	40.00
6 Base Revenue Cost Items (1)	40.70	40.60	39.90	41.40	42.70
7 Depreciation	25.50	26.00	26.80	27.70	28.50
8 Debt and Preferred Costs	61.31	62.32	63.32	64.32	65.30
9 **Actual Base Revenue Requirement(Exc TE)**	164.41	168.92	171.02	172.72	176.50
10 Threshold Earnings-Forecast for 5 years @ 10.67%	30.10	30.60	31.10	31.60	32.00
11 **Actual Base Revenue Requirement**	**194.51**	**199.52**	**202.12**	**204.32**	**208.50**

Note 1 - Includes Operating and Maintenance,NEB Cost Recovery,Amortization Exp., Sales Tax on Operations Gas, Insurance Deductibles, Foreign Exchange on Debt,and Gas Substitution Costs

Base Revenue Sharing

	1997	1998	1999	2000	2001
($Millions)					
	(A)	(B)	(C)	(D)	(E)
1 Actual Base Revenue Requirement (From Page A2 Line 11)	194.51	199.52	202.12	204.32	208.50
2 Actual Property Taxes(From Page A2 Line 5)	36.90	40.00	41.00	39.30	40.00
3 Sub-Total (Line 1-2)	157.61	159.52	161.12	165.02	168.50
4 Base Revenue Requirement(From Page A2 Line 4)	196.50	198.59	203.71	206.37	208.61
5 Base Property Taxes(From Page A6 Line 2)	36.90	37.67	40.84	41.86	40.13
6 Sub - Total (Line 4 -5)	159.60	160.92	162.87	164.51	168.48
7 Base Revenue Variance (Line 6-3)	1.99	1.39	1.75	-0.51	-0.02
8 TEV Shortfall(Page A5 Line 11)	0.00	0.00	0.88	2.21	1.24
9 Application of TEV shortfall to BRV (Note 1)	0.00	0.00	0.88	0.00	0.00
10 Sub -Total (Line 7-Line 9)	1.99	1.39	0.87	-0.51	-0.02
11 Base Revenue Sharing (Line 10 prior year *1/2)	0.00	-1.00	-0.70	-0.44	0.25

Calculation Of BRS Including Amortization Carrying Charges

12 Base Revenue Sharing	-1.00	-0.70	-0.44	0.25
13 Short Term Borrowing Rate %	4.85	4.85	4.85	4.85
14 Amortization Carrying Charges	-0.02	-0.02	-0.01	0.01
15 Base Revenue Sharing Including Amortization Carrying Charges(Line 12+14)	-1.02	-0.71	-0.45	0.26

Note 1 - If BRV is greater than zero, Line 9 is lesser of BRV and TEV shortfall, if BRV is less than zero, Line 9 is zero.

Threshold Earnings Variance Calculation

	1997	1998	1999	2000	2001
($Millions)					
	(A)	(B)	(C)	(D)	(E)
1 NEB Approved ROE %	10.67	10.33	11.50	11.50	11.50
2 Adjusted ROE %	10.67	10.50	11.09	11.09	11.09
3 Adjusted Threshold Earnings	30.10	30.11	32.31	32.83	33.24
4 Threshold Earnings-Forecast for 5 years @ 10.67%	30.10	30.60	31.10	31.60	32.00
5 Sub-Total (Line 3- Line 4)	0.00	-0.49	1.21	1.23	1.24
6 Threshold Earnings Variance	0.00	-0.88	2.18	2.21	2.24
7 Negative Threshold Earnings Variance	0.00	-0.88	0.00	0.00	0.00

Calculation Of NTEV Including Amortization Carrying Charges

8 50% of Line 7 previous year	0.00	0.00	-0.44	0.00	0.00
9 Short Term Borrowing Rate %	0.000	4.85	4.85	4.85	4.85
10 Amortization Carrying Charges	0.00	0.00	-0.01	0.00	0.00
11 NTEV Including Amortization Carrying Charges(Line 8+10)	0.00	0.00	-0.45	0.00	0.00

Discretionary Revenue Calculation

	1997	1998	1999	2000	2001
($Millions)	(A)	(B)	(C)	(D)	(E)
1 Discretionary Revenue	1.80	2.30	2.10	0.50	1.80
2 Base Discretionary Revenue	0.80	0.80	0.80	0.50	0.80
3 Excess Discretionary Revenue (Line 1-2)	1.00	1.50	1.30	0.00	1.00

Calculation Of BDR Including Amortization Carrying Charges

	1997	1998	1999	2000	2001
4 Base Discretionary Rev. (Line 2)Prior Year		-0.80	-0.80	-0.80	-0.50
5 Short Term Borrowing Rate %		4.85	4.85	4.85	4.85
6 Amortization Carrying Charges on BDR		-0.02	-0.02	-0.02	-0.01
7 Base Discretionary Revenue Including Amortization Carrying Charges(Line 4+6)		-0.82	-0.82	-0.82	-0.51

Net Excess Discretionary Revenue Calculation

	1997	1998	1999	2000	2001
($Millions)	(A)	(B)	(C)	(D)	(E)
8 Excess Discretionary Revenue (From Line 3)	1.00	1.50	1.30	0.00	1.00
9 Threshold Earnings Variance(From Page A4)	0.00	-0.88	2.18	2.21	2.24
10 Net Excess Discretionary Revenue	1.00	1.50	0.00	0.00	0.00
11 TEV Shortfall	0.00	0.00	0.88	2.21	1.24

Calculation Of NEDR including Amortization Carrying Charges

	1997	1998	1999	2000	2001
12 2/3 of Line 10 previous year	0.00	-0.67	-1.00	0.00	0.00
13 Short Term Borrowing Rate %	0.00	4.85	4.85	4.85	4.85
14 Amortization Carrying Charges	0.00	-0.02	-0.02	0.00	0.00
15 NEDR Including Amortization Carrying Charges (Line 12+14)	0.00	-0.68	-1.02	0.00	0.00

Property Tax Adjustment

	1997	1998	1999	2000	2001
($Millions)	(A)	(B)	(C)	(D)	(E)
1 Actual Property Taxes	36.90	40.00	41.00	39.30	40.00
2 Base Property Taxes(Line 1 previous year escalated @ 2.1 %)	36.90	37.67	40.84	41.86	40.13
3 Property Tax Variance	0.00	2.33	0.16	-2.56	-0.13
4 Threshold Amount	0.00	1.50	0.16	-2.56	-0.13
5 Flow Through Amount (Line 3- 4)	0.00	0.83	0.00	0.00	0.00
6 Threshold Sharing(Line 4*50%)	0.00	0.75	0.08	-1.28	-0.06
7 Property Tax Adjustment Exl. Carr Ch (Line 5+6)	0.00	1.58	0.08	-1.28	-0.06
Calculation of Carrying Charges -Current Year					
8 Short Term Borrowing Rate %	4.85	4.85	4.85	4.85	4.85
9 Carrying Charges - Current Year (Note 1)	0.00	0.04	0.00	-0.03	-0.00
10 Sub-Total(Line 7 + 9)	0.00	1.61	0.08	-1.31	-0.06
Calculation of PTA including Amortization Carrying Charges					
11 Property Tax Adjustment(Line 10 Prior Year)		0.00	1.61	0.08	-1.31
12 Short Term Borrowing Rate %		4.85	4.85	4.85	4.85
13 Amortization Carrying Charges		0.00	0.04	0.00	-0.03
14 Total Property Tax Adjustment Including Amortization Carrying Charges(Line 11+13)		0.00	1.65	0.08	-1.34

Note 1 - For this illustration the deferral balance is assumed to accumulate evenly during the year.

Actual Income Tax Expense
($Millions)

	1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
1 Threshold Earnings	30.10	30.60	31.10	31.60	32.00
2 Preferred Dividends	1.00	0.66	0.66	0.66	0.66
3 Income Tax. Collected(To Page A8,Line 19)	10.70	13.78	18.56	22.72	27.05
4 Pre-Tax Earnings	41.80	45.04	50.32	54.98	59.71
5 Depreciation	25.50	26.00	26.80	27.70	28.50
6 Capital Cost Allowance	-52.57	-47.56	-45.21	-43.27	-41.93
7 Variances - Current Year (1)	2.46	1.36	1.16	1.53	0.85
8 (Refund)/Collection of prior year variances	0.00	-2.46	-1.36	-1.16	-1.53
9 Variances - Current Year Carrying Charges	0.00	0.04	0.00	-0.03	-0.00
10 Variances - Prior Year Carrying Charges	0.00	0.00	-0.04	-0.00	0.03
11 Capitalized int. of AFUDC(Forecast)	-1.50	-1.50	-1.50	-1.50	-1.50
12 Other adjustments, net	0.00	0.00	0.00	0.00	0.00
13 BC Corporation Tax Adjustment(1997 Only)	-3.00	0.00	0.00	0.00	0.00
14 **Taxable income**	12.69	20.91	30.17	38.25	44.13
15 **Income Tax Rate**	0.44	0.44	0.44	0.44	0.44
16 Income taxes	5.64	9.30	13.41	17.00	19.62
17 BC / Large corporation capital tax	4.98	5.06	5.14	5.22	5.30
18 Prior Year Inc. Tax Deferral(Page A8 Line 16)	0.00	-0.08	0.36	1.00	2.30
19 Actual Income and Capital Taxes	**10.62**	**14.28**	**18.91**	**23.22**	**27.21**

Note 1 - Includes Base Revenue Sharing, Base Discretionary Revenue, Property Tax Adjustment, Net Excess Discretionary Revenue , NTEV and other deferrals.

Forecasted Income Tax Expense

($Millions)

		1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
1	Threshold Earnings	30.10	30.60	31.10	31.60	32.00
2	Preferred Dividends	1.00	0.66	0.66	0.66	0.66
3	Depreciation	25.50	26.00	26.80	27.70	28.50
4	Capital Cost Allowance	-52.60	-47.60	-45.20	-43.30	-41.90
5	Capitalized int. of AFUDC	-1.50	-1.50	-1.50	-1.50	-1.50
6	(Refund)/Collection of prior year variances	0.00	-2.46	-1.36	-1.16	-1.53
7	Variances - Prior Year Carrying Charges	0.00	0.00	-0.04	-0.00	0.03
8	Other adjustments, net	-0.83	0.00	0.00	0.00	0.00
9	BC / Large corporation capital tax	5.20	5.20	5.30	5.40	5.50
10	**Taxable income**	6.87	10.90	15.76	19.40	21.76
11	**Income Tax Rate(TaxRate/1-TaxRate)**	0.80	0.80	0.80	0.80	0.80
12	Income taxes	5.50	8.72	12.61	15.53	17.42
13	BC / Large corporation capital tax	5.20	5.20	5.30	5.40	5.50
14	Forecast Income and Cap. Taxes	**10.70**	**13.92**	**17.91**	**20.93**	**22.92**
15	Actual Income and Cap. Taxes(To Page A7)	**10.62**	**14.28**	**18.91**	**23.22**	**27.21**
16	Variance(Line 14 - Line 15)	-0.08	0.36	1.00	2.30	4.30

Calculation of FTE including Amortization Carrying Charges

		1997 (A)	1998 (B)	1999 (C)	2000 (D)	2001 (E)
17	Forecast Income and Cap. Taxes(Line 14)	10.70	13.92	17.91	20.93	22.92
18	Income Tax Variance(Line 16) Grossed Up	0.00	-0.14	0.65	1.80	4.13
19	Forecast Income Taxes (Line 17+Line 18)	10.70	13.78	18.56	22.72	27.05
20	Short Term Borrowing Rate %	0.00	4.85	4.85	4.85	4.85
21	Amortization Carrying Charges	0.00	-0.00	0.02	0.04	0.10
22	Total Forecast Income Tax Exp. Including Amortization Carrying Charges(Line 19+21)	10.70	13.78	18.57	22.77	27.15

Allocation of 1997 Total Revenue Requirement to Zones 3 and 4

($ Millions)

		Zone 3 (A)	Zone 4 (B)	Total (C)
1	Base Revenue Requirement (BRR)(Page A1)	51.50	145.00	196.50
2	Base Revenue Sharing(BRS)(Page A1)	0.00	0.00	0.00
3	Property Tax Adjustment(PTA)(Page A1)	0.00	0.00	0.00
4	Forecast of Income and Capital Tax Expense(FTE)(Page A1)	5.40	5.30	10.70
5	Forecast Motor Fuel Tax (MFT)(Page A1)	2.40	10.90	13.30
6	Base Discretionary Revenue(BDR)(Page A1)	0.00	0.00	0.00
7	Net Excess Discretionary Revenue(NEDR)(Page A1)	0.00	0.00	0.00
8	Negative Threshold Earnings Variance(NTEV)(Page A1)	0.00	0.00	0.00
9	Contract Demand Volumes (CDV)(Page A1)	0.00	0.00	0.00
10	Non-Routine Adjustments (TRNRA)(Page A1)	0.00	0.00	0.00
11	1998 Revenue Adjustment(Page A1)	0.00	0.00	0.00
12	Total Revenue Requirement	59.30	161.20	220.50

Note 1 - The above allocation is based on the current NEB approved methodology.
2 - Totals may not add due to computer rounding.

Allocation of 1998 Total Forecast Revenue Requirement to Zones 3 and 4

($ Millions)

		Zone 3 (A)	Zone 4 (B)	Total (C)
1	**Base Revenue Requirement (BRR)(Page B3)**	51.68	146.91	198.59
2	**Base Revenue Sharing(BRS)(Page B3)**	-0.49	-0.53	-1.02
3	**Property Tax Adjustment(PTA)(Page B4)**	0.00	0.00	0.00
4	**Forecast of Income and Capital Tax Expense(FTE)(Page B4)**	4.88	8.90	13.78
5	**Forecast Motor Fuel Tax (MFT)**	2.40	11.10	13.50
6	**Base Discretionary Revenue(BDR)(Page B4)**	-0.32	-0.50	-0.82
7	**Net Excess Discretionary Revenue(NEDR)(Page B5)**	-0.27	-0.42	-0.68
8	**Negative Threshold Earnings Variance(NTEV)(Page B5)**	0.00	0.00	0.00
9	**Contract Demand Volumes (CDV)(Page B5)**	0.00	0.00	0.00
10	**Non-Routine Adjustments (TRNRA)(Page B5)**	0.00	0.00	0.00
11	**1998 Revenue Adjustment (Page B5)**	0.24	0.27	0.51
12	**Total Revenue Requirement(Page A1)**	**58.12**	**165.74**	**223.86**
	Summary of Option A and Option B			
13	**Option A(Page B6)**	43.13	92.65	135.77
14	**Option B(Page B6)**	15.00	73.09	88.08
15	**Total Allocated Revenue Requirement(Line 12 above)**	**58.12**	**165.74**	**223.86**

Notes :1 - Totals may not add due to computer rounding.

Page B3

Base Revenue Requirement	Zone 3 (A)	Zone 4 (B)	Total (C)
1 Prior Year Actual Base Revenue Requirement (Excluding TE) (From Page A2 Line 9)	42.75	121.66	164.41
2 Current Year Base Revenue Requirement (Excluding TE) (Page From A2 Line 1)(Allocated on the basis of Line 1 above)	43.68	124.31	167.99
3 Current Year Threshold Earnings(Page A2 Line 2)	8.00	22.60	30.60
4 Current Year Base Revenue Non-Routine Adjustments(BRNRA)	0.00	0.00	0.00
5 Current Year Base Revenue Requirement(Line 2+3+4)(Page B2 Line 1)	51.68	146.91	198.59

Base Revenue Sharing	Zone 3 (A)	Zone 4 (B)	Total (C)
6 Prior Year Actual Base Revenue Requirement (Excluding TE) (Line 1 above)	42.75	121.66	164.41
7 Prior Year Threshold Earnings(Page A2 Line 10)	7.8	22.3	30.1
8 Prior Year Actual Base Revenue Requirement(Line 6+7)(Page A2 Line 11)	50.55	143.96	194.51
9 Prior Year Base Revenue Requirement(Page A2 Line 4)	51.50	145.00	196.50
10 Variance(Line 9-8)	-0.95	-1.04	-1.99
11 Ratio % of Line 10 to be applied to Base Revenue Sharing	47.89	52.11	100.00
12 Base Revenue Sharing (Page B2 Line 2)	-0.49	-0.53	-1.02

Property Tax Adjustment

		Zone 3 (A)	Zone 4 (B)	Total (C)
1	Prior Years Actual Property Taxes (Page A6 Line 1)	11.99	24.91	36.90
2	Actual Property Taxes(Two years prior)	11.74	24.38	36.13
3	Escalation Factor	0.25	0.52	0.77
4	Prior Years Base Property Taxes(Page A6 Line 2)(Line 2+3)	11.99	24.91	36.90
5	Property Tax Adjustment(Page A6 Line 7)(Line 1-4)	0.00	0.00	0.00
6	Ratio % of Line 5 to be applied to Property Tax Adjustment	0.00	0.00	0.00
7	Property Tax Adjustment(Page B2 Line 3)	0.00	0.00	0.00

Forecast of Income and Capital Tax Expense

		Zone 3 (A)	Zone 4 (B)	Total (C)
9	Current Year Threshold Earnings (Page A8 Line 1)	7.90	22.70	30.60
10	Current Year Depreciation (Page A8 Line 3)	6.90	19.10	26.00
11	Current Year Capital Cost Allowance (Page A8 Line 4)	-11.10	-36.50	-47.60
12	Notional Taxable Income	3.70	5.30	9.00
13	Ratio % of Line 12 to be applied to Income Tax Expense	41.11	58.89	100.00
14	BCT/LCT Allocated on Average Rate Base Ratio	1.35	3.85	5.20
15	Income Tax Expense (Allocated on line 13)	3.53	5.05	8.58
16	Total Forecast of Income Tax and Capital Taxes(Line 14+15)(Page B2 Line 4)	4.88	8.90	13.78

Forecast of Motor Fuel Tax

		Zone 3 (A)	Zone 4 (B)	Total (C)
17	Current Years forecast specifically forecast by Zone(Page B2 Line 5)	2.40	11.10	13.50

Base Disc Revenue

Allocated on prior years Actual Discretionary Revenue Ratio

		Zone 3 (A)	Zone 4 (B)	Total (C)
18	Ratio % applied to Base Discretionary Revenue	39.00	61.00	100.00
19	Base Discretionary Revenue (Page B2 Line 6)	-0.32	-0.50	-0.82

		Zone 3 (A)	Zone 4 (B)	Total (C)
	Net Excess Discretionary Revenue			
	Allocated on prior years Actual Discretionary Revenue Ratio			
1	Ratio % applied to Net Excess Discretionary Revenue	39.00	61.00	100.00
2	Net Excess Discretionary Revenue (Page B2 Line 7)	-0.27	-0.42	-0.68

		Zone 3 (A)	Zone 4 (B)	Total (C)
	Negative Threshold Earnings Variance			
3	Prior Year Threshold Earnings (Page A4 Line 3)	7.80	22.30	30.10
4	Ratio % applied to Negative Threshold Earnings Variance	25.91	74.09	100.00
5	Negative Threshold Earnings Variance(Page B2 Line 8)	0.00	0.00	0.00

		Zone 3 (A)	Zone 4 (B)	Total (C)
	Contract Demand Volumes			
	This will be specifically allocated to Option B shippers in Zones 3 and 4			
6	Contract Demand Volumes(Page B2 Line 9)	0.00	0.00	0.00

		Zone 3 (A)	Zone 4 (B)	Total (C)
	Non-Routine Adjustments			
	This will be specifically allocated to Zones 3 and 4			
7	Non-Routine Adjustments(Page B2 Line 10)	0.00	0.00	0.00

		Zone 3 (A)	Zone 4 (B)	Total (C)
	1998 Revenue Adjustment			
	Allocated on the basis of the 1997 IT Revenue Forecast			
8	Ratio % applied to 1998 Revenue Adjustment	47.00	53.00	100.00
9	1998 Revenue Adjustment(Page B2 Line 11)	0.24	0.27	0.51

Allocation of 1998 Total Forecast Revenue Requirement to Option A and Option B Shippers

Page B6

		Zone 3 (A)	Zone 4 (B)	Total (C)
1	Total Revenue Requirement(Page B2)	58.12	165.74	223.86
2	Less: Contract Demand Volumes related to Option B Shippers	0.00	0.00	0.00
3	Total Revenue Requirement Applied to Option A and B	58.12	165.74	223.86
	Allocation to Zone 3	**Option A**	**Option B**	**Total**
4	Zone 3 Allocation Percentages %	74.2	25.8	100
5	Plus: Contract Demand Volumes related to Option B Shippers	0.00	0.00	0.00
6	Zone 3 Allocated Revenue Requirement	43.13	15.00	58.12
	Allocation to Zone 4	**Option A**	**Option B**	**Total**
7	Zone 4 Allocation Percentages %	55.9	44.1	100
8	Plus: Contract Demand Volumes related to Option B Shippers	0.00	0.00	0.00
9	Zone 4 Allocated Revenue Requirement	92.65	73.09	165.74
10	**Total Revenue Requirement(Line 6+9)**	135.77	88.08	223.86
	Summary of Option A and Option B	Zone 3 (A)	Zone 4 (B)	Total (C)
11	Option A	43.13	92.65	135.77
12	Option B	15.00	73.09	88.08
13	**Total Allocated Revenue Requirement**	58.12	165.74	223.86

Illustration of Option A and Option B Factor Calculation (Using 1997 Toll Application Data)

Transportation - North	1997 Application	Elected Percentages Option A	Elected Percentages Option B	Elected Volumes Option A	Elected Volumes Option B	Total
Demand Units (10^3m^3/d Residue Gas)						
Shorthaul Service	12760	25%	75%	3190	9570	12760
Longhaul Service	51911	75%	25%	38934	12978	51911
Total	64671			42123	22548	64671
Relative Weight						
Shorthaul	1			1	1	1
Longhaul	14.4			14.4	14.4	14.4
Weighted Demand Units						
Shorthaul	12760			3190	9570	12760
Longhaul	747524			560643	186881	747524
Total	760284			563833	196451	760284
Weighted Demand Units Share						
Shorthaul	1.7%			0.4%	1.3%	1.7%
Longhaul	98.3%			73.7%	24.6%	98.3%
Option A vs Option B Factor	100.0%			74.2%	25.8%	100.0%

Transportation - South	1997 Application	Elected Percentages Option A	Elected Percentages Option B	Elected Volumes Option A	Elected Volumes Option B	Total
Demand Units (10^3m^3/d Residue Gas)						
BC Gas Inc. - Inland Division	4916	25%	75%	1229	3687	4916
Pacific Northern Gas Ltd.	3119	50%	50%	1560	1560	3119
BC Gas Inc. - Lower Mainland Division	14266	75%	25%	10700	3567	14266
Export	31543	50%	50%	15772	15772	31543
Load Centres (km)						
BC Gas Inc. - Inland Division	504.1			504.1	504.1	504.1
Pacific Northern Gas Ltd.	207.6			207.6	207.6	207.6
BC Gas Inc. - Lower Mainland Division	916.3			916.3	916.3	916.3
Export	917.6			917.6	917.6	917.6
Load Centre Weighted Demand Units (10^3m^3/d-km)						
BC Gas Inc. - Inland Division	2477932			619483	1858449	2477932
Pacific Northern Gas Ltd.	647587			323794	323794	647587
BC Gas Inc. - Lower Mainland Division	13072216			9804162	3268054	13072216
Export	28944132			14472066	14472066	28944132
Total	45141868			25219505	19922363	45141868
Weighted Demand Units Share						
BC Gas Inc. - Inland Division	5.5%			1.4%	4.1%	5.5%
Pacific Northern Gas Ltd.	1.4%			0.7%	0.7%	1.4%
BC Gas Inc. - Lower Mainland Division	29.0%			21.7%	7.2%	29.0%
Export	64.1%			32.1%	32.1%	64.1%
Option A vs Option B Factor	100.0%			55.9%	44.1%	100.0%

SCHEDULE C
ACCOUNTING POLICIES AND PROCEDURES

1. Westcoast will, during the Term, continue to use those accounting policies and procedures that were used by Westcoast to derive the tolls approved by the Board in its RH-1-96 Decision, except for those changes in accounting policies and procedures specifically provided for in this Schedule C or as otherwise prescribed by order of the Board from time to time.

2. Westcoast's AFUDC rate for each Year during the Term for Zone 1 and Zone 2 shall be calculated using capital structure ratios which will be fixed for the Term at the ratios used in the 1997 Toll Application as follows:

Funded	59.74%
Unfunded	.63%
Preferred Equity	1.23%
Common Equity	38.40%

and where the cost rates for each component of the capital structure will be calculated as follows:

- Funded Debt costs will be based on the embedded cost rate for funded debt determined as of December 31 of the prior Year;

- Unfunded Debt cost will be based on the prior Year's actual cost of unfunded debt;

- Preferred Equity cost will be the cost rate for Westcoast's Cumulative Redeemable First Preferred Shares, Series 5;

- Common Equity cost will be the rate of return on common equity authorized by the Board for Group I Pipelines for such Year.

3. Westcoast's AFUDC rate for each Year during the Term for Zone 3 and Zone 4 will be equal to the rate of return on rate base determined using the actual average capital structure ratios for the prior Year determined pursuant to section 3.4 of Schedule B. In calculating the rate of return on rate base the cost rate for each component of the capital structure will be the same as the cost rates used to calculate the Zone 1 and Zone 2 AFUDC rate pursuant to paragraph 2 above.

4. Westcoast's depreciation rates for Existing Facilities will be those rates used by Westcoast to derive the tolls approved by the Board in its RH-1-96 Decision, except as such rates may be adjusted pursuant to section 4.6 of Schedule A. The depreciation rates for Incremental Facilities will be those rates approved by the Board as part of the Board's approval process under Part III of the NEB Act for such Incremental Facilities.

5. Westcoast will calculate the income tax component of its cost of service for Zone 3 and Zone 4 on a flow through basis utilizing its utility revenue, depreciation, capital cost allowance and other adjustments attributable to Zones 3 and 4. Westcoast will calculate the income tax component of its cost of service for Zone 1 and Zone 2 on a flow through basis utilizing its

utility revenue, depreciation, capital cost allowance and other adjustments attributable to Zones 1 and 2.

6. Westcoast's booked Deferred Income Taxes totalling approximately $66.4 million as at December 31, 1996, will be allocated $55.5 million to Zone 1 and Zone 2 and $10.9 million to Zone 3 and Zone 4. Westcoast will not commence the drawdown of its booked Deferred Income Taxes allocated to Zone 1 and Zone 2 until crossover (the time that booked depreciation exceeds capital cost allowance) occurs in those Zones and will not commence the drawdown of its booked Deferred Income Taxes allocated to Zone 3 and Zone 4 until crossover occurs in those Zones.

7. The balance of the 1996 Cost of Service and Revenue Deferral Accounts, (excluding the Restructuring Cost Deferral Account approved by the Board by letter dated September 5, 1996 and the Jackson Prairie Storage/Zone 4 Firm Service Deferral Account approved by the Board by letter dated November 29, 1996) totalling approximately $24.5 million as at December 31, 1996, will be allocated between the Zones in accordance with the allocation methodology used in the 1997 Toll Application. The portion of the 1996 deferral accounts allocated to Zone 3 and Zone 4 will be included in the calculation of rate base and will be amortized to the Zone 3 and Zone 4 cost of service over a two Year period commencing January 1, 1997.

8. The Jackson Prairie Storage/Zone 4 Firm Service Deferral Account will remain in place until October 31, 1997 and shall be disposed of in accordance with the provisions of section 9.3 of Schedule B.

9. The balance in Westcoast's Restructuring Cost Deferral Account, totalling approximately $14.7 million as at December 31, 1996, together with the forecast 1997 BPI costs (as referred to in the 1997 Toll Application) of $14.3 million, will be allocated between the Zones in accordance with the allocation methodology used in the 1997 Toll Application. The portion of the Restructuring Cost Deferral Account and 1997 BPI costs allocated to Zone 3 and Zone 4 will be included in the calculation of rate base and will be amortized to the Zone 3 and Zone 4 cost of service over a five Year period commencing January 1, 1997.

10. Westcoast's costs incurred in connection with the filing of Westcoast's 1997 Toll Application and this Settlement will be allocated between the Zones in accordance with the allocation methodology used in the 1997 Toll Application. The portion of the rate case costs allocated to each Zone will be included in the calculation of rate base and amortized to the cost of service for each Zone over a five Year period commencing January 1, 1997.

SCHEDULE D
SERVICE RELIABILITY

Abbreviations

AOC Area Operating Committee. Fort Nelson, Ft. St. John and Pine River will have AOC's during the term of this agreement made up of Westcoast and shipper representatives for the purpose of resolving operating issues and fulfilling the terms of this agreement.

ASEC Area Shipper Executive Committee. Each ASEC will be made up of Westcoast and an officer from each of the four largest shippers by firm contracted volume in that RGT and Treatment operating area and one officer from a small shipper/producer to be a representative for the small shippers in that RGT and Treatment operating area.

CAPP Canadian Association of Petroleum Producers.

CD Contract Demand. As defined in the GT&C.

CDC Contract Demand Credits. Invoicing credits on firm shipper invoices relating to CD charges for firm service not received.

EFM Electronic Flow Measurement. Electronic devices installed in operating locations for recording and calculating gas flows. Replace chart recorders as a flow measurement device.

EO Exempt Outages. Outages which affect shipper service but are exempt from inclusion in reliability calculations.

FVE Facility Variance Event. Facility outages which are declared a variance event for the purpose of shipper balancing.

GISB Gas Industry Standards Board. A USA standards organization for the natural gas industry which establishes transaction standards. Canadian pipelines that transport gas to US interconnects must conform to many of these standards.

GT&C General Terms and Conditions. Westcoast's General Terms and Conditions **-** Service as filed with the NEB.

NEB National Energy Board.

NGL Natural Gas Liquids.

OBA Operational Balancing Agreement

PO Planned Outage. Any outage which has been planned according to a defined outage planning schedule.

RPO Receipt Point Operator.

RGT Raw Gas Transmission service.

TLC Temporary Location Commitment system. A computer system which will allow shippers to temporarily move firm service contract receipt points in the RGT system to underutilized areas.

TN Transportation Service - Northern.

TS Transportation Service - Southern.

UDC Underutilized Demand Charges. Firm service demand charges which are paid by a shipper for firm service which is not utilized.

UDCC Underutilized Demand Charge Credits. Invoicing credits for a shipper's UDC's which reduce that shipper's interruptible service charges. UDCC's may arise in two ways. First, charges in a month for interruptible service between a particular receipt point and delivery point may be reduced by credits for UDC's (Underutilized Demand Charges) from firm service of a similar type between another receipt point and delivery point in the same month. Second, charges in a month for interruptible service between a receipt point and delivery point on a particular day may be reduced by credits for UDC's from firm service of the same type between the same receipt point and delivery point on another day in the same month. The first type of UDCC is explicitly calculated on Westcoast's invoices, the second is implicit in the monthly billing logic.

UPO Unplanned Outage. An outage which is not classified as a PO or an EO.

Westcoast Westcoast Energy Inc.

I. SUMMARY

Westcoast (Westcoast Energy Inc.) is committed to the provision of reliable firm RGT (Raw Gas Transmission), treatment and transportation services to it customers. As evidence of its commitment to ensuring that the availability of its facilities meet or exceed average industry standard reliability levels, Westcoast is prepared to measure reliability of its facilities, warrant performance equal to or better than annual reliability targets, and provide CDC's (Contract Demand Credits) where the reliability targets are not met. Westcoast's commitment is to individual shippers. Accordingly, the calculation of reliability will be shipper, firm service and facility specific. Measurement of reliability will be based upon representative pressures in the RGT and Treatment service zones and authorized business in the Transportation service zones.

Should Westcoast fail to meet its warranted reliability targets at a facility for a specific shipper in respect of RGT and Treatment service, Westcoast commits to issue CDC's to that shipper which reflect the difference between the service provided and the full CD (Contract Demand) of the shipper at that facility. In the RGT and Transportation service zones, Westcoast will issue CDC's for the affected services in the zone related to the facility where the reliability target has not been met is located. In the Treatment zone, Westcoast will issue CDC's for the affected Treatment services and that shipper's linked RGT services.

Westcoast warranty is contingent on Board approval of a number of significant procedural changes with regard to how shippers do business on the Westcoast system. These changes are required to ensure Westcoast has sufficient control of system operations. The changes are predicated upon shippers and interconnecting systems accepting responsibility for their actions. To manage RGT and Treatment services proactively, RPO's (Receipt Point Owners) will be required to install EFM (Electronic Flow Measurement) devices at all significant receipt points onto the Westcoast RGT system. RPO's will also be required to make available to Westcoast, at Westcoast's request, the data from those EFM devices.

Implementation of procedural changes, information system enhancements and EFM will place a strain on Westcoast, shipper and producer resources. Westcoast and the parties to this agreement have agreed that Westcoast's reliability warranty will take this into account. Accordingly, the initial and final warranty will have different reliability targets. The implementation timing and the pre-requisites for each reliability target are outlined in this document.

II. RELIABILITY TARGETS

A. RGT and Treatment Reliability

Each year, Westcoast and its customers will reach agreement via the AOC (Area Operating Committee) with regard to target levels of reliability at each facility. In determining the level of reliability, the AOC will allow for both prudent regular maintenance and UPO's (Unplanned Outages). The agreed upon levels will then become targets with the consequences to Westcoast of not reaching these targets on a shipper, firm service and facility specific basis being CDC's.

(1) For each Field Services area, Westcoast will establish an AOC. The make-up of the AOC will be determined in consultation with the producers and shippers for the particular area. Details

regarding committee procedures and meeting frequency are to be worked upon by the members of the committee. The mandate of the committees will be to deal with operational issues pertaining to the operation and maintenance of Westcoast facilities. Specifically, the committees will be responsible for reviewing the planned maintenance schedule submitted by Westcoast and reaching a consensus on the level of reliability reasonably achievable at each facility.

(2) PO's (Planned Outages) will be defined as maintenance related capacity restrictions that have been identified in the monthly outage schedule issued by Westcoast. PO's are identified by date, duration and impact. Any change in a PO date, duration or impact made after the release of the Monthly PO Schedule and which extends outside those identified in the monthly outage schedule will be considered as being an UPO and will be included in all reliability calculations as such.

(3) When reasonably possible, PO's will be scheduled to minimize their impact on shippers and to allow shippers to mitigate their effect through other business arrangements. They also represent a planning tool for Westcoast to do work in the most efficient manner possible. PO targets will vary with factors such as facilities design, seasonality, contracting levels and from one year to the next due to multi-year turnaround planning cycles.

(4) PO targets will be negotiated at the AOC based upon an annual outage schedule of all known PO required for each facility. The schedule will be established in advance of each year for the calendar year starting January 1 and ending December 31. This schedule will then be updated on a monthly basis to reflect changes to the base schedule as information on PO requirements changes. Monthly updates will be published by Westcoast on or before six business days prior to the start of the month affected by the PO (see Appendix I).

(5) PO changes will be reflected in the monthly PO targets but will not affect the overall annual PO reliability target committed to at the beginning of the year. To be classified as PO's, service restrictions must be identified by start date, duration and impact at least 6 business days prior to the 1st day of the month in which they occur.

(6) Any party may request a short notice rescheduling of PO's. It will be classified as a PO if Westcoast and 90% by volume of affected shippers agree to the proposed change.

(7) The completion of PO schedules will be the responsibility of the Westcoast outage coordinator, who will seek the consensus of the AOC on schedules. Westcoast will make the ultimate decision on PO event timing.

(8) Outages falling within the PO targets will not be included in the determination of CDC's.

(9) UPO's are defined as all service restrictions that are not PO's or EO's (Exempt Outages). This may include maintenance identified but not scheduled, scheduled maintenance which has had a slippage in the dates, duration or impact and events of force majeure.

(10) The UPO targets for each area will be developed on a calendar year basis starting January 1 and ending December 31. When setting targets, the AOC will use historical and benchmark data (if available) and will take into consideration acceptable business risk levels for Westcoast and the shippers. Targets will be reviewed and approved by the ASEC's (Area Shipper Executive Committee) (see Appendix I).

(11) UPO's by their very nature are difficult to schedule. UPO targets will be developed using a statistical approximation of the likelihood of a facility outage occurring and it's impact and will take into account seasonality, contracting level, facility configuration factors, and NGL (Natural Gas Liquids) impact on system hydraulics. Annual UPO results and associated CDC's, if any, will be calculated on a thirteenth month adjustment basis as described later in this document. Because UPO's are somewhat random in nature, performance in any year will not necessarily result in an automatic rebasing of the targets up or down.

(12) UPO targets will be established by area on an annual basis after Phase I and II UPO target windows are complete (see section VI - Implementation). Subject to paragraph 13 below, the Phase II reliability targets identified in Appendix II of this document are Westcoast's minimum annual target commitment through the life of this agreement. Phase II reliability targets will expire December 31, 1998 and will require renegotiation yearly thereafter.

(13) PO and UPO targets may need to be reset within the year on a non-routine adjustment basis if there is significant change to the facilities, regulations governing the facilities or contracting levels. Any party to this agreement may initiate a review of the target levels within the year if there is more than a five percent change to the contracting or capacity levels of the facility.

(14) Any targets which cannot be agreed to by the AOC's and ASEC's will be resolved through the negotiated settlement dispute resolution process.

(15) The intent is to achieve industry standards of reliability (typically between 97% and 98%) between receipt point and plant outlet, during the period of the settlement, through implementation of the total package. It is recognized that the reliability targets defined for the purpose of calculating CDC's are not directly comparable to industry standard data. By the end of the first quarter each year, Westcoast will publish both base level and industry comparable data concerning reliability and availability levels experienced by the average shipper at each plant and in each gathering system on a volume weighted basis during the prior year. Industry comparable data will only be included for those facilities and operating conditions which are within Westcoast's control.

B. Transportation Reliability

Westcoast will warrant reliability targets on the Transportation North and Transportation South systems as provided in the GT&C (General Terms and Conditions).

III. RELIABILITY MEASUREMENTS

A. RGT reliability measurement

(1) RGT service reliability will be measured on a daily basis by the lesser of :

(a) announced facility CD restriction, and

(b) the combination of receipt point pressure and flow. (In the event that the daily average pressure is over the pressure specified in Appendix III, the reliability not received will be the CD minus the volume received from the shipper.)

(2) Exemptions

(a) RGT RPO:
In the event the failure by Westcoast to provide RGT service can be directly attributed to the quality of commingled gas delivered by an RGT RPO, Westcoast will retain the right to recover the payment of CDC's paid from the shipper(s) receiving the gas at that receipt point. The burden of proof lies with Westcoast in proving the linkage between the actions of an RPO and Westcoast's failure to provide RGT service. Westcoast will provide a complete record of the incident to the shippers affected by the failure.

(b) Hydrates:
If the failure to provide RGT service by Westcoast can be directly attributed to hydrates in the RGT system this will be considered an EO. Westcoast will not include this failure to provide service in the calculation of reliability for the purposes of paying CDC's in the RGT system. Interruptions of this type will be identified by way of an incident notification from Westcoast to shippers affected, declaring the time period, nature of the incident, and pipeline(s) affected. Recurring incidents such as hydrates and liquid loading will be investigated by the AOC's to find a solution which reduces or eliminates further occurrences.

(c) Downstream Interconnect or Transportation Service:
If the failure to provide RGT service by Westcoast can be directly attributed to the actions of a downstream interconnecting pipeline or other facility (eg., storage facility) or the actions of the TN (Transportation Service - Northern) or TS (Transportation Service - Southern) systems, this will be considered an EO. Evidence that the problem was caused by a downstream event will be provided in the form of plant inlet and outlet pressure data confirming pressures above the levels specified in Appendix III accompanied where appropriate by an incident report or formal notification of a problem issued by a downstream interconnect. Westcoast will not include this failure to provide service in the calculation of reliability for the purpose of paying CDC's in the RGT system.

(d) Westcoast will resolve intra-day reliability problems by equitably allocating available capacity upstream of a constraint, within the practical limits of the physical facilities and computer management systems.

B. Treatment Reliability Measurement

(1) Treatment service reliability will be measured on a daily basis by the lesser of:

(a) announced facility CD restriction, and

(b) the combination of inlet pressure, outlet pressure and allocated volume. (In the event that the inlet pressure to the plant is greater than the daily average pressure specified in Appendix III and the plant outlet pressure is less than or equal to the daily average pressure specified in Appendix III, the reliability not received will be the CD minus the volume received. Notwithstanding the preceding, in the event the plant outlet pressure is greater than the daily average pressure specified in Appendix III or any of the shipper’s CD limits of raw, residue, H_2S, and CO_2 is provided in full, the service will be considered to have been fully available.)

(2) Service limits:
Determination of whether Westcoast has provided Treatment service will include evaluation of performance with respect to CD limits of raw gas, H_2S, CO_2 and residue gas.

(3) Exemptions:
If the failure to provide Treatment service by Westcoast can be directly attributed to the actions of a downstream interconnecting pipeline or other facility (eg., storage facility) or the actions of the TN or TS systems, this will be considered an EO. Westcoast will not include this failure to provide service in the calculation of reliability for the purpose of calculating CDC’s for Treatment service. Westcoast will provide a complete record of the incident to the shippers affected by the failure.

C. Transportation Reliability Measurement

Transportation system reliability will be measured as described in the GT&C.

D. Linkage of Service

Westcoast will provide linkage from firm primary or assigned Treatment service to matched firm primary or assigned RGT service in respect of a Treatment outage for the determination of Treatment CDC’s as outlined in the CDC calculation section of this document. There will be no other linkages between service zones. In particular, if an RGT outage is caused by a Treatment failure the RGT outage will be exempt from the RGT reliability calculation despite the linkage with respect to the determination of the amount of Treatment CDC to be credited. Westcoast will provide a complete record of the incident to the shippers affected by the failure.

IV. CALCULATION OF CDC’S

A. RGT and Treatment

1. After the end of each year Westcoast will calculate, based on actual metered or allocated gas flows, pressure measurements, CD restrictions and contracted gas volumes, the annual UPO reliability level for each shipper firm service.

2. Westcoast will use the average CD level held over the year to calculate CDC’s. CDC’s will be paid out to the “primary service holder” on an annual basis. Distribution of these CDC’s between parties involved in assignments of capacity will be between assignor and assignee as per their commercial arrangement. Westcoast will pay CDC’s on short term firm contracts that are held for only a portion of the year and do not have renewal rights associated with the contract. In the event Westcoast does not meet it’s annual UPO reliability target shippers will be given CDC’s for the base toll and applicable demand toll adjustment on the difference between their actual reliability level and the target reliability level.

   - Primary Service Holder: The primary service holder will, in most cases, be the party who Westcoast holds the contract with and /or has the renewal rights for the service. In some instances it may be necessary to have some parties elect to become the primary service holder.

- Assignments: For the purposes of this calculation, any service assigned to an acquiring shipper will be deemed to have remained in the hands of the primary service holder in the calendar year. The assigned block of firm service CD and related UPO volumes and UDCC's (Underutilized Demand Charge Credits) will be included in the determination of the primary service holder's reliability and CDC's. Acquiring parties will not receive CDC's from Westcoast.

- Primary, Alternate and Secondary Receipt Points: Primary receipt points are those which are identified in Schedule B of the firm service agreements held with Westcoast. Alternate primary receipt points are permanent service relocations during the calendar year. Secondary receipt points are receipt points which Westcoast has authorized a temporary relocation. For the purposes of calculating reliability shortfalls CD, UPO and UDCC volumes relating to service at alternate and secondary receipt points will be combined with service at primary receipt points.

- Service Grouping at Receipt Points and Partial Assignments: UPO and UDCC volumes will be combined for primary and secondary service holders and primary and secondary receipt points on specific days in order to calculate an annual reliability level.

The calculation of CDC's for the primary holder will be:

(A) Full Volume = Shipper's Average CD in year times number of days in year (usually 365)
(B) Net Volume Loss = Total Volume Loss – volume loss due to PO's (must qualify under PO rules) – volume loss due to EO's (e.g., hydrates) (must qualify under EO rules)
(C) Net Volume Loss After UDCC Adjustment = B - UDCC's received in the year
(D) Reliability = (A - C)/A x 100%
(E) Target UPO Reliability = 100%-UPO%. Westcoast will credit CD charges if D is less than E (actual reliability is below target)
(F) Reliability shortfall = E – D %
(G) CDC volume = F x A
(H) Tolls on which CDC are based will be the shipper's volume weighted average daily demand tolls (i.e., volume weighted for shipper's mix of 1, 3, 5 year and negotiated tolls) for the shipper's service in effect, at the facility, on the days on which the reliability shortfall is deemed to occur. Deeming will be done by prorating the shortfall over the volumes and days of net volume loss (i.e., excludes qualified PO and EO volumes and days). Linkages between Treatment and RGT will also be determined for each day on which the reliability shortfall is deemed to occur based on the service in effect on those days.
(I) CDC's = G x H (calculated for multiple days and tolls)

A sample calculation of the above has been included as Appendix V

B. Transportation

Westcoast will pay CDC's to individual TN and TS firm shippers as specified in the GT&C with the exception of the following change. CDC's will be calculated using the volume weighted average toll paid by the shipper for all equivalent service (same receipt point and delivery point for both option A and option B services) in the service zone affected.

C. Linkage of Service

Linkages between zones for the purpose of calculating CDC's are based on the following principles. In the RGT and Transportation service zones, Westcoast will issue CDC's for the affected firm services in the zone in which the facility where the reliability target has not been met is located. In the Treatment zone, Westcoast will issue CDC's payable to the primary service holder for the affected firm primary or assigned Treatment services and that shipper's linked firm primary, alternate or secondary RGT services. Where the facility is within the RGT service zone, no CDC's will be issued for Treatment or Transportation services; where the facility is within the Treatment service zone, no CDC's will be issued for Transportation services; and where the facility is within a Transportation zone, no CDC's will be issued for RGT and Treatment services and Transportation services in other zones.

With the exception of Treatment service, CDC's will be calculated using only the volume weighted average toll for the affected services in the zone in which the reliability target was not met. Treatment CDC's will be calculated using the tolls for the shipper's affected Treatment and matched RGT services when Treatment does not meet its reliability target. Westcoast will continue to allow the contracting practice of having unmatched firm RGT and Treatment service. For the purpose of calculating Treatment CDC's for matched service, RGT will be linked to Treatment by calculating the volume weighted average toll for the shipper's affected Treatment service and the related RGT service. Only Treatment tolls will be used to calculate CDC's for Treatment service not matched to RGT. In the event of unmatched RGT and Treatment services where Treatment exceeds RGT, the first block of Treatment service deemed to be affected will be the unmatched service. In no event will CDC's be paid more than once for the same RGT service (i.e., payment of RGT CDC's under both the RGT portion of this paragraph and under the RGT linked to Treatment in the Treatment portion of this paragraph is not contemplated).

V. PROCEDURAL CHANGES

Westcoast's reliability commitments are conditional upon termination of the following operational and billing practices that encourage or condone poor operational control or that are at odds with the current Westcoast contracting and facility design practices. This will result in the loss of some of the system flexibility that shippers on the Westcoast system currently enjoy. The new policies and procedures support the philosophy that both Westcoast, shippers and interconnects accept responsibility and accountability for those things within their control.

A. Nominations '97

The current GMS authorization process has served the pipeline division and its customers well over the past five years in providing gas management services. The changes in the gas industry over the past years have created a demand for new services. The customers' business transactions have also become more complicated over time in response to the changes in the way the industry does business. The current authorization process does not allow for these new services to be offered in a timely and efficient manner and places the burden of processing the complex transactions on Westcoast instead of on the shippers. As a result, the current authorization process has become slow, unreliable, and complex. Our shippers have stated they would like to see Westcoast adopt industry wide standards (i.e., GISB {Gas Industry Standards Board}) so that Westcoast can offer new services and make it easier for them to complete their business. Therefore, an authorization process that is simple, flexible, and reliable is required. Specific objectives of the new authorization process are as follows:

- evelop a baseline authorization process which provides the flexibility to develop new services in a manner which is timely and consistent with the principles and procedures of the settlement agreement
- adopt industry standard (GISB) transaction sets thereby providing flexibility to the shippers to nominate using the application of their choice (NrG, their own GMS)
- create an authorization process which is simpler to use so that the shippers have more control over their business and the business process can be authorized in a shorter time cycle
- a simpler process should also be more reliable in that the shippers' business will be authorized as expected and it will be easy to operate and maintain the business process from Westcoast's standpoint
- provide a structure that will allow for tighter control of the RGT system by delinking the RGT and Treatment business processes from TN, thereby allowing the RGT and Treatment business processes to stand alone
- adopt a receipt point operator (RPO) approach with third party dry gas points

(1) As a minimum, Westcoast will conform with the GISB industry standardnomination cycle. Renominations to upstream and downstream interconnects will be limited by the renomination times of the interconnecting party. The standard nomination cycle is as follows:

- Westcoast will provide all information that the shippers require to set up business for the next day, including allowable business levels based on current supply, cumulative imbalance position and agreed pack and draft rates by 9:30 Central Clock Time (8:30 a.m. Calgary Clock Time) for the next gas day
- shippers will nominate to Westcoast their business for the next day by 11:30 Central Clock Time (10:30 am Calgary Clock Time)
- Westcoast will authorize business back to shippers by 4:30 p.m. Central Clock Time (3:30 Calgary Clock Time) for the next gas day. No business will knowingly be authorized if it will put the shipper out of tolerance. Westcoast will provide shippers with a GISB Type II Intra-day nomination opportunity. A GISB Type II Intra-day nomination is defined as a renomination placed a day prior to the gas day. Shippers electing to use this option must nominate by 5:30 p.m. Central Clock time (4:30 p.m. Calgary Clock Time) and Westcoast will authorize back to shippers at 8:00 p.m. Central Clock Time (7:00 p.m. Calgary Clock Time).

(2) Westcoast will provide shippers with a GISB Type I Intra-day nomination opportunity. A GISB Type I Intra-day nomination is defined as a renomination placed for the current gas day. Shippers electing to utilize this opportunity will renominate business to Westcoast for the current gas day by 1:00 p.m. Central Clock Time (12:00 p.m. Calgary Clock Time). Westcoast will authorize by 5:00 p.m. Central Clock Time (4:00 p.m. Calgary Clock Time) for the current gas day.

(3) Westcoast will retain the authority to reauthorize the RGT and Treatment system separately from the Transportation system.

(4) If, after Westcoast confirms authorizations related to the nomination cycle, Westcoast determines it is unable to meet its delivery obligations due to an event of force majeure in either of the Transportation zones, Westcoast will declare force majeure and curtail service in the affected service zone. In curtailing service, Westcoast will curtail or interrupt service in the following priority and sequence:

(a) Westcoast will first curtail or interrupt Interruptible Service in the reverse order to that in which it was authorized (where authorized at the same priority, service will be curtailed pro rata on the basis of the volumes of Interruptible Service previously authorized for that day); and

(b) Westcoast will curtail or interrupt Firm Service last, pro rata on the basis of CD.

(5) Westcoast will have the capability to reauthorize the RGT and Treatment zones separately and on a more frequent basis than the TN and TS zones. Westcoast will use reasonable efforts to provide shippers with the capability at standardized intervals to change RGT and Treatment service nominations in response to changing system conditions.

(6) Westcoast will require shippers to nominate fuel gas utilization with the implementation of Nominations 97. Westcoast will set weekly fuel gas ratios during periods of large fuel utilization swings.

B. RGT and Treatment Nomination Detail

(1) Westcoast will authorize shippers firm entitlements from specific receipt points to specific delivery points in the RGT system as specified in the contract. Westcoast will give firm entitlements for specific raw, residue, H_2S and CO_2 volumes as specified in the contract.

(2) Shippers must nominate their specific RGT and Treatment contract services. Nominations must include all aspects of raw, residue, H_2S and CO_2. RGT nominations will be communicated as a raw volume. Residue volume, H_2S and CO_2 nominations will be determined based upon the commingled stream composition as communicated to Westcoast by the RPO.

(3) With the implementation of Nom's 97 and park and loan or similar services Westcoast will recognize different market types such as swing or balancing markets to allow gas to flow under firm contracts in the RGT and Treatment areas without a direct linkage to a downstream market.

(4) If, after Westcoast confirms authorizations related to the nomination cycle, Westcoast determines it is unable to meet its delivery obligations due to an event of force majeure in the RGT or Treatment zones, Westcoast will declare force majeure and reduce the service capacity of the affected service zone and unilaterally reallocate capacity through the intra-day nomination process utilizing the authorization priorities outlined in the GT&C.

C. Elimination of RGT and Treatment UDCC's

Westcoast's RGT and Treatment reliability commitments require the removal of flexibility that allows firm shippers to effectively move service between RGT receipt points and between plants for billing purposes. The focus will be to encourage shippers to contract for the correct firm service levels and locations to meet their production requirements. Westcoast's reliability commitment will require the elimination of all inter-plant UDCC's related to Treatment Service effective November 1, 1997 and the elimination of all inter-receipt point UDCC's related to RGT Service effective the later of December 1, 1997 or the implementation of TLC (Temporary Location Commitment system).

(1) Westcoast will offer to shippers capacity which is currently uncontracted on a timely basis to facilitate the movement of existing RGT, Treatment and TN contracts to better match the production needs of shippers. The service relocation program will include an individual review of shipper contracts with a long term commitment to an individual location where the shipper needs to move the location. Westcoast may, at its sole discretion, allow these movements. This does not constitute an offer to build facilities or to give firm contract entitlements to shippers where no capacity is currently available.

(2) Westcoast will develop a TLC system to allow shippers to confirm short term temporary movements of firm contract receipt points within the same RGT system to areas where excess RGT capacity is known to exist. The TLC system will give existing firm shippers, on a first come first served basis, firm rights at the new (secondary) authorized receipt points and reduced firm rights at the prior receipt points (primary) for the duration of the TLC if they have received an authorization for a TLC. For a request made by 9:00am Calgary Clock Time, Westcoast will provide, by 10:00am Calgary Clock Time, a Temporary Location Commitment for the next gas day (green zone - wide open) or 10:00 am two business days later for gas day three business days out (yellow zone - hydraulic run required to determine availability). Westcoast will give at least 3 months notice to shippers on the expected implementation date of the TLC system.

(3) Once the service relocation program, referred to in section C-1, is complete and the TLC system RGT Phase I reliability is in place, Westcoast will discontinue the practice of crediting inter-area and inter-receipt point UDC's to interruptible movements in the RGT systems. The practice of crediting inter-plant UDC's to interruptible treatment service will be discontinued on November 1, 1997. Credit for inter-day UDC's within a month (i.e., monthly determination of interruptible charges) will be continued on a volume basis. Any UDCC's will be included in the evaluation of reliability and the calculation of CDC's as a deduction from UPO's.

(4) Acid gas over utilization charges will continue to be determined using the current methodology, however, like interruptible movements, they will be determined on a monthly basis and the use of inter-plant UDCC's to reduce them will be eliminated.

D. Elimination of Transportation UDCC's

All UDCC's related to TN and TS will be eliminated effective November 1, 1997 (i.e., daily determination of interruptible charges with no inter-day UDCC's and no inter-receipt point or delivery point UDCC's). Delivery point diversions in TN will continue to be authorized on an interruptible basis with daily tolling to be determined in consultation with the Toll and Tariff Task Force as part of the discussions to finalize biddable interruptible service. Downstream and upstream delivery point diversions in TS will continue to utilize the current crediting mechanism on a daily basis with necessary changes to be determined in consultation with the Toll and Tariff Task Force as part of the discussions to finalize biddable interruptible service.

E. RPO's

Westcoast's commitment to service reliability for RGT and Treatment as outlined above is conditional on Westcoast obtaining greater control over and information on the receipt of gas at each receipt point into its RGT facilities. In addition, Westcoast will be removing itself from activities related to production behind the receipt point and will deal with a commingled gas stream at the receipt point. To achieve this, certain amendments will be made to the GT&C including the following:

(1) Shippers will be required to make daily nominations for RGT service at each receipt point.

(2) Each shipper will be required to provide Westcoast with the following information in respect of each receipt point at which a shipper is entitled to RGT service:

- (a) confirmation of shipper's gas supply to meet each daily nomination for RGT service;
- (b) estimates of shipper's gas deliveries for each day;
- (c) shipper's actual gas deliveries at the receipt point or its allocated share of actual gas deliveries where more than one shipper is delivering gas at the receipt point, for each day;
- (d) gas composition of the commingled stream for each day (e.g., H_2S and CO_2 percentages, heating value and liquids);
- (e) receipt point average pressures for each day.

(3) Where a shipper is not the RPO of the metering and interconnecting facilities immediately upstream of the receipt point then, as a condition of service, the shipper will provide the information referred to in (2) above to Westcoast through the RPO as its agent and Westcoast will be entitled to rely on the information received from the RPO for the purposes of (2) above as if it were provided directly by the shipper.

(4) Nominations outlined in (2) above will remain in effect until new nominations are submitted to Westcoast by the shipper or its agent.

(5) The information provided to Westcoast in (2) above by the shipper or by the RPO where the shipper is not the RPO, will be used by Westcoast to effect the shipper's daily business and to ensure that the shipper is complying with the GT&C. In addition, the assessment of balancing/overproduction charges referred to below will also be based upon the information provided to Westcoast in (2) above. Where the shipper's gas delivered at a receipt point or the commingled gas stream delivered at a receipt point by more than one shipper does not comply with Westcoast's gas quality or receipt point pressure specifications, Westcoast will have the right to take reasonable steps to enforce compliance, including the right to suspend all receipts at the receipt point (e.g., the shutting-in of the receipt point). Westcoast will not unreasonably suspend receipts from the RPO. If Westcoast suspends receipts, Westcoast will work with the RPO to resolve the situation expeditiously.

(6) Westcoast will implement new liquid allocation procedures as previously voted on and approved by the JIOC. The new allocation procedure would be based on a recovery efficiency methodology which recognizes that not all streams processed in the gas plant get the same

product recovery efficiency. Westcoast will encourage receipt point operators to install liquid meters at receipt points so that volume data from gas and liquid flow meters is used to calculate the receipt point volumes. Westcoast will require that RPO's increase the frequency of liquid and gas sampling for the commingled stream. Theoretical liquids produced at receipt points equipped with liquid meters will be calculated based on measured gas and liquid volumes. Theoretical liquids produced at receipt points without liquid meters will be calculated on a pro rata basis on the remaining liquids after the allocation to those with liquid meters. Westcoast will proceed with modifications to its GMS and DVS systems to accommodate the new liquid allocation methodology and the data from liquid meters. The implementation of the new liquid allocation procedures would take effect on January 1, 1998.

F. Balancing Procedures and Charges

Westcoast's ability to provide reliable operation is dependent on the ability to control and match system deliveries with system receipts. The current aggregate balancing policies and procedures, while offering shippers flexibility, directly impact Westcoast's ability to offer reliability. To enable improved reliability, Westcoast must implement daily balancing on an account by account basis, eliminating the current practice of aggregate balancing. Daily balancing will be enforced through a system of imbalance tolerances and charges. The charges are not intended to generate revenue but are intended to assist Westcoast in taking control of its system. This system of imbalance tolerances and charges will be implemented once the GT&C changes are approved by the Board as part of the approval for the negotiated settlement.

(1) Daily balancing rules will be applied to all shipper accounts at receipt points onto the transportation system. Aggregate system balancing by shippers will be eliminated.

(2) The concept of FVE's (Facility Variance Event) will be eliminated coincidentally with the implementation of Phase I reliability commitments. FVE's related to Treatment facilities will be eliminated upon implementation of Phase I Treatment reliability commitments and FVE's related to RGT facilities will be eliminated upon implementation of Phase I RGT reliability commitments. Thereafter, suspense accounts will only be used for dealing with month end adjustments related to estimate/actual adjustments or prior period adjustments.

(3) Each shipper holding an account at a location where gas is physically delivered into the transportation system from a Westcoast plant or a dry gas source (receipt account), will be obligated to balance supply and deliveries out of that account on a daily basis so as to stay within an account imbalance tolerance. Westcoast will each day identify a system balancing tolerance range which is the greater of a percentage of business and a minimum volume. The range will not exceed 0/+20% or -20/0% or 0/ +3000 GJ or -3000/0 GJ. Individual account tolerances will be calculated by multiplying the shipper's average daily business out of that account by the system balancing tolerance range. The system balancing tolerance range at target line pack is anticipated to be the greater of +/-10% and +/- 1500 GJ on a daily basis. Inventory transfers do not qualify as business for the purposes of calculating the average business out of an account.

(4) Shippers may inventory transfer volume into or out of their accounts using inventory transfer services to maintain their cumulative account imbalance within account imbalance tolerances. Shippers wishing to move inventory to an account at another location must be authorized to transport the inventory to the new location and pay a fee equivalent to the avoided tolls to physically move gas between the two account locations.

(5) Westcoast may from time to time adjust the system balancing tolerance range in pre-defined levels (see Appendix IV) based upon changes or as a precaution against expected changes in system line pack. Changes or expected changes may be related to supply onto the Westcoast system, downstream demand or Westcoast facility operations. System balancing tolerances identified during the course of the nomination cycle may be changed at any point in the gas day in reaction to changes in line pack conditions. Shipper account tolerances will reflect any changes in the system balancing tolerances. Westcoast will make reasonable efforts to provide shippers with a renomination opportunity which they may use to renominate authorized business to stay within balancing tolerance.

(6) At each receipt account, shippers will have a free zone which is 20% of the account imbalance tolerance range (e.g., -4/0% when the tolerance is -20/0%). As long as the cumulative outstanding imbalance in the account is within the free zone no action is required. Outside of this tolerance shippers must demonstrate, in a form satisfactory to Westcoast, their intention to trend the cumulative outstanding account imbalance to zero at a minimum daily rate of 30% of the outstanding cumulative account imbalance. Where the shipper is not able to satisfy Westcoast as to their intention to trend their outstanding cumulative account balance appropriately, Westcoast will have the right but not the obligation to direct such correction.

(7) Westcoast will develop interruptible balancing services which shippers may nominate to avoid balancing charges. Westcoast will provide such services by the second quarter of 1998. Balancing services must be self-funding, that is, services may not be provided to certain shippers at the expense of shippers at large.

(8) In the event a downstream interconnect revises its own requirements the interconnect will have the unilateral right within the gas day to downward nominate supply from a delivery shipper (this may impact supply at a plant outlet or dry gas source) or redirect a supply to another downstream interconnect (assumes the interconnect holds the appropriate Westcoast service) or make arrangement with Westcoast to park the gas supply on the transportation system.

(9) Shippers who lose market as a result of a change in delivery nomination on the intra-day nomination will be expected to stay within balancing tolerance by nominating for balancing services if available, by locating another delivery market coincidental to the loss in market, by locating another delivery market where a further intra-day nomination capability exists, or by shutting in production. Where the shipper does not stay within balancing tolerances, balancing charges will apply.

(10) Westcoast will seek to enter into annual RGT swing arrangements which compensate the involved RPO(s) appropriately. The terms of these annual agreements will be reviewed and approved by the AOC's. These swing arrangements will be utilized to provide balancing services to shippers and to provide more equitable access to the system.

(11) If after Westcoast confirms authorization related to the last intra-day nomination cycle, a Westcoast facility problem prevents Westcoast from accepting all scheduled receipts, therefore creating an imbalance between system deliveries and receipts, Westcoast will retain the right to change the system balancing tolerance range or to reauthorize receipt nominations to ensure all shippers holding firm service upstream of the constrained facility are treated equitably. To stay within balancing tolerances, shippers may provide Westcoast with a predetermined list of balancing services they wish Westcoast to use to keep their account in balance.

(12) In the event of a supply failure after the last intra-day nomination Westcoast will use reasonable efforts to keep the market whole until the next available nomination cycle.

(13) In the event of a failure by Westcoast to provide TN or TS service the shipper will be responsible to:

(a) Renominate at the next available nomination cycle to bring its imbalance account back within tolerance, and
(b) Pay Westcoast for any balancing service such as park and loan requested by the shipper and provided by Westcoast to keep the shipper's imbalance account within tolerance within the current nomination cycle.

(14) In the event of a failure of a Westcoast gas treatment plant or a dry gas source to provide gas supply to the Transportation system the shipper will be responsible to:

(a) Renominate at the next available nomination cycle to bring its imbalance account back within tolerance, and
(b) Pay Westcoast for any balancing service such as park and loan service requested by the shipper and provided by Westcoast to keep the shipper's imbalance account within tolerance within the current nomination cycle.

(15) Imbalance charges will be applied when a shipper's cumulative outstanding account imbalance is outside of the imbalance tolerance. Once triggered, charges will be based on the difference between the cumulative account imbalance and account imbalance tolerance. Account imbalances are not authorized and will be billed based on daily estimates reported or on EFM numbers compared to authorized volumes.

(16) Charges will be 1.1 times the average of the Canadian Enerdata "weighted average" and the Gas Daily "high common" price for Station 2.

G. Estimate to Actual Charges

Estimate to Actual charges will be implemented to encourage shippers to provide Westcoast with flow data accurate enough that Westcoast can utilize that data to make system operational decisions and run the above balancing system.

(1) Westcoast will implement an estimate to actual variance charge that will apply to non-EFM locations. The estimate to actual variance charge for RGT receipt points will be implemented at the same time as the implementation of the Phase I RGT reliability commitment; for TN receipt points, it will be implemented at the same time as the Phase I Treatment reliability commitment.

(2) Estimate to Actual Variance is defined as the absolute value of the difference between estimate and actual volumes on a daily basis, which are outside the greater of a +/-5% or +/-7 10^3m^3 tolerance based on receipt point volumes (raw on the RGT system or residue on the TN system as the case may be). Estimate to actual variance charges will be in place to encourage accurate reporting of estimated volumes at non-EFM locations.

(3) Variances will be calculated with a one day lag to allow for corrections by shippers of estimation errors.

(4) Charges will be 1.15 times the average of the Canadian Enerdata "weighted average" and the Gas Daily "high common" price for Station 2.

(5) For raw gas variances, charges will be billed on a residue equivalent basis using the shrinkage ratio from the month end plant statement.

H. Overproduction Charges

Westcoast will implement Residue, Raw and Acid Gas overproduction charges to motivate minimal overproduction on the part of shippers thereby minimizing the related impact on other shippers. The charges will apply to overproduction above authorized volumes on a daily basis in the RGT, Treatment or Transportation systems. Westcoast will provide a tolerance at each receipt point and will only apply overproduction charges where the actual daily volumes are outside of the tolerance as follows:

(1) A daily raw overproduction charge will be applied on actual raw volumes which exceed that day's authorized receipt point volume (including the plant inlet where Westcoast does not provide RGT service) plus the greater of 5% or 7 10^3m^3. This charge will be implemented at an aggregate inlet to plant level at the same time as Westcoast's Phase I Treatment reliability commitment takes effect. It will be implemented at an individual RGT receipt point level at the same time as Westcoast's Phase I RGT reliability commitment takes effect.

(2) A daily acid gas overproduction charge will be applied on the sum of the volumes that each of actual H_2S and CO_2 volumes exceed each of that day's authorized H_2S and CO_2 volumes at the plant plus 5%. Acid gas overproduction tolerances may be reduced to 2% at an individual plant if Westcoast deems it necessary to deliver reliable service to all shippers. Reduction of acid gas overproduction tolerances will be announced to shippers at the affected facility. This charge will be implemented at an aggregate inlet to plant level at the same time as Westcoast's Phase I Treatment reliability commitment takes effect. Westcoast will not utilize an overproduction tolerance which is tighter than the accuracy of the reconciliation between the aggregate theoretical acid gas at the plant inlet and actual acid gas recovered.

(3) A daily residue overproduction charge will be applied on actual residue volumes which exceed that day's authorized receipt point volume plus the greater of 5% or 7 10^3m^3. These tolerances will apply to overproduction above authorized volumes on a daily basis at dry gas sources in the TN system and will be implemented when Westcoast's Phase I Treatment reliability commitment takes effect.

(4) Charges will be 1.25 times the average of the Canadian Enerdata "weighted average" and the Gas Daily "high common" price for Station 2. Raw and acid gas overproduction charges will be billed on a residue equivalent basis using the shrinkage ratio from the month end plant statement.

(5) All charges will be billed as part of the monthly billing cycle.

I. Two Step Overproduction Charge Evaluation

Westcoast will develop a two step overproduction charge evaluation methodology for use during Treatment Service upsets within the current gas day. Overproduction behind the plant will be evaluated on an aggregate level when the plant is constrained. A shipper may produce up to the preconstraint authorized volume at any one or number of receipt points so long as total production into the plant from that shipper does not exceed the post-constraint volume authorized by Westcoast for that same shipper for the current gas day.

J. Electronic Flow Measurement

To provide reliable operation in the RGT system, Westcoast must have access to real time data. This will allow Westcoast to manage the system to avoid pressures above those specified in the GT&C. EFM will also provide Westcoast and shippers the opportunity to monitor shipper imbalances on a real time basis and eliminate much of the delay and uncertainty when evaluating shipper status and shipper performance. While originally committed to 100% EFM on receipts, Westcoast recognizes that substantially all of our requirements can be met through installation of EFM at those receipt points that account for 90% of the RGT receipts behind Westcoast treatment facilities. EFM at RGT receipt points will therefore be implemented as follows:

(1) All RGT system shippers will cause RPO's to install EFM devices in the RGT system on receipt points where the greater of the contracted service or demonstrated capability to deliver is:

- Five mmscfd or more in the Fort Nelson RGT system
- Five mmscfd or more in the Grizzly Valley RGT system
- Two mmscfd or more in the Fort St. John RGT system

(2) Installation of compulsory EFM devices will be completed by April 1, 1998. Any location which is above the minimum volume required for EFM implementation set out above, and does not have EFM installed and operating by April 1, 1998, will have physical receipts reduced to the minimum volume for EFM specified in paragraph (1) above. This will be accomplished either by using receipt point availabilities and overproduction charges or by physically shutting in the receipt point at Westcoast's sole discretion.

(3) On receipt points below the volumes specified above for the respective RGT systems, RPO's will have the option to install EFM devices. All shippers will be subject to estimate to actual charges at any locations that do not have EFM devices.

(4) Westcoast will not warrant Phase I RGT and Treatment reliability levels to shippers receiving gas in RGT areas where EFM has not been fully implemented until estimate to actual charge systems and other necessary aspects of Phase I are implemented. Westcoast will warrant Phase II RGT and Treatment reliability levels commencing on the later of January 1, 1998 and EFM fully installed in a RGT area. RGT areas may be broken into sub-areas for the purpose of determining if EFM is fully implemented and Phase II reliability targets will apply if, in Westcoast's sole judgment, the reliability of full EFM sub-areas are not affected by other sub-areas.

(5) EFM devices must be of a type and kind acceptable for custody transfer service and must meet Westcoast's Electronic Flow Measurement Policy specifications.

(6) RPO's will supply EFM field devices and electronic signals to land line locations in accordance with Westcoast Electronic Flow Measurement Policy.

(7) Westcoast will provide landline data collection and data processing into the Gas Management System. Gas management reports will be available to shippers.

(8) Westcoast will provide an EFM coordinator in Calgary until May 1, 1998 to coordinate the implementation of this program. The coordinator will ensure the most efficient implementation of EFM, resolve standards issues, ensure minimal duplication of facilities and efforts, and act as an industry EFM consultant and coordinator.

(9) In the event of EFM device failure Westcoast will advise the RPO of a timeframe to correct failure. In the event correction does not take place in the specified time frame or the EFM device suffers chronic failures Westcoast will give the RPO notice that the RPO must show cause within 5 business days why Westcoast should not take action. If the RPO has not shown cause within the 5 business day period set out by Westcoast, Westcoast may, at its sole discretion, reduce the receipt point to the minimum volume for EFM specified in paragraph 1 above. This will be accomplished either by limiting authorized receipts, re-instituting estimate to actual charges or by physically restricting volumes received from the receipt point.

K. OBA's with Interconnects

Westcoast will pursue OBA's (Operational Balancing Agreements) with downstream interconnecting pipeline operators. Westcoast will develop a pro forma OBA which includes an imbalance discipline on the interconnecting pipelines similar but not identical to the discipline imposed on upstream operations.

(1) Although no opinion has yet been offered by operators of interconnecting pipelines, Westcoast's proposal for OBA's will include the following:

(a) Imbalance tolerances based upon the size of the imbalance measured as a percentage of the daily average authorized deliveries at the interconnect.

(b) A balancing free zone within the tolerances where no balancing activity would be required.

(c) A requirement that imbalances outside of tolerance be corrected at the first nomination opportunity at a rate of 30% of the outstanding imbalance per day. This obligation will include intra-day nominations where that capability exists.

(d) Interconnect imbalance correction to have higher priority than firm service.

(e) Magnitude of interconnect imbalance and daily makeup to be identified to industry.

(f) For BC Gas, a 6:00pm Calgary Clock Time renomination (or equivalent procedure) which allows redirection of gas to Aitken Creek Storage, NOVA or other downstream interconnecting pipelines or facilities (eg., storage) as available.

(2) Westcoast will have the right to constrain shippers' TN and TS firm service to specific delivery points or groupings, on a pro rata basis, to enforce correction of a positive interconnect imbalance. Service cuts related to interconnect balancing would not be included in reliability calculations and would not be eligible for CDC's.

(3) Westcoast will commit to work with interconnecting pipeline operators to work out a correction plan on outstanding imbalances which will bring imbalances back to within tolerance for November 1, 1997. Full interconnect balancing to be implemented on that date.

(4) Prior period adjustments and estimate to actual revisions to imbalances will be performed monthly and handled through daily pro rata payback over a one month interval. Westcoast may elect to decrease the adjustment and payback cycle if technically feasible.

(5) If Westcoast is unable to successfully negotiate appropriate OBA's with a interconnecting pipeline operator by November 1, 1997, Westcoast will revert to allocation of delivery imbalances back to delivery shippers at the affected locations. Should this occur, Westcoast would require the interconnecting pipeline operator to allocate daily imbalances to its nominated shippers.

(6) If an interconnecting pipeline operator is not fulfilling the terms of the OBA to the satisfaction of Westcoast, and the two parties are not able to reach a satisfactory resolution to the performance issue, Westcoast may terminate the OBA agreement according to the terms therein and request that the interconnect allocate daily imbalances to delivery shippers.

(7) Should imbalances be allocated to Westcoast delivery shippers, the balancing tolerances and procedures specified in section V, F with necessary changes will be applied to delivery shippers. Balancing charges for account imbalances at the delivery point will be 1.10 times the indices selected by Westcoast in consultation with the Toll and Tariff Task Force as being the most representative of the price paid for gas delivered at that delivery point.

L. Pay on Production

Westcoast and CAPP (Canadian Association of Petroleum Producers) have discussed the concept of invoicing RGT and Treatment services on daily receipts into a shipper's account rather than on authorized daily deliveries out of the account. While no changes are contemplated at this time, it is Westcoast's intent to work with shippers toward a January 1, 1999 implementation of this concept.

VI. IMPLEMENTATION

Westcoast will require the control tools in place as outlined in this document in order to assure higher levels of reliability. Phase I and Phase II reliability target commitments have been established in Appendix II.

A. RGT and Treatment

(1) Implementation of all reliability commitments and procedural changes will be subject to NEB (National Energy Board) approval of the multi year negotiated settlement and applicable GT&C changes before the dates specified.

(2) Phase I reliability will be implemented first for Treatment Service including the one way linkage of Treatment to RGT service contingent on implementation of overproduction charges, evaluated on aggregate production into Westcoast Treatment facilities. The target implementation date will be pilot phase July 1, 1997 and implementation September 1, 1997.

(3) The second implementation of Phase I will be for RGT service with a pilot phase targeted for October 1, 1997 and an implementation date of December 1, 1997. Receipt point specific overproduction charges will be implemented effective the same date. Reliability warrantees for both RGT and Treatment Service will be in effect by December 1, 1997 regardless of the status of system changes.

(4) The critical changes required for the implementation of each phase are outlined below:

Phase I

Nominations ‘97 implementation
Imbalance charges
Estimate to Actual charges
Overproduction charges
Receipt Point Common Stream Operator
Renomination capability
Elimination of RGT and Treatment Inter-plant and Inter-receipt point crediting

Phase II

In place with the implementation of the Electronic Flow Measurement program. Each of Fort Nelson, Pine River and Ft St. John RGT systems could have a different implementation date. Implementation could be as soon as January 1, 1998 and will not be later than April 1, 1998. The EFM program will include systems to gather EFM data and make it available to shippers. Data will be provided to shippers at a frequency and format suitable for imbalance management.

VII. MISCELLANEOUS MATTERS

(1) Parties to this agreement recognize that the mechanics and procedures related to reliability have been developed in good faith and that the stated intention is to provide optimum reliability for Westcoast facilities for the shipper at large during the term of this agreement. All parties agree that, if it is later determined that, despite the reasonable efforts of all parties, the mechanics and procedures negotiated are not meeting the intention of optimum reliability, the parties will revisit the procedures which are not achieving the desired intention and will reach consensus on what further changes are to be made to enable the goal to be met and a schedule for their implementation.

Grouping of receipt points for the purpose of determining overproduction is an example of a procedure which may be considered once all of the other procedures in this document are implemented.

(2) Westcoast will provide a procedure manual which outlines the responsibilities of receipt point operators under the various procedures. This procedure manual will be provided to all shippers and RPO’s prior to the implementation of phase I reliability targets.

APPENDIX I
ANNUAL RGT AND TREATMENT OUTAGE PLANNING SCHEDULE

Date Date	Milestone
July - September	Westcoast Field Services areas to develop first draft of PO and UPO maintenance requirements for coming year. Each line item to include estimating assumptions.
October	AOC to review Westcoast's draft requirements and agree to annualized PO level based upon plant characteristics, maintenance history, level of contracts, etc.
October	AOC to review Westcoast report on UPO requirements. As above, UPO allowances to take into account plant and RGT system characteristics, maintenance history, agreed upon PO, benchmark studies, level of contracts, etc. AOC to agree on an annualized UPO level. ASEC to review and approve.
November	Westcoast to develop PO advisory schedule which breaks annual PO plan into monthly PO. Advisory schedule to be based upon planning guidelines established by the AOC, consultation with Pipeline Division re coordinating opportunities which minimize shipper impact and consultation with area producers.
December 15	Westcoast to publish PO advisory schedule for rest of year on NrG.
6th business day prior to 1st of month	Westcoast to publish PO schedule by day for coming month. Estimated YTD totals for PO and UPO at beginning of planning period and PO at end of planning period to be announced. Westcoast to provide timely notice of subsequent changes to the maintenance schedule for the month which are anticipated to affect shippers ability to utilize service.

APPENDIX II
1997 RGT AND TREATMENT UPO AND PO RELIABILITY TARGETS

1997 UPO and PO reliability targets for each area are set out below. Monthly PO reliability targets and annual UPO targets in last three columns.

	1997 PO Reliability Targets (%)									Annual UPO (%)		
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Present	Phase I	Phase II
FT. Nelson RGT	100	100	100	100	100	100	100	100	99.0*	1.5	1.0	1.0
Ft Nelson Treatment	99.8	62.8	100	100	100	100	100	100	96.4	2.0	1.5	1.5
Ft. St. John RGT	100	100	90	100	100	100	100	100	98.8*	6.5	3.8	2.0
McMahon Treatment	89.8	98.5	89.3	100	100	100	100	100	98.1	6.1	4.6	3.5
Grizzly Valley	100	100	100	100	100	100	100	100	100*	10.0	3.5	2.0
Pine River Treatment	100	100	100	72.3	89.5	100	100	100	96.8	2.6	2.3	2.0
Sikanni Treatment	100	100	100	91.6	100	100	100	100	99.3	1.5	1.5	1.5

Any additional PO components of PO reliability targets required for the RGT system sub areas will be listed by exception and will form an attachment to this table.

* Exceptions:

Fort Nelson RGT	July	RP’s Beaver River Pipe Line	85%
Fort St. John RGT	May	RP’s Behind Laprise B.S.	30%
		RP’s Behind Rigel B.S.	90%
	June	RP’s Behind Nig B.S.	95%
	Sept.	RP’s Behind Bluehills B.S.	95%
Grizzly Valley RGT	June	RP’s on 20” Grizzly Pipe Line	90%
		RP’s on 8” Bull Moose Pipe Line	97%

APPENDIX III
RGT AND TREATMENT PRESSURE MEASUREMENT CRITERIA

RGT system and Treatment reliability will be measured on a daily basis by the lesser of:
1) announced facility CD restriction, and 2) the combination of pressure measurement, at specific locations, and flow.

A. RGT System

RGT system pressure will be measured at receipt points. In the event the meter used to record the pressure to determine the daily average pressure is not immediately adjacent to Westcoast's RGT system a reasonable proxy will be used for pressure at the receipt point. The AOC will review prospectively the methodology used to determine the daily average pressure for the receipt point to ensure the use of a reasonable proxy.

The daily average receipt point pressure targets were selected to maximize the contractible capacity of the system and at the same time be a reasonable trigger for the payment of CDC's. To maximize the contractible capacity of the RGT system, the targets were kept at or near the current GT&C operating pressures, which are the pressures used by Westcoast in the design and modeling of the systems. In the Fort Nelson and Pine River RGT systems, GT&C pressure and maximum operating pressure (MOP) of the pipelines are the same. In these instances the pressure target was reduced below the GT&C pressure to take into account that many producer owned facilities begin to turn down prior to reaching MOP of the pipeline.

RGT System	Daily Average Receipt Point Pressure Target[11]	
McMahon	**800 psig[1]**	**5520kpa**
Fort Nelson	**1160 psig[2]**	**8000kpa**
Pine River	**1160 psig**	**8000kpa**

In the event that the daily average pressure at any receipt point is over the daily average receipt point pressure target, the reliability not received will be the CD minus the volume received.

B. Treatment

Treatment (Gas Process Plant) pressure will be measured at both the plant inlet meter and the plant outlet meter. At each of Westcoast's gas treatment facilities the inlet and outlet meter location has been identified and the pressure is available on Westcoast's current SCADA system.

The daily average inlet and outlet pressure targets were selected with regard to maximizing the contractible capacity of the facility, matching to the design pressures used by Westcoast and being reasonable triggers for the payment of CDC's. To maximize the contractible capacity of the gas process plants, the targets were kept at or near the current GT&C outlet operating pressures, which are the pressures used by Westcoast in the design and modeling of the systems. At the Pine River gas process plant, the outlet pressure was selected based on the required pressure to move the full design residue volume from the facility to the discharge side of Compressor Station 2. The inlet pressures were selected based on pressure drops experienced across the facilities. Sikanni gas process plant inlet and outlet pressures were taken from the current GT&C. In all cases the measurement of the pressures is currently available on Westcoast's SCADA system and the locations and the pressures recorded are representative of system operating conditions.

McMahon Plant:

Inlet Daily Average Pressure Target	**650 psig[3]**	**4485kpa**
Outlet Daily Average Pressure Target	**930 psig[4]**	**6624kpa**

Note: If inlet pressure is greater than 650 psig and all compressors at BS1 are available to run but are not being run, then plant identified as unable to receive gas. If inlet pressure is greater than 650 psig and all compressors at BS1 are not available to run, then RGT identified as unable to deliver all gas to plant and plant is identified as fully available.

Fort Nelson:

Inlet Daily Average Pressure Target	**1000 psig[5]**	**6900kpa**
Outlet Daily Average Pressure Target	**930 psig[6]**	**6624kpa**

Pine River:

Inlet Daily Average Pressure Target	**1035 psig[7]**	**7142kpa**
Outlet Daily Average Pressure Target	**975 psig[8]**	**6555kpa**

Sikanni:

Inlet Daily Average Pressure Target	**1232 psig[9]**	**8500kpa**
Outlet Daily Average Pressure Target	**1170 psig[10]**	**8070kpa**

Notes:

1 Except on segments of pipelines in the gathering system with a tariff MOP pressure identified in the GT&C greater than 800 psig. In these instances, the daily average pressure target will equal the GT&C pressure.

2 Except on segments of pipelines in the RGT system with a tariff MOP pressure identified in the GT&C greater than 1170 psig. In these instances, the daily average pressure target will equal the GT&C pressure.

3 Measured at the suction to Booster Station #1

4 Measured at the discharge to Taurus Unit #15

5 Measured at “plant mixing T”

6 Measured at plant outlet meter

7 Measured at plant inlet meter upstream of the flow control valve

8 Measured at plant outlet meter

9 Measured at plant inlet meter

10 Measured at plant outlet meter

11 Metric conversions are approximate only.

APPENDIX IV
IMBALANCE TOLERANCE RANGE

1. Standard Tolerance Levels and Approximate Linepack Triggers

Tolerance Range*	Free ZoneLinepack**
0/+20%	0/+4%2650 MMcfd
-2.5%/+17.5%	-0.5%/+3.5%2700 MMcfd
-5%/+15%	-1%/+3%2750 MMcfd
-7.5%/+12.5%	-1.5%/2.5%2800 MMcfd
-10%/+10%	-2%/+2%2850 MMcfd
-12.5%/+7.5%	-2.5%/+1.52900 MMcfd
-15%/+5%	-3%/+1%2950 MMcfd
-17.5%/+2.5%	-3.5%/+0.5%3000 MMcfd
-20%/0	-4%/03050 MMcfd

* Westcoast may change the tolerance range more than one level in the event of sudden changes or expected changes in linepack. Westcoast is under no obligation to move in one level increments.

** Triggers are approximate only. As stated in Schedule D, Westcoast may adjust the tolerance range based upon changes or expected changes in the system line pack.

APPENDIX V
SAMPLE CDC CALCULATION

1 Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average
2 CD (MMCf/d)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	12.0	12.0		10.3
3 Days in Month	31.0	28.0	31.0	30.0	31.0	30.0	31.0	31.0	30.0	31.0	30.0	31.0	365.0	
4 Max Volume (MMcf)	310.0	280.0	310.0	0	310.0	300.0	310.0	310.0	300.0	310.0	360.0	372.0	3772.0	
5 Total Volume Loss (MMcf)	0.0	0.0	3.1	15.0	3.1	12.0	109.3	21.7	15.0	12.4	7.2	0.0	198.8	
6 PO Volume Loss (MMcf)	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0	
7 EO Volume Loss (MMcf)	0.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	
8 UPO Volume Loss (MMcf)	0.0	0.0	3.1	12.0	3.1	12.0	9.3	21.7	15.0	12.4	7.2	0.0	95.8	
9 UDCC Volume (MMcf)	0.0	2.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0	4.0	
10 UPO Volume Net of UDCC														91.80.3
11 UPO Reliability Adjusted for														97.6%
12 UPO Reliability Target														98.0%
13 UPO Reliability Variance														-0.4%
14 UPO Reliability Variance	0.0	0.0	-0.5	-2.0	-0.5	-2.0	-1.6	-3.7	-2.6	-2.1	-1.2	0.0	-16.4	
15 Base Toll (¢/mcf)	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0		
16 Adjustment Toll (¢/mcf)	10.0	10.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0		
17 Total Toll (¢/mcf)	56.0	56.0	51.0	51.0	46.0	46.0	46.0	46.0	46.0	46.0	51.0	51.0		
18 Demand Charge ($000)	170.3	170.3	155.1	155.1	139.9	139.9	139.9	139.9	139.9	139.9	186.2	186.2	1862.7	
19 CDC's ($000)	0.0	0.0	-0.3	-1.0	-0.2	-0.9	-0.7	-1.7	-1.2	-1.0	-0.6	0.0	-7.7	
20 Net Demand Charge ($000)	170.3	170.3	154.9	154.1	139.7	139.0	139.2	138.2	138.7	138.9	185.5	186.2	1855.0	

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APPENDIX VI
SAMPLE CDC CALCULATION FORMULA SHEET

Monthly Line 4 = Monthly Line 2 x Monthly Line 3

Average Line 2 = Total Line 4 / Total Line 3

Line 8 = Line 5 - Line 6 - Line 7

Total Line 10 = Total Line 8 - Total Line 9

Line 11 = 1 - Total Line 10 / Total Line 4

Line 13 = Line 12 - Line 11

Total Line 14 = Line 13 x Total Line 4

Monthly Line 14 = Total Line 14 x Monthly Line 8 / Total Line 8

Line 17 = Line 15 + Line 16

Line 18 = Line Line 10 x Line 17 x 365 /12

Line 19 = Line 14 x Line 17

Line 20 = Line 18 - Line 19

Line 21 = Total Line 19 / Total Line 18