

RULES AND REGULATIONS



POLARIS CONDENSATE PIPELINE SYSTEM

TARIFF No. 301

This Tariff Supercedes Tariff No. 300

RULES AND REGULATIONS

GOVERNING THE

GATHERING AND TRANSPORTATION

OF

CONDENSATE

GENERAL APPLICATION

The rules and regulations published herein are referenced in individual Shipper Contracts. These rules and regulations apply to all Shippers using the Polaris Condensate Pipeline System and by Tendering Condensate by or on behalf of a Shipper to the Polaris Condensate Pipeline System or by delivering a Notice of Shipment to Carrier, each Shipper accepts these rules and regulations as a legally binding contract made among each Shipper, Carrier and each of Carrier's other Shippers on the terms contained herein and as they may be amended in any subsequent revisions.

EFFECTIVE: July 1, 2014

Issued: June 30, 2014 by

Inter Pipeline Polaris Inc.

2600, 237 – 4th Avenue S.W.
Calgary, Alberta T2P 4K3

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ARTICLE 1 DEFINITIONS

This Tariff between Shipper and Carrier is subject to any contrary or inconsistent provisions in the associated Shipper Contracts. Except where the context expressly states another meaning, the following terms, when used in this Tariff or in any Shipper Contract shall be construed to have the following meanings:

- 1.1 **"AER"** means the Alberta Energy Regulator or any successor agency performing substantially similar functions with respect to pipelines within the Province of Alberta.
- 1.2 **"API"** means American Petroleum Institute.
- 1.3 **"ASTM"** means American Society for Testing and Materials.
- 1.4 **"Available Capacity"** means the capacity available on the Polaris Condensate Pipeline System for a given Month.
- 1.5 **"barrels" or "bbls"** means a volume equivalent to 0.158987 cubic metres (m³) at a temperature of fifteen degrees Celsius (15°C) and at a pressure of 101.325 kiloPascals (kPa) absolute.
- 1.6 **"Business Day"** means a day other than Saturday or Sunday or a statutory holiday in Calgary, Alberta.
- 1.7 **"Carrier"** means Inter Pipeline Polaris Inc. or the operator of the Polaris Condensate Pipeline System.
- 1.8 **"Condensate"** means liquid hydrocarbons (C₅+) meeting the Condensate Specifications.
- 1.9 **"Condensate Specifications"** those specifications set out in Section 4.2 (Condensate Specifications).
- 1.10 **"Crude Oil Logistics Committee"** means the Western Canada conventional crude oil forum that was formed in December 1982 for the purpose of furthering effective and efficient management of the Western Canadian crude oil and segregated condensate pipeline transportation systems.
- 1.11 **"Cubic Metre"** (m³) means the volume of Condensate which occupies one cubic metre when such Condensate is at a temperature of fifteen degrees Celsius (15°C) and at a pressure of 101.325 kiloPascals absolute and equals 6.289822 barrels, under the same conditions.
- 1.12 **"Day"** means a period of 24 consecutive hours, beginning at 7:00 a.m. in the Province of Alberta on any day and ending at 07:00 a.m. on the following day. The reference date for any Day shall be the calendar date upon which the 24 hour period commences.
- 1.13 **"Deliver"** and any derivative thereof, means delivered by Carrier to Shipper at a Delivery Point.
- 1.14 **"Delivery Point"** means a location on the Polaris Condensate Pipeline System at which Shipper has facilities to permit the Delivery of Condensate.
- 1.15 **"Enbridge CRW"** means Enbridge Pipeline Inc.'s tank farm facilities for Condensate at

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Edmonton.

- 1.16 **"Force Majeure"** shall have the same meaning as set out in the individual Shipper Contracts.
- 1.17 **"Governmental Authority"** means any judicial, legislative, administrative or other national, provincial, municipal or local governmental authority, ministry, department, any administrative agency, office, organization or authority having jurisdiction over the Polaris Condensate Pipeline System, including the AER.
- 1.18 **"Gross Standard Volume"** means the volume of Condensate measured in Cubic Metres in accordance with standards established by API/ASTM.
- 1.19 **"ISO"** means International Organization for Standards.
- 1.20 **"kiloPascal"** (kPa) is equivalent to 0.1450377 pounds per square inch (psi).
- 1.21 **"Line Fill"** means the volume of Condensate that is necessary for the prudent operation of the Polaris Condensate Pipeline System as determined by and specified Monthly by Carrier in accordance with generally accepted pipeline practice.
- 1.22 **"MPMS"** means Manual Petroleum Measurement Standards published from time to time by the API.
- 1.23 **"Month"** means the period beginning at the first Day of a calendar month and ending at the start of the first Day of the next succeeding calendar month.
- 1.24 **"Monthly Nomination Date"** means the date in accordance with the Crude Oil Logistics Committee's Annual Forecast Reporting Calendar for Shipper Nominations.
- 1.25 **"Net Standard Volume"** means Gross Standard Volume minus the sediment and water component determined in accordance with standards developed by API.
- 1.26 **"Nomination"** and any derivative thereof, means for a Month the total volume and average daily rate of Condensate specified in the Notice of Shipment, and includes any associated re-nomination in accordance with Section 13.2 (Carrier Capacity Adjustment Rights).
- 1.27 **"Notice of Shipment"** means the form to be used by Shippers in notifying Carrier of proposed Tenders, which form shall be as established by the Crude Oil Logistics Committee unless otherwise agreed between Carrier and Shippers.
- 1.28 **"Party"** and any derivative thereof means Carrier or a Shipper.
- 1.29 **"Payment Due Date"** means the date set out in an individual Shipper Contract on or before which the Shipper is to pay Carrier for transportation services and other items properly charged to Shipper pursuant to such Shipper Contract.
- 1.30 **"Person"** means a natural person, firm, trust, partnership, corporation or Governmental Authority.
- 1.31 **"Polaris Condensate Pipeline System"** means the pipeline system, including the Polaris West Condensate Pipeline System and the Polaris East Condensate Pipeline System, which transports Condensate from Receipt Point(s) located in the Fort Saskatchewan area to Delivery Point(s), as may be extended or expanded from time to time by the Carrier.

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- 1.32 **"Polaris East Condensate Pipeline System"** means the eastern leg of the Polaris Condensate Pipeline System, being the NPS 24 pipeline from the Edmonton area to the Lamont area and the NPS 30 pipeline from the Lamont area to the Christina Lake area including any expansions thereto.
- 1.33 **"Polaris West Condensate Pipeline System"** means the western leg of the Polaris Condensate Pipeline System, being the NPS 12 pipeline from the Lamont area to the Athabasca area north of Fort McMurray including any expansions thereto.
- 1.34 **"Prime Rate"** means the annual rate of interest designated in an individual Shipper Contract.
- 1.35 **"Quarter"** means a three Month period commencing on the 1st Day of January, April, July and October.
- 1.36 **"Receipt"** and any derivative thereof, means acceptance by Carrier from Shipper at a Receipt Point.
- 1.37 **"Receipt Point"** means a location on the Polaris Condensate Pipeline System at which Carrier has facilities to permit Shipper to Tender Condensate as more particularly set out in the individual Shipper Contract.
- 1.38 **"Segment"** means any portion of the Polaris Condensate Pipeline System that is utilized by a Shipper for the transportation of Condensate.
- 1.39 **"Shipper"** means a Person that transports Condensate on the Polaris Condensate Pipeline System pursuant to a Shipper Contract, and includes Carrier in circumstances where Carrier is shipping Condensate on the Polaris Condensate Pipeline System for its own account or benefit.
- 1.40 **"Shipper Contract"** means a transportation service agreement executed by Carrier and a Shipper that implements the terms and conditions upon which Carrier will provide Condensate transportation services for such Shipper on the Polaris Condensate Pipeline System.
- 1.41 **"Spot Quantities"** means Condensate volumes nominated on an interruptible basis.
- 1.42 **"Tariff"** means the terms and conditions contained herein as amended from time to time.
- 1.43 **"Tender"** and any derivative thereof, means the delivery by a Shipper to Carrier at a Receipt Point of a stated quantity of Condensate for transportation from such Receipt Point to a Delivery Point.
- 1.44 **"Third Party"** means a person that is neither the Carrier or a Shipper, nor an Affiliate thereof;
- 1.45 **"Year"** means a calendar year commencing January 1 and ending December 31.

ARTICLE 2 COMMODITY

- 2.1 This Tariff governs the transportation of Condensate by Carrier and no commodity other than Condensate will be transported under the Tariff.

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ARTICLE 3 ORIGIN AND DESTINATION

- 3.1 **Acceptance and Delivery** Condensate will be accepted for transportation only when Nominated and Tendered pursuant to Article 6 (*Tenders, Quantities and Transfers*).
- 3.2 **Delivery Facilities** Condensate will be accepted for transportation only when Shipper has provided or made arrangements for facilities and/or transportation service satisfactory to Carrier at the named Delivery Point for handling the Condensate at the rate of flow at which Carrier is then operating its system at such Delivery Point. Shipper may only Nominate Delivery of Condensate to those Delivery Points set out in its Shipper Contract with the Carrier.
- 3.3 **Receipt Facilities** Condensate will be accepted for transportation only at a Receipt Point and, having regard to the operating conditions of the Polaris Condensate Pipeline System and rights or limitations of individual Shipper Contracts, at a pressure and rate of flow satisfactory to Carrier.
- 3.4 **Origin of Condensate (NAFTA)**
- (a) Shipper shall, at the request of Carrier, in a timely fashion, confirm, by statutory declaration or such other written documentation that is acceptable to Carrier, acting reasonably, the country of origin of Condensate that is Tendered for shipment on the Polaris Condensate Pipeline System.
 - (b) Shipper shall not deliver to Carrier at a Receipt Point any Condensate classified under Harmonized Tariff Schedule heading 2709 (e.g., unprocessed field or lease condensate) that does not qualify as an “originating good” pursuant to NAFTA Rules of Origin Regulations.
 - (c) Carrier shall not Deliver to Shipper at a Delivery Point any Condensate classified under Harmonized Tariff Schedule heading 2709 (e.g., unprocessed field or lease condensate) that does not qualify as an “originating good” pursuant to NAFTA Rules of Origin Regulations.
 - (d) Shipper shall indemnify, defend and hold Carrier harmless from and against any and all claims, damages, losses, fines, penalties, costs and expenses arising from or related to Shipper’s delivering to Carrier at a Receipt Point any Condensate classified under Harmonized Tariff Schedule heading 2709 that is not an “originating good” pursuant to NAFTA Rules of Origin Regulations except to the extent that the Carrier is held

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responsible for the Condensate not being so classified as an “originating good”.

- (e) Carrier shall indemnify, defend and hold Shipper harmless from and against any and all claims, damages, losses, fines, penalties, costs and expenses arising from or related to Carrier’s Delivery to Shipper at a Delivery Point of any Condensate classified under Harmonized Tariff Schedule heading 2709 that does not qualify as an “originating good pursuant to NAFTA Rule of Origin Regulations except to the extent that the Shipper is held responsible for the Condensate not being so classified as an “originating good”.

ARTICLE 4 QUALITY

- 4.1 **Permitted Condensate** Only Condensate having properties which are compatible with Condensate Specifications will be permitted in the Polaris Condensate Pipeline System. Condensate delivered or caused to be delivered by Shipper to Receipt Points and the Condensate Delivered by Carrier to Shipper at Delivery Points shall, in each case, meet Condensate Specifications, which shall be the same for all Shippers through the Polaris Condensate Pipeline System, subject to the provisions of Section 4.4 (*Failure to Conform to Condensate Specifications*). For greater certainty, a Shipper will not knowingly Tender and Carrier will have no obligation to accept for transportation any Condensate that does not meet the Condensate Specifications.
- 4.2 **Condensate Specifications** Condensate with any of the following specifications shall not be accepted for Tender under normal operating conditions, namely:
 - (a) having a Reid Vapour Pressure in excess of one hundred and three kiloPascals (103 kPa) at thirty seven point eight degrees Celsius (37.8°C) determined in accordance with then current ASTM D323 or by any other tests as may be established by Carrier and Shippers in accordance with Section 4.3 (*Specification Change Guidelines*);
 - (b) containing sediment and water (BS&W) in excess of one-half of one percent (0.5%) of volume as determined by the centrifuge method in accordance with then most current API MPMS Chapter 10.4, as may have been amended or succeeded or by any other tests as may be established by Carrier and Shippers in accordance with Section 4.3 (*Specification Change Guidelines*);
 - (c) having at a Receipt Point a temperature greater than thirty eight degrees Celsius (38°C) unless otherwise agreed to by Carrier;

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- (d) having at a Receipt Point a temperature less than five degrees Celsius (5°C) unless otherwise agreed to by Carrier;
- (e) having at a Receipt Point a density in excess of seven hundred and ninety-nine kilograms per Cubic Metre (799 kg/m³) at fifteen degrees Celsius (15°C) or less than six hundred kilograms per Cubic Metre (600 kg/m³) determined in accordance with ASTM D1298 or ASTM D6822 unless otherwise agreed to by Carrier;
- (f) having a kinematic viscosity in excess of 2.0 centistokes (cSt), defined as 2.0 square millimetres per second (2.0 mm²/s), determined in accordance with then current ASTM D445 or D7042 at seven point five degrees Celsius (7.5°C) unless otherwise agreed to by Carrier;
- (g) having any organic chlorides, sulphurs, halides, organisms or other compounds with physical, biological or chemical characteristics that may render such Condensate not readily transportable by Carrier, that may materially affect the quality of other Condensate transported by Carrier or that may otherwise cause disadvantage to Carrier unless arrangements for their mitigation have been arranged for between Carrier and any Shipper Tendering Condensate containing such contaminants, including but not limited to:

Sulphur: greater than 0.5% percentage weight per then current ASTM D54;

Organic chlorides: per ASTM D4929;
- (h) containing sand, dust, dirt, gums, impurities or other objectionable substances which may be injurious to Carrier, objectionable to downstream carriers or Governmental Authority or may interfere with measurement or transportation of Condensate under this Tariff;
- (i) having any cracked petroleum (olefins) unless Tenders containing cracked petroleum can be segregated pursuant to Section 5.3 (*Facilities Used for Segregated Service*). Olefinic material cannot be blended with any common streams including Enbridge CRW and its component streams; and
- (j) having total suspended solids in excess of 200 mg/l.

4.3 **Specification Change Guidelines** If, at any future date Condensate specifications at the Enbridge CRW are revised, such revised specifications shall replace the Condensate Specifications then applicable in this Tariff. If Carrier or any Shipper proposes to adopt

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Condensate Specifications different from those in effect at the Enbridge CRW, such adoption shall be subject to Carrier's approval and the approval by Shippers holding a simple majority of total firm capacity reservations on the Polaris Condensate Pipeline System as set forth in respective Shipper Contracts.

4.4 **Failure to Conform to Condensate Specifications**

(a) Shipper's Failure to Conform to Condensate Specifications

- (i) If Condensate Tendered to or Received at a Receipt Point fails to conform to the Condensate Specifications at any time ("**Non-Spec Condensate**"), Shipper shall give Notice to Carrier immediately upon becoming aware of that failure. If Carrier becomes aware that it is Receiving Non-Spec Condensate Tendered by Shipper before receiving a Notice from Shipper, Carrier shall promptly give Shipper Notice that Shipper's Condensate fails to conform to the Condensate Specifications. Unless otherwise agreed with the Carrier, Shipper shall promptly and at its sole cost and expense remove its Non-Spec Condensate from the Polaris Condensate Pipeline System as directed by the Carrier.
- (ii) Carrier shall be entitled to refuse to Receive all or any portion of any Non-Spec Condensate Tendered by Shipper.
- (iii) If a Shipper fails to remove its Non-Spec Condensate in accordance with 4.4(a)(i), then the Carrier shall have the right to remove and sell such Non-Spec Condensate in such a manner as it would be entitled to enforce its lien. Carrier shall pay from the proceeds of such sale all costs incurred by the Carrier with respect to the storage, removal and sale of such Non-Spec Condensate and Carrier shall be entitled to retain a reasonable pre-estimate of any damages, costs, expenses and other damages, costs and expenses incurred or anticipated to be incurred by the Carrier in respect of such objectionable Non-Spec Condensate. The remainder of such proceeds, if any, shall be paid by Carrier to such Shipper. Carrier may take such further action and remedies as it deems appropriate to lessen or mitigate any adverse impact to the Polaris Condensate Pipeline System.
- (iv) If Carrier has agreed in writing to Receive such Non-Spec Condensate at a Receipt Point, then Shipper shall not be liable for any costs, losses or damages caused by the Receipt or transportation by Carrier of such Non-Spec Condensate.

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- (b) Carrier Failure to Conform to Condensate Specification
- (i) If Non-Spec Condensate is accepted by Shipper at a Delivery Point, Carrier shall give Notice to Shipper promptly upon becoming aware of the Delivery of Non-Spec Condensate. If Shipper becomes aware it is accepting Non-Spec Condensate Delivered by Carrier before receiving a Notice from Carrier, Shipper shall promptly give Carrier Notice that the Condensate is Non-Spec Condensate. Shipper shall, within 48 hours of Shipper becoming aware of such Non-Spec Condensate, issue Notice to Carrier advising whether Shipper will accept or continue to accept such Non-Spec Condensate.
 - (ii) Shipper shall be entitled, with Notice to Carrier, to refuse to accept Delivery of all or any portion of any Non-Spec Condensate Delivered by Carrier at a Delivery Point.
 - (iii) If, following receipt of Notice from Carrier pursuant to Section 4.4(b)(i), Shipper continues to accept Delivery of such Non-Spec Condensate, then Shipper shall be deemed to have agreed to receive and unconditionally accept Delivery of such Non-Spec Condensate at a Delivery Point unless and until Shipper Notifies Carrier expressly that it does not agree to accept such Delivery of Non-Spec Condensate.
 - (iv) If Shipper has agreed, as provided in Section 4.4(b)(i), or is deemed to have agreed pursuant to Section 4.4(b)(iii) to accept Delivery of such Non-Spec Condensate at a Delivery Point, then Carrier shall not be liable for any costs, losses or damages caused by the Delivery to Shipper of such Non-Spec Condensate.
 - (v) If, pursuant to Section 4.4(b)(i), Shipper refuses to accept Delivery of Non-Spec Condensate Delivered by Carrier at a Delivery Point, Carrier shall dispose of such Non-Spec Condensate at Carrier's expense, without recourse to Shipper, provided that in the event Carrier accepts any quantity of Non-Spec Condensate from Shipper at a Receipt Point in accordance with Section 4.4(a)(i) or Section 4.4(a)(iii), Shipper shall be obligated to accept up to the same quantity of similarly Non-Spec Condensate at a Delivery Point.

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ARTICLE 5 SEGREGATION AND CHANGES IN QUALITY

- 5.1 **Delivery of Types of Condensate** Carrier shall endeavor to Deliver substantially the same type and quality of Condensate as that Tendered by a Shipper; provided that Carrier shall not be obligated to make Delivery of the identical Condensate Tendered by a Shipper.
- 5.2 **Alteration of Quality** Subject to Section 5.4 (Quality Equalization), Condensate Tendered for transportation will be Received only on the condition that it shall be subject to such changes in density or quality while in transit as may result from the transportation thereof, or the mixture of said Condensate with other Condensate in the Polaris Condensate Pipeline System. Carrier shall not be liable for any consequential loss or damage resulting from an alteration in density or other quality of Condensate transported by Carrier. Carrier shall use all reasonable effort to ensure that no new type or quality of Condensate degrades the Condensate of existing Shippers.
- 5.3 **Facilities Used for Segregated Service.** Should the need arise to provide segregated service due to Condensate quality, then the Shipper or Shippers whose Condensate gives rise to the need for the segregated service will pay the incremental capital and operating costs to provide that service.
- 5.4 **Quality Equalization** Quality equalization in respect of commingled streams of Condensate transported in Polaris Condensate Pipeline System shall be calculated consistent with condensate equalization guidelines and procedures, as may be revised from time to time, established by the industry equalization steering committee supported by the Canadian Association of Petroleum Producers (*CAPP*), using condensate equalization data published Monthly in accordance with such guidelines and procedures. Annex A (*Condensate Equalization Methodology*) includes both written notes pertaining to the expected quality equalization process and an illustrative example modeling a scenario of operation for two facility entities (a pipeline and terminal) that reflects the methodology contemplated by such CAPP guidelines and procedures. Condensate quality equalization, including a financial settlement, shall be determined by Carrier on a Monthly basis. A detailed equalization statement shall be provided Monthly by Carrier to Shipper. Carrier is not authorized, for any purposes whatsoever, to any right of hold back in respect of Monthly collection and dispersal of equalization charges and payments made in accordance with the aforesaid guidelines and procedures. Shipper's audit rights, as set forth in the Shipper's Contract, extend to Shipper's right to audit Monthly equalization statements and all supporting documentation as provided in this Section 5.4 (*Quality Equalization*).

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ARTICLE 6 TENDERS, QUANTITIES AND TRANSFERS

- 6.1 **Volume Forecast** Four (4) Months prior to the commencement of each Year, Shipper shall give Carrier a written forecast of the quantities, expressed in barrels per day, of Condensate to be Tendered at Receipt Point(s) and Delivered at Delivery Point(s) in each Month for the next Year and for each Quarter of the succeeding two Years ("**Volume Forecast**"). The Volume Forecast shall include such operating data as Carrier may reasonably require in order to schedule and plan its operations. Three (3) Months prior to each Quarter, Shipper will update and submit to Carrier its updated Volume Forecast by Month for the succeeding twelve (12) Months, commencing at the start of such Quarter.
- 6.2 **Monthly Nominations** Shipper shall, in accordance with the dates specified in the Crude Oil Logistics Committee's Annual Forecast Reporting Calendar ("**Monthly Nomination Date**") and in accordance with prescribed Notice of Shipment, provide Carrier with a Nomination for the following Month of the quantity of Condensate to be Tendered to one or more Receipt Points and Delivered to one or more Delivery Points. Each Nomination shall include the average daily rate and the Monthly quantity of Condensate that Shipper will Tender at the Receipt Points and such other operating data as Carrier may reasonably require for scheduling and planning its services. A Shipper, upon notice from Carrier, will also provide written third party verification of the availability of its supply of Condensate and of its capability to remove such Condensate from any Delivery Point as may be required by Carrier in support of such Shipper's Nomination. Carrier shall not be obligated to accept a Shipper's Nomination where such verification is, in the sole discretion of the Carrier, unacceptable to Carrier. Nominations of Spot Quantities for a Month are subject to change throughout the Month at the sole discretion of the Carrier subject to Section 13.2. If a Shipper fails to Nominate any volumes, it shall be assumed the Nomination for such Month is zero. Shipper may revise its Nomination after the Monthly Nomination Date by notice to Carrier and Carrier shall use reasonable efforts to accept such revisions, consistent with its contractual obligations with other Shippers and the provisions of Section 13.1 (*Available Capacity*). Carrier shall, subject to Section 13.1 and in accordance with the dates specified in the Crude Oil Logistics Committee's Annual Forecast Reporting Calendar, confirm Shipper Nominations and schedule transportation of properly Nominated Condensate ("**Carrier's Nomination Schedule**").
- 6.3 **Tenders** A Shipper desiring to Tender Condensate for transportation shall make its Tenders in accordance with Carrier's established Tendering process. If a Shipper is unable to remove from the Delivery Point the volume of Condensate Tendered, Carrier may reduce the amount of

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Condensate accepted from Shipper for transportation to the amount which Shipper has verified it will be able to remove from the Delivery Point.

6.4 **Late Nominations** If space is available and operating conditions permit, Carrier may, at its discretion, accept Nominations or revised Nominations after Carrier's scheduled Monthly Nomination Date.

6.5 **Operational Coordination** Shipper, if applicable, shall make necessary arrangements with Third Parties for the delivery of Condensate to Receipt Points and for the acceptance of Condensate at Delivery Points. Such arrangements shall include entering into all necessary transportation or other arrangements and submitting to Third Parties that are operating facilities located upstream or downstream of the Polaris Condensate Pipeline System any nominations required to fully implement the Nominations submitted to Carrier in accordance with this Tariff. Shipper and Carrier shall use reasonable efforts to coordinate, among themselves and any Third Parties, any dispatching or operational matters as required to give effect to this Article 6 (*Tenders, Quantities and Transfers*). Shipper shall use reasonable commercial efforts to ensure that arrangements for supplying Condensate to the Receipt Points are compatible with Carrier's operation of the Polaris Condensate Pipeline System.

6.6 **Line Fill** Each Shipper shall furnish and own its share of Line Fill in each Segment pro-rata to the proportion of such Shipper's firm capacity reservation set out in its Shipper Contract, plus any Shippers' Spot Quantities, in respect of each such Segment. Each Shipper, and Third Party Shippers (if applicable), shall furnish its share of Line Fill prior to Carrier providing transportation services to such Shipper on the Polaris Condensate Pipeline System. Shipper and Carrier, acting reasonably, shall agree on a schedule for delivery of Line Fill for the Polaris Condensate Pipeline System. In the event that a Shipper's share of Line Fill in a Segment (or Segments) is to be reduced, Carrier shall Deliver to the Delivery Points nominated by such Shipper a total amount of Line Fill equal to such reduction. Such Delivery shall be completed by Carrier prior to Carrier Delivering Condensate to those Shippers whose Line Fill shares are not changing. Carrier shall Deliver to the Delivery Points specified by Shipper the Line Fill that is allocated to Shipper no later than: (i) 30 days after termination of the Contract; or (ii) the end of the Month following the last Month Shipper made its Nomination. Notwithstanding the foregoing, if a Shipper is the sole Shipper on a given Segment, then the Line Fill furnished by that Shipper shall not be reduced except in accordance with the provisions of that Shipper's Shipper Contract.

6.7 **Uniform Tenders** Subject to Section 13.2 (*Carrier Capacity Adjustment Rights*), each Shipper shall endeavor to Tender its Nomination of Condensate to Carrier in equal daily quantities over

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each Month.

- 6.8 **Delivery Flow Rates and Volumes** Carrier will make Deliveries of Condensate at Delivery Points at flow rates and volumes compatible with the Polaris Condensate Pipeline System operations, provided that Carrier will Deliver Condensate at a pressure not lower than 250kPag and not greater than 700 kPag.

ARTICLE 7 APPLICATION OF TOLLS

- 7.1 **Effective Tolls** Condensate Received for transportation shall be subject to the tolls that are set out in the individual Shipper Contract that is in effect on the date of Tender of such Condensate, irrespective of the date of Nomination or Delivery.

ARTICLE 8 PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES

- 8.1 Shipper shall pay to Carrier all charges and tolls as provided in its Shipper Contract.
- 8.2 Subject to any provisions in the Shipper Contract to the contrary, in addition to any other remedies available to Carrier at law, in equity, or under the Tariff, Carrier shall have a lien on all Condensate in its possession belonging to a Shipper to secure payment of any and all unpaid transportation or other lawful charges that are due Carrier, and unpaid by such Shipper, and Carrier may withhold such Condensate from Delivery until all unpaid charges have been paid.
- 8.3 Shipper shall pay interest, at Prime Rate plus 2% on any sum outstanding pursuant to any invoices rendered by Carrier after Payment Due Date. Such interest shall be calculated and accrue on any outstanding sum from Payment Due Date until paid in full. Failure to pay by Shipper shall be governed by the terms of its Shipper Contract.

ARTICLE 9 DELIVERY AND ACCEPTANCE

- 9.1 Carrier will transport Condensate with reasonable diligence and dispatch and Shipper shall accept and remove its shipment from the facilities of Carrier upon Delivery of the Condensate.
- 9.2 Title to Condensate received by Carrier at a Receipt Point shall not pass to Carrier, except as provided herein or as provided in the individual Shipper Contract. Shipper warrants that at the time of delivery of Condensate into the possession and control of Carrier at the Receipt Point,

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and at all times prior to delivery by Carrier at the Delivery Point, Shipper will have good title to or the right to deliver Condensate at the Receipt Point as well as the right and capacity to take and receive Condensate at the Delivery Point.

- 9.3 Carrier represents that it or an Affiliate of it shall have exclusive possession and control of Condensate after receipt from Shipper at a Receipt Point until delivery at a Delivery Point. Shipper shall have or be deemed to have exclusive possession and control of Condensate prior to Carrier's receipt at the Receipt Point, and of Condensate upon delivery at the Delivery Point. Subject to Section 4.4 (Failure to Conform with Condensate Specifications) and the provisions of the individual Shipper Contract, Shipper shall be responsible for all loss and liability for such Condensate in Shipper's possession or control.

ARTICLE 10 LIABILITY OF SHIPPER

- 10.1 If the failure by a Shipper to remove Condensate from Carrier's facilities at a Delivery Point causes disruption of Carrier's operations, such Shipper shall, subject to limitations of liability and indemnification as may be set out in each individual Shipper Contract, be solely responsible for all costs or losses to Carrier associated with such disruption, including loss of revenue resulting therefrom, unless the non-removal of such Condensate is due to the gross negligence of Carrier or results from an event of Force Majeure.
- 10.2 Subject to the limitations of liability and indemnification as may be set out in each individual Shipper Contract, Shipper shall indemnify Carrier for any damage, loss, costs or consequential loss incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of the Tariff, unless Shipper's failure to comply is due to the gross negligence of Carrier or an event of Force Majeure.
- 10.3 Shipper shall pay or cause to be paid any and all taxes, duties, charges, levies or any other assessments made or imposed by any Governmental Authority having jurisdiction with respect to the Condensate to be transported by Carrier and shall indemnify and save harmless Carrier from any such taxes, duties, charges, levies or assessments so made or imposed.
- 10.4 Subject to the Force Majeure provisions contained in each individual Shipper Contract, if a Shipper shall fail to perform any of the covenants or obligations imposed upon it under this Tariff, then in addition to any other remedies that Carrier may have hereunder, at law or in equity, Carrier may, at its option, suspend performance of its obligations to transport such Shipper's

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Condensate within ten (10) Days of the continued failure to perform by proceeding as follows: Carrier shall cause a written notice to be served on such Shipper stating specifically the default under this Tariff; thereupon the Shipper in default shall have sixty (60) Days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the default notice. If within the said sixty (60) Day period the Shipper in default does not remove or remedy said cause or causes, then Carrier may suspend performance of its obligations to such Shipper until the default is remedied.

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

ARTICLE 11 LIABILITY OF CARRIER

- 11.1 Carrier shall not be liable to a Shipper for any loss, damage, consequential loss or damage, or delay caused by an event of Force Majeure, except where caused by its own gross negligence.
- 11.2 If damage to or loss of Condensate results from any cause other than the gross negligence of Carrier, while Carrier is in possession or control of such Condensate, then Carrier shall apportion the cost of such damage or loss on a pro rata basis among all Shippers using the relevant Segment of Carrier's system. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the volume of such Shipper's Condensate in such Segment in the possession of Carrier on the date of such loss to the total volume of Condensate in the possession of Carrier in such Segment on the date of such loss.

ARTICLE 12 FORCE MAJEURE

- 12.1 If either Carrier or Shipper fails to perform any obligation under this Tariff due to an event of Force Majeure as defined in the individual Shipper Contract, then such failure shall be deemed not to be a breach of such obligations.
- 12.2 No event of Force Majeure shall relieve any Shipper from its obligations pursuant to this Tariff to make payments to Carrier.

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ARTICLE 13 APPORTIONMENT

- 13.1 **Available Capacity** Following the receipt by Carrier of all Nominations for a Month, Carrier shall determine the capacity available in that Month ("**Available Capacity**"). In the event that Nominations for the Month exceed Available Capacity, then, having regard to the operating conditions of the Polaris Condensate Pipeline System and rights or limitations of individual Shipper Contracts, the Available Capacity shall be allocated by Carrier. Carrier may restrict or suspend Tenders in order to apportion capacity among all Shippers based on each Shipper's firm capacity as set out in respective Shipper Contracts, with due consideration given to the current operating conditions of the Polaris Condensate Pipeline System and any priority accorded to any Shippers pursuant to Shipper Contracts. Subject to the foregoing, capacity will be allocated pro-rata based on each Shipper's firm capacity as set out in respective Shipper Contracts. Carrier will not be liable to a Shipper for any costs due to such apportionment. Carrier will, on a reasonable efforts basis, endeavour to remove such restrictions as soon as practical in accordance with internal economic assessments and reasonably prudent industry practice.
- 13.2 **Carrier Capacity Adjustment Rights** Subject to any apportionment in accordance with Section 13.1, and notwithstanding Carrier's Notification to Shippers of confirmed Shipper Nominations and scheduled transportation of properly Nominated Condensate in accordance with Section 6.2 of this Tariff ("Monthly Nominations") as may be revised pursuant to Section 6.4 ("Late Nominations"), Carrier shall have the right, as and when needed from and after issue of Carrier's Nomination Schedule, on not less than two (2) business days' Notice to each Spot Quantities Shipper, to reduce the capacity scheduled for transportation of Spot Quantities for the remaining Days in the Nomination scheduling period. Upon issuing such notice Carrier shall, having regard to the operating conditions of the Polaris Condensate Pipeline System and the capacity rights or limitations of individual Shipper Contracts, adjust the Spot Quantities Nominations of the Shippers for such period.

ARTICLE 14 CONDENSATE INVOLVED IN LEGAL DISPUTES

- 14.1 Condensate which is in any way subject to litigation, or the ownership of which may be in dispute, or which is subject to a lien or charge of any kind, may not be accepted for transportation unless and until the Shipper whose Condensate is the subject of such litigation, dispute, lien or charge shall furnish a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss arising as a result of such litigation, dispute, lien or charge.

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ARTICLE 15 CLAIMS, SUITS AND TIME FOR FILING

- 15.1 As a condition precedent to recovery, claims for loss, damage or delay in connection with the transportation of Condensate Tendered for shipment under this Tariff must be submitted in writing to Carrier within ninety (90) Days after Delivery, or, in the case of failure to make Delivery, then within thirty (30) Days after a reasonable time for Delivery has elapsed; and suits arising out of such claims must be instituted against Carrier within one hundred and eighty (180) Days from the date when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Claims advanced beyond such one hundred eighty (180) Day period shall be null and void as between a Shipper and Carrier. In causing Condensate to be transported under this Tariff, a Shipper agrees to be bound by the provisions of this Section 15.1 and waives any rights which it might otherwise have, at common law, equity or otherwise, to make a claim after the expiration of said period of ninety (90) Days or to bring an action after the expiration of the said period of one hundred eighty (180) Days.

ARTICLE 16 PLANNED MAINTENANCE OPERATIONS

- 16.1 Carrier and Shipper shall meet periodically for the purpose of coordinating maintenance schedules with the view to aligning, to the extent possible, maintenance activities on the Polaris Condensate Pipeline System that are anticipated to affect Carrier's ability to transport Condensate and maintenance activities at Shipper's facilities that are anticipated to affect Shipper's ability to accept Condensate.
- 16.2 For each planned maintenance activity greater than twelve (12) hours, Carrier shall provide Shipper verbal notification with approximate dates of planned maintenance that shall
- (a) describe the maintenance to be performed and the effect of such maintenance on Carrier's ability to provide the Condensate transportation services; and
 - (b) estimate the available capacity on the Polaris Condensate Pipeline System for handling Condensate during the period of maintenance activity.
- 16.3 Shipper shall Notify Carrier of any planned maintenance activity in respect facilities located upstream or downstream of the Polaris Condensate Pipeline System, including facilities that Shipper owns and operates and facilities that are owned and operated by Third Parties. To the extent possible, Carrier shall schedule any curtailment or shutdown event in respect of the Polaris Condensate Pipeline System to coincide with Shipper's anticipated reduction in Nominations.

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16.3. Carrier shall provide Shipper with Notice of outages as follows:

- (a) for outages anticipated to be more than twenty-four (24) hours in duration, Notice will initially be given thirty (30) days ahead of the planned outage;
- (b) for outages anticipated to be more than twelve (12) hours and less than twenty-four (24) hours, Notice will be given at least four (4) days in advance; and
- (c) for outages anticipated to be less than twelve (12) hours, advance Notice will be given as early as reasonably possible.

16.5 Carrier shall use reasonable commercial efforts to ensure that Carrier's planned curtailment/shutdown periods do not exceed two (2) Days for any single curtailment or shutdown event.

ARTICLE 17 UNPLANNED MAINTENANCE OPERATIONS

17.1 Carrier, in its sole discretion, may curtail or suspend Receipts of Condensate or Delivery of Condensate to the extent necessary to carry out unplanned maintenance:

- (a) for emergency repairs;
- (b) as required by Applicable Laws; or
- (c) as required by the Carrier to maintain operational integrity of the Polaris Condensate Pipeline System;

and in such event, shall use all reasonable efforts to restore normal operations as soon as possible. Carrier shall, as soon as practicable, but in no event within more than twenty-four (24) hours after the occurrence of an emergency event, by telephone or otherwise, inform Shippers of the existence or occurrence of such emergency event. An emergency event shall not be a Force Majeure Event unless the Carrier so declares by giving proper notice in accordance with the provisions of the Shipper Contract, then, upon such proper notice being given, the provisions of Force Majeure shall prevail.

17.2 When feasible, Carrier shall Notify Shipper in advance of performing unplanned maintenance operations and shall coordinate activities with Shipper to minimize disruption of Shipper's operations.

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ARTICLE 18 MEASUREMENTS

- 18.1 The base unit of volumetric measurement of all Condensate handled by Carrier in accordance with each Shipper Contract shall be one (1) Cubic Metre (m³) expressed to the nearest one tenth (1/10) of a Cubic Metre at fifteen degrees Celsius (15°C) and 101.325 kiloPascals (kPa) absolute. Measurement shall be in accordance with then current API, ASTM or ISO standards. Condensate Tendered by Shipper to Carrier and Delivered by Carrier to Shipper shall respectively be measured by Carrier in compliance with this Article 18.
- 18.2 (a) All Condensate transported by Carrier shall be measured by a representative of Carrier.
- (b) At Shipper's request, Carrier will permit Shipper, at its sole risk and expense, to have access to the metering equipment at normal business hours and at a frequency consistent with Carrier's testing and inspection program for the purpose of inspection or to take samples and be present during tests for quantity and quality of Condensate; and at the cleaning, installing, changing, repairing, inspecting, calibrating or adjusting of the metering equipment.
- (c) If either Carrier or Shipper at any time desires a special verification test of any meter, it will promptly notify the other Party and Carrier and Shipper will then cooperate to secure a timely test. The Party requesting a special verification test shall bear the cost of the test; provided, however, that Carrier shall bear such cost in the event the test demonstrates a measurement error in excess of the accuracy range set forth in subsection 18.2(d).
- (d) Meters shall have the inherent capability to measure Condensate with accuracy (reproducibility) of +/-0.25% and repeatability of 0.05% under normal operating conditions. All temperature measurement variables shall be accurate to within +/- 0.25°C of a certified temperature standard. Temperature measuring devices shall have a test thermowell capable of containing a liquid fill located within 1 metre of the primary element to facilitate verification with a certified temperature test device. Condensate volumes are adjusted through a flow computer utilizing physical property tables/algorithms from then most current API Chapter 11, as may have been amended or succeeded. All pressure measurement variables shall be accurate to within +/- 30 kPa of a certified pressure standard. All density measurement variables shall be accurate to within +/- 3.0kg/m³ of a certified density standard. All viscosity measurement variables shall be accurate to within

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+/- 5.0 cSt of a certified standard.

- (e) All custody transfer meters shall be provided or caused to be provided by Carrier, installed in accordance with then current API, ASTM or ISO standards, and accepted by Shipper at time of installation and commissioning. Meter calibration and maintenance programs, at initial certification and at any re-certification, shall comply with then current industry standards and be accepted by Shipper at time of installation and commissioning of custody transfer meters. Where a meter installation is incapable of meeting then current standards, Carrier shall take remedial action to ensure meter performs in accordance with such standards including but not limited to: increased frequency of calibration or proving, upgrading of the existing meter, or replacement of meter and/or meter run.
- (f) Measurement instruments shall have provisions to be wire sealed in a manner which ensures measurement integrity. A Shipper and or Carrier shall have the right to install seals on any device to ensure measurement integrity. Prior to the removal of any seal, the Party which installed the seal shall notify the other Parties who Tender or deliver Condensate from or to any such device that the seal of such device is to be removed.
- (g) A Shipper may from time to time or on a permanent basis, as Shipper may desire, request Carrier to install telemetering devices such as pressure transmitters, signal transmitters or other signal monitoring devices at any Carrier site where its Condensate is measured. Such installation shall be at the expense of the Shipper making the request.
- (h) If there is evidence of a measurement instrument malfunction in any measurement involving Condensate Tendered by or Delivered to a Shipper, then Carrier and the Shipper affected shall negotiate appropriate adjustments on the following basis:
 - (i) If, after verification procedures are completed, the meter or metering equipment is found to cause the volume to be in error not in excess of the reproducibility limit of +/-0.25% or transmitter or analyzer limits in subsection 18.2(d), previous quantities calculated by such equipment shall be considered correct but such equipment shall be adjusted at once to read accurately.
 - (ii) If, after verification procedures are completed, the meter or metering equipment is found to cause the volume to be in error by any amount greater than the reproducibility limit of +/-0.25% or transmitter or analyzer limits in subsection 18.2(d), then such equipment shall be adjusted at once to read accurately and

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any previous calculated volumes shall be corrected to zero error for any period during which such error is known definitely or is agreed upon to have occurred. Where the error period is not known definitely or agreed upon, such correction shall be for a period covering the last half of the time elapsed since the date of the last test.

(iii) If for any reason Carrier's meters are out of service so that the quantity of Condensate Delivered or Condensate Received cannot be ascertained or computed from the reading thereof, the Condensate Delivered or the Condensate Received or accepted during the period in which such meters are out of service shall be determined on the basis of the best data available, using the first of the following methods which is feasible:

- (1) Using quantities recorded by secondary measurement equipment operated by Carrier or Shipper, if such equipment is accurately registering;
- (2) using the quantities recorded by equipment operated at Third Party facilities or by Shipper, if such equipment is installed and accurately registering; or
- (3) adjusting for the error if the extent of the error is ascertainable by calibration, test or mathematical calculation; or
- (4) estimating on the basis of Deliveries during preceding periods of similar demand under similar conditions when the equipment was registering accurately; for purposes of this estimation, Carrier and Shipper may agree to use data from measurements from outside the measurement facility.

Each Shipper affected by an adjustment or re-work shall be notified of the final outcome of the adjustment by Carrier. Any Shipper that wishes to object shall do so within thirty (30) Business Days after the date of notification by Carrier of the final outcome of the adjustment by Carrier.

(i) If Condensate overages or shortages exceed the following limits, Carrier shall commence an investigation within ten (10) Days of the date when any of the limits mentioned below have been exceeded and shall use reasonable efforts to determine the cause and

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provide written explanation to all affected Shippers by the last Day of the Month following the Month in which any of the limits set out below have been exceeded:

Condensate: +0.50% to -0.50 % of Condensate Tendered per Month;
 +0.20% to -0.20 % of Condensate Tendered during the
 immediately preceding twelve (12) Months
 from the date of measurement

- (j) Condensate sampling and quality analysis procedures and equipment shall comply with then current industry standards.

18.3 All Condensate Tendered, Received or Delivered shall be documented with meter tickets, or the accepted electronic equivalent, showing as a minimum:

- (a) An assigned ticket reference number complete with an opening date and time and a closing date and time;
- (b) Individual meter and the station total ticketed Gross Standard Volume and Net Standard Volume Tendered or Delivered;
- (c) Individual meter volume weighted average density;
- (d) Individual meter volume weighted average temperature;
- (e) Individual meter volume weighted average pressure;
- (f) Individual meter factors;
- (g) Individual meter volume weighted average volume correction factors for temperature and pressure; and
- (h) deductions for sediment and water.

All measurement procedures are to be conducted by a representative of Carrier in accordance with then current industry standards.

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- 18.4 **Overages and Shortages** Carrier shall account Monthly to each Shipper for one hundred percent (100%) of Condensate Tendered for its account. Adjustments for overages or shortages, including losses due to shrinkage and evaporation incident to transportation, shall be proportionately shared by all Shippers based on each Shipper's share of actual Condensate transported through the Polaris Condensate Pipeline System during such Monthly period. If losses can be attributed to a specific Shipper, pro rata sharing shall not occur. Overages or shortages will be calculated and prorated based on Gross Standard Volumes.
- 18.5 Carrier's representative, upon reasonable notice to Shipper, shall have the right to enter upon the Shipper's premises where Condensate is stored and have access to any and all tankage for the purpose of making any examination, inspection, measurement or test provided for under this Tariff.
- 18.6 Calibration, testing and adjustment (in this Section 18.6 collectively referred to as "**testing**") of meters, at initial certification and at any re-certification, shall comply with industry standards (API, ASTM, ISO) and shall be carried out by Carrier. Unless otherwise agreed to by a majority of Shippers Tendering a majority of the volume being metered by such meter, and subject to subsection 18.2(b), testing of a meter shall be conducted at a frequency of not greater than 30 Days +/- 5 Business Days of the previous test. When in batch service, testing of meters shall be conducted once per batch, no greater than 5 Business Days after the commencement of the batch and at a frequency thereafter of not greater than 30 Days +/- 5 Business Days of the previous test. For any meter that is tested, the variation of corrected meter factor from test to test (reproducibility) shall not exceed statistically by greater than 3 standard deviations or greater than +/-0.25%, and if the change is confirmed by a second testing, the meter shall be taken out of service for inspection or repair. Reasonable prior notice of the time and nature of the testing of a meter shall be given to those Shippers who Tender or accept Condensate to or from the meter on which testing is being conducted to permit such Shippers or their representatives to be present.
- 18.7 All temperature, pressure, and density instruments used in the determination of Condensate volume shall be checked and verified Monthly by Carrier and a report sent by Carrier to those Shippers requesting the data. If Monthly verification identifies instrumentation malfunction, Carrier and Shipper shall review and revise verification frequencies as reasonably required. Other Condensation Specifications set forth in Section 4.2 (Condensate Specifications) that can not be measured online can be determined through spot sampling or from a composite sampler. All meter provers used for testing meters shall be calibrated by the water draw method, at intervals not exceeding four (4) years, and in accordance with the API. Calibration equipment

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used in the testing of field measurement devices must be certified at a minimum of once every two (2) years except for meter provers. All Parties shall have the right to witness any and all testing or calibrations of measurement devices.

- 18.8 At Shipper's request, Carrier will permit Shipper to have access to records and charts relating to the measurement of Condensate Received by Carrier and Delivered to Shipper, including documentation of related calibrations and calculations. Carrier shall preserve all such records and charts for a period of two (2) Years from the end of the Year to which they refer.

ARTICLE 19 GOVERNING LAW

- 19.1 This Tariff shall be construed and applied in accordance with and be subject to the laws of the Province of Alberta, and, where applicable, the laws of Canada, and shall be subject to the rules, regulations, decisions and orders of any Governmental Authority. If there are any disputes between the Parties arising in relation to this Tariff respecting the existence, interpretation, performance, breach, termination, enforceability or invalidity, or of the rights and obligations the Parties under this Tariff (any such dispute or inability to make a determination or approve a course of action or other matter, a "**Dispute**"), the Dispute shall be finally resolved by arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. The place of arbitration shall be Calgary, Alberta. The language of the arbitration shall be English.

ARTICLE 20 QUEUE FOR EXPANSION OF SYSTEM CAPACITY

- 20.1 Subject to priority rights accorded any Shipper under its Shipper Contract, Carrier shall establish a queue for prospective shippers submitting requests for transportation service under a Shipper Contract. Requests for service shall be accorded priority based on the date such bid was received by Carrier. Subject to priority rights accorded any Shipper under its Shipper Contract, transportation service made available by Carrier as a result of any proposed expansions to the Polaris Condensate Pipeline System, or any construction of an extension or a lateral shall be offered to prospective shippers based on their position in the queue for service.

ARTICLE 21 APPLICATION OF INDIVIDUAL SHIPPER CONTRACTS

- 21.1 If any matter addressed in this Tariff conflicts with any provision of the individual Shipper Contract, then the provisions of the individual Shipper Contract shall take precedence.

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Annex A attached to and forming part of the Rules and Regulations

Governing the Gathering and Transportation of Condensate by the Polaris Condensate Pipeline System Pipeline

Condensate Equalization Methodology

This Annex sets forth an illustrative example reflecting methodology contemplated by the condensate equalization guidelines and procedures established by the industry equalization steering committee supported by the Canadian Association of Petroleum Producers (CAPP), as may be revised from time to time.

1.1 NOTES TO QUALITY EQUALIZATION EXAMPLE

- (i) Pipeline Model – Inputs are an example based on expectation of flows. Actual flows and inputs will govern the model for any actual Month.
- (ii) Terminal Model – Inputs are an example based on typical flows. Sources delivered to the terminal will determine the actual calculations for any actual Month. Terminal sources from and to storage are characterized as the average quality of sources delivered to the terminal in that Month.
- (iii) Inputs:
 - (a) Receipts to a pipeline in a Month form the volume inputs for Weighted Average Differential Factor (WADF) calculation;
 - (b) Receipts to a terminal in a Month form the volume inputs for WADF calculation for the terminal and applies to storage and terminal outputs; and
 - (c) Terminal output is a pipeline input receipt.
- (iv) Notes related to *Illustrative Example*:
 1. Weighted density is volume average of densities received
 $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$
 2. Weighted sulphur content is the weight percent average of streams received
 $(\text{wt}\% \times \text{gravity} \times \text{volume} + \text{wt}\% \times \text{gravity} \times \text{volume}) / (\text{volume} \times \text{gravity} + \text{volume} \times \text{gravity})$
 3. Weighted butane is volume average of butane contents received
 $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$

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4. Storage density is volume average of densities received
 $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$
5. Weighted storage sulphur content is the weight percent average of streams received
 $(\text{wt}\% \times \text{gravity} \times \text{volume} + \text{wt}\% \times \text{gravity} \times \text{volume}) / (\text{volume} \times \text{gravity} + \text{volume} \times \text{gravity})$
6. Weighted storage butane is volume average of butane contents received in the month of injection or delivery
 $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$

1.2 QUALITY EQUALIZATION PROCESS - OTHER

In addition to the equalization guidelines and illustrative example the Shippers acknowledge the following:

- (i) New receipts/deliveries could be incorporated into Carrier's facilities in the future and the same equalization principles will govern the calculation; and
- (ii) As it pertains to the calculation for terminal (storage) facilities, the equalization inputs (i.e. density, sulphur, butane) for the current Month will be recognized as the quality of the Condensate withdrawn from the terminal (storage) facility in that same Month.

CONDENSATE PENALTY CALCULATOR
(became effective December 1, 1997)
 Condensate (source: Condensate Equalization Sub-Committee)

PRICING MONTH: Aug-09

Industry Agreed Marker re: Density 750.0 kg/m³
 Industry Agreed Marker re: Sulphur 0.20%

Density Slope (A) 0.13 per kg/m³
 Sulphur Scale (A) 0.50 per 0.1 wt%

Condensate Value: (A) 486.30 Density (B) 845
 Butane Value: (A) 239.41 Sulphur (B) 0.010%
 50% of Butane Value 119.705 APL BT-3
 Butane Content: (B) 3.6000%

Condensate scales

Butane Content \$/m³ per 1%
 5% or less 0
 range from 5-7% 167.18 1.0000
 greater than 7% 750.35 4.2288

PENALTY VALUE -12.1820 \$/m³ Density Sulphur Butane
(negative value = credit to company) -11.0000 +1.002 0.0000

Condensate Calculator Notes:
 (A) Data from Monthly Equalization Steering Committee letter or email
 (B) Measured quality data (changes monthly) - Supplied by pipeline carriers

CONDENSATE EQUALIZATION METHODOLOGY ILLUSTRATIVE EXAMPLE

Product Qualities are examples of future movements

- << Calculator demonstrates CAPP procedures for equalization calculation
- << Calculator tests various potential scenarios if quality changes.

Location	Pipeline (Commingling at Lamont Pump Station)						Total Penalty (\$/m ³)	Total Receipts Volumes (m ³)	Total Values (\$)	IORVL Receipts (m ³)	IORVL Value (\$)	Other Shippers' Receipts (m ³)	Shipper Value (\$)
	Density (kg/m ³)	Sulphur (wt %)	Butane (%)	Density (\$/m ³)	Sulphur (\$/m ³)	Butane (\$/m ³)							
Input 1 (e.g. stream from Koyera system)	665	0.01%	3.80%	\$ (11.05)	\$ (1.10)	\$ -	175,000.0	\$ (2,126,600.00)	148,750.0	\$ (1,807,610.00)	26,250.0	\$ (318,990.00)	
Input 2 (stream from PIF Cold Lake P/L)	767	0.47%	5.60%	\$ 2.21	\$ 1.57	\$ 2.10	\$5,8760	\$ 352,560.00	18,000.0	\$ 105,768.00	42,000.0	\$ 246,792.00	
Input 3 (storage at Lamont Pump Station)	661	0.02%	5.25%	\$ (11.57)	\$ (1.05)	\$ 0.87	35,000.0	\$ (411,092.78)	4,200.0	\$ (49,331.13)	30,800.0	\$ (361,761.65)	
Totals							270,000.0	\$ (2,165,132.78)	170,950.0	\$ (1,751,173.13)	99,050.0	\$ (433,959.65)	
Weighted quality of Diluent stream at end point of Existing Pipeline	687.1	0.125%	4.228%				Total Stream Quality (WADF)	(\$8.0931)	IORVL Quality Differential	(\$10.2438)	Other Shippers' Quality Differential	(\$4.36)	
	Note 1	Note 2	Note 3						IORVL value	(\$1,751,173.13)	Other Shippers' value	(\$433,959.65)	
									IORVL stream value	\$ (1,283,512.77)	Other Shippers' stream value	\$ (801,620.01)	
									IORVL Credit	(\$367,660.36)	Other Shippers' Payment	\$367,660.36	

WADF Weighted Average Differential Factor

- Pipeline model** Inputs are an example based on September 2009 expectation of flows. Actual flows and inputs will govern the model for any actual month.
- Terminal model** Inputs are an example based on September 2009 typical flows. Sources delivered to the Terminal will determine the actual calculations for any actual month. Terminal sources from and to storage are characterized as the average quality of sources delivered to the Terminal in that month.
- Inputs** Receipts to a pipeline in a month form the volume inputs for WADF calculation. Receipts to a terminal in a month form the volume inputs for WADF calculation for the terminal and applies to storage and terminal outputs. Terminal output is a pipeline input receipt.
- Note 1** Weighted density is volume average of densities received - $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$
- Note 2** Weighted sulphur content is the weight percent average of streams received - $(\text{wt}\% \times \text{gravity} \times \text{volume} + \text{wt}\% \times \text{gravity} \times \text{volume}) / (\text{volume} \times \text{gravity} + \text{volume} \times \text{gravity})$
- Note 3** Weighted butane is volume average of butane contents received - $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$
- Note 4** Storage density is volume average of densities received - $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$
- Note 5** Weighted storage sulphur content is the weight percent average of streams received - $(\text{wt}\% \times \text{gravity} \times \text{volume} + \text{wt}\% \times \text{gravity} \times \text{volume}) / (\text{volume} \times \text{gravity} + \text{volume} \times \text{gravity})$
- Note 6** Weighted storage butane is volume average of butane contents received in the month of injection or delivery - $(\% \times \text{volume} + \% \times \text{volume}) / \text{sum volumes}$