

CONDITIONS OF SERVICE AND  
RATE PROVISIONS APPLICABLE  
TO THE RECEIPT RATE FOR NATURAL GAS

NON OFFICIAL TRANSLATION

WITHOUT PREJUDICE

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1 **GLOSSARY**

2	<b>Agreed upon delivery point</b>	Physical or geographical location where natural gas is delivered:
3		• to the distributor at a point specified in the customer-
4		provided natural gas supply service contract
5		agreement; or
6		• inside the territory on Gaz Métro's gas system or outside
7		the territory to a point specified during nomination by the
8		customer subject to Rate $D_R$
9	<b>Consumer customer</b>	Customer for whom Gaz Métro transports and distributes natural
10		gas for consumption at its facilities
11	<b>Consumption zone</b>	Geographical area starting from the interconnect point with the
12		TCPL/TQM system delimiting the portion of Gaz Métro's system
13		connected to that interconnect point
14	<b>Injection</b>	Function whereby the producer makes natural gas available in
15		the gas system
16	<del><b>Injection point</b></del>	<del>Physical location where natural gas is treated to comply with the</del>
17		<del>quality standards for movement in the existing gas system. The</del>
18		<del>injection point is located at the receipt point or between the</del>
19		<del>receipt point and the interconnection point with Gaz Métro's</del>
20		<del>system</del>
21	<b>Interconnect point with TCPL/TQM's system</b>	
22		Physical location where Gaz Métro's gas system joins the
23		TCPL/TQM transmission system
24	<b>MCC</b>	Maximum contractual capacity
25	<b>MDO</b>	Minimum daily obligation
26		

1	<b>Nominated volume</b>	Volume the customer agrees to be injected into the distribution
2		system during one a day at an agreed upon delivery point
3	<b>Producer customer</b>	Customer who injects natural gas into the gas system for its
4		transportation and distribution
5	<b>Receipt point</b>	Physical location where the producer's facilities join Gaz Métro's
6		new connection pipelines to move the natural gas to the existing
7		gas system
8	<b>TCPL</b>	TransCanada PipeLines Limited
9	<b>TCPL/TQM transport</b>	Transportation of natural gas inside or outside Gaz Métro's
10		territory between different consumption zones or outside Gaz
11		Métro's territory, via the TCPL/TQM transmission system
12	<b>TQM</b>	Gazoduc Trans Québec & Maritimes Inc.
13		

1   **INTRODUCTION**

2   On May 26, 2010 Gaz Métro presented an application for authorization of a receipt rate for  
3   natural gas produced in Gaz Métro's territory (R-3732-2010, Exhibit B-1, Gaz Métro-1,  
4   Document 1).

5   Subject to certain amendments, the Régie de l'énergie (the "Régie") approved the receipt rate,  
6   by Decision D-2011-108, although deferred its decision on the entire document *Conditions of*  
7   *Service and Tariff*. In addition, the Régie also requested Gaz Métro to form a working group with  
8   staff from the Régie and intervenors in the Case in order to address, in particular, the following  
9   aspects of the conditions of service:

- 10       • Pressure;
- 11       • Composition of natural gas;
- 12       • Measurement;
- 13       • Nomination process and responsibility of producers simultaneously injecting at the same  
14       receipt point;
- 15       • Treatment of MCC overruns and revision of the MCC;
- 16       • Treatment of the differences between nominated volumes and injected volumes;
- 17       • Temporary assignment and capacity transfer, and
- 18       • Deposit requirement and retention period for this deposit.

19   Three group working sessions were held on October 17, 2011, November 30, 2011 and  
20   January 11, 2012. The working sessions, with the participation of the technical staff from the  
21   Régie, provided an opportunity to discuss issues identified by the Régie and to address certain  
22   concerns from Gaz Métro and intervenors in the Case.

23   By its Decision D-2011-108, the Régie requested that evidence and a new version of the  
24   *Conditions of Service and Tariff* be presented as part of Phase 2 of Case R-3732-2010. **Gaz**  
25   **Métro notes that following Decision D-2012-068 of the Régie issued on June 7, 2012, proposals**  
26   **of modifications to the load-balancing service have been transferred to Phase 3 of the present**  
27   **Case. References to these proposals have therefore been removed from the present document.**

1 In order to allow Gaz Métro to submit proposals related to approaches implemented elsewhere  
 2 in Canada, it has proceeded to a benchmarking assessment of the conditions of service of other  
 3 Canadian carriers or distributors relating to the topics outlined by the Régie in Decision  
 4 D-2011-108, which are listed in the table below. The summary of this benchmarking  
 5 assessment is in the Appendix of this document.

6 In order to help identify Gaz Métro's proposals specifically related to the points raised by the  
 7 Régie, these are presented below in the order of Chapters in the *Conditions of Service and*  
 8 *Tariff* presented in exhibits Gaz Métro-7, Documents 1 and 2.

<b>D-2011-108 Topics</b>	<b>References to <i>Conditions of Service and Tariff</i></b>
Pressure	Chapter 16, Article 16.5.4
Composition of natural gas	Chapter 16, Article 16.5.4
Measurement	Chapter 1, Article 1.3 and Chapter 5, Article 5.3.2
Nomination process and responsibility of producers simultaneously injecting at the same receipt point	None
Treatment of MCC overruns and revision of the MCC	Chapter 16, Articles 16.5.5 and 16.5.6
Treatment of the differences between nominated volumes and injected volumes	<del>Chapter 14, Articles 14.1.1, 14.1.2.2, 14.1.2.4, 14.1.3, 14.1.3.1, 14.1.4.2, 14.1.5, 14.2.1, 14.2.2, 14.2.3.2 and Chapter 18, Articles 18.2. 2 and 18.2.6</del> Transferred to Phase 3 of present Case
Temporary assignment and capacity transfer	None
Deposit requirement and retention period for this deposit.	Chapter 8, Articles 8.1.2, 8.2, 8.2.3 and 8.4

9 Gaz Métro states that the *Conditions of Service and Tariff* reflects all proposals submitted in  
 10 Phase 1 which are retained, as well as modifications resulting from proposals in Phase 2.

1 **1 CONDITIONS OF SERVICE**

2 **1.1 CHAPTER 1 - APPLICATION**

3 Definitions are found in the Application Chapter. Comments obtained in the course of the  
4 working sessions focused on two items. First, the need to specify that a chromatograph is a  
5 measuring device. Second, obtaining assurance that the meter reading validation process will  
6 be adequate.

7 Gaz Métro confirms that a chromatograph will be installed at every receipt-injection point. For  
8 greater clarity, Gaz Métro proposes modifying the definition of "Metering equipment" to include  
9 the chromatograph. The definition would read as follows:

10 *"METERING EQUIPMENT*

11 *Any equipment used to measure the natural gas withdrawn or injected by the customer,*  
12 *including in particular a meter, with or without a remote reading device or a chromatograph."*

13 In the *Conditions of Service and Tariff* submitted as part of Phase 1, Gaz Métro defined the  
14 word "nomination". This word is seldom used in the document, Gaz Métro instead uses the term  
15 "nominated volume". Therefore, Gaz Métro proposes replacing the definition of "nomination" in  
16 Phase 1 with the more specific term "nominated volume" and deleting the quotation marks,  
17 since a definition of "nominated volume" would be added to the *Conditions of Service and Tariff*.

18 The definition would read as follows:

19 *"NOMINATED VOLUME*

20 *Volume the customer agrees to inject in the distribution network during a day at an agreed*  
21 *upon delivery point."*

22 The above definition of nominated volume, however, results in a required adjustment to the  
23 definition of "agreed upon delivery point", approved by Decision D-2011-182,<sup>1</sup> and allows to  
24 remove the definition of "delivery point for injection customers" which was proposed in Phase 1.

25 The definition would read as follows:

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<sup>1</sup> R-3752-2011, Exhibit B-0355, Gaz Métro- 14, Document 1

1 "AGREED UPON DELIVERY POINT

2 *Physical or geographical location where natural gas is delivered:*

- 3 • To the distributor at a point specified in the customer-provided natural gas supply
- 4 service contract agreement; or
- 5 • Within the territory on Gaz Métro's gas system or outside the territory (ex-territory) at a
- 6 point specified during the engagement of the nominated volume by a customer subject
- 7 to Rate  $D_R$ ."

8 **Gaz Métro is requesting the Régie to approve the proposed modifications to the**  
9 **definitions "Metering equipment" and "Agreed upon delivery point" and to approve the**  
10 **definition of "Nominated volume."**

## 11 **1.2 CHAPTER 5 - MEASUREMENT**

### 12 1.2.1 Article 5.3.2 - Frequency of readings

13 Gaz Métro proposes reading the metering equipment every day for customers subject to Rate  
14  $D_R$ . The last paragraph of Article 5.3.2 has therefore been modified as follows to specify the  
15 frequency.

16 "[...]

17 *Furthermore, if the natural gas is billed at Rates  $D_4$ ,  $D_{5+D_R}$  or  $D_3$  and  $D_5$  in combination, the*  
18 *distributor shall read the metering equipment every day. In the case where natural gas is*  
19 *billed at Rate  $D_3$  without combination with Rate  $D_5$ , the distributor shall read the metering*  
20 *equipment every month."*

21 **Gaz Métro is requesting the Régie to approve the proposed modifications to Article 5.3.2**  
22 **"Frequency of readings".**

## 23 **1.3 CHAPTER 8 – DEPOSIT**

24 With regard to the deposit requirement and retention period for this deposit<sup>2</sup>, Gaz Métro  
25 proposes the following modifications.

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<sup>2</sup> Eighth item in paragraph 119 of Decision D-2011-108.



1   1.3.1 Article 8.1 - Requirement

2   Gaz Métro proposes subjecting Rate  $D_R$  customers to Article 8.1.2, applicable to other  
3   customers (except for domestic use customers for which a separate article is applicable). This  
4   requires the title of this article to be changed. Indeed, this article covers the terms of  
5   requirement for customers, other than domestic use customers, and the title is currently "Other  
6   uses". "Other uses" does not allow receipt rate customers to be included, who do not "use"  
7   natural gas, but rather are injecting into the gas system. Thereby, Gaz Métro is proposing to  
8   modify the title of Article 8.1.2 as follows:

9           *"OTHER USES AND CUSTOMERS SUBJECT TO RATE  $D_R$ "*

10   **Gaz Métro is requesting the Régie to approve the proposed modification to Article 8.1.2.**

11   1.3.2 Article 8.2 - Amount

12   Gaz Métro is proposing to modify Article 8.2 to reflect as well the method for determining the  
13   deposit amount for customers subject to Rate  $D_R$ . Thereby, Article 8.2 would read as follows:

14           *"The amount of the deposit required by the distributor shall be based on estimated or*  
15           *historical volumes withdrawn at the service address during a 12-month period or of the*  
16           *maximum contract capacity in the case of a customer subject to Rate  $D_R$ ."*

17   In addition, Gaz Métro proposes adding an Article 8.2.3 in order to clarify the conditions for  
18   determining the deposit amount in the specific case of customers subject to Rate  $D_R$ . Indeed, a  
19   link between the determination of the deposit amount and the maximum contractual capacity  
20   was discussed during the working sessions. Gaz Métro therefore proposes that Article 8.2.3  
21   read as follows:

22           *"CUSTOMERS SUBJECT TO RATE  $D_R$*

23           *The amount of the deposit required by the distributor shall not exceed the amount equivalent*  
24           *to the minimum daily obligation for a 12-month period."*

25   **Gaz Métro is requesting the Régie to approve the modification to Article 8.2 and to add**  
26   **Article 8.2.3 as worded.**

1    1.3.3 Article 8.4 – Retention period

2    Gaz Métro proposed, in Phase 1, a retention period for customers subject to Rate  $D_R$  at 60  
3    consecutive months. Gaz Métro proposed a modification to Article 8.1.2, during the working  
4    group sessions, regarding the requirement of the deposit with regard to Rate  $D_R$  customers, as  
5    previously discussed in Section 1.3.1. During these meetings, the intervenors representing  
6    producer customers indicated their agreement with respect to this proposal, thereby making the  
7    original proposal from Gaz Métro, regarding the retention period, acceptable in their eyes.  
8    Gaz Métro consequently proposes retaining the following wording of Article 8.4 as proposed in  
9    Phase 1:

10        *“RETENTION PERIOD*

11        *A deposit may be initially retained for:*

12        *1° 12 consecutive months or as long as the mandatory information set out in article 4.2.1 has*  
13        *not been provided, if it involves a customer who uses natural gas for domestic use;*

14        *2° 36 consecutive month if it involves a customer who uses natural gas for any other use;*

15        *3° 60 consecutive months if it involves a customer subject to Rate  $D_R$ .*

16        *If, during the deposit retention period, the customer fails to pay any natural gas bills by their*  
17        *due dates, the distributor shall renew the deposit retention period for a period equal to the*  
18        *initial retention period.”*

19    **Gaz Métro is requesting the Régie to approve Article 8.4 as proposed in Phase 1.**

20    1.3.4 Article 8.6.1.3 - Use of the deposit

21    Gaz Métro is proposing to modify the wording of Article 8.6.1.3 initially proposed in Phase 1 to  
22    standardize the text with Articles 8.6.1.1 and 8.6.1.2. The wording would also be modified to  
23    allow for the possibility for Gaz Métro to partly apply the cash deposit or the proceeds from the  
24    disposition of any other security provided by the customer on a bill unpaid by the due date. As  
25    noted in Phase 1, this would allow to reflect the complexity of interrupting injection activities in  
26    the event of a payment default. Also, this new wording would allow to protect customers from  
27    the possibility of bad debts. The proportion of the deposit used would be at Gaz Métro's  
28    discretion, but should provide that if a portion of the deposit must be used, the protection from  
29    the possibility of bad debts would be upheld in a manner comparable to that for “other uses”

1 customers. This would ensure that Gaz Métro could keep the balance left over from a deposit  
2 equivalent to the two highest consecutive bills over a 12-month period.

3 Article 8.6.1.3 would be modified as follows:

4 *“Customers Subject to Rate D<sub>R</sub>*

5 *The distributor may, without prejudicing its other rights and recourses, apply ~~the deposit or~~*  
6 *~~the revenue from any security provided on the bill of a customer subject to the receipt rate if a~~*  
7 *~~bill remains unpaid on the due date in part the cash~~ deposit or the proceeds from the*  
8 *disposition of any other security provided by the customer on an unpaid bill by its due date.*  
9 *The proportion of the deposit thus applied is determined by the distributor. However, the*  
10 *residual amount of the deposit may not be less than the equivalent of the highest two*  
11 *consecutive bills during a 12-month period.”*

12 **Gaz Métro is requesting the Régie to approve Article 8.6.1.3 as proposed.**

#### 13 **1.4 CHAPTER 9 - COLLECTION**

##### 14 1.4.1 Article 9.4.2 - Collection visit

15 Article 9.4.2 is dedicated to the terms of the collection visit, which takes place at the service  
16 address. In the context of customers subject to the receipt rate, a collection visit is not easily  
17 achievable. Article 1.3 of the *Conditions of Service and Tariff* defines the term “service address”  
18 as the “address that is or will be connected to the distribution system”. Thereby, the concept of  
19 service address for the collection visit does not apply to customers subject to the receipt rate as  
20 no one would physically be at the receipt ~~injection~~ point to receive a collection visit. This article  
21 is therefore not applicable to customers subject to Rate D<sub>R</sub> and a final paragraph would be  
22 added to Article 9.4.2 which would read as follows:

23 *“[...] Article 9.4.2 does not apply to customers subject to Rate D<sub>R</sub>.”*

24 **Gaz Métro is requesting the Régie to approve Article 9.4.2 as proposed.**

##### 25 1.4.2 Article 9.4.3 - Interruption for non-payment

26 Article 9.4.3 refers to the collection visit (Article 9.4.2) as it stipulates a potential service  
27 interruption if the visit is not conclusive. As customers subject to Rate D<sub>R</sub> would not be subject

1 to Article 9.4.2, it became necessary to stipulate the conditions under which the distributor could  
2 therefore interrupt the service for non-payment.

3 Gaz Métro therefore proposes modifying the first paragraph of Article 9.4.3 as follows:

4 *“At the time of the collection visit, or in the case of customers subject to ~~the natural gas~~*  
5 *~~receipt~~ Rate  $D_R$ , following the transmission of a final notice pursuant to article 9.4.1, if the*  
6 *amount demanded in the final notice or agreed to under a payment agreement remains*  
7 *unpaid, the distributor may interrupt natural gas service. In that event, the distributor shall ask*  
8 *the customer to notify the owner of the property affected by the interruption, if applicable.*  
9 *[...]”*

10 **Gaz Métro is requesting the Régie to approve Article 9.4.3 as proposed.**

## 11 **2 LOAD BALANCING SERVICE**

12 **Proposals of modifications transferred to Phase 3 of present Case.**

## 13 **3 DISTRIBUTION SERVICE**

### 14 **3.1 CHAPTER 16 - DISTRIBUTION**

#### 15 **3.1.1 Article 16.1.2 - Default distribution rate**

16 Currently, Article 16.1.2 of the *Conditions of Service and Tariff* stipulates that the Rate  $D_1$  is the  
17 applicable default rate. Gaz Métro believes it would be best to specify that the default rate does  
18 not apply for customers who inject into the system. Thereby, Article 16.1.2 would be modified as  
19 follows:

20 *“Rate  $D_1$  applies by default except in the case of customers who inject natural gas in the*  
21 *distribution system for whom Rate  $D_R$  applies by default.”*

22 **Gaz Métro is requesting the Régie to approve the proposed modification to Article 16.1.2.**

1 3.1.2 Article 16.5.3 - Contract renewal and indemnity

2 In Phase 1, Gaz Métro proposed Article 16.6.3 relating to contract renewal and indemnity (B-6,  
3 Gaz Métro-1, Document 1 and B-7, Gaz Métro-2, Documents 1 and 2).<sup>3</sup>

4 In paragraph 62 of Decision D-2011-108 “*The Régie notes that the definition of the indemnity*  
5 *proposed by Gaz Métro will have to be reviewed to take into account that the prices applicable*  
6 *to category A costs should be fixed so as to recover the cost of service included in the revenue*  
7 *requirement [each year].” (non official translation)*

8 Consequently, it is actually no longer relevant to provide for the recovery of “missing” revenues  
9 as the cost of service will be recovered each year. Gaz Métro is therefore proposing a  
10 modification to the wording of Article 16.5.3 to clarify the value of the penalty. In addition,  
11 Gaz Métro is taking the opportunity provided by the required revision for the wording in Phase 1  
12 to correct the use of the Anglicism, “valeur aux livres” and replace it with “valeur comptable”.  
13 Thereby, Article 16.5.3 would read as follows:

14 *“The contract concluded with the customer may include a clause by which it is automatically*  
15 *renewed at its expiry or a clause requiring the customer to pay the distributor an indemnity at*  
16 *maturity of the term. The indemnity shall equal the book value of the assets at the end of the*  
17 *term. The indemnity shall equal the book value of the assets at the end of the term.*

18 *If another customer who wishes to inject natural gas into the distributor’s system requests*  
19 *access, during the period covered by the indemnity, to part of all of the MCC freed up by the*  
20 *customer who paid the indemnity, the indemnity may be partially reimbursed by the*  
21 *distributor in accordance with the agreement between the parties.”*

22 **Gaz Métro is requesting the Régie to approve the proposed modification to Article 16.5.3.**

23 3.1.3 Article 16.5.4 - Pressure, composition and calorific content

24 In Phase 1, Gaz Métro proposed Article 16.6.4 relating to the pressure, composition and  
25 calorific content of natural gas (B-7, Gaz Métro-2, Documents 1 and 2).<sup>4</sup>

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<sup>3</sup> According to the numbering of articles associated with the text in the *Conditions of Service and Tariff* approved by Decision D-2011-194, this article would be 16.5.3.

<sup>4</sup> According to the numbering of articles in the text in *Conditions of Service and Tariff*, approved by Decision D-2011-194, this article would be number 16.5.4.

1 Discussions relating to this article were held during working sessions, some intervenors  
2 reiterated that the wording presented in Phase 1, particularly the section on pressure, did not  
3 adequately define the respective responsibilities of producers and distributors.

4 The benchmarking assessment document, in the Appendix, most notably presents the  
5 information collected by the study on the conditions of service of other Canadian carriers or  
6 distributors on the topics of pressure and composition of natural gas. Thereby, the requirements  
7 and responsibilities with regard to the pressure vary from one distributor to another. The  
8 wording in the article presented in Phase 1 was inspired by Nova's conditions of service.  
9 However, comments obtained and analysis of the available information has allowed Gaz Métro  
10 to note that it would indeed be best, particularly for promoting proper management of its system,  
11 for the maximum pressure to be contractually specified rather than providing for a pressure  
12 accompanied by a tolerance overrun.

13 As to requirements for composition, the benchmarking assessment also illustrates that the level  
14 of detail varies, particularly for two of the companies governed by the National Energy Board.  
15 Thereby, the wording presented in Phase 1 could have been subject to interpretation. It  
16 therefore seemed necessary to clarify the source of the main criteria with regard to composition.  
17 These criteria being external and under a different jurisdiction to Gaz Métro, consistency would  
18 have been ensured by reference to the source only. Indeed, Gaz Métro believes that the  
19 presentation of requirements regarding composition, outlined in Article 16.5.4, would not be  
20 particularly desirable as it maintains the link with the criteria required by TCPL for the Canadian  
21 Mainlines system. Consistency with these criteria could result in modifications to the text in  
22 *Conditions of Service and Tariff* for Gaz Métro if they were presented in detail. Moreover, the  
23 imminent enforcement of a specific quality standard for injecting biomethane and the possible  
24 specific technical aspects of each receipt point motivated Gaz Métro to reiterate that additional  
25 specifications to TCPL's criteria may be required by Gaz Métro.

26 Discussions were held during the working sessions with respect to the effect the variations in  
27 calorific value associated with injecting natural gas into different system segments may have on  
28 billing. In complement, and as a result of these discussions, Gaz Métro wishes to clarify that  
29 natural gas injected into the distribution system, regardless of its form, must meet the criteria  
30 and standards in effect to ensure compatibility. Therefore, based on the available information,

1 Gaz Métro does not consider it appropriate to add additional information regarding the calorific  
2 content in this article.

3 Thereby, drawing on current conditions, particularly among other distributors, Gaz Métro  
4 submitted a revised wording, which was favourably welcomed during the working sessions.  
5 Therefore, Gaz Métro is proposing the following new wording for Article 16.5.4:

6 *"16.5.4 NATURAL GAS PRESSURE, COMPOSITION AND CALORIFIC CONTENT*

7 *The customer's natural gas must be delivered at a sufficient pressure as to allow natural gas to*  
8 *be injected in the distributor's system at the receipt point but shall not exceed the maximum*  
9 *pressure provided in the contract.*

10 *The natural gas injected by the customer must meet the TransCanada Pipelines, Canadian*  
11 *Mainlines criteria as approved by the National Energy Board. However, the distributor may*  
12 *require additional specifications.*

13 *If the natural gas injected does not satisfy the required standards, the distributor may suspend*  
14 *receipt of the non-standard gas without notice. The customer shall still be required to fulfill its*  
15 *obligations to the distributor. The customer shall also reimburse the distributor for all the costs*  
16 *incurred by the nonconformity of the natural gas."*

17 **Gaz Métro is requesting the Régie to approve the new wording of Article 16.5.4 as**  
18 **proposed.**

19 3.1.4 Article 16.5.5 - Revision of maximum contractual capacity (MCC)

20 In Phase 1 (B-6, Gaz Métro-1, Document 1, page 39), Gaz Métro proposed Article 16.6.5  
21 relating to the revision of the MCC<sup>5</sup>. In its decision D-2011-108, in paragraph 119, the Régie  
22 requested, among others, Gaz Métro to review this item in the Working Group.

23 This topic has therefore been discussed at the working sessions. As a result of these  
24 discussions, no modification to the wording proposed in Phase 1 has been deemed necessary.

25 **Gaz Métro is requesting the Régie to approve the wording of Article 16.5.5 submitted in**  
26 **Phase 1 under Article 16.6.5.**

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<sup>5</sup> This same article became Article 16.5.5 due to the new numbering in the *Conditions of Service and Tariff* approved by Decision D-2011-194.

1 3.1.5 Article 16.5.6 - Daily overruns of MCC

2 3.1.5.1 MCC overruns

3 Article 16.6.6 proposed in Phase 1 (B-6, Gaz Métro-1, Document 1, Article 3.5.2.1) related to  
4 daily MCC overruns<sup>6</sup>.

5 The Working Group discussions have mainly been in relation to the price charged for these  
6 excess volumes and the allocation method for excess capacity requested by producers and  
7 accepted by Gaz Métro.

8 Price for excess volumes

9 The benchmarking assessment particularly illustrates that for some distributors, such as Union  
10 Gas or for some carriers, such as Hydro-Quebec, deterrent penalties have been implemented.  
11 Thereby, at Union Gas the penalty can reach 50 \$/GJ (189.45 ¢/m<sup>3</sup>) for any excess greater than  
12 102% of the maximum contractual capacity<sup>7</sup>. For its part, Hydro-Quebec Transport is planning a  
13 penalty equal to 150% of the applicable charges for the firm transport service for capacity  
14 exceeding the firm reserved capacity<sup>8</sup>.

15 Also based upon the discussions, the initial proposal from Gaz Métro could have resulted in the  
16 encouraging of an overbidding as to the level of demand for excess volumes. Indeed, as a  
17 concurrent demand is distributed in proportion to the required capacities, it would be to the  
18 producers advantage to ensure that the portion of the capacity being allocated to them is as  
19 large as possible.

20 Gaz Métro however believes that it is unlikely that a customer will have to request an upward  
21 revision of its initially agreed upon MCC. In fact, the systems which will be built should allow  
22 servicing of the maximum capacity required by customers. Thereby, it is likely that the  
23 capacities of these systems, by the physical limitations of the pipelines, exceed the required  
24 capacities. Producers will be billed the charges of the installed pipelines, whether or not they  
25 use them at full capacity. Thereby, as can be seen in the following table, the two producers will  
26 be allocated capacities of 300 each, while their required capacity is only 250. As long as their

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<sup>6</sup> This same article became Article 16.5.6 due to new numbering in *Conditions of Service and Tariff* approved by Decision D-2011-194.

<sup>7</sup> Union Gas, Rate M13 Transportation of locally produced gas, effective January 1, 2012

<sup>8</sup> R-3669-2008, Phase 2, B-257, Follow-up on decision D-2012-010 Hydro-Quebec transport Tariffs and Conditions of Services



- 1 “new” required capacity does not exceed 300, no request for an upward revision of their MCC is  
2 required as it is established as their share of the maximum capacity of the system.

**TABLE 8**  
**INITIAL ALLOCATION OF A PIPELINE'S CAPACITIES**

	<b>Capacity required by producers</b>	<b>Capacity of the constructed pipeline</b>	<b>Distribution of capacities</b>
Producer 1	250		300
Producer 2	250		300
<b>TOTAL</b>	<b>500</b>	<b>600</b>	<b>600</b>

- 3 However, a revision of the MCC may be required if the needs of a producer were to eventually  
4 exceed its portion of the capacity in the pipeline. This would imply that another producer leaves  
5 unused a portion of its share of the system capacity that it has been allocated.

- 6 In this case, according to Gaz Métro's original proposal, there is no advantage in the transfer of  
7 capacities between these producers. Indeed, the producer with excess requirements would  
8 instead request a daily capacity overrun for the period required to meet its needs. Thereby,  
9 according to the original proposal from Gaz Métro, the producer will only pay the variable  
10 charges for these capacity overruns. Therefore, the producer who does not use its full capacity  
11 will then be paying for the capacity that remains available, while the customer using this  
12 capacity will only pay the variable charges.

- 13 In order to illustrate this situation, imagine that Producer 2 does not need its originally planned  
14 capacity. In the case of Producer 1, its needs exceed its allocated share of the pipeline.

**TABLE 9**  
**NEW DISTRIBUTION OF CAPACITIES IN A PIPELINE**

	Original allocated capacities	New allocated capacities	Charges initially proposed by Gaz Métro <sup>(*)</sup>
Producer 1	300	400	300 (FC+VC) + 100 (VC)
Producer 2	300	200	300 (FC) + 200 (VC)
<b>TOTAL</b>	<b>600</b>	<b>600</b>	

<sup>(\*)</sup>Applicable charges for excess capacity are equivalent to variable costs only.

- 1 In this case, Producer 2 continues to pay for its capacity of 300 even if its needs have
- 2 decreased from 250 to 200. Producer 1 continues to pay for its share of the pipeline, also a
- 3 capacity of 300.
- 4 In order not to waste the value of capacity left available by some producers, Gaz Métro
- 5 proposes that fixed charges should also be billed in the event of capacity overruns.
- 6 In order to encourage capacity exchanges between producers when the situation permits, these
- 7 charges should be higher than the fixed charges currently paid by producers. Gaz Métro
- 8 therefore proposes that volumes exceeding daily the MCC be subject to the MDO price of the
- 9 producer who requested an additional capacity to its MCC X 125%. It would consequently be
- 10 more advantageous for a producer to obtain the required capacity from another producer.

**TABLE 10**  
**NEW DISTRIBUTION OF CAPACITIES IN A PIPELINE**

	Original allocated capacities	New allocated capacities	New charges proposed by Gaz Métro <sup>(*)</sup>
Producer 1	300	400	300 (FC+VC) + 100 (FC X 125 % + VC)
Producer 2	300	200	300 (FC) + 200 (VC)
<b>Total</b>	<b>600</b>	<b>600</b>	

<sup>(\*)</sup> Excess capacity is charged at the MDO price X 125%, plus applicable variable charges.

1 In this case, Producer 1 would have all the advantage to negotiate an exchange of capacity with  
2 Producer 2. This would mean that Producer 2 would not have to support the total costs for its  
3 capacity of 100 units which it did not require. Moreover, in this example, the transaction  
4 between the parties would result in Producer 1's costs being lower than the costs would be  
5 without such an agreement. Indeed, the price would therefore be lower than the price  
6 corresponding to the MDO price X 125%.

7 The second paragraph of Article 16.5.6 should be modified to include the billing of fixed charges  
8 for volumes in excess of the MCC. This article is proposed to read as follows:

9 ~~"Treatment of Daily overruns of maximum contract capacity (MCC)~~  
10 [...] *If it is operationally possible for the distributor to accept this additional volume of the*  
11 *customer's natural gas, it shall be billed according to the sum of 125% X the price of the*  
12 *minimum daily obligation, the unit price by volume injected that is applicable at the receipt*  
13 *point and the unit price for the volume delivered within the territory applicable to the*  
14 *consumption zone or the unit price for the volume delivered outside the territory, as*  
15 *applicable.*  
16 [...]”

18 An exchange between producers will therefore allow them to pay for their respective new  
19 capacities by transferring the charges related to their respective maximum contractual  
20 capacities. However, in the event that the producers choose not to make such an exchange, the  
21 charges for exceeding the MCC will apply and the additional revenue generated by these  
22 charges will then exceed the revenue requirement to recover costs. In order to maintain the  
23 deterrent effect of the penalties, Gaz Métro proposes that the revenue from charges for  
24 exceeding the MCC be returned to all customers and not returned specifically to customers  
25 subject to the receipt rate.

26 Distribution of excess capacity

27 With regard to the distribution method for excess capacity, Gaz Métro states that it maintains its  
28 original proposal regarding a distribution of excess capacity requested in proportion to the  
29 excess volumes required.

30 Gaz Métro seizes the opportunity of the present evidence to request a slight modification to the  
31 third paragraph of Article 16.5.6 initially proposed as follows:

1           *"If there are several concurrent requests to inject additional volumes of natural gas and the*  
2           *said volumes exceed the distributor's ability to accept the natural gas, the available capacity*  
3           *shall be distributed as prorated on the basis of the excess volumes requested."*

4           **Gaz Métro is requesting the Régie to approve the proposed modifications to Article**  
5           **16.5.6 reflecting the prices applicable to daily overruns of the maximum contractual**  
6           **capacity.**

7           3.1.6 Article 16.5.7 - Possession and control

8           Following application request from the producers to provide details regarding the ownership of  
9           natural gas, notably, Exhibit B-8, Gaz Métro-1, Document 2.65 in Phase 1, to the possibility of  
10          adding an article to the *Conditions of Service and Tariff* on the natural gas takeover conditions  
11          was discussed during the working sessions. Gaz Métro submitted a proposed wording, which  
12          was greeted favourably, during the working sessions. Gaz Métro therefore proposes adding  
13          Article 16.5.7 as follows:

14                 *"16.5.7 POSSESSION AND CONTROL*

15                 *Gas received by the distributor shall be deemed to be in the custody and under the control of*  
16                 *the distributor from the time it is received into the distribution system until it is delivered*  
17                 *outside of the distribution system."*

18           **Gaz Métro is requesting the Régie to approve the wording of Article 16.5.7 as proposed.**

19           **4 TRANSITIONAL PROVISIONS AND OTHER TOPICS**

20           **4.1 CHAPTER 18 - TRANSITIONAL PROVISIONS**

21           Proposals of modifications transferred to Phase 3 of present Case.

22           **4.2 OTHER TOPICS**

23           4.2.1 Nomination process and simultaneous injection

24           As outlined in the introduction to this document, the Régie requested, among others, that the  
25           topics of the nomination process and simultaneous injection be discussed in the Working Group.  
26           Discussions have actually taken place, however certain elements of reflection still remain to be  
27           completed with respect to simultaneous injection.

1 As for the nomination process, it has been addressed in Article 2.1.9.3 “Decrease in  
2 occurrences”.

3 In terms of the responsibility of producers simultaneously injecting at a single receipt point,  
4 discussions have taken place within the Working Group however with no clear consensus  
5 emerging. Gaz Métro furthermore submits that the regulations relating to the responsibility of  
6 producers injecting simultaneously at a single receipt ~~injection~~ point should be stipulated in  
7 agreements between Gaz Métro and the producers rather than in the *Conditions of Service and*  
8 *Tariff*. In this regard, Gaz Métro acknowledges that it is possible that separate contracts may be  
9 concluded with the various producer customers injecting at a single receipt point as long as a  
10 contractual mechanism enables to clearly identify the nominations of each of these customers.  
11 According to Gaz Métro, such a mechanism (whether or not it involves the intervention of a  
12 common stream operator, as raised by the QOGA in Phase 1<sup>9</sup>) should however allow full billing  
13 of all charges generated by either producer customer injecting at a single receipt point. Gaz  
14 Métro therefore proposes to continue reviewing this question and a follow-up will be presented  
15 to the Régie on this issue during a future rate case. Meanwhile, Gaz Métro will continue its  
16 discussions with producer customers in order to identify the terms of a contractual mechanism  
17 which will allow, in particular, separate contracts to be concluded with producer customers  
18 simultaneously injecting at a single receipt point and which will ensure full billing of charges.

19 **Gaz Métro is requesting the Régie to acknowledge the fact that a follow-up will be**  
20 **presented by Gaz Métro during the 2013 Rate Case on the issue of the responsibility of**  
21 **producers simultaneously injecting at a single receipt point.**

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<sup>9</sup> Exhibit A-18-1, transcript from the hearing on November 9, 2010, page 135

1 **5 PROPOSALS RELATING TO EVIDENCE SPECIFICALLY**  
2 **ADDRESSED IN PHASE 2**

3 Gaz Métro lists the following specific proposals sought as part of Phase 2:

- 4 • Approval for the proposed modifications to the definitions of “Metering equipment” and  
5 “Agreed upon delivery point” and approval for the definition of “Nominated volume”;
- 6 • Approval for the proposed modification to Article 5.3.2 “Frequency of readings”;
- 7 • Approval for the proposed modification to Article 8.1.2;
- 8 • Approval for the modification to Article 8.2 and to the addition of Article 8.2.3 as worded;
- 9 • Approval for Article 8.4 as proposed in Phase 1;
- 10 • Approval for Article 8.6.1.3 as proposed;
- 11 • Approval for Article 9.4.2 as proposed;
- 12 • Approval for Article 9.4.3 as proposed;
- 13 • Approval for the proposed modification to Article 16.1.2;
- 14 • Approval for the proposed modification to Article 16.5.3;
- 15 • Approval for the new wording of Article 16.5.4 as proposed;
- 16 • Approval for the wording of Article 16.5.5 submitted in Phase 1 under Article 16.6.5;
- 17 • Approval for the proposed modifications to Article 16.5.6 reflecting the prices applicable  
18 to daily overruns of the maximum contractual capacity;
- 19 • Approval for the wording of Article 16.5.7 as proposed;
- 20 • Acknowledgement of the fact that a follow-up will be presented by Gaz Métro during the  
21 2013 Rate Case on the issue of the responsibility of producers simultaneously injecting  
22 at a single receipt point.

**1 6 APPENDIX**

**2 Summary Table - Benchmarking assessment of other distributors or carriers**

Subjects	Nova	TCPL	Union Gas	Fortis BC	Hydro-Québec
<b>Sources</b>	<i>General Terms and Conditions</i> , effective date: October 1, 2011 <sup>(1)</sup> , <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i> , effective date: July 1, 2010 <sup>(2)</sup> , <i>Rate Schedule FT-R Firm Transportation - Receipt</i> , effective date: July 23, 2011 <sup>(3)</sup> , Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990 <sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i> , effective date: July 1, 2010 <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective date: November 1, 2010 <sup>(1)</sup> Alberta Transportation Procedures - Credit and Financial Assurances <sup>(2)</sup> , TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a> <sup>(3)</sup> Storage Transportation service STS Toll Schedule, effective date: November 1, 2010 <sup>(4)</sup>	<i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i> <sup>(1)</sup> et <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i> <sup>(2)</sup> et <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i> <sup>(3)</sup> <i>Union Gas Credit Requirements</i> <sup>(4)</sup> <i>C1 Rate Schedule: Schedule "B 2010"</i> <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective January 1, 2012 <sup>(1)</sup> <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i> , effective March 1, 2011 <sup>(2)</sup> <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011 <sup>(3)</sup> <b>Note:</b> According to Terasen Gas Business Model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.	Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2) <sup>(1)</sup> B-257 <sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011) <sup>(3)</sup>
<b>Pressure</b>	<u>Sections 7.1 and 7.2</u> <sup>(1)</sup> The gas pressure is agreed to a maximum pressure at the receiving point. The gas pressure must not exceed 110% of the maximum pressure at the receiving point.	<u>Section XII</u> <sup>(1)</sup> [...] that point on TransCanada's system which is immediately east of the Alberta/Saskatchewan border (« Empress »), at a gauge pressure of 4,137 kPa or any greater pressure which may from time to time be specified by TransCanada.	<sup>(3)</sup> The gas pressure is agreed to a maximum pressure at the receipt point.	<u>Section 4.1</u> <sup>(3)</sup> The seller (producer of selling agent) has the entire responsibility to transport gas to the delivery point and the pressure must be sufficient to allow delivery without exceeding the maximum operating pressure of the transporter (the Distributor).	n/a
<b>Composition of natural gas</b>	<u>Section 3.1</u> <sup>(1)</sup> Provides details on natural gas composition at the receipt point. The latter must be free, at the receipt injection point of sand, dust, resins, contaminants [...] contain a maximum of 23 mg of hydrogen sulphide per cubic meter, a maximum of 115 mg of sulphur per cubic meter [...].	<u>Section V.2 et V.3</u> <sup>(1)</sup> Provides in details the natural gas composition and gross heating value at the receipt point. The gross heating value must be between 36 MJ/m <sup>3</sup> and 41.34 MJ/m <sup>3</sup> . The latter must be free, at the injection point of sand, dust, resins, contaminants [...] contain a maximum of 23 mg of hydrogen sulphide per cubic meter, a maximum of 115 mg of sulphur per cubic meter.	<u>Section ii) Articles 1 à 7</u> <sup>(1)</sup> Gross heating value must be between 36 MJ/m <sup>3</sup> and 40.2 MJ/m <sup>3</sup> and a detailed list of restricted or not permitted components.	<u>Section 5.1</u> <sup>(3)</sup> The delivered gas must meet the quality requirements and gross heat content required by the receipt transporter (meaning the distributor)	n/a
<b>Measurement</b>	<u>Section 4.1</u> <sup>(1)</sup> Provides the measurement and calculations are appropriate to determine volume according to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4)	<u>Sections VI.1, VI.2 and IX.2</u> <sup>(1)</sup> Provides that the volume compilation methods, pressure calculation and determination of the gross heating value must comply to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4). <u>Section IX.2</u> <sup>(1)</sup> Provides that margins of error for the unit of measurement is 2% for volumes, of 1% for density and 0.5% for the calorific value.	<u>Sections VI.1 et 2</u> <sup>(1)</sup> Provides that the measurement and calculations are appropriate to determine volume according to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4). The measuring equipment error shall not be greater than 2%.	<u>Section 5.1</u> <sup>(3)</sup> The contractual unit of measure will be specified in dry MMBtu, GJ, 10 <sup>3</sup> m <sup>3</sup> or in Dry Dekatherm. The measurement of gas quantities will be according to the procedures defined by the receipt transporter (distributor).	n/a



Subjects	Nova	TCPL	Union Gas	Fortis BC	Hydro-Québec
<b>Nomination process and responsibility of producers simultaneously injecting at the same receipt point</b>	<p><u>Section 1.14</u><sup>(1)</sup> Defines "Common Stream Operator" (CSO), as the person who communicates to Nova flows estimates, the allocation of estimated flows and total quantities per receipt point per customer and accepts nominations made by Nova for customers and confirms the availability of gas to meet the nominations.</p> <p><u>Section 2.1</u><sup>(5)</sup> Nova can refuse the increase in nominated volume to a delivery point if the notice time is less than two hours, unless the CSO confirms in advance that the total debits equal total required deliveries</p> <p><u>Section 3.1</u><sup>(5)</sup> Throughput at the receiving point is determined according to the estimates submitted by the CSO or in the absence of such estimates Nova estimates the flow according to available electronic data or by measurement data and the most recent changes nominations and historical data.</p> <p>Throughput at the receiving point is allocated for each customer according to allocation made by the CSO.</p> <p><u>Section 13.1 Section XV CAPL</u><sup>(4)</sup> PARTIES TENANTS IN COMMON – Rights, obligations and responsibilities of the parties are separated unless it is intentionally of interest to share a point, facility or property. The parties would then be tenants but nothing in the CAPL imposes the creation of a partnership imposing obligations or responsibilities to the other party.</p>	<p><u>Section XXII.1</u><sup>(1)</sup> Provides for the nomination process. Nomination windows are presented in a different document available on TransCanada's website<sup>(3)</sup>.</p>	<p><u>Section XI 11.01</u><sup>(3)</sup> Refers to Rate C1 Schedule B for nomination process. The nomination windows are not specified in Rate M13, they are available in a distinct document online are in Rate C1 Schedule B.</p> <p><u>Sections 1 to 14</u><sup>(5)</sup> Every day, the nominations shall be submitted by electronic means via <i>Unionline</i>. Nominations have to be received by Union Gas timelines according to NAESB standard. Four nomination cycles are available:</p> <ul style="list-style-type: none"> <li>• Timely</li> <li>• Evening</li> <li>• Intra-day 1</li> <li>• Intra-day 2</li> </ul> <p>Nominations are subject to Union Gas approval. Customer may designate a third party to provide the nominations. In that case, Union Gas accepts nominations from that agent only. The third party designation must be written and is subject to Union Gas acceptance.</p>	<p><u>Section 4.2</u><sup>(3)</sup> Parties, sellers and purchasers (meaning producers and customers) must coordinate their gas nominations et scheduling in order to respect the deadlines of the transporter (Distributor).</p> <p>Each party must give a sufficient operational lead time to allow for every transporters requirements relating to gas purchase or delivery transactions be met.</p> <p>No conditions specified for simultaneous injection.</p>	<p><u>Paragraph 355</u><sup>(1)</sup> "The Board retains that the energy imbalance receipt service applies to the customer responsible for the difference." unofficial translation</p> <p><u>Paragraph 359</u><sup>(1)</sup> "The Board concludes that the procedures described in Appendix 4 cannot be applied unless it is possible for the Carrier to measure the imbalance on its network and identify by objective and verifiable means, the customer responsible for the difference." unofficial translation</p> <p><u>Paragraph 360</u><sup>(1)</sup> "Otherwise, the Carrier will apply the solution identified in Phase 1, to treat the energy gaps as "inadvertent"." unofficial translation</p>

Subjects	Nova	TCPL	Union Gas	Fortis BC	Hydro-Québec
<b>Sources</b>	<p><i>General Terms and Conditions</i>, effective date: October 1, 2011<sup>(1)</sup>,  <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i>, effective date: July 1, 2010<sup>(2)</sup>,  <i>Rate Schedule FT-R Firm Transportation - Receipt</i>, effective date: July 23, 2011<sup>(3)</sup>,            Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990<sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i>, effective date: July 1, 2010<sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective date: November 1, 2010<sup>(1)</sup>            Alberta Transportation Procedures - Credit and Financial Assurances<sup>(2)</sup>,            TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a><sup>(3)</sup>            Storage Transportation service STS Toll Schedule, effective date: November 1, 2010<sup>(4)</sup></p>	<p><i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i><sup>(1)</sup> and  <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i><sup>(2)</sup> and  <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i><sup>(3)</sup>  <i>Union Gas Credit Requirements</i><sup>(4)</sup>  <i>C1 Rate Schedule: Schedule "B 2010"</i><sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective January 1, 2012<sup>(1)</sup>  <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i>, effective March 1, 2011<sup>(2)</sup>  <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011<sup>(3)</sup>  <b>Note:</b> According to Terasen Gas Business model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.</p>	<p>Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2)<sup>(1)</sup>            B-257<sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011)<sup>(3)</sup></p>
<b>Treatment of MCC overruns and revision of the MCC</b>	<p><u>Section 4.3</u><sup>(3)</sup>            The overall costs for the excess is calculated as follows:            Monthly charges for overruns at the receipt point = total volume attributed to the excess multiplied by the IT-R toll</p>	<p>The treatment for MCC overruns is not specified in the general document but in the Storage Transportation service.  <u>Section 2.3</u><sup>(4)</sup>            Approval of shipments in excess of the contractual agreement is at the discretion of TransCanada, which may suspend or discontinue the excess volumes at any time.  <u>Article 3.1e</u><sup>(4)</sup>            The customer will pay in addition to the commodity charge, a charge determined by multiplying the applicable Daily Demand Toll by the total of the month's delivered excess</p>	<p><u>Overrun services</u><sup>(2)</sup>            Overrun charges are payable for all excess quantities. Charges for authorized overrun are 0.076\$/GJ (0.288 ¢/m<sup>3</sup>). Charges for unauthorized overrun during November 1st to April 15 period are of 50\$/GJ (189.45¢/m<sup>3</sup>) for all excess above 102% of the contractual obligation. The unauthorized overrun rate during April 16 to October 30 period is of 9.373\$/GJ (35.514 ¢/m<sup>3</sup>) for all excess above 102% of the contractual obligation</p>	<p><u>Section 3.2</u><sup>(3)</sup>            The seller and purchaser agree to transaction's contractual quantity as well as the term of the performance obligation (two choices: cover or spot price). In the event of a firm obligation breach, the party responsible for the prejudice will compensate the other.</p>	<p><u>Paragraph 464</u><sup>(1)</sup>  <i>"[...] in the event of unauthorized use of additional services from the customer, the customer must pay 150% of the transmission tariffs in Schedules 1 to 7 which represents a 50% penalty tariffs for additional services."</i> unofficial translation  <u>Paragraph 475</u><sup>(1)</sup>  <i>"In addition, the Board notes the statement of the Carrier to the effect that the 50% penalty under section 3 of Tariffs and conditions does not apply to receipt and delivery energy imbalance services."</i>  <u>Section 3</u><sup>(2)</sup>            In the event of unauthorized use of additional services from the customer's transport service, it must pay to the Carrier 150% of rates in Schedules 1 to 3, 6 and 7 (i.e., schedule 1: System control service, Schedule 2: Voltage control service, Schedule 3: Frequency control service, Schedule 6: operating reserve – spinning reserve service  <u>Article 13.7</u><sup>(2)</sup>            Should a transmission service customer (including the producer or distributor for sales to third parties) exceeds its firm capacity reserved at the receipt of delivery point, the transmission customer will pay an amount equal to 150% of applicable charges under Schedule 9 for capacity exceeding firm capacity reserved. (Schedule 9: Long-term and short-term firm point-to-point transmission service).</p>

Subjects	Nova	TCPL	Union Gas	Fortis BC	Hydro-Québec
<b>Sources</b>	<p><i>General Terms and Conditions</i>, effective date: October 1, 2011<sup>(1)</sup>,  <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i>, effective date: July 1, 2010<sup>(2)</sup>,  <i>Rate Schedule FT-R Firm Transportation - Receipt</i>, effective date: July 23, 2011<sup>(3)</sup>,                      Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990<sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i>, effective date: July 1, 2010<sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective date: November 1, 2010<sup>(1)</sup>                      Alberta Transportation Procedures - Credit and Financial Assurances<sup>(2)</sup>,                      TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a><sup>(3)</sup>                      Storage Transportation service STS Toll Schedule, effective date: November 1, 2010<sup>(4)</sup></p>	<p><i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i><sup>(1)</sup> and  <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i><sup>(2)</sup> and  <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i><sup>(3)</sup>  <i>Union Gas Credit Requirements</i><sup>(4)</sup>  <i>C1 Rate Schedule: Schedule "B 2010"</i><sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective January 1, 2012<sup>(1)</sup>  <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i>, effective March 1, 2011<sup>(2)</sup>  <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011<sup>(3)</sup>  <b>Note:</b> According to Terasen Gas Business model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.</p>	<p>Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2)<sup>(1)</sup>                      B-257<sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011)<sup>(3)</sup></p>
<b>Treatment of the differences between nominated volumes and injected volumes</b>	<p>Articles 4.2 et 4.3<sup>(5)</sup>                      Provide that each day the customer must ensure the balance between deliveries and volumes nominated. When imbalances, Nova may suspend transactions, reduce the nominations of the day or reduce the allocation received from the CSO in order to respect the nominations of the day. If imbalances persist for three consecutive days, Nova may in addition, on two hours notice, suspend service or access to electronic tools and transactions. The customer remains responsible for paying all fees and tolls, despite the suspension.</p>	<p>Articles XXII.2, XXII.3, XXII.4, XXII.5, XXII.6<sup>(1)</sup>                      Definitions –  <i>Total Allocated Quantity for any receipt point</i>: total quantity of gas which TransCanada determines has been received during any time period under all transportation service contracts with a customer.  <i>Total Authorized Quantity or TAQ for any day, for any receipt point</i>: sum of the customer's Authorized Quantities under all transportation service contracts at that receipt point. Daily variance means the absolute difference between the Total Authorized Quantity and the Total Allocated Quantity (TAQ).  <i>FTDaily Demand Charge or FTD</i> means the result when the Demand Toll for firm service to the Eastern Zone toll, multiplied by 12 and divided by the number of days in the year.  <i>Average Authorized Quantity or AAQ</i> for a customer at any receipt point means the average Total Authorized Quantity during the preceding 30 days. The Cumulative Variance is the absolute value accumulation of the daily differences between the Total Authorized Quantity and the Total Allocated Quantity for a customer at any receipt point.  <i>Daily Balancing Fee (volume of the tier times tier fee)</i>: equal to result tier 1 + result tier 2 + result tier 3 + result tier 4.                      The tier fees and quantities are as follows:                      &gt; Tier 1 minimum between 2% TAQ, AAQ or 75 GJ and 4% TAQ, AAQ or 150 GJ standard fee: 0.2 times FTD and EOC Draft fee: 1 times Index.                      &gt; Tier 2 minimum between 4% TAQ, AAQ or 150 GJ and maximum 8% TAQ, AAQ or 302 GJ standard fee: 0.5 times FTD and EOC Draft fee: 1.25 times Index.                      &gt; Tier 3 minimum between 8% TAQ, AAQ or 302 GJ and 10% TAQ, AAQ or 377 GJ standard fee: 0.75 times FTD and EOC Draft fee: 1.5 times Index.                      &gt; Tier 4 minimum 10% TAQ, AAQ or 377GJ standard fee: 1 times FTD and EOC Draft fee: 2 times Index.                      These fees are added to the bill for the month.  <i>Cumulative Balancing Fee</i> = (volume of the tier times tier fee). Two tiers.                      &gt; Tier 1 minimum between 4% TAQ, AAQ or 150 GJ and 6% TAQ, AAQ or 225 GJ standards fee: 0.15 times FTD and EOC Draft fee: 0.15 FTD.                      &gt; Tier 2 minimum between 6% TAQ, AAQ or 225 GJ standard fee: 0.25 times FTD and EOC Draft fee: 0.25 FTD.</p>	<p>Contractual agreement provides a "Firm Daily Variability Demand" of X GJ<sup>(3)</sup>.                      Any day when, between the period of September 15 to November 15, the volume at Dawn is in excess of the agreed "FDVD" and the Union Gas has not confirmed in writing acceptance of the excess, the customer will have to pay 1\$/GJ (3.879¢/m<sup>3</sup>) multiplied by the volume excess.                      Any day when, between the period of February 15 to April 15, the volume at Dawn is in deficit compared to the "FDVD" and that Union Gas has not confirmed in writing acceptance of the deficit, the customer will have to pay 1\$/GJ (3.879¢/m<sup>3</sup>) multiplied by the volume deficit.                      The charge payable for each of the quantities debited or credited to the producer balancing account is 0.05\$/GJ (0.189¢/m<sup>3</sup>).</p>	<p>Section 4.3<sup>(3)</sup>                      The parties shall use commercially reasonable efforts to avoid imposition of any imbalances charges.</p>	<p>Paragraph 342<sup>(1)</sup>                      "The Board retains from the evidence that a gap is created when the production source does not deliver [...] the amount scheduled for the customer. In such case, the Carrier is required to offer an imbalance service, to correct any imbalances that may affect the safe operation of its system." unofficial translation                      Paragraph 398<sup>(1)</sup>                      "The Board retains the application of the penalty rate of 10% and 25% applicable on the reference price for the difference between second and third levels respectively." unofficial translation                      The Imbalance compensation service fee are based on the following<sup>(2)</sup>:                      &gt; Imbalance +/- 1.5% (minimum 2 MW) compared to scheduled transaction = 100% of incremental price or decremental price.                      &gt; More than +/-1.5% à 7.5% (or more than 2 to 10 MW) compared to scheduled transaction= 110% of incremental price or 90% of decremental price.                      &gt; More than +/- 7.5% (ou more than 10 MW) compared to schedules transaction= 125% of incremental price or 75% decremental price.                      Paragraph 404<sup>(1)</sup>                      "In accordance with decision D-2009-015, the income resulting from the penalties of second and third levels will be treated as variance account. The Board accepts the proposal of the Carrier to apply the balance in the variance account as a reduction of revenue requirement." unofficial translation</p>

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<b>Sources</b>	<i>General Terms and Conditions</i> , effective date: October 1, 2011 <sup>(1)</sup> , <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i> , effective date: July 1, 2010 <sup>(2)</sup> , <i>Rate Schedule FT-R Firm Transportation - Receipt</i> , effective date: July 23, 2011 <sup>(3)</sup> , Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990 <sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i> , effective date: July 1, 2010 <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective date: November 1, 2010 <sup>(1)</sup> Alberta Transportation Procedures - Credit and Financial Assurances <sup>(2)</sup> , TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a> <sup>(3)</sup> Storage Transportation service STS Toll Schedule, effective date: November 1, 2010 <sup>(4)</sup>	<i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i> <sup>(1)</sup> and <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i> <sup>(2)</sup> and <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i> <sup>(3)</sup> <i>Union Gas Credit Requirements</i> <sup>(4)</sup> <i>C1 Rate Schedule: Schedule "B 2010"</i> <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective January 1, 2012 <sup>(1)</sup> <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i> , effective March 1, 2011 <sup>(2)</sup> <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011 <sup>(3)</sup> <b>Note:</b> According to Terasen Gas Business model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.	Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2) <sup>(1)</sup> B-257 <sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011) <sup>(3)</sup>
<b>Temporary assignment and capacity transfer</b>	<u>Section 6.1</u> <sup>(3)</sup> Provides that a customer may, upon notice, request the reduction of contracted capacity. Nova is not obliged to find another customer to take the capacity made available. If, following the notice of a new customer intends to take the available capacity, Nova can agree to reduce the initial contract capacity under terms and conditions acceptable to Nova. Notwithstanding this reduction, the customer shall, at the option of Nova, i) continue to pay any surcharge until the Termination of the contract or ii) in the event of that Nova retires the facilities, pay to Nova, within a certain time, the book value of assets adjusted for all costs and expenses associated with the retirement.	n/a	n/a	<u>Section 12.1</u> <sup>(3)</sup> . Provides that a contract may be terminated on a 30 days notice but shall remain in effect until the expiration of the latest delivery period of any confirmed transaction. <u>Section 13.1</u> <sup>(3)</sup> No assignment of the contract, in whole or in part can be made without the written consent of the non assigning party. The consent cannot be unreasonably withheld or delayed. Either party may transfer its interest to any parent or affiliated by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved from its contractual obligations.	<u>Section 23</u> <sup>(2)</sup> The transmission service customer may sell, assign or transfer all or part of its rights under its service agreement, but only to an eligible client [...] The price paid to the seller cannot exceed the higher of: (i) the initial price paid by the dealer (ii) the maximum rate of the carrier in effect at the time of the transfer or (iii) the opportunity cost capped at the seller's cost of expansion by the carrier.
<b>Deposit requirement and retention period for this deposit</b>	<u>Sections 10.1, 10.3</u> <sup>(1)</sup> Provides that Nova can at any time require an irrevocable letter of credit or other financial assurance acceptable by Nova. The maximum amount of financial assurance shall not exceed the total amount of all fees, rates and charges equivalent to a period of 70 days and is estimated on the basis of the daily average for the period of 12 months. The amount of financial assurance for any new facilities is determined by the contractual agreement.	<u>Section XXIII</u> <sup>(1)</sup> Provides that TransCanada may, at any time, request an irrevocable letter of credit or other assurance acceptable. The maximum amount of security shall not exceed the total amount of all fees, rates and charges equivalent to a period of 70 days and is estimated on the basis of the daily average for the previous period of 12 months. The amount of financial assurance for building a new facility represents the total amount of all fees, rates and charges payable to TransCanada equivalent to a period of 70 days to which is added one month for each year under the contract service to a maximum of 12 months	<u>Section 1.0 et 1.2</u> <sup>(4)</sup> Union Gas evaluates credit exposure. If the result of the evaluation does not meet Union Gas requirements, the customer must provide financial assurances in an amount equal to the maximum exposure of all contracts inclusive.	<u>Section 10.1 et 10.1A</u> <sup>(3)</sup> If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any contractual obligation, such party may demand to receive a performance assurance within 5 business days from the demand. The performance assurance shall not exceed the amount calculated in accordance with the procedure for determining the total termination payment.	<u>Section 17.3</u> <sup>(2)</sup> A firm point-to-point transmission service request must also be accompanied by a deposit, equivalent to the price of a month's reserved capacity.