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March 20, 2017

Filed Electronically

National Energy Board
Suite 210, 517 Tenth Avenue SW
Calgary, AB T2R 0A8

Attention: Ms. Sheri Young, Secretary of the Board

Dear Ms. Young:

**Re: NOVA Gas Transmission Ltd. (NGTL)
North Montney Mainline Project (NMML)
Certificate GC-125 (Certificate)
Order XG-N081-010-2015 (Order)
Board File OF-Fac-Gas-N081-2013-10 02
Application for Variance**

NGTL encloses for filing with the National Energy Board (Board) an application to vary Condition 4 in the Certificate and Order. In addition, NGTL requests that the Board extend the Sunset Clause for the NMML in the Certificate and Order and approve minor changes to the Blair Creek East Receipt meter station as approved in the Certificate.

If the Board requires additional information with respect to this filing, please contact me or NGTL's representatives listed in the application.

Yours truly,
NOVA Gas Transmission Ltd.

Original Signed By

Kevin Thrasher
Senior Legal Counsel
Law, Canadian Gas Pipelines

cc: Interested Parties GH-001-2014

NATIONAL ENERGY BOARD

IN THE MATTER OF the *National Energy Board Act*, R.S.C. 1985, c. N-7, as amended (NEB Act), and the regulations made thereunder;

AND IN THE MATTER OF a report of the National Energy Board dated April 2015 regarding an application dated November 8, 2013, by NOVA Gas Transmission Ltd. (NGTL), under file OF-Fac-Gas-N081-2013-10 02 (Report);

AND IN THE MATTER OF Certificate GC-125, which was issued following the Governor in Council approval of the recommendations contained in the Report (Certificate);

AND IN THE MATTER OF Order XG-N081-010-2015, which was issued in conjunction with the Report (Order).

NOVA GAS TRANSMISSION LTD.

NORTH MONTNEY MAINLINE PROJECT

APPLICATION FOR VARIANCE

March 2017

To: The Secretary
National Energy Board
Suite 210, 517 Tenth Avenue SW
Calgary, AB T2R 0A8

1.0 VARIANCE APPLICATION

Overview

1. NOVA Gas Transmission Ltd. (NGTL) applies to the National Energy Board (NEB or Board) for variances to Condition 4 of Certificate of Public Convenience and Necessity GC-125 (Certificate) and Condition 4 of Order XG-N081-010-2015 (Order) that will enable NGTL to proceed with specific components of the presently-approved North Montney Mainline Project (NMML) independent of any final investment decision (FID) related to liquefied natural gas (LNG) exports from the west coast of British Columbia (BC) (Variance).
2. Condition 4 of the Certificate and Order (Condition 4) requires NGTL to provide formal notice to the Board before starting construction on the NMML that Progress Energy Canada Ltd. (Progress) is proceeding with the Pacific Northwest LNG (PNW LNG) project. Condition 4 reflects the commercial structure that originally underpinned the NMML application, which was premised on imminent development of west coast LNG.
3. Since issuance of the Certificate and Order, the PNW LNG project has experienced delays and the FID timing remains uncertain. During this delay, additional parties have made requests to connect supply from the North Montney area to the NGTL System. Additionally, Progress and the other original NMML shippers continue to have a need to connect their gas supply to market. NGTL has responded to its customers' requirements and has restructured the commercial arrangements for the NMML. These new commercial arrangements demonstrate a current and long term market demand for North Montney gas supply in advance of, and independent of, west coast LNG. As a result, there is now a demonstrable and compelling justification to proceed with a subset of the NMML facilities, as described in paragraph 13 (the Facilities) regardless of whether the events described in Condition 4 ultimately occur. The emergence of these new facts and changed circumstances obviate the need for Condition 4 and justify a variance.
4. In addition to requesting that the Board waive the application of Condition 4 for construction of the Facilities, and in order for NGTL to meet its customers' service requirements in the timeframe that service has been requested, NGTL also requests that the Board:
 - a. Extend the Sunset Clause for the NMML in the Certificate and the Order on an interim basis pending adjudication of this Application and, for one year from the date that a final determination is made on this Application to enable NGTL to proceed with construction; and,
 - b. Approve minor changes to the size of the meter and yard pipe diameter for the Blair Creek East Receipt meter station, as approved in the Certificate.

Background

5. NGTL is a “company” as that term is defined in the NEB Act. The NGTL System is an integrated natural gas pipeline system comprising approximately 24,500 km of pipeline, associated compression and other facilities located in Alberta (AB) and BC (NGTL System). The NGTL System gathers and transports natural gas produced in the Western Canada Sedimentary Basin (WCSB) for delivery to intra-basin and export markets.
6. On November 8, 2013, NGTL filed an application with the Board seeking approval to construct and operate the NMML, a proposed extension to the NGTL System in the North Montney area in northeastern BC.
7. On February 5, 2014, the Board issued Hearing Order GH-001-2014, which established the procedure for the Board to consider the NMML application. The Board then held a total of 17 days of oral public hearings in Calgary, AB and Fort St. John, BC, between October 14, 2014, and November 25, 2014.
8. On April 15, 2015, the Board issued the GH-001-2014 Report in respect of the Application, recommending approval of the NMML with conditions. The Board also issued the Order for certain preliminary works on the NMML and the Toll Order addressing tolling matters for the NMML, each of which would take effect upon the issuance of a Certificate for the NMML.
9. On June 11, 2015, the Board issued Certificate CG-125 authorizing construction and operation of the NMML under s. 52 of the *National Energy Board Act*¹ (NEB Act).

Details of Variance Requests

10. NGTL and Progress contemplated, as part of the original NMML application that approvals would be obtained and investment decisions taken on the PNW LNG project shortly after Board approval of the NMML. In this context, Condition 4 required that NGTL confirm with the Board prior to the start of construction of the NMML, the following:
 - a. Progress has made a positive final investment decision (FID) on the PNW LNG project
 - b. TransCanada is proceeding with construction of the Prince Rupert Gas Transmission (PRGT) pipeline
 - c. The Progress Delivery Project Expenditure Authorization and associated Service Documents for Firm Transportation – Delivery (FT-D) delivery service at the Mackie Creek Interconnection continue to be in effect for the quantity of 2,340 Terajoules per day

¹ *National Energy Board Act*, R.S.C. 1985, c. N-7, as amended.

11. Subsequent to the Board's approval of the NMML:
 - the PNW LNG project has experienced delays and the FID timing remains uncertain
 - gas producers in the North Montney area have continued to advance development plans and have sought incremental Firm Transportation – Receipt (FT-R) service on the NGTL System that would require the use of the Facilities
 - NGTL has restructured the commercial arrangements with the four original NMML shippers and has signed Project Expenditure Authorization (PEA) agreements with seven new customers, resulting in new and restructured commercial arrangements for the NMML. These new commercial arrangements include 42.1 10⁶m³/d (1,485 MMcf/d) of FT-R service on the Facilities.
12. These new facts and changed circumstances demonstrate an immediate and long term need for the Facilities independent of the PNW LNG project, PRGT and FT-D service at Mackie Creek such that continued application of Condition 4 for these Facilities is no longer necessary.
13. NGTL requests that the Board remove the requirements of Condition 4 for the Facilities, which are a subset of those originally approved in the Certificate and Order. Specifically, the Facilities are comprised of:
 - the Aitken Creek Section, approximately 182 km of 1,067 mm (NPS 42) diameter pipeline running from an interconnection with the existing Saturn section of the Groundbirch Mainline pipeline at 14-21-80-20-W6M to a point of terminus located in Unit 44, Block L, Group 94-A-13
 - 24 km of the southernmost portion of the Kahta Section, comprised of 1,067 mm (NPS 42) diameter pipeline that will commence from a point located in Unit 44, Block L, Group 94-A-13 and traverse to a point located in Unit 30, Block K, Group 94-G-7
 - two compressor stations:
 - the Saturn Compressor Station, with one 15 MW compressor unit that will be located on the Aitken Creek Section
 - the Groundbirch Compressor Station, consisting of two 15 MW compressor units located on the existing Groundbirch Mainline
 - six meter stations along the NMML, with four on the Aitken Creek Section² and two on the Kahta Section³. Five of the meter stations will be receipt meter stations, and one of the meter stations will be a bi-directional storage meter station

² Gundy Receipt Meter Station, Altares Receipt Meter Station, Kobes Receipt Meter Station, and Aitken Creek Interconnection Meter Station.

³ Blair Creek East Receipt Meter Station and Blair Creek Receipt Meter Station.

that will connect the Aitken Creek Section to the Aitken Creek Gas Storage facility (Aitken Creek Interconnect Meter Station)

- all activities and infrastructure approved under the Certificate and Order that are necessary to construct and operate the above facilities, including access roads, stockpile sites, laydown areas, borrow pits/dugouts, contractor yards and construction camps.

14. Figure 1 illustrates the scope and location of the Facilities.

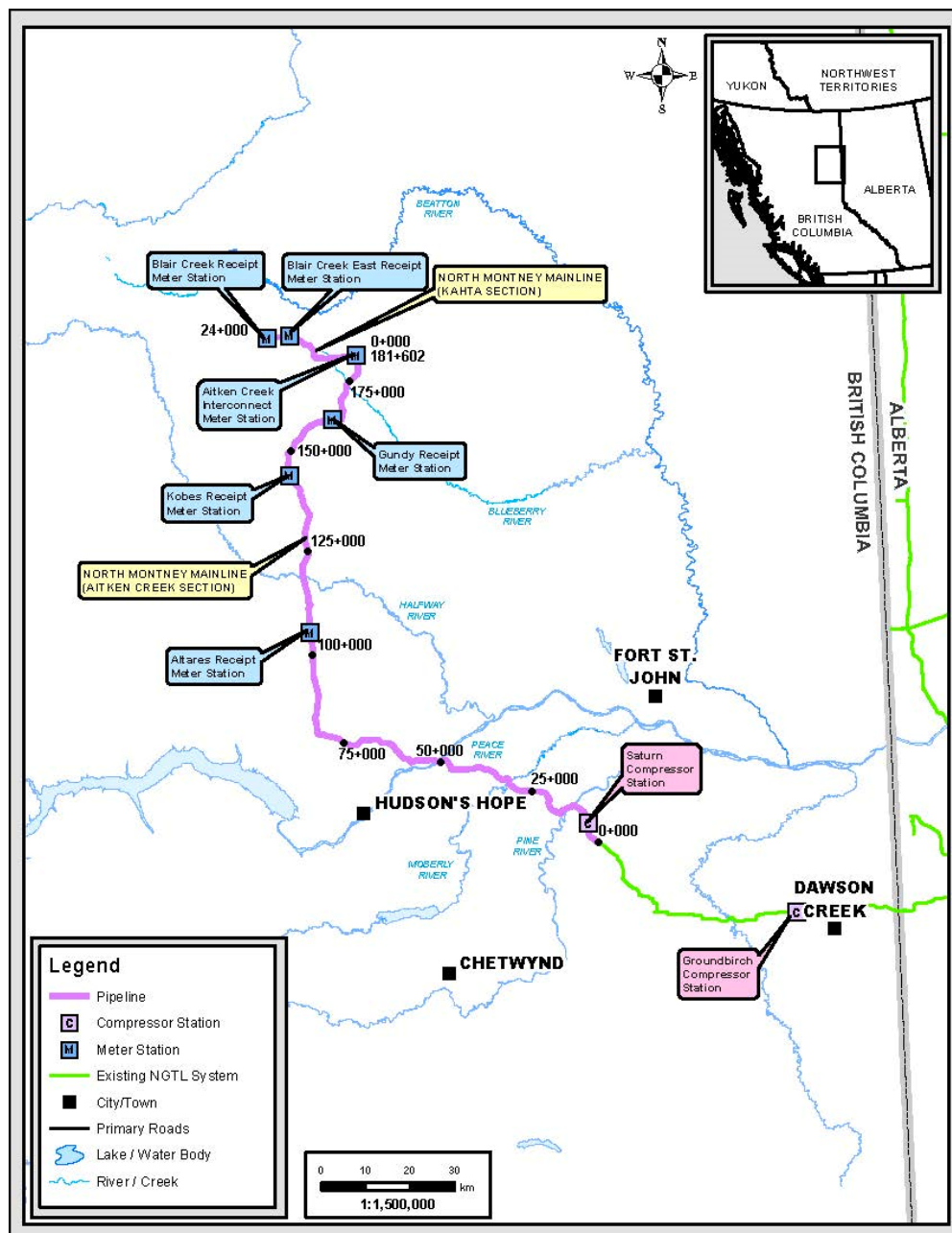


Figure 1: Facilities Subject to Variance Application

15. Table 1 shows the Facilities that are the subject of this Variance Application in relation to all of the facilities that were approved in the Certificate.

Table 1: Facilities Subject to Variance Application

Facility Type	NMML Facilities in Certificate	Facilities Subject to Variance Application	Remaining NMML Facilities
Pipeline	Aitken Creek Section (182 km NPS 42)	Aitken Creek Section (182 km NPS 42)	
	Kahta Section (119 km NPS 42)	Kahta Section (southern-most 24 km NPS 42)	Kahta Section (northern-most 95 km NPS 42)
Compression	Aitken Compressor Station (one 15 MW unit)		Aitken Compressor Station (one 15 MW unit)
	Saturn Compressor Station (two 15 MW units)	Saturn Compressor Station (one 15 MW unit)	Saturn Compressor Station (one additional 15 MW unit)
	Groundbirch Compressor Station (two 15 MW units)	Groundbirch Compressor Station (two 15 MW units)	
Measurement	4 receipt meter stations along the Aitken Creek Section, including Blair Creek East (NPS 4)	4 receipt meter stations along the Aitken Creek Section, including Blair Creek East (NPS 8)	
	Bi-directional Aitken Creek Storage meter station	Bi-directional Aitken Creek Storage meter station	
	Mackie Creek Interconnection meter station		Mackie Creek Interconnection meter station
	10 receipt meter stations along the Kahta Section	2 receipt meter stations along the Kahta Section	8 receipt meter stations along the Kahta Section

16. In addition to Condition 4, the Sunset Clause in Condition 45 of the Certificate and Condition 14 of the Order is set to expire on June 10, 2017.⁴ NGTL requests:
- an interim extension of the Sunset Clause to facilitate the consideration of this Variance Application and that would continue until a final determination has been made on this Variance Application
 - a further extension of the Sunset Clause of one year following the date that a final determination is made on this Variance Application.

⁴ The original Sunset Clause was June 10, 2016. NGTL applied for a one-year extension of the Sunset Clause on March 28, 2016. On May 16, 2016, the Board granted an interim extension of the Sunset Clause to December 31, 2016 to allow it time to consider submissions from interested parties. The Board subsequently approved NGTL's one-year extension request on September 15, 2016, subject to Governor in Council approval. Governor in Council approval was obtained on December 9, 2016, and amended versions of the Certificate and Order were issued on December 13, 2016, extending the Sunset Clause to June 10, 2017.

17. NGTL requests that the Board consider the request for an interim extension of the Sunset Clause as soon as possible and separate from its decision on this Variance Application to ensure that a decision on the interim extension is rendered prior to the current expiry of the Sunset Clause on June 10, 2017.
18. As a result of the new commercial arrangements, NGTL also seeks a minor variance to the size of the meter and yard pipe diameter for the Blair Creek East Receipt meter station, as approved in the Certificate. The specific variances sought to Appendix A of the Certificate for this station are provided in paragraph 37. These changes are necessary to accommodate increased receipt volumes at the Blair Creek East Receipt meter station under one of the new PEA agreements.
19. NGTL is not seeking any variance of Condition 4 with respect to other facilities approved through the Certificate and Order, such that Condition 4 will continue to apply to these other facilities (Remaining NMML Facilities). In addition, NGTL is not seeking to vary any aspect of the Certificate or Order, or Order TG-002-2015 (the Toll Order), dealing with tolling matters for the NMML. Those approvals will continue to apply to the entire NMML, including the Facilities, and are sufficiently robust to appropriately address and accommodate the new commercial arrangements.
20. In order to meet the requested in-service timing for the Facilities, NGTL must commence construction by February 2018. NGTL requests that the Board issue a decision on the Variance Application in a timeframe that will accommodate NGTL's construction schedule.

JUSTIFICATION FOR VARIANCE REQUEST

21. In this section, NGTL provides additional details on the new facts and circumstances that justify waiving the requirements of Condition 4 in relation to the Facilities. These new facts and changed circumstances include delays in an FID on the PNW LNG project (discussed above), new and restructured commercial arrangements for the NMML, and further evidence of long-term market demand for North Montney gas supply independent of west coast LNG.

Changes in Commercial Arrangements

22. The contracts underpinning the original NMML application included two PEAs with Progress. The PEAs committed Progress to $56.7 \times 10^6 \text{ m}^3/\text{d}$ (2,000 MMcf/d) of FT-R service at 13 receipt meter stations and 2,340 TJ/d of FT-D service at the proposed Mackie Creek export delivery point. In addition to the volume commitments by Progress, three other shippers had signed PEAs for a combined total of $2.2 \times 10^6 \text{ m}^3/\text{d}$ (78 MMcf/d) of FT-R service at two additional receipt meter stations, and Aitken Creek Gas Storage had executed an agreement for facility connection service at the Aitken Creek Storage facility.

23. Since the GH-001-2014 hearing, NGTL continued discussions with producers in the North Montney area who were interested in connecting new supply to the NGTL System. Following discussions with interested parties, NGTL recently entered into new or amended NMML PEAs with 11 customers seeking FT-R service starting in 2019. Together, these FT-R service contracts represent a total volume of $42.1 \times 10^6 \text{ m}^3/\text{d}$ (1,485 MMcf/d), which reflects existing design capacity on the NGTL System for the NMML. Of this amount, Progress has contracted for $19.8 \times 10^6 \text{ m}^3/\text{d}$ (700 MMcf/d) and other parties have contracted for $22.2 \times 10^6 \text{ m}^3/\text{d}$ (785 MMcf/d). Although Progress may ultimately use its receipt volumes to deliver gas supply to the PNW LNG project, following a possible future FID on the PNW LNG project, the FT-R service requirements along the Facilities are not dependent on an LNG export market in BC.
24. Table 2 provides a list of the parties that entered into new or amended PEAs. In total, five versions of PEAs were executed:
- Progress executed an amended North Montney Anchor Customer Receipt PEA (Progress Receipt PEA) and a North Montney Delivery PEA (Progress Delivery PEA), pro-forma copies of which are provided in Appendix A. The Progress Receipt PEA provides for FT-R service that would utilize both the Facilities and, subject to a positive FID on the PNW LNG project, the Remaining NMML Facilities.
 - The other shippers executed one of three PEA forms, referred to as North Montney Receipt PEA versions A, B or C, depending on whether they were modifying an existing PEA (version A), entering into a new PEA (version B) or seeking facility connection service (version C). All of these PEAs provide for FT-R service that would utilize the Facilities. Pro-forma copies of these three PEA versions are also provided in Appendix A.

Table 2: List of Shippers Holding PEAs for Service Utilizing the Facilities

Progress Energy Canada Ltd.	Kelt Exploration (LNG) Ltd.
Aitken Creek Gas Storage ULC	Painted Pony Petroleum Ltd.
Arc Resources Ltd.	Saguaro Resources Ltd.
Black Swan Energy Ltd.	Tourmaline Oil Corp.
Canbriam Energy Inc.	UGR Blair Creek Ltd.
ConocoPhillips Canada Energy Partnership	

25. Table 3 provides a summary of the FT-R contracts under the new or amended PEAs. While each of the shippers agreed to be identified, the contract quantity subscribed and the location of the services under these contracts is considered commercially sensitive and confidential. As a result, with the exception of the contracts held by Progress, the information contained in Table 3 does not provide the identity of individual shippers at each specific receipt point.

Table 3: Summary of FT-R Contracts

Shipper	Receipt Point	Proposed Legal Location	Contract Demand Volume (10 ³ m ³ /d)	Contract Demand Volume (MMcf/d)	Start Date
Progress	Gundy Receipt Meter Station	C-081-A/094-B-16 and D-082-A/094-B-16	5240.7	185	April 1, 2019
	Altares Receipt Meter Station	A-79-H/094-B-08 and B-079-H/094-B-08	424.9	15	April 1, 2019
	Altares Receipt Meter Station	A-79-H/094-B-08 and B-079-H/094-B-08	566.5	20	April 1, 2020
	Kobes Receipt Meter Station	B-054-J/094-B-09	2832.8	100	April 1, 2021
	Blair Creek Receipt Meter Station	C-090-J / 094-B-16	7931.8	280	April 1, 2020
	Blair Creek Receipt Meter Station	C-090-J / 094-B-16	2832.8	100	April 1, 2021
Shipper A	Mackie Creek North Receipt Meter Station	B-057-I/94-B-01	1210	42.7	April 1, 2019
Shipper B	Altares South Receipt Meter Station	C-18-H/94-B-08	3025	106.8	April 1, 2019
Shipper C	Townsend Receipt Meter Station	B-43-J/094-B-09	1700	60.0	April 1, 2019
Shipper D	Townsend No 2 Receipt Meter Station	B-43-J/094-B-09	2622	92.6	April 1, 2019
Shipper E	Gundy West Receipt Meter Station	C-060-A/94-B-16	2417	85.3	April 1, 2019
Shipper F	Old Alaska Receipt Meter Station	D-19-E/94-A-13	2259	79.7	April 1, 2019
Shipper G	Aitken Creek South Receipt Meter Station	D-34-L/094-A-13 and A-34-L/094-A-13	6487	229	April 1, 2019
Shipper H	Aitken Creek Interconnect	B-044-L/094-A-13	Storage	Storage	April 1, 2019
Shipper J	Blair Creek East Receipt Meter Station	A-094-J / 094-B-16	1947	68.7	April 1, 2020
Shipper K	Aitken Creek West No 2 Receipt Meter Station	B-056-I/094-B-16 and A-057-I/094-B-16	567	20.0	April 1, 2020

26. All of the FT-R contracts are for a term of 20 years. The contracts commit shippers to the equivalent of 75% of the contract volumes for a primary term of 5 years, and a 15-year secondary term commencing at the conclusion of the 5-year primary term. The remaining 25% of the contracted volumes are for a 20-year secondary term.
27. During the primary term, shippers cannot transfer service to another location. During the secondary term, service may be transferred to other receipt locations only along the NMML and if there is available existing capacity. These primary and secondary term provisions ensure that the Facilities will be supported by a minimum of 1.485 Bcf/d of FT-R contracts for the entire term of the 20-year contracts, demonstrating the long term need and necessity of the Facilities. A positive FID on the PNW LNG project in the future would further reinforce the existing need and necessity of the Facilities over the long-term.

Market Demand and Supply Associated with the New Contractual Arrangements

Supply

28. In the GH-001-2014 proceeding, NGTL demonstrated that marketable gas volumes attributable to the NMML drainage area were approximately $2.4 \times 10^{12} \text{ m}^3$ (85 Tcf) and that production from the North Montney area would increase from approximately $20.3 \times 10^6 \text{ m}^3/\text{d}$ (715 MMcf/d) in 2013 to $87.3 \times 10^6 \text{ m}^3/\text{d}$ (3.1 Bcf/d) by 2035.⁵ On this basis, the Board concluded that “the evidence demonstrates that there is adequate supply to support the Project.”⁶
29. Adequate supply continues to support the need for the NMML and since the close of the GH-001-2014 proceeding, supply projections for the Montney basin have increased. For example, in *Canada’s Energy Future 2016*, the Board estimated that production from the BC portion of the Montney basin will increase to $199 \times 10^6 \text{ m}^3/\text{d}$ (7.0 Bcf/d) by 2040.⁷
30. The Montney basin continues to be competitive with other prolific North American shale plays. Production growth in this area requires increased access to markets.
31. This evidence continues to demonstrate the adequacy of supply to support the Facilities.

Markets

32. In the GH-001-2014 proceeding, NGTL presented evidence that the NMML would provide producers in the North Montney area with access to the NOVA Inventory

⁵ GH-001-2014 Report pages 43-44.

⁶ GH-001-2014 Report page 60.

⁷ NEB, *Canada’s Energy Future 2016: Energy Supply and Demand Projections to 2040* (January 2016), online: <https://www.neb-one.gc.ca/nrg/ntgrtd/ft/2016/index-eng.html>.

Transfer (NIT) hub, and markets across Alberta and North America that are connected to NIT. In addition to these existing markets, NGTL described the Asian Pacific LNG markets that could be served through proposed pipelines to the BC west coast connecting to proposed LNG export terminals. For the reasons described below, the existence of LNG markets is not required to justify the need for the Facilities. There is sufficient future demand in North American markets that will require the long-term delivery of supply from the Facilities.

33. In the GH-001-2014 Report, the Board stated that prior to the commencement of LNG exports:

“The gas will access the integrated and well-developed North American market. When additional gas enters an existing widespread and well-developed market, it may find new consumers, or cause some displacement of existing volumes. Prices and contracts will determine how the market absorbs the additional gas from this Project.”⁸

The Board further found that the existing market was widespread and well-developed and would have sufficient demand to absorb the then-expected 1.4 Bcf/d of North Montney gas during the Transition Period. In the GH-003-2015 Report, the Board subsequently concluded that, given the integrated nature of the North American natural gas market, there is a sufficient market to absorb the 859 MMcf/d of new supply in northeast BC associated with firm service contracts supporting NGTL’s Towerbirch Expansion Project over the long term.⁹

34. The existing North American markets will have sufficient demand to absorb supply from the Facilities over the long term. NGTL expects demand for natural gas across North America to increase from 2,680 $10^6\text{m}^3/\text{d}$ (95 Bcf/d) in 2016 to over 3,650 $10^6\text{m}^3/\text{d}$ (130 Bcf/d) by 2030.
35. Connecting new sources of supply to the NGTL System on an ongoing basis is also necessary to replace declining production from existing supply sources. On average, production from existing wells in the WCSB is declining by 18% each year, which results in approximately 56.7 $10^6\text{m}^3/\text{d}$ (2 Bcf/d) of new supply being required each year to meet existing supply and market requirements on the NGTL System. This natural decline alone is sufficient to absorb the incremental supply associated with the Facilities.
36. Taking into account natural production declines, North American markets will have sufficient demand to absorb supply that is received on the Facilities over the long-term.

⁸ GH-001-2014 Report pages 60-61.

⁹ GH-003-2015 Report, page 28.

MODIFICATIONS TO THE BLAIR CREEK EAST RECEIPT METER STATION

37. New service requirements at the Blair Creek East Receipt meter station require an increase to the size of meter and yard pipe diameter approved in the Certificate. Table 4 identifies the updated specifications to Schedule A of the Certificate that are sought in this Application, with these changes identified. These changes will not have any impact to the previously approved meter station footprint.

Table 4: Blair Creek East Receipt: Location, Sizing and Updated Specifications

Receipt Point	MOP (kPa)	Station Size	Pipe diameter (mm)	Wall thickness (mm)	Pipe Material Grade (MPa)	Pipe Material Standard
Approved Blair Creek East Receipt Meter Station Location: A-094-J/094-B-016	9,930	442	NPS 4	6.0	241	ASTM A333 Grade 6 Seamless
Revised Blair Creek East Receipt Meter Station Location: A-094-J/094-B-016	9,930	882	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless

NEED FOR ADDITIONAL FACILITIES

38. No additional facilities on the existing NGTL System are required to accommodate the new and amended FT-R contracts underpinning the Facilities. NGTL will however, need to construct eight new meter stations (New Stations) in addition to the Facilities to accommodate the new service requests. Table 5 lists the New Stations, and provides location, sizing and yard pipe specifications.

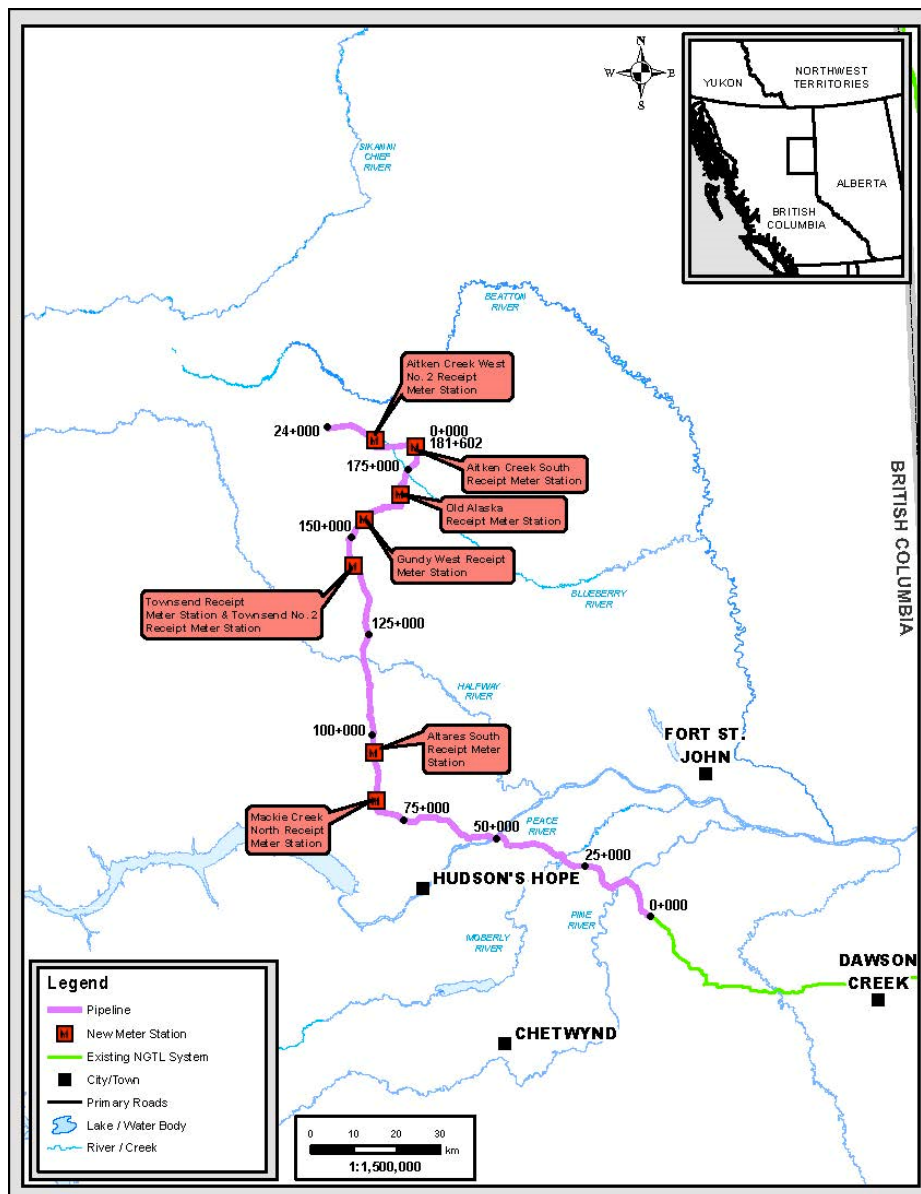
Table 5: New Stations: Locations, Sizing and Specifications

Receipt Point	MOP (kPa)	Station Size	Pipe diameter (mm)	Wall thickness (mm)	Pipe Material Grade (MPa)	Pipe Material Standard
Mackie Creek North Receipt Meter Station Location: B-057-I/94-B-01	9,930	662	NPS 6	7.1	241	ASTM A333 Grade 6 Seamless
Altares South Receipt Meter Station Location: C-18-H/94-B-08	9,930	882	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless
Townsend Receipt Meter Station Location: B-43-J/094-B-09	9,930	662	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless
Townsend No 2 Receipt Meter Station Location: B-43-J/094-B-09	9,930	882	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless
Gundy West Receipt Meter Station Location: C-060-A/94-B-16	9,930	882	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless
Old Alaska Receipt Meter Station Location: D-19-E/94-A-13	9,930	882	NPS 8	12.7	241	ASTM A333 Grade 6 Seamless

Table 5: New Stations: Locations, Sizing and Specifications (cont'd)

Receipt Point	MOP (kPa)	Station Size	Pipe diameter (mm)	Wall thickness (mm)	Pipe Material Grade (MPa)	Pipe Material Standard
Aitken Creek South Receipt Meter Station Location: D-34-L/094-A-13 and A-34-L/094-A-13	9,930	2-1284 U	NPS 12	12.7	359	CSA Z245.1 CAT II Seamless
Aitken Creek West No 2 Receipt Meter Station Location: B-056-I/094-B-16 and A-057-I/094-B-16	9,930	442	NPS 4	6.0	241	ASTM A333 Grade 6 Seamless

39. Figure 2 illustrates the locations of the New Stations.

**Figure 2: Locations of New Receipt Meter Stations**

40. NGTL will separately apply under s. 58 of the NEB Act in the second quarter of 2017 for approval to construct and operate the New Stations. The New Stations will be located entirely on the existing, approved NMML permanent and temporary workspace, which was previously assessed in the Environmental and Socio-economic Assessment (ESA) that supported the original NMML application. The addition of these eight New Stations does not change the conclusions in the ESA.

TOLLING MATTERS AND LONG-TERM ECONOMICS

41. The cost of service (COS), long-term economics and toll impacts provided in Section 6 of the original NMML application were based on the estimated capital cost and contract quantity associated with the entire NMML. NGTL provides the following information to illustrate the long-term economics and toll impacts associated with the Facilities and New Stations.
42. The estimated capital cost for the Facilities is \$1,365 million and the estimated cost of the New Stations is \$28 million, for a total of \$1,393 million (escalated dollars to the year of in-service for each respective facility).
43. Table 6 shows the ramp up profile for the average annual FT-R contract quantity associated with the Facilities.

Table 6: Facilities Average Annual FT-R Contract Quantity

Contracts for the Facilities	2019	2020	2021	2022
Cumulative FT-R Contract Quantity (MMcf/d)	672	1,188	1,435	1,485
Cumulative FT-R Contract Quantity (10 ³ m ³ /d)	19,039	33,645	40,647	42,064

44. Table 7 provides the COS and toll impacts associated with the Facilities and the New Stations and related FT-R contract quantity.

Table 7: COS and Toll Impacts for the Facilities and New Stations

	2019	2020	2021	2022	2023
Incremental COS (\$000's)					
Return	\$54,713	\$84,827	\$87,070	\$84,459	\$81,740
Depreciation	\$23,938	\$38,491	\$40,930	\$41,013	\$41,013
Income Tax	\$2,940	(\$6,554)	(\$6,568)	(\$3,201)	(\$216)
OM&A	\$481	\$962	\$1,101	\$1,130	\$1,155
Municipal Taxes	\$4,172	\$6,717	\$7,242	\$7,414	\$7,580
Carbon and Motor Fuel Taxes	\$2,539	\$5,064	\$5,709	\$7,081	\$8,453
Total Incremental COS	\$88,784	\$129,507	\$135,484	\$137,896	\$139,726

Table 7: COS and Toll Impacts for the Facilities and New Stations (cont'd)

	2019	2020	2021	2022	2023
Illustrative Toll Impacts (cents/Mcf/d)					
Average Firm Receipt	(0.4)	(1.1)	(1.6)	(1.7)	(1.4)
FT-D Group 1 Rate – Empress/McNeill	(0.1)	(0.6)	(1.0)	(1.1)	(0.9)
FT-D Group 1 Rate – Alberta-BC Border	(0.1)	(0.6)	(1.0)	(1.0)	(0.9)
FT-D Group 2 Rate	(0.1)	(0.6)	(1.0)	(1.0)	(0.9)
FT-D Group 3 Rate	(0.2)	(0.7)	(1.2)	(1.2)	(1.0)
Illustrative Toll Impacts (\$/10³m³/d)					
Average Firm Receipt	(0.13)	(0.38)	(0.58)	(0.58)	(0.50)
FT-D Group 1 Rate – Empress/McNeill	(0.05)	(0.22)	(0.36)	(0.37)	(0.33)
FT-D Group 1 Rate – Alberta-BC Border	(0.05)	(0.21)	(0.34)	(0.35)	(0.31)
FT-D Group 2 Rate	(0.05)	(0.21)	(0.34)	(0.35)	(0.31)
FT-D Group 3 Rate	(0.05)	(0.25)	(0.41)	(0.42)	(0.37)
Note: Table 6-3 of the NMML Application provided this information for the NMML as a whole, as revised in Table 3-2 of the NMML Additional Written Evidence.					

45. These toll impacts are calculated by comparing tolls inclusive and exclusive of the costs and contract quantities of the Facilities and the New Stations. This assumes that receipt quantities brought on the NGTL System will be delivered off the System and attract a delivery charge. The delivery volumes are based on a receipt contract load factor of 85% and the average FT-D rate in effect at the NGTL Group 1 locations. The 5-year average toll reduction is approximately 2 cents/Mcf/d for a full path rate.
46. The FT-R contract quantity associated with the Facilities will also result in a change to the estimated revenue over the contract terms. Table 8 shows an update in expected revenues and the capital cost and COS recovery ratios based on the capital cost of the Facilities and New Stations, as well as associated FT-R contract quantity. On a net present value (NPV) basis, the revenues from the FT-R contracts alone equal the COS of the Facilities.
47. The Toll Order addresses the terms and conditions mandated by the Board in relation to the NMML pursuant to Part IV of the NEB Act. The Board subsequently issued Order AO-001-TG-002-2015 (Amending Toll Order) on May 5, 2016, revoking Condition 3(b) of the Toll Order with respect to incremental delivery revenue and replacing it with a new Condition 3(b). No changes to the Toll Order or Amending Toll Order are required or sought as part of this Variance Application. As a result, NGTL will maintain a separate NMML cost pool, compute tolls using the sum of the NMML and NGTL System revenue requirements during the Transition Period (as set out in the Toll Order), and record the difference between the revenues and costs on the NMML in a deferral account for disposition following the end of the Transition

Period. NGTL will return to the Board prior to the end of the Transition Period for approval of a tolling methodology for the NMML.

Table 8: Capital and COS Recovery Ratios for the Facilities and New Stations ¹

	Revenue / Cost Ratios	NPV (at 2019)
FT-R Revenue (20 year terms) ²	3.19 billion	1.58 billion
COS (38 years) ³	-	1.58 billion
Capital Expenditure (Capex) ⁴	1.39 billion	–
Total Revenue to Capex Ratio	2.29	–
NPV Revenue to NPV COS Ratio	1.00	–
Note: 1. The revenue from the initial contract quantity and the capital cost and COS recovery ratios were shown in NMML Application Table 6-4 and NMML Additional Written Evidence Table 3-3. 2. Based on the 2017 Interim FT-R 5-Year Ceiling Rates and a discount factor of 8.14% (pre-tax weighted-average cost of capital). 3. Reflects timeframe for the assets to be fully depreciated. 4. Capex is stated in escalated dollars to the year of in-service for each respective facility.		

Abandonment Cost Estimate

48. The cost to abandon the Facilities is estimated at \$32.6 million dollars. This estimate reflects unit costs associated with specific decommissioning and abandonment activities and the methodology used to derive the NGTL Abandonment Cost Estimate (ACE) of \$2.5 billion (\$2016) filed as part of the Board's 2016 ACE Review on September 30, 2016.¹⁰

ONGOING NEED FOR THE REMAINING NMML FACILITIES

49. The Remaining NMML Facilities continue to be supported by the revised contractual arrangements for the NMML. Specifically, under the Progress Receipt and Delivery PEAs, if Progress makes a positive FID on the PNW LNG project on or before July 1, 2019, the FT-R volume held by Progress on the NMML will increase from 19.8 10⁶m³/d (700 MMcf/d) to approximately 56.7 10⁶m³/d (2,000 MMcf/d) starting no later than September 30, 2025. This FT-R service will require the use of the Remaining NMML Facilities in addition to the Facilities but will not require additional facilities on the existing NGTL System.
50. In addition to these FT-R contracts, and aligning with the timing of the incremental FT-R, Progress will also hold 2,340 TJ per day of FT-D service at the Mackie Creek Interconnection to allow for deliveries into PRGT for a contract term of 20 years.

¹⁰ NEB Filing ID: A79687

51. If Progress makes a positive FID on the PNW LNG project, the commercial support for the Remaining NMML Facilities will be substantially the same as was approved in the original NMML application. The overall commercial support for the NMML, however, will be substantially stronger as a result of the longer contract term, the additional contract quantities on the Facilities, and the NMML-specific secondary term provisions.

CONCLUSION

52. Since the close of the GH-001-2014 proceeding, there have been changes in circumstances and new facts that justify separation of the start of construction of the NMML from a positive FID on the PNW LNG project. These new facts and changed circumstances confirm the need for, and necessity of, the Facilities, independent of any decision to proceed with LNG exports from BC. The restructured and new commercial arrangements for the NMML ensure the Facilities will be used and useful over the long-term. Demand growth in North American markets will be sufficient to absorb the incremental supply that is received on the Facilities. Should Progress make a positive FID on the PNW LNG project in the future, the additional commercial support will add to the current demonstrable requirement for the Facilities.
53. The relief requested in this Application is necessary to allow NGTL to provide service under the restructured commercial arrangements for the NMML in the timeframe that service has been requested. For the reasons set out in this Application, NGTL submits that the requested variances are in the overall public interest and should be approved by the Board.

RELIEF REQUESTED

54. NGTL requests that the NEB vary the Certificate and Order to:
- remove the requirements of Condition 4 in respect of the Facilities
 - extend the Sunset Clause in Condition 45 of the Certificate and Condition 14 of the Order
 - on an interim basis until a final determination is made on this Variance Application
 - for one year following the date that a final determination is made on this Variance Application
 - amend Schedule A to the Certificate to increase the size of meter and yard pipe diameter for the Blair Creek East Receipt meter station, as set out in this Application
 - grant such further and other relief as NGTL may request or the Board may consider necessary

55. NGTL requests that the Board grant the interim extension of the Sunset Clause as soon as possible and separate from its consideration of this Variance Application to ensure that a decision on the interim extension is rendered prior to the expiry of the current Sunset Clause on June 10, 2017.

Respectfully submitted,

Calgary, Alberta
March 20, 2017

NOVA Gas Transmission Ltd.

Original Signed By

Kevin Thrasher
Senior Legal Counsel
Law, Canadian Pipelines

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Appendix A

Project Expenditure Authorizations

**North Montney Anchor Customer Receipt PEA
Amended and Restated Project and Expenditure Authorization**

North Montney Anchor Customer Receipt PEA

**AMENDED AND RESTATED
PROJECT AND EXPENDITURE AUTHORIZATION**

THIS AMENDED AND RESTATED PROJECT AND EXPENDITURE AUTHORIZATION (“PEA”) is dated as of the 1st day of March, 2017 (**“Effective Date”**).

BETWEEN:

PROGRESS ENERGY CANADA LTD., a corporation with an office in Calgary, Alberta (**“Anchor Customer”**)

AND

NOVA GAS TRANSMISSION LTD., a corporation with an office in Calgary, Alberta (**“Company”**)

RECITALS:

- A. The Company has received a NEB Certificate, subject to conditions to construct and operate the North Montney Mainline (**“NEB Certificate”**), which will extend the NGTL System from a location near the Saturn meter station at 14-21-80-20 W6M to Receipt Points in the Kahta area in northeast British Columbia, at or near D-30-K/94-G-07 (collectively the **“Pipeline Project”**).
- B. Company and Anchor Customer entered into a Project and Expenditure Authorization for firm receipt service dated July 26, 2013, as amended by notice on April 8, 2015 (the **“Original Receipt PEA”**) on the North Montney Mainline pursuant to Company’s Gas Transportation Tariff (**“Tariff”**). The Parties have agreed, subject to Section 3.1, to replace the Original Receipt PEA in its entirety by this PEA.
- C. Company has determined that the new facilities described in Schedule A (**“New Facilities”**) will be required to provide the service to Anchor Customer.
- D. Anchor Customer has agreed to underpin the development costs for the New Facilities.

THEREFORE, Anchor Customer and Company agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

Except as specifically provided in this PEA, including in Schedule E (*Definitions*), the capitalized terms and phrases used but not defined in this PEA shall have the meaning ascribed to such terms and phrases in the Tariff.

1.2 Schedules

Attached to and forming an integral part of this PEA are the following schedules:

Schedule A – New Facilities

Schedule B – Service Documents

Schedule C – Development Costs

Schedule D – Schedule D Amount

Schedule E – Definitions

ARTICLE 2 THE WORK

2.1 Work Authorization

- (a) Anchor Customer authorizes Company to perform, or cause to be performed, the Work related to the New Facilities.
- (b) The Parties agree that Company is acting in its own right and not as agent or representative of Anchor Customer in Company's performance of the Work.

ARTICLE 3 CONDITION PRECEDENT

3.1 Condition Precedent

- (a) The obligations of Company under this PEA are subject to the condition precedent that on or before March 3, 2017, or such other date that Company may determine, customers requesting service at the New Facilities ("**Other Customers**") have executed project and expenditure authorizations for the Work ("**Other Customer PEAs**") and schedules of service in a form acceptable to Company for receipt in aggregate of a minimum of 19,830 10³m³/d (approximately 700 mmcf/d).
- (b) This condition precedent is for the sole benefit of Company and may be waived by Company at any time.
- (c) Company shall give Anchor Customer Notice once the condition precedent in Section 3.1(a) has been satisfied or waived. In the event that this condition precedent is not satisfied or waived by the requested date, or such other date as the Company may agree, this PEA and Schedule(s) of Service shall be of no force and effect and the Original Receipt PEA and Original Schedules of Service shall survive. Further, the Original Receipt PEA and Original Schedules of Service remain in effect until this condition precedent is satisfied or waived.

ARTICLE 4 SERVICE DOCUMENTS

4.1 Service Documents

- (a) The Parties acknowledge that, as of the Effective Date, Anchor Customer has a FT-R Service Agreement dated January 16, 2003 (the “**Service Agreement**”), currently in effect.
- (b) The Parties have agreed to replace the Original Schedules of Service with, and Anchor Customer has executed concurrently with this PEA, the Schedule(s) of Service attached in Schedule B (the “**Schedule(s) of Service**”) for the receipt in aggregate of 19,829.5 10³m³/d (approximately 700 mmcf/d) of natural gas at the New Facilities (the “**Aggregate Contract Demand**”). This PEA will not be effective and binding on Company unless the Schedule(s) of Service have been executed by Anchor Customer and Company. Subject to Section 3.1, once the Schedule(s) of Service are executed by Anchor Customer, the Original Schedules of Service are terminated and no longer of any force and effect.
- (c) On or before the Estimated Ready for Service Date (Aitken Creek Section) or Estimated Ready for Service Date (Kahta Section), Anchor Customer may request a revision to the allocation of Customer’s Aggregate Contract Demand between meter stations along the North Montney Mainline (Aitken Creek Section) and North Montney Mainline (First Kahta Section) and Company shall use reasonable efforts to accommodate such reallocation, provided such reallocation is prior to the Billing Commencement Date for the relevant Schedule(s) of Service and does not result in any change in scope to the New Facilities.
- (d) Anchor Customer acknowledges and agrees that the Service Agreement and the Schedule(s) of Service:
 - (i) properly describe the Service to be provided to Anchor Customer by Company; and
 - (ii) are properly executed on behalf of Anchor Customer by its duly authorized representatives.
- (e) The Schedule(s) of Service will become effective on the Billing Commencement Date, which is expected to be the same date as the Ready for Service Date. Company will provide Notice of the Billing Commencement Date pursuant to the Schedule(s) of Service.

4.2 Additional Receipt Service

- (a) Subject to the Delivery PEA being valid and in effect and receipt by Company of any Company Approvals that Company reasonably deems are required, if on or before July 1, 2019, a positive final investment decision on the proposed Pacific Northwest LNG Project is made and Anchor Customer issues a final notice to proceed for the construction of the gas transmission pipeline to the Pacific Northwest LNG Project, and provides a copy of such notice to Company, then:

- (i) the Aggregate Contract Demand shall increase by the amount equal to the approximate difference between $56,656 \text{ } 10^3 \text{ m}^3/\text{d}$ (approximately 2.0 Bcf/d) and Anchor Customer's Aggregate Contract Demand pursuant to this PEA (the "**Additional Receipt Service**");
 - (ii) within 20 Banking Days of receipt from Company, Anchor Customer shall execute schedules of service for the Additional Receipt Service on the New Facilities under substantially similar terms and conditions as set out in the Schedule(s) of Service, but such terms and conditions shall not be less favorable than the terms and conditions being offered to other customers on the North Montney Mainline at the time;
 - (iii) such Additional Receipt Service shall commence no later than September 30, 2025; and
 - (iv) Anchor Customer shall execute such other documents reasonably required by Company.
- (b) If after July 1, 2019, a positive final investment decision on the proposed Pacific Northwest LNG Project is made and Anchor Customer issues a final notice to proceed for the construction of the gas transmission pipeline to the Pacific Northwest LNG Project, and provides a copy of such notice to Company, then, Anchor Customer may request Service up to the Additional Receipt Service, subject to:
- (i) Anchor Customer's Delivery PEA being valid and in effect;
 - (ii) available capacity on the New Facilities;
 - (iii) receipt by Company of any Company Approvals that Company reasonably deems are required including additional NEB approvals;
 - (iv) within 20 Banking Days of receipt from Company, Anchor Customer executing a Project and Expenditure Authorization for additional facilities that may be required on terms acceptable to the Company;
 - (v) within 20 Banking Days of receipt from Company, Anchor Customer executing schedules of service for the service on the New Facilities under substantially similar terms and conditions as set out in the Schedule(s) of Service, but such terms and conditions shall not be less favorable than the terms and conditions being offered to other customers on the North Montney Mainline at the time; and
 - (vi) Anchor Customer executing such other documents reasonably required by Company.

ARTICLE 5

TARIFF

5.1 Tariff

- (a) Customer acknowledges that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.

- (b) The Service shall be provided in accordance with the Tariff as amended from time to time and as such terms may be modified by the conditions of service set out in the Service Documents.

ARTICLE 6 AUTHORIZED AMOUNT

6.1 Authorized Amount

- (a) On or prior to the Effective Date, Company estimates that it has incurred **\$356,470,000.00** plus applicable taxes in costs and expenses for the Work (the “**Estimated Total Initial Cost**”). Company estimates that it has incurred approximately **\$[●]** plus applicable taxes as Anchor Customer’s Share of the Estimated Total Initial Cost, as set out in Table 1 of Schedule A (the “**Initial Customer Authorized Amount**”).
- (b) After the Effective Date and up to the Decision Date, Company estimates that the total incremental estimated costs and expenses to continue the Work is **\$97,040,000.00** plus applicable taxes (the “**Estimated Total Incremental Initial Cost**”). Anchor Customer authorizes Company to incur up to a maximum amount of **\$[●]** plus applicable taxes for the account of the Anchor Customer to progress the Work after the Effective Date up to the Decision Date (the “**Incremental Initial Customer Authorized Amount**”). Anchor Customer acknowledges and agrees that the Incremental Initial Customer Authorized Amount is not a firm estimate, quotation or price, but is only an estimate of Anchor Customer’s Share of the Estimated Total Incremental Initial Cost as set out in Table 1 of Schedule A.
- (c) After the Decision Date, Company estimates that the total cost and expenses to complete the Work is **\$1,393,320,000.00** plus applicable taxes (the “**Estimated Total Cost**”). Anchor Customer authorizes Company to incur such costs and expenses as Company may deem necessary or appropriate up to a maximum amount of **\$[●]** plus applicable taxes for the account of the Anchor Customer to complete the Work (the “**Total Customer Authorized Amount**”) as set out in Table 1 of Schedule A. Anchor Customer acknowledges and agrees that the Total Customer Authorized Amount is not a firm estimate, quotation or price, but is only a preliminary estimate of Anchor Customer’s Share as determined by Company of the Estimated Total Cost. For clarity, the Total Customer Authorized Amount is inclusive of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount.
- (d) In the event that Anchor Customer’s Aggregate Contract Demand increases by the Additional Receipt Service pursuant to Section 4.2(a), then Anchor Customer authorizes Company to incur such additional costs and expenses for the Work for the portion of the New Facilities associated with the Additional Receipt Service, as Company may deem necessary or appropriate, up to a maximum amount of **\$471,860,000.00** plus applicable taxes (“**Additional Receipt Service Authorized Amount**”) and the Total Customer Authorized Amount and Estimated Total Cost shall each be increased by the Additional Receipt Service Authorized Amount for a “**New Total Customer Authorized Amount**” of **\$[●]** plus applicable taxes and “**New Estimated Total Cost**” of **\$1,865,180,000.00** plus applicable taxes as further described in Table 2 of Schedule A. Anchor Customer acknowledges and agrees that the Additional Receipt Service Authorized Amount is not a firm estimate, quotation or price, but is only a preliminary estimate as determined by

Company of the total costs and expenses for the Work associated with the Additional Receipt Service.

ARTICLE 7 AMENDMENTS

7.1 Amendments Must Be in Writing

All amendments to this PEA must be in writing, and signed and delivered by both Company and Anchor Customer.

7.2 Amendment Procedure

- (a) In the event that any change to the terms and conditions of this PEA is required, including, but not limited to:
 - (i) a material change to the scope of the Work or the New Facilities;
 - (ii) an increase or decrease in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, Estimated Total Cost, or Additional Receipt Service Authorized Amount by more than 20%; or
 - (iii) a change to the terms and conditions set forth in the Schedule(s) of Service prior to the Billing Commencement Date,

Company will forward to Anchor Customer an amendment to this PEA (the “**Amendment**”). Anchor Customer shall execute and deliver the Amendment within 20 Banking Days of Customer’s receipt of the Amendment, unless such time is otherwise extended by Company in writing.

- (b) Company is not required to continue to perform any Work until it has received the executed Amendment from Anchor Customer.
- (c) For clarity, Company will provide Anchor Customer with Notice for increases or decreases of less than 20% in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, Estimated Total Cost, or Additional Receipt Service Authorized Amount.

ARTICLE 8 APPROVALS

8.1 Customer Approvals

- (a) Anchor Customer shall be solely responsible for constructing and operating any connecting facilities upstream or downstream (as applicable) of the NGTL System that are required to receive or deliver the Gas (as applicable) for the Service (the “**Customer Facilities**”).
- (b) Anchor Customer shall proceed with due diligence to obtain all necessary permits, certificates, licences and authorizations (“**Customer Approvals**”) from all governmental

and regulatory authorities having jurisdiction over the construction and operation of any Anchor Customer Facilities, and if applicable, to construct and operate any PC&OPP Facilities as required in Section 15.3.

- (c) Within 10 Banking Days of the date of a request by Company, Anchor Customer shall provide written confirmation satisfactory to Company that Anchor Customer has obtained or will obtain all Anchor Customer Approvals. Anchor Customer shall promptly notify Company of any matter that will cause a material delay or denial of an Anchor Customer Approval.
- (d) Anchor Customer shall proceed or, where applicable, cause its Affiliate or designate to proceed, with due diligence to undertake and complete the work for the Customer Facilities.

8.2 Company Approvals

- (a) Company shall proceed with due diligence to obtain, or cause to be obtained, all necessary permits, licences, certificates and authorizations from all corporate (including Board of Directors), governmental and regulatory authorities having jurisdiction over Company and the New Facilities and that are required by Company in order to perform the Work and provide the Service (“**Company Approvals**”).
- (b) Anchor Customer shall use reasonable efforts to assist Company in obtaining any Company Approvals and Anchor Customer shall provide Company with any information or documentation Company determines necessary in order to obtain any Company Approvals.
- (c) For the purposes of this Section 8.2, Anchor Customer consents to Company disclosing Anchor Customer’s name and Aggregate Contract Demand.

ARTICLE 9 OTHER CUSTOMER PEAS

9.1 Termination of Other Customer PEA

- (a) In the event an Other Customer PEA is terminated, for any reason, Company shall give Notice to Anchor Customer and any remaining Other Customer that an Other Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the terminating customer’s authorized amount. If Company determines (i) it is unable to reallocate the terminating customer’s authorized amount; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorizations and service documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the terminating customer pursuant to terminating customer’s project and expenditure authorization shall be credited against

the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Anchor Customer.

9.2 Termination of Anchor Customer PEA

- (a) In the event this PEA is terminated for any reason, Company shall give Notice to all Other Customers that Anchor Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the Customer Total Authorized Amount and other obligations hereunder. If Company determines (i) it is unable to reallocate the Total Customer Authorized Amount and other obligations hereunder; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorizations and service documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to Company, then Company has the right, in its sole discretion, to terminate this PEA. If this PEA is terminated for any reason, Anchor Customer consents to Company releasing this PEA to Other Customer or new customers.

ARTICLE 10 TERMINATION

10.1 Customer Termination

- (a) Subject to Section 11.1, Anchor Customer shall be entitled to terminate this PEA on or prior to the Decision Date for any reason upon giving Notice to Company. Anchor Customer is not entitled to terminate this PEA after the Decision Date.
- (b) Other Customer is not entitled to terminate Other Customer PEA.

10.2 Company Suspension and Termination Rights prior to Ready for Service Date

- (a) Company may, in its sole discretion, suspend the Work or terminate this PEA if any one or more of the following occurs, by giving Notice to Anchor Customer specifying the date of the suspension or termination:
 - (i) An Insolvency Event occurs in respect of Anchor Customer;
 - (ii) An Other Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs and Anchor Customer PEA in accordance with Section 9.1;
 - (iii) Anchor Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs in accordance with Section 9.2;
 - (iv) Anchor Customer fails to provide the PEA Financial Assurances pursuant to Section 13.1(b) or fails to maintain the PEA Financial Assurances provided;
 - (v) Anchor Customer fails to execute and deliver to Company any Amendment pursuant to Section 7.2;

- (vi) Anchor Customer fails to comply with any of the obligations set forth in Section 8.1(c) or Anchor Customer is not proceeding with due diligence to undertake work for Customer Facilities pursuant to Section 8.1(d);
- (vii) Anchor Customer fails to construct the PC&OPP Facilities, if required by Company pursuant to Section 15.3; or
- (viii) Company reasonably determines that the Company will not be able to, or Company fails to, obtain any of Company approvals on terms satisfactory to Company, or Company's NEB Certificate expires, is revoked, is amended on terms unsatisfactory to Company, or is terminated for any reason.

Where Company first elects to suspend the Work, Company may subsequently terminate this PEA by providing Anchor Customer with at least 7 Days prior Notice of termination.

10.3 Termination on Ready for Service Date

- (a) Unless earlier terminated pursuant to Section 10.2, this PEA will terminate on the Billing Commencement Date for the last Schedule(s) of Service to be declared billable. The Service Documents shall survive the termination of this PEA pursuant to this Section 10.3 and shall remain effective.
- (b) Notwithstanding Section 10.3(a) the obligations associated with Additional Receipt Service, including the obligations to pay pursuant to Section 11.1(b)(ii) and the obligation to provide PEA Financial Assurances pursuant to Section 13.1(a)(ii) shall survive until the Billing Commencement Date for the schedules of service executed pursuant to Section 4.2(a)(ii).

ARTICLE 11 OBLIGATION TO PAY

11.1 Payment for Termination prior to Ready for Service Date

- (a) If this PEA is terminated pursuant to Section 10.2(a)(viii) and the termination becomes effective,
 - (i) on or prior to the Decision Date, Anchor Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount (Part 1);
 - (ii) after the Decision Date, Anchor Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount (Part 2).
- (b) If this PEA is terminated pursuant to Section 10.1(a) or Section 10.2(a)(i) through 10.2(a)(vii), and the termination becomes effective,
 - (i) on or prior to the Decision Date, the Anchor Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 3) and the Schedule D Amount (Part 2);

- (ii) after the Decision Date, Anchor Customer shall pay the amount equal to the Development Costs in Schedule C (Part 4) and the Schedule D Amount (Part 2).
- (c) The amounts payable as a result of termination as set out in Sections 11.1(a) and (b) represent a genuine and reasonable pre-estimate of the damages Company will sustain or incur and are payable as liquidated damages and not as a penalty. Such damages are in addition to any other remedies that may be available to Company at law or equity.
- (d) With the exception of termination pursuant to Section 10.3 (Termination on Ready for Service), upon termination of this PEA, the Schedule(s) of Service shall terminate and Company shall have no obligations to provide any service described in the Schedule(s) of Service.
- (e) All payments to be made by Anchor Customer upon termination of this PEA shall be paid to Company on or before 30 Days after the date of the invoice from Company (the “**Payment Due Date**”). If Anchor Customer fails to pay any invoice received from Company by the Payment Due Date, Anchor Customer shall accrue and pay interest on any unpaid portion, up to and including the date of payment in full, at a rate per annum equal to the prime rate of interest as set by the Royal Bank of Canada, Main Branch, Calgary, Alberta plus 2%.
- (f) This Section 11.1 shall survive termination.

ARTICLE 12 READY FOR SERVICE

12.1 Estimated Ready for Service Date

- (a) With respect to the North Montney Mainline (Aitken Creek Section), the Company estimates that it will complete the Work and provide Customer with a Ready for Service Date of April 1, 2019 (“**Estimated Ready for Service Date (Aitken Creek Section)**”).
- (b) With respect to the North Montney Mainline (First Kahta Section), the Company estimates that it will complete the Work and provide Customer with a Ready for Service Date of April 1, 2020 (“**Estimated Ready for Service Date (First Kahta Section)**”).
- (c) With respect to the North Montney Mainline (Second Kahta Section), the estimated Ready for Service Date will be defined in the schedules of service executed pursuant to Section 4.2(a) and shall be no later than September 30, 2025 (“**Estimated Ready for Service Date (Second Kahta Section)**”).
- (d) On or before the Decision Date, the Company shall give the Anchor Customer written notice updating the respective Estimated Ready for Service Dates. In no event shall the Ready for Service Date (Aitken Creek Section) be earlier than April 1, 2019 and the Ready for Service Date (First Kahta Section) be earlier than April 1, 2020.
- (e) The Company shall proceed diligently with the Work in an effort to complete the Work for each of the North Montney Mainline (Aitken Creek Section) and the North Montney Mainline (First Kahta Section), and the associated facilities, by the respective Estimated Ready for Service Dates.

- (f) If the Company determines it is unable to complete the Work for either or both of the North Montney Mainline (Aitken Creek Section) and the North Montney Mainline (First Kahta Section) and the related associated facilities by the respective Estimated Ready for Service Dates, or the Work is otherwise delayed, the Company shall give the Anchor Customer Notice of the changes to the relevant Estimated Ready for Service Date.

ARTICLE 13

PEA FINANCIAL ASSURANCE

13.1 PEA Financial Assurance

- (a) At any time during the term of this PEA, in order to secure all obligations or potential obligations of Anchor Customer under this PEA, Company may request and Anchor Customer shall then provide and maintain, financial assurances in a type and form and from an issuer satisfactory to Company (“**PEA Financial Assurances**”), in an amount up to:
 - (i) on or prior to the Decision Date, the sum of the Estimated Total Initial Cost, the Estimated Total Incremental Initial Cost and the Schedule D Amount;
 - (ii) after the Decision Date, the sum of the Estimated Total Cost and the Schedule D Amount, and the Additional Receipt Service Authorized Amount, if and when applicable.
- (b) Anchor Customer shall provide PEA Financial Assurances as requested by Company no later than 10 Banking Days after the date of a request by Company. If Anchor Customer fails to provide the requested PEA Financial Assurances within such timeframe, Company may, at its sole discretion, suspend the Work and/or terminate this PEA pursuant to Section 10.2.
- (c) Any request for separate Financial Assurances related to gas transportation pursuant to the Service Documents will be made in accordance with the Tariff or provisions of the Schedule(s) of Service. Such obligation is independent of and separate from the obligation of Anchor Customer under this Section 13.1.

ARTICLE 14

LIMITATION OF LIABILITY

14.1 Limitation of Liability

- (a) Subject to Section 14.1(b), Company is not liable to Anchor Customer or its directors, officers, consultants, agents, contractors or employees (collectively, “**Customer Associates**”) for any suit, claim, demand, action, proceeding, loss, cost, expense (including solicitor and his own client fees), injury, death or damage whatsoever, howsoever caused and whether contractual or tortious (collectively, “**Losses**”), asserted against or suffered or incurred by Anchor Customer, Customer Associates, or both, except and to the extent that such Losses are caused by the gross negligence or willful misconduct of Company.
- (b) Neither Party (including its directors, officers, consultants, agents, contractors or employees) is liable to the other Party (or its directors, officers, consultants, agents,

contractors or employees) for any indirect, consequential, punitive, exemplary or similar damages related to this PEA, including, without limitation, business interruption loss, loss of profits, or whether or not such losses could have reasonably been foreseen on entry into this PEA; other than those losses that may be expressly set forth under this PEA.

ARTICLE 15 MISCELLANEOUS PROVISIONS

15.1 Headings

Headings are included solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents.

15.2 Title to Facilities

Anchor Customer acknowledges that it does not have and will not acquire, any right, title or interest in the New Facilities (or any portion of the New Facilities), or in any data, information, drawing, plan, equipment, materials, service or work, relating to the New Facilities, the Work, or both.

15.3 Customer's Overpressure Protection Facilities

Company may determine, at its sole discretion, that pressure control and overpressure protection facilities (the "**PC&OPP Facilities**") are required on Customer Facilities, in connection with the New Facilities. If Company advises Anchor Customer that PC&OPP Facilities are required, Anchor Customer shall construct, own, and operate the PC&OPP Facilities at its own risk and expense, and in accordance with CSA Z662. Anchor Customer shall provide to Company, documentation demonstrating to Company's satisfaction that Anchor Customer has installed and is operating PC&OPP Facilities on Customer Facilities in accordance with CSA Z662.

15.4 Notices

- (a) Any notice required to be given under this PEA must be in writing (“**Notice**”) and may be given personally, sent by email or other electronic transmission, or prepaid courier addressed to the other Party at the addresses below:

If to Customer:

Progress Energy Canada Ltd.
1200, 205 Fifth Avenue SW
Calgary, Alberta
T2P 2V7

Attention: [●]

Email: [●]

If to Company:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

With a copy to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

- (b) Notices will be deemed to be received upon personal or courier delivery, or in the case of email or other electronic transmission upon successful transmission, where the Notice is received by a Party prior to 4:00 pm Calgary time on a Banking Day. Any Notice received by a Party after 4:00 pm Calgary time on a Banking Day will be deemed to be received on the next Banking Day.
- (c) A Party may, at any time, change such Party’s address for the purposes of Section 15.4(a), by Notice to the other Party.

15.5 Audit

Where Anchor Customer has paid the Development Costs as a result of a termination prior to the Ready for Service Date pursuant to Section 11.1, the calculations underlying the Development Costs may be audited once by Anchor Customer or Anchor Customer’s authorized representative. The audit must be conducted during normal business hours within 12 months of the date this PEA terminates; and Anchor Customer must give reasonable Notice of the intended date of such audit to Company and comply with confidentiality obligations reasonably requested by Company. Anchor Customer is responsible for all of its own and Company’s expenses related to the audit. Anchor Customer shall ensure any audit is conducted to cause a minimum of inconvenience to Company. Company shall review and respond in a timely manner with respect to any discrepancy or reasonable question raised by Anchor Customer because of such audit.

15.6 Compliance with Laws

Anchor Customer and Company shall comply with all laws, regulations, rules and orders by governmental or administrative authorities having jurisdiction and which a laws, regulations,

rules and orders are applicable to the observance or performance of their respective obligations under this PEA.

15.7 Further Assurances

Anchor Customer and Company covenant and agree to provide such data and information, to execute and deliver such further documents and instruments, to give further assurances and to perform such acts as may be reasonably required by the other Party in order to carry out the purposes, intentions and provisions of this PEA.

15.8 Assignment

Anchor Customer shall not assign any interest pursuant to this PEA without prior written consent of Company which consent is within Company's sole discretion.

15.9 Entire Agreement and Amendments

This PEA and the Service Documents set forth the entire agreement between the Parties, and supersedes and replaces all previous discussions, understandings and agreements (excluding any confidentiality agreements between the parties) respecting the subject matter. No amendment or variation of this PEA will be valid unless in writing and signed by the Parties.

15.10 Enurement

This PEA is binding upon and enures to the benefit of each of the Parties and their respective successors and permitted assigns.

15.11 Severability

If the whole or any portion of any provision of this PEA or the application of it to any circumstance shall be held invalid, unenforceable or superseded to any extent, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this PEA shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

15.12 Survival

The provisions of: Sections 1.1, 1.2, 11.1, 14.1, 15.2, 15.3, 15.4, 15.5, and 15.13 and the Service Documents pursuant to Section 10.3; and any other provisions of this PEA which, either by their express terms or by operation of their terms, are intended to be performed in whole or in part after termination or expiration of this PEA, shall survive such termination or expiration.

15.13 Governing Law

This PEA shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada, and each of the Parties irrevocably submits to the exclusive jurisdiction of the courts of the Province of Alberta for interpretation and enforcement of this PEA.

15.14 Counterpart Execution

This PEA may be executed in counterparts, which together constitute one and the same agreement. A facsimile or electronic pdf copy of this PEA containing the signature of a Party will be deemed to be an originally signed document.

DULY SIGNED AND DELIVERED as of the date first written above.

PROGRESS ENERGY CANADA LTD.

NOVA GAS TRANSMISSION LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE A

New Facilities

The New Facilities that are the subject of this PEA are all new facilities and modifications to existing facilities that Company or its agent determine appropriate for the Service requested by Anchor Customer, including:

- North Montney Mainline (Aitken Creek Section) pipeline from 14-21-80-20-W6M and extending to D-044-L/94-A-13
- North Montney Mainline (First Kahta Section) pipeline from D-44-L/94-A-13 and extending to C-090-J/094-B-16
- North Montney Mainline (Second Kahta Section) from C-090-J/094-B-16 extending to D-30-K/94-G-07;
- Groundbirch Compressor Station located at SW-35-78-16-W6M
- Saturn Compressor Station located at NE-6-81-20-W6M
- Aitken Creek Compressor Station, located at D-23-B/94-B-16 extending into block C-22-B/94-B-16;
- Up to 13 Customer Specific Receipt Meter Stations to meet volumes identified in the Service Documents.

Cost Allocation of the Work for the New Facilities – see Table 1 and Table 2

Table 1 – Cost Allocation for the portion of New Facilities required for Service on North Montney Mainline (Aitken Creek Section) and North Montney Mainline (First Kahta Section).

Section Reference	Description	Total Estimated Cost of the Work (Cdn \$ million)	Anchor Customer's Share of the Work	Anchor Customer's Estimated Share of the Cost of the Work (Cdn \$ million)
6.1(a)	On or prior to the Effective Date, Company estimates the costs and expenses incurred for the Work required to develop the Pipeline Project are:			
	Estimated Total Initial Cost	\$356.47		
	Initial Customer Authorized Amount		[●] %	\$ [●]
6.1(b)	After the Effective Date and up to the Decision Date, Company estimates the total incremental costs and expenses to progress the Work are:			
	Customer Specific Facilities		100%	\$ [●]
	Common Facilities	\$60	[●] %	\$ [●]
	Estimated Total Incremental Initial Cost	\$97.04		
	Incremental Initial Customer Authorized Amount			\$ [●]
	Sum of Initial Customer Authorized Amount and Incremental Initial Customer Authorized Amount	\$453.51	[●] %	\$ [●]
6.1(c)	After the Decision Date, Company estimates that the total costs and expenses to complete the Work are:			
	Estimated Total Cost	\$1,393.32		
	Total Customer Authorized Amount		[●] %	\$ [●]

Table 2 – Cost Allocation for the portion of New Facilities required for Additional Receipt Service.

Section Reference	Description	Total Estimated Cost of the Work (Cdn \$ million)	Anchor Customer's Share of the Work	Anchor Customer's Estimated Share of the Cost of the Work (Cdn \$ million)
6.1(d)	Company estimates that the incremental costs and expenses required to complete the Work for the portion of the New Facilities associated with the Additional Receipt Service described as follows are:			
	Additional Receipt Service Authorized Amount	\$471.86	100%	\$ [●]
	New Estimated Total Cost	\$1,865.18		
	New Total Customer Authorized Amount			\$ [●]

SCHEDULE B

Service Documents

(Attached)

CUSTOMER: [●]

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]

NOVA Gas Transmission Ltd.

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Per:

Per:

Per:

Per:

ATTACHMENT I

Conditions:

1. Customer and Company agree that the Primary Term will be 5 years and the Secondary Term will be 15 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 15 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

CUSTOMER: [●]

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]

NOVA Gas Transmission Ltd.

Per: _____

Per: _____

Per: _____

Per: _____

ATTACHMENT I

Conditions:

1. Customer and Company agree that there will be no Primary Term. The Secondary Term will be 20 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 20 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

SCHEDULE C

Development Costs

Part 1 (Pre-Decision Date)

The Development Costs are the aggregate of Anchor Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Anchor Customer, as the case may be, receives Notice of termination of this PEA;

up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Anchor Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Anchor Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 2 (Post-Decision Date)

The Development Costs are the aggregate of Anchor Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Anchor Customer, as the case may be, receives Notice of termination of this PEA;

up to the Total Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Anchor Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Anchor Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 3 (Pre-Decision Date)

The Development Costs are the aggregate of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Anchor Customer, as the case may be, receives Notice of termination of this PEA;

up to the sum of Estimated Total Initial Cost and Estimated Total Incremental Initial Cost;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Anchor Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date (Aitken Creek Section), AFUDC will be calculated up to and including the date of payment in full by Anchor Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 4 (Post-Decision Date)

The Development Costs are the aggregate of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Anchor Customer, as the case may be, receives Notice of termination of this PEA;

up to the Estimated Total Cost or the New Estimated Total Cost if the Aggregate Contract Demand has increased by the Additional Receipt Service pursuant to Section 4.2(a);
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Anchor Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date (Aitken Creek Section), AFUDC will be calculated up to and including the date of payment in full by Anchor Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Mitigation of Costs

In the event that payment of Development Costs in this Schedule C (the “**Schedule C Amount**”) is required as a result of a termination where the Pipeline Project is cancelled, Company shall issue Anchor Customer an invoice for such Schedule C Amount immediately upon termination and Anchor Customer shall pay such invoice within 30 days of receipt. Notwithstanding receipt of payment, Company shall make commercially reasonable efforts to mitigate Schedule C Amount for a period of 12 months following such termination. For the purposes of this clause, “mitigation” shall mean designating a current

or future project in which all or a portion of the materials or engineering work designated for the Pipeline Project could be used. Any Schedule C Amount mitigated within the 12-month period shall be returned to Anchor Customer within 60 Days of Company receiving payment for such portion of materials or engineering work from another current or future project.

SCHEDULE D

Schedule D Amount

Part 1 (Obligation to Pay pursuant to 11.1(a)(i))

Anchor Customer's Schedule D Amount is up to \$ [●] **million dollars** ("Schedule D Amount").

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (a) Anchor Customers proportionate share (based on Anchor Customer's Aggregate Contract Demand to the total contract demand of Anchor Customer and Other Customers) of costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Anchor Customer and Other Customers.

Anchor Customer acknowledges that the actual damages associated with downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

Company agrees to provide Anchor Customer with reasonable documents and other evidence in its possession to support a request for payment of Schedule D Amounts.

Part 2 (Obligation to Pay pursuant to 11.1(a)(ii) and 11.1(b))

Anchor Customer's Schedule D Amount is up to \$ [●] **million dollars** ("Schedule D Amount").

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (b) all costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Anchor Customer and Other Customers.

Anchor Customer acknowledges that the actual damages associated with downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

Company agrees to provide Anchor Customer with reasonable documents and other evidence in its possession to support a request for payment of Schedule D Amounts.

Mitigation of Costs

In the event that payment of the Schedule D Amount is required as a result of a termination where the Pipeline Project is cancelled, Company shall issue Anchor Customer an invoice for Schedule D Amount

immediately upon termination and Anchor Customer shall pay such invoice within 30 days of receipt. Notwithstanding receipt of payment, Company shall make commercially reasonable efforts to mitigate the Schedule D Amount for a period of 12 months following such termination. For the purposes of this clause, “mitigation” shall mean designating a current or future project in which all or a portion of the materials or engineering work designated for the Pipeline Project could be used. Any Schedule D Amount mitigated within the 12-month period shall be returned to Anchor Customer within 60 Days of Company receiving payment for such portion of materials or engineering work from another current or future project.

SCHEDULE E

Definitions

“Affiliate” means, in relation to a Party, any company or corporation which (i) directly or indirectly controls such Party; (ii) is directly or indirectly controlled by such Party; or (iii) is directly or indirectly controlled by a company or corporation which directly or indirectly controls such Party; where “controls”, “controlled by” and “under common control with” mean the possession directly, or indirectly through one or more intermediaries, of more than 50% of the outstanding voting stock of the company in question, or the power to direct or cause the direction of management policies of, any person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

“Additional Receipt Service” has the meaning given in Section 4.2(a).

“Additional Receipt Service Authorized Amount” has the meaning given in Section 6.1(d).

“AFUDC” means allowance for funds used during construction.

“Aggregate Contract Demand” has the meaning given in Section 4.1(b).

“Amendment” has the meaning given in Section 7.2(a).

“Anchor Customer” has the meaning given in the preamble.

“Anchor Customer’s Share” has the meaning given in Schedule A.

“Company” has the meaning given in the preamble.

“Company Approvals” has the meaning given in Section 8.2.

“Customer Approvals” has the meaning given in Section 8.1.

“Customer Associates” has the meaning given in Section 14.1(a).

“Customer Facilities” has the meaning given in Section 8.1.

“Customer Specific Facilities” means Customer’s meter station facilities described in the Schedule A.

“Decision Date” means the date that is 30 Days after Company receives from the NEB or other body, as applicable, a decision on Company’s application to vary its NEB Certificate by waiving, modifying or removing Condition 4 of the NEB Certificate.

“Delivery PEA” means the Amended and Restated PEA executed on or about March 3, 2017 which replaces the Project and Expenditure Agreement dated as of July 26, 2013 between NOVA Gas Transmission Ltd. and Progress Energy Canada Ltd. for delivery service to the Mackie Creek Sales delivery meter station, as may be further amended.

“Development Costs” has the meaning given in Schedule C.

“Effective Date” has the meaning given in the preamble.

“Estimated Ready for Service Date” and **“Estimated Ready for Service Dates”** means one or more of: the Estimated Ready for Service Date (Aitken Creek Section), the Estimated Ready for Service Date (First Kahta Section) and the Estimated Ready for Service Date (Second Kahta Section).

“Estimated Ready for Service Date (Aitken Creek Section)” has the meaning given in Section 12.1(a).

“Estimated Ready for Service Date (First Kahta Section)” has the meaning given in Section 12.1(b).

“Estimated Ready for Service Date (Second Kahta Section)” has the meaning given in Section 12.1(c).

“Estimated Total Cost” has the meaning given in Section 6.1(c).

“Estimated Total Incremental Initial Cost” has the meaning given in Section 6.1(b).

“Estimated Total Initial Cost” has the meaning given in Section 6.1(a).

“Incremental Initial Customer Authorized Amount” has the meaning given in Section 6.1(b).

“Initial Customer Authorized Amount” has the meaning given in Section 6.1(a).

“Insolvency Event” means, in relation to any Person, the occurrence of one or more of the following events:

- (a) it ceases to meet its liabilities generally as they become due or gives Notice to any of its creditors that it has suspended or is about to suspend payment of its debts generally;
- (b) it institutes or has instituted against it any proceeding under bankruptcy or insolvency laws, including, the *Bankruptcy and Insolvency Act* (Canada), and *Companies’ Creditors’ Arrangement Act* (Canada) and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged or stayed within 30 days of being instituted;
- (c) it seeks relief under any companies or corporations legislation respecting creditors’ rights;
- (d) it takes any steps for, or becomes the subject of any proceeding for, liquidation, dissolution, winding up or other termination of its existence; and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged, or stayed within 15 days of being instituted; or
- (e) a receiver or receiver manager of all or any part of its assets is appointed by any of its creditors or by a court of competent jurisdiction and such receiver or receiver manager is not discharged or removed within 15 days.

“Losses” has the meaning given in Section 14.1(a).

“NEB” means the National Energy Board.

“NEB Certificate” means the NEB Certificate of Public Convenience and Necessity GC-125 issued to NGTL authorizing construction and operation of the North Montney Mainline.

“New Estimated Total Cost” has the meaning given in Section 6.1(d).

“New Facilities” has the meaning given in the recitals.

“New Total Customer Authorized Amount” has the meaning given in Section 6.1(d).

“NGTL System” means NGTL’s natural gas pipeline system comprised of approximately 25,000 km of pipeline, associated compression, and other facilities located in Alberta and British Columbia; subject to federal jurisdiction and regulation by the NEB.

“Notice” has the meaning given in Section 15.4(a)

“North Montney Mainline” means the North Montney Mainline (Aitken Creek Section, the North Montney Mainline (First Kahta Section) and the North Montney Mainline (Second Kahta Section).

“North Montney Mainline (Aitken Creek Section)” has the meaning given in Schedule A.

“North Montney Mainline (First Kahta Section)” has the meaning given in Schedule A.

“North Montney Mainline (Second Kahta Section)” has the meaning given in Schedule A.

“Original Receipt PEA” has the meaning given in the recitals.

“Original Schedules of Service” means the Schedules of Service executed by Anchor Customer on **July 26, 2013** associated with the Original Receipt PEA for receipt of an aggregate of approximately 2 bcf/d of natural gas at the New Facilities on the Pipeline Project.

“Original Service Agreement” means that agreement between Company and Anchor Customer respecting Service to be provided under a FT-R Rate Schedule under the Tariff signed January 16, 2003 date.

“Other Customer” has the meaning given in Section 3.1(a).

“Other Customer PEAs” has the meaning given in Section 3.1(a).

“Pacific Northwest LNG Project” means the Pacific NorthWest Liquefied Natural Gas project, a liquefied natural gas export facility proposed to be built by Pacific NorthWest LNG Limited Partnership to be located at the Lelu Island on the coast of British Columbia, at the terminus of the PRGT pipeline.

“Party” means a party to this PEA, and **“Parties”** means all of the parties to this PEA, collectively.

“Payment Due Date” has the meaning given in Section 11.1(e).

“PC&OPP Facilities” has the meaning given in Section 15.3.

“PEA” means this Amended and Restated Project and Expenditure Authorization agreement and any schedules attached hereto in each case, as may be amended, modified, supplemented or restated from time to time.

“PEA Financial Assurances” has the meaning given in Section 13.1.

“Pipeline Project” has the meaning given in the recitals.

“Ready for Service Date” has the meaning given in the Tariff.

“Ready for Service Date (Aitken Creek Section)” means the Ready for Service Date for the North Montney Mainline (Aitken Creek Section).

“Ready for Service Date (First Kahta Section)” means the Ready for Service Date for the North Montney Mainline (First Kahta Section).

“Ready for Service Date (Second Kahta Section)” means the Ready for Service Date for the North Montney Mainline (Second Kahta Section).

“Receipt Meter Stations” means those meter stations identified in Schedule A.

“Receipt Point” has the meaning given in the recitals.

“Schedule C Amount” has the meaning given in Schedule C.

“Schedule D Amount” has the meaning given in Schedule D.

“Schedule(s) of Service” has the meaning given in Section 4.1(b).

“Service” means the service as particularly described in the Schedule(s) of Service.

“Service Agreement” has the meaning given in Section 4.1(a).

“Service Documents” means collectively:

- (a) the Service Agreement, but only to the extent that the Service Agreement applies to the Service; and
- (b) the Schedule(s) of Service.

“Tariff” has the meaning given in the recitals.

“Total Customer Authorized Amount” has the meaning given in Section 6.1(c).

“Work” means all services and work related to the New Facilities that Company, its agent, or both, determine appropriate, including, but not limited to, preliminary study, engineering and design, procurement, obtaining regulatory approvals, construction and installation and associated site restoration and reclamation.

**North Montney Anchor Customer Delivery PEA
Amended and Restated Project and Expenditure Authorization**

**AMENDED AND RESTATED
PROJECT AND EXPENDITURE AUTHORIZATION**

THIS AMENDED AND RESTATED PROJECT AND EXPENDITURE AUTHORIZATION (“PEA”) is dated as of the 1st day of March, 2017 (**“Effective Date”**).

BETWEEN:

PROGRESS ENERGY CANADA LTD., a corporation with an office in Calgary, Alberta (**“Customer”**)

AND

NOVA GAS TRANSMISSION LTD., a corporation with an office in Calgary, Alberta (**“Company”**)

RECITALS:

- A. The Company has received a NEB Certificate, subject to conditions, to construct and operate the North Montney Mainline (**“NEB Certificate”**), which will extend the NGTL System from a location near the Saturn meter station at 14-21-80-20 W6M to Receipt Points in the Kahta area in northeast British Columbia, at or near D-30-K/94-G-07 and include the Mackie Creek Interconnection Meter Station (collectively the **“Pipeline Project”**).
- B. Company and Customer entered into a Project and Expenditure Authorization for firm delivery service dated **July 26, 2013**, (the **“Original Delivery PEA”**) on the North Montney Mainline pursuant to Company’s Gas Transportation Tariff (**“Tariff”**) at the Mackie Creek Interconnection Meter Station. The Parties have agreed, subject to Section 3.1, to replace the Original Delivery PEA in its entirety by this PEA.
- C. Company has determined that the new facilities described in Schedule A (**“New Facilities”**) will be required to provide the service to Customer.
- D. Customer has agreed to the development costs for the New Facilities.

THEREFORE, Customer and Company agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

Except as specifically provided in this PEA, including in Schedule E (*Definitions*), the capitalized terms and phrases used but not defined in this PEA shall have the meaning ascribed to such terms and phrases in the Tariff.

1.2 Schedules

Attached to and forming an integral part of this PEA are the following schedules:

Schedule A – New Facilities

Schedule B – Service Documents

Schedule C – Development Costs

Schedule D – Schedule D Amount

Schedule E – Definitions

ARTICLE 2 THE WORK

2.1 Work Authorization

- (a) Customer authorizes Company to perform, or cause to be performed, the Work related to the New Facilities.
- (b) The Parties agree that Company is acting in its own right and not as agent or representative of Customer in Company's performance of the Work.

ARTICLE 3 CONDITION PRECEDENT

3.1 Condition Precedent

- (a) The obligations of Company under this PEA are subject to the condition precedent that on or before March 3, 2017, or such other date that Company may determine, new customers have executed project and expenditure authorizations and existing customers including Customer have executed amended and restated project and expenditure authorizations and associated schedules of service in forms acceptable to the Company for receipt in aggregate of a minimum of 39,660 10³m³/d (approximately 1.4 bcf/d) of natural gas on the Pipeline Project.
- (b) These conditions precedent are for the sole benefit of Company and may be waived by Company at any time.
- (c) Company shall give Customer Notice once the conditions precedent in Section 3.1(a) have been satisfied or waived. In the event that these conditions precedent are not satisfied or waived by the requested date, or such other date as the Company may agree, this PEA and Schedules of Service shall be of no force and effect and the Original Delivery PEA and Original Schedules of Service shall survive. Further, the Original Delivery PEA and Original Schedules of Service remain in effect until these conditions precedent are satisfied or waived.

ARTICLE 4 SERVICE DOCUMENTS

4.1 Service Documents

- (a) The Parties acknowledge that, as of the Effective Date, Customer has an FT-D Service Agreement dated July 26, 2013 (the “**Service Agreement**”), currently in effect.
- (b) The Parties have agreed to replace the Original Schedules of Service with, and Customer has executed concurrently with this PEA, the Schedules of Service attached in Schedule B (the “**Schedule(s) of Service**”) for the delivery in aggregate of 2340 terajoules per day (TJ/d) (equal to 2.054 bcf/d converted at 1080 btu/cf) of natural gas at the Meter Station facilities (“**Contract Demand**”). This PEA will not be effective and binding on Company unless the Schedule(s) of Service have been executed by Customer and Company. Subject to Section 3.1, once the Schedules of Service are executed by Customer, the Original Schedules of Service are terminated and no longer of any force and effect.
- (c) Customer acknowledges and agrees that the Service Agreement and the Schedule(s) of Service:
 - (i) properly describe the Service to be provided to Customer by Company; and
 - (ii) are properly executed on behalf of Customer by its duly authorized representatives.
- (d) The Schedule(s) of Service will become effective on the Billing Commencement Date, which is expected to be the same date as the Ready for Service Date. Company will provide Notice of the Billing Commencement Date pursuant to the Schedule(s) of Service.

4.2 Delivery Service

- (a) The obligations of Company to provide the Service are subject to:
 - (i) on or before July 1, 2019, a positive final investment decision on the proposed Pacific Northwest LNG Project being made and Customer issuing a final notice to proceed for the construction of the gas transmission pipeline to the Pacific Northwest LNG Project, and providing a copy of such notice to Company,
 - (ii) Customer executing schedules of service for the Additional Receipt Service pursuant to Customer Receipt PEA; and
 - (iii) the Billing Commencement Date for the Service commencing no earlier than 24 months after Customer meets the requirements set out in Section 4.2(a)(i) and no later than September 30, 2025 as agreed by Company and Customer.

ARTICLE 5 TARIFF

5.1 Tariff

- (a) Customer acknowledges that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.
- (b) The Service shall be provided in accordance with the Tariff as amended from time to time and as such terms may be modified by the conditions of service set out in the Service Documents.

ARTICLE 6 AUTHORIZED AMOUNT

6.1 Authorized Amount

- (a) Customer authorizes Company to incur any cost or expense for the account of Customer that Company determines appropriate in order to complete the Work, up to a maximum amount of **\$8,000,000.00** plus applicable taxes (the “**Authorized Amount**”). Customer acknowledges and agrees that the Authorized Amount is not a firm estimate, quotation or price for completion of the Work, and may be amended pursuant to Article 7.

ARTICLE 7 AMENDMENTS

7.1 Amendments Must Be in Writing

All amendments to this PEA must be in writing, and signed and delivered by both Company and Customer.

7.2 Amendment Procedure

- (a) In the event that any change to the terms and conditions of this PEA is required, including, but not limited to:
 - (i) a material change to the scope of the Work or the New Facilities;
 - (ii) an increase or decrease in the Authorized Amount or Estimated Total Cost by more than 20%; or
 - (iii) a change to the terms and conditions set forth in the Schedules of Service prior to the Billing Commencement Date,

Company will forward to Customer an amendment to this PEA (the “**Amendment**”). Customer shall execute and deliver the Amendment within 20 Banking Days of Customer’s receipt of the Amendment, unless such time is otherwise extended by Company in writing.

- (b) Company is not required to continue to perform any Work until it has received the executed Amendment from Customer.
- (c) For clarity, Company will provide Customer with Notice for increases or decreases of less than 20% in the Authorized Amount or Estimated Total Cost.

ARTICLE 8 APPROVALS

8.1 Customer Approvals

- (a) Customer shall be solely responsible for constructing and operating any connecting facilities upstream or downstream (as applicable) of the NGTL System that are required to receive or deliver the Gas (as applicable) for the Service (the “**Customer Facilities**”).
- (b) Customer shall proceed with due diligence to obtain all necessary permits, certificates, licences and authorizations (“**Customer Approvals**”) from all governmental and regulatory authorities having jurisdiction over the construction and operation of any Customer Facilities.
- (c) Within 10 Banking Days of the date of a request by Company, Customer shall provide written confirmation satisfactory to Company that Customer has obtained or will obtain all Customer Approvals. Customer shall promptly notify Company of any matter that will cause a material delay or denial of a Customer Approval.
- (d) Customer shall proceed or, where applicable, cause its Affiliate or designate to proceed, with due diligence to undertake and complete the work for the Customer Facilities.

8.2 Company Approvals

- (a) Company shall proceed with due diligence to obtain, or cause to be obtained, all necessary permits, licences, certificates and authorizations from all corporate (including Board of Directors), governmental and regulatory authorities having jurisdiction over Company and the New Facilities and that are required by Company in order to perform the Work and provide the Service (“**Company Approvals**”).
- (b) Customer shall use reasonable efforts to assist Company in obtaining any Company Approvals and Customer shall provide Company with any information or documentation Company determines necessary in order to obtain any Company Approvals.
- (c) For the purposes of this Section 8.2, Customer consents to Company disclosing Customer’s name and Contract Demand.

ARTICLE 9 TERMINATION

9.1 Customer Termination

- (a) Customer shall not be entitled to terminate this PEA.

9.2 Company Suspension and Termination Rights prior to Ready for Service Date

- (a) Company may, in its sole discretion, suspend the Work or terminate this PEA if any one or more of the following occurs, by giving Notice to Customer specifying the date of the suspension or termination:
 - (i) An Insolvency Event occurs in respect of Customer;
 - (ii) Customer Receipt PEA is terminated for any reason other than Ready for Service Date for such service;
 - (iii) Customer fails to provide the PEA Financial Assurances pursuant to Section 12.1(b) or fails to maintain the PEA Financial Assurances provided;
 - (iv) Customer fails to execute and deliver to Company any Amendment pursuant to Section 7.2;
 - (v) Customer fails to comply with any of the obligations set forth in Section 8.1(c) or Customer is not proceeding with due diligence to undertake work for Customer Facilities pursuant to Section 8.1(d); or
 - (vi) Company reasonably determines that Company will not be able to, or Company fails to, obtain any of Company Approvals on terms satisfactory to Company, or Company's NEB Certificate expires, is revoked, is amended on terms unsatisfactory to Company, or is terminated for any reason.

Where Company first elects to suspend the Work, Company may subsequently terminate this PEA by providing Customer with at least 7 Days prior Notice of termination.

9.3 Termination on Ready for Service Date

Unless earlier terminated pursuant to Section 9.2, this PEA will terminate on the Ready for Service Date. The Service Documents shall survive the termination of this PEA pursuant to this Section 9.3 and shall remain effective.

9.4 Term

Unless earlier terminated pursuant to Sections 9.2 or 9.3, or extended by Company by Notice to Customer, this PEA automatically terminates on September 30, 2025.

ARTICLE 10 OBLIGATION TO PAY

10.1 Payment for Termination prior to Ready for Service Date

- (a) If this PEA is terminated pursuant to Sections 9.2(a) or 9.4, the Customer shall pay to Company the amount equal to the Development Costs in Schedule C and the Schedule D Amount.
- (b) The amounts payable as a result of termination as set out in Section 10.1(a) represent a genuine and reasonable pre-estimate of the damages Company will sustain or incur and

are payable as liquidated damages and not as a penalty. Such damages are in addition to any other remedies that may be available to Company at law or equity.

- (c) With the exception of termination pursuant to Section 9.3 (Termination on Ready for Service), upon termination of this PEA, the Schedule(s) of Service shall terminate and Company shall have no obligations to provide any service described in the Schedule(s) of Service.
- (d) All payments to be made by Customer upon termination of this PEA shall be paid to Company on or before 30 Days after the date of the invoice from Company (the “**Payment Due Date**”). If Customer fails to pay any invoice received from Company by the Payment Due Date, Customer shall accrue and pay AFUDC and interest on any unpaid portion, up to and including the date of payment in full, at a rate per annum equal to the prime rate of interest as set by the Royal Bank of Canada, Main Branch, Calgary, Alberta plus 2%.
- (e) This Section 10.1 shall survive termination.

ARTICLE 11 READY FOR SERVICE

11.1 Estimated Ready for Service Date

- (a) Company estimates that it will complete the Work and provide Customer with a Ready for Service Date that is no later than September 30, 2025 (“**Estimated Ready for Service Date**”). Company may by Notice to Customer provide an earlier Estimated Ready for Service Date.
- (b) Company shall proceed diligently with the Work in an effort to complete the Work by the Estimated Ready for Service Date.
- (c) If Company determines it is unable to complete the Work by the Estimated Ready for Service Date, or the Work is otherwise delayed, Company shall give Customer Notice of the change in the Estimated Ready for Service Date.

ARTICLE 12 PEA FINANCIAL ASSURANCE

12.1 PEA Financial Assurance

- (a) At any time during the term of this PEA, in order to secure all obligations or potential obligations of Customer under this PEA, Company may request and Customer shall then provide and maintain, financial assurances in a type and form and from an issuer satisfactory to Company, in an amount up to the sum of the Authorized Amount and the Schedule D Amount (“**PEA Financial Assurances**”).
- (b) Customer shall provide PEA Financial Assurances as requested by Company no later than 10 Banking Days after the date of a request by Company. If Customer fails to provide the requested PEA Financial Assurances within such timeframe, Company may, at its sole discretion, suspend the Work and/or terminate this PEA pursuant to Section 9.2.

- (c) Any request for separate Financial Assurances related to gas transportation pursuant to the Service Documents will be made in accordance with the Tariff or provisions of the Schedules of Service. Such obligation is independent of and separate from the obligation of Customer under this Section 12.1.

ARTICLE 13 LIMITATION OF LIABILITY

13.1 Limitation of Liability

- (a) Subject to Section 13.1(b), Company is not liable to Customer or its directors, officers, consultants, agents, contractors or employees (collectively, “**Customer Associates**”) for any suit, claim, demand, action, proceeding, loss, cost, expense (including solicitor and his own client fees), injury, death or damage whatsoever, howsoever caused and whether contractual or tortious (collectively, “**Losses**”), asserted against or suffered or incurred by Customer, Customer Associates, or both, except and to the extent that such Losses are caused by the gross negligence or willful misconduct of Company.
- (b) Neither Party (including its directors, officers, consultants, agents, contractors or employees) is liable to the other Party (or its directors, officers, consultants, agents, contractors or employees) for any indirect, consequential, punitive, exemplary or similar damages related to this PEA, including, without limitation, business interruption loss, loss of profits, or whether or not such losses could have reasonably been foreseen on entry into this PEA; other than those losses that may be expressly set forth under this PEA.

ARTICLE 14 MISCELLANEOUS PROVISIONS

14.1 Headings

Headings are included solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents.

14.2 Title to Facilities

Customer acknowledges that it does not have and will not acquire, any right, title or interest in the New Facilities (or any portion of the New Facilities), or in any data, information, drawing, plan, equipment, materials, service or work, relating to the New Facilities, the Work, or both.

14.3 Customer’s Overpressure Protection Facilities

Customer shall be solely responsible for protecting its facilities downstream of the New Facilities from overpressure events that may result from delivery of gas by Company to Customer.

14.4 Notices

- (a) Any notice required to be given under this PEA must be in writing (“**Notice**”) and may be given personally, sent by email or other electronic transmission, or prepaid courier addressed to the other Party at the addresses below:

If to Customer:

Progress Energy Canada Ltd.
1200, 205 Fifth Avenue SW
Calgary, Alberta
T2P 2V7

Attention: [●]

Email: [●]

If to Company:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

With a copy to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

- (b) Notices will be deemed to be received upon personal or courier delivery, or in the case of email or other electronic transmission upon successful transmission, where the Notice is received by a Party prior to 4:00 pm Calgary time on a Banking Day. Any Notice received by a Party after 4:00 pm Calgary time on a Banking Day will be deemed to be received on the next Banking Day.
- (c) A Party may, at any time, change such Party’s address for the purposes of Section 14.4(a), by Notice to the other Party.

14.5 Audit

Where Customer has paid the Development Costs as a result of a termination prior to the Ready for Service Date pursuant to Section 10.1, the calculations underlying the Development Costs may be audited once by Customer or Customer’s authorized representative. The audit must be conducted during normal business hours within 12 months of the date this PEA terminates; and Customer must give reasonable Notice of the intended date of such audit to Company and comply with confidentiality obligations reasonably requested by Company. Customer is responsible for all of its own and Company’s expenses related to the audit. Customer shall ensure any audit is conducted to cause a minimum of inconvenience to Company. Company shall review and respond in a timely manner with respect to any discrepancy or reasonable question raised by Customer because of such audit.

14.6 Compliance with Laws

Customer and Company shall comply with all laws, regulations, rules and orders by governmental or administrative authorities having jurisdiction and which a laws, regulations,

rules and orders are applicable to the observance or performance of their respective obligations under this PEA.

14.7 Further Assurances

Customer and Company covenant and agree to provide such data and information, to execute and deliver such further documents and instruments, to give further assurances and to perform such acts as may be reasonably required by the other Party in order to carry out the purposes, intentions and provisions of this PEA.

14.8 Assignment

Customer shall not assign any interest pursuant to this PEA without prior written consent of Company which consent is within Company's sole discretion.

14.9 Entire Agreement and Amendments

This PEA and the Service Documents set forth the entire agreement between the Parties, and supersedes and replaces all previous discussions, understandings and agreements (excluding any confidentiality agreements between the Parties) respecting the subject matter. No amendment or variation of this PEA will be valid unless in writing and signed by the Parties.

14.10 Enurement

This PEA is binding upon and enures to the benefit of each of the Parties and their respective successors and permitted assigns.

14.11 Severability

If the whole or any portion of any provision of this PEA or the application of it to any circumstance shall be held invalid, unenforceable or superseded to any extent, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this PEA shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

14.12 Survival

The provisions of: Sections 1.1, 1.2, 10.1, 13.1, 14.2, 14.3, 14.4, 14.5, and 14.13 and the Service Documents pursuant to Section 9.3; and any other provisions of this PEA which, either by their express terms or by operation of their terms, are intended to be performed in whole or in part after termination or expiration of this PEA, shall survive such termination or expiration.

14.13 Governing Law

This PEA shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada, and each of the Parties irrevocably submits to the exclusive jurisdiction of the courts of the Province of Alberta for interpretation and enforcement of this PEA.

14.14 Counterpart Execution

This PEA may be executed in counterparts, which together constitute one and the same agreement. A facsimile or electronic pdf copy of this PEA containing the signature of a Party will be deemed to be an originally signed document.

DULY SIGNED AND DELIVERED as of the date first written above.

PROGRESS ENERGY CANADA LTD.

NOVA GAS TRANSMISSION LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE A

New Facilities

The New Facilities that are the subject of this PEA are all new facilities and modifications to existing facilities that Company or its agent determine appropriate for the Service requested by Customer, including:

- A new NPS 36 delivery meter stations located at C-027-I/094-B-01 to meet volumes identified in the Service Documents.

SCHEDULE B

Service Documents

(Attached)

**SCHEDULE OF SERVICE
RATE SCHEDULE FT-D****CUSTOMER: Progress Energy Canada Ltd.**

Schedule of Service Number	Delivery Point Number and Name	Legal Description	Maximum Delivery Pressure kPa	Secondary Term Start Date	Service Termination Date	Delivery Contract Demand GJ/d	Price Point	FT-D3 Sub- Group	Additional Conditions
TBD	#3823: Mackie Creek	C-027-I/094-B-01	9930	N/A See condition 1 Attachment 1	See condition 1, 2 Attachment I	1,170,000	A	N/A	See Condition 1, 2, 4, 5, 6 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED JULY 26, 2013 AND SHALL BE DEEMED TO BE ATTACHED THERETO.

PROGRESS ENERGY CANADA LTD.

Per:

Per:

NOVA Gas Transmission Ltd.

Per :

Per :

ATTACHMENT I

1. Customer and Company agree that the Primary Term will be 20 years and the Secondary Term will be 0 years, plus any partial billing month.
2. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company's letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
4. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer's services on the Facilities.
5. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
6. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

**SCHEDULE OF SERVICE
RATE SCHEDULE FT-D****CUSTOMER: Progress Energy Canada Ltd.**

Schedule of Service Number	Delivery Point Number and Name	Legal Description	Maximum Delivery Pressure kPa	Secondary Term Start Date	Service Termination Date	Delivery Contract Demand GJ/d	Price Point	FT-D3 Sub- Group	Additional Conditions
TBD	#3823: Mackie Creek	C-027-I/094-B-01	9930	N/A See condition 1 Attachment 1	See condition 1, 2 Attachment I	1,170,000	A	N/A	See Condition 1, 2, 4, 5, 6 Attachment I

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PROGRESS ENERGY CANADA LTD.

Per:

Per:

NOVA Gas Transmission Ltd.

Per :

Per :

ATTACHMENT I

1. Customer and Company agree that the Primary Term will be 20 years and the Secondary Term will be 0 years, plus any partial billing month.
2. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company's letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
4. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer's services on the Facilities.
5. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
6. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

SCHEDULE C

Development Costs

The Development Costs are the aggregate of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking Days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA; up to the Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 10.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 10.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Mitigation of Costs

In the event that payment of Development Costs in this Schedule C (the “**Schedule C Amount**”) is required as a result of a termination where the Pipeline Project is cancelled, Company shall issue Customer an invoice for such Schedule C Amount immediately upon termination and Customer shall pay such invoice within 30 days of receipt. Notwithstanding receipt of payment, Company shall make commercially reasonable efforts to mitigate Schedule C Amount for a period of 12 months following such termination. For the purposes of this clause, “mitigation” shall mean designating a current or future project in which all or a portion of the materials or engineering work designated for the Pipeline Project could be used. Any Schedule C Amount mitigated within the 12-month period shall be returned to Customer within 60 Days of Company receiving payment for such portion of materials or engineering work from another current or future project.

SCHEDULE D

Schedule D Amount

The Schedule D Amount is calculated to be zero (the “**Schedule D Amount**”).

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (a) total costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of upstream or downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Customer.

Customer acknowledges that the actual damages associated with upstream or downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

SCHEDULE E

Definitions

“Additional Receipt Service” has the meaning given in Customer Receipt PEA.

“Affiliate” means, in relation to a Party, any company or corporation which (i) directly or indirectly controls such Party; (ii) is directly or indirectly controlled by such Party; or (iii) is directly or indirectly controlled by a company or corporation which directly or indirectly controls such Party; where “controls”, “controlled by” and “under common control with” mean the possession directly, or indirectly through one or more intermediaries, of more than 50% of the outstanding voting stock of the company in question, or the power to direct or cause the direction of management policies of, any person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

“AFUDC” means Company’s allowance for funds used during construction.

“Amendment” has the meaning given in Section 7.2(a).

“Authorized Amount” has the meaning given in Section 6.1.

“Company” has the meaning given in the preamble.

“Company Approvals” has the meaning given in Section 8.2.

“Contract Demand” has the meaning given in Section 4.1(b).

“Customer” has the meaning given in the preamble.

“Customer Approvals” has the meaning given in Section 8.1.

“Customer Associates” has the meaning given in Section 13.1(a).

“Customer Facilities” has the meaning given in Section 8.1.

Customer Receipt PEA means that Amended and Restated PEA executed on or about March 3, 2017 which replaces the project and expenditure authorization between Customer and Company dated July 26, 2013 as amended by notice on April 8, 2015.

“Decision Date” means the date that is 30 Days after Company receives from the NEB or other body, as applicable, a decision on Company’s application to vary its NEB Certificate by waiving, modifying or removing Condition 4 of the NEB Certificate.

“Development Costs” has the meaning given in Schedule C.

“Effective Date” has the meaning given in the preamble.

“Estimated Ready for Service Date” has the meaning given in Section 11.1(a).

“Insolvency Event” means, in relation to any Person, the occurrence of one or more of the following events:

- (a) it ceases to meet its liabilities generally as they become due or gives Notice to any of its creditors that it has suspended or is about to suspend payment of its debts generally;

- (b) it institutes or has instituted against it any proceeding under bankruptcy or insolvency laws, including, the *Bankruptcy and Insolvency Act* (Canada), and *Companies' Creditors' Arrangement Act* (Canada) and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged or stayed within 30 days of being instituted;
- (c) it seeks relief under any companies or corporations legislation respecting creditors' rights;
- (d) it takes any steps for, or becomes the subject of any proceeding for, liquidation, dissolution, winding up or other termination of its existence; and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged, or stayed within 15 days of being instituted; or
- (e) a receiver or receiver manager of all or any part of its assets is appointed by any of its creditors or by a court of competent jurisdiction and such receiver or receiver manager is not discharged or removed within 15 days.

"Losses" has the meaning given in Section 13.1(a).

"Meter Station" means the Mackie Creek Sales delivery meter station located at or near Block I, 94-B-1 in the province of British Columbia.

"NEB" means the National Energy Board.

"NEB Certificate" means the NEB Certificate of Public Convenience and Necessity GC-125 issued to NGTL authorizing construction and operation of the North Montney Mainline.

"New Facilities" has the meaning given in the recitals.

"NGTL System" means NGTL's natural gas pipeline system comprised of approximately 25,000 km of pipeline, associated compression, and other facilities located in Alberta and British Columbia; subject to federal jurisdiction and regulation by the NEB.

"North Montney Mainline" means a proposed extension to the NGTL System to the North Montney area in northeastern British Columbia.

"Notice" has the meaning given in Section 14.4(a).

"Original Delivery PEA" has the meaning given in the recitals.

"Original Schedules of Service" means those schedules of service executed by Customer on July 26, 2013 and associated with the Original Delivery PEA.

"Party" means a party to this PEA, and **"Parties"** means all of the parties to this PEA, collectively.

"Payment Due Date" has the meaning given in Section 10.1(d).

"PEA" means this Project and Expenditure Authorization agreement and any schedules attached hereto in each case, as may be amended, modified, supplemented or restated from time to time.

"PEA Financial Assurances" has the meaning given in Section 12.1.

"Pipeline Project" has the meaning given in the recitals.

"Ready for Service Date" has the meaning given in the Tariff.

“Receipt Point” has the meaning given in the recitals.

“Schedule D Amount” has the meaning given in Schedule D.

“Schedule(s) of Service” has the meaning given in Section 4.1(b).

“Service” means the service as particularly described in the Schedule(s) of Service.

“Service Agreement” has the meaning given in Section 4.1(a).

“Service Documents” means collectively:

- (a) the Service Agreement, but only to the extent that the Service Agreement applies to the Service;
and
- (b) the Schedule(s) of Service.

“Tariff” has the meaning given in the recitals.

“Work” means all services and work related to the New Facilities that Company, its agent, or both, determine appropriate, including, but not limited to, preliminary study, engineering and design, procurement, obtaining regulatory approvals, construction and installation and associated site restoration and reclamation.

**North Montney Receipt PEA – Version A
Amended and Restated Project and Expenditure Authorization**

**AMENDED AND RESTATED
PROJECT AND EXPENDITURE AUTHORIZATION**

THIS AMENDED AND RESTATED PROJECT AND EXPENDITURE AUTHORIZATION (“PEA”) is dated as of the 1st day of March, 2017 (**“Effective Date”**).

BETWEEN:

[●], a company with an office in [●] (**“Customer”**)

AND

NOVA GAS TRANSMISSION LTD., a corporation with an office in
Calgary, Alberta (**“Company”**)

RECITALS:

- A. The Company has received a NEB Certificate, subject to conditions, to construct and operate the North Montney Mainline (**“NEB Certificate”**), which will extend the NGTL System from a location near the Saturn meter station at 14-21-80-20 W6M to Receipt Points in the Kahta area in northeast British Columbia, at or near D-30-K/94-G-07 (collectively the **“Pipeline Project”**).
- B. Company and Customer entered into a Project and Expenditure Authorization for firm receipt service dated [●], (the **“Original Receipt PEA”**) on the North Montney Mainline pursuant to Company’s Gas Transportation Tariff (**“Tariff”**) at a new meter station near [●].
- C. The Parties have agreed, subject to Section 3.1, to replace the Original Receipt PEA in its entirety by this PEA.
- D. Company has determined that the new facilities described in Schedule A (**“New Facilities”**) will be required to provide the service to Customer.
- E. Customer has agreed to underpin a portion of the development costs for the New Facilities.

THEREFORE, Customer and Company agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

Except as specifically provided in this PEA, including in Schedule E (*Definitions*), the capitalized terms and phrases used but not defined in this PEA shall have the meaning ascribed to such terms and phrases in the Tariff.

1.2 Schedules

Attached to and forming an integral part of this PEA are the following schedules:

Schedule A – New Facilities

Schedule B – Service Documents

Schedule C – Development Costs

Schedule D – Schedule D Amount

Schedule E – Definitions

ARTICLE 2 THE WORK

2.1 Work Authorization

- (a) Customer authorizes Company to perform, or cause to be performed, the Work related to the New Facilities.
- (b) The Parties agree that Company is acting in its own right and not as agent or representative of Customer in Company's performance of the Work.

ARTICLE 3 CONDITION PRECEDENT

3.1 Condition Precedent

- (a) The obligations of Company under this PEA are subject to the following conditions precedent:
 - (i) that on or before March 3, 2017, or such other date that Company may determine, customers, excluding Anchor Customer, requesting service at the New Facilities ("**Other Customers**") have executed project and expenditure authorizations for the Work ("**Other Customer PEAs**") and schedules of service in a form acceptable to Company, for receipt in aggregate of a minimum of 19,830 10³m³/d (approximately 700 mmcf/d); and
 - (ii) that on or before March 3, 2017, or such other date that Company may determine, Anchor Customer has executed an Amended and Restated Project and Expenditure Authorization ("**Anchor Customer PEA**") and associated Revised Schedules of Service for receipt in an aggregate of 19,830 10³m³/d (approximately 700 mmcf/d).
- (b) These conditions precedent are for the sole benefit of Company and may be waived by Company at any time.
- (c) Company shall give Customer Notice once the conditions precedent in Section 3.1(a) have been satisfied or waived. In the event that these conditions precedent are not satisfied or waived by the requested date, or such other date as the Company may agree,

this PEA and Schedules of Service shall be of no force and effect and the Original Receipt PEA and Original Schedules of Service shall survive. Further, the Original Receipt PEA and Original Schedules of Service remain in effect until these conditions precedent are satisfied or waived.

ARTICLE 4

SERVICE DOCUMENTS

4.1 Service Documents

- (a) The Parties acknowledge that, as of the Effective Date, Customer has an FT-R Service Agreement dated [●] (the “**Service Agreement**”), currently in effect.
- (b) The Parties have agreed to replace the Original Schedules of Service with, and Customer has executed concurrently with this PEA, the Schedules of Service attached in Schedule B (the “**Schedule(s) of Service**”). This PEA will not be effective and binding on Company unless the Schedule(s) of Service have been executed by Customer and Company. Subject to Section 3.1, once the Schedules of Service are executed by Customer, the Original Schedules of Service are terminated and no longer of any force and effect.
- (c) Customer acknowledges and agrees that the Service Agreement and the Schedule(s) of Service:
 - (i) properly describe the Service to be provided to Customer by Company; and
 - (ii) are properly executed on behalf of Customer by its duly authorized representatives.
- (d) The Schedule(s) of Service will become effective on the Billing Commencement Date, which is expected to be the same date as the Ready for Service Date. Company will provide Notice of the Billing Commencement Date pursuant to the Schedule(s) of Service.
- (e) Company anticipates that where the Ready for Service Date is the same date as the Estimated Ready for Service Date, the following dates will be applicable to the Schedules of Service as summarized below, subject to the terms of the Tariff:

Meter Station Locations	Contract Demand (e3m3/day)	Estimated Billing Commencement Date	Primary Term (yrs, mos)	Estimated Restricted Secondary Term Start Date	Restricted Secondary Term (yrs, mos)	Estimated Service Termination Date
[●]	[●]	[●]	[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]	[●]	[●]

ARTICLE 5 TARIFF

5.1 Tariff

- (a) Customer acknowledges that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.
- (b) The Service shall be provided in accordance with the Tariff as amended from time to time and as such terms may be modified by the conditions of service set out in the Service Documents.

ARTICLE 6 AUTHORIZED AMOUNT

6.1 Authorized Amount

- (a) On or prior to the Effective Date, Company estimates that it has incurred **\$356,470,000.00** plus applicable taxes in costs and expenses for the Work (the “**Estimated Total Initial Cost**”). Company estimates that it has incurred approximately **[\$●]** plus applicable taxes as Customer’s Share of the Estimated Total Initial Cost, as set out in Table 1 of Schedule A (the “**Initial Customer Authorized Amount**”).
- (b) After the Effective Date and up to the Decision Date, Company estimates that the total incremental estimated costs and expenses to continue the Work is **\$97,040,000.00** plus applicable taxes (the “**Estimated Total Incremental Initial Cost**”). Customer authorizes Company to incur up to a maximum amount of **[\$●]** plus applicable taxes for the account of the Customer to progress the Work after the Effective Date up to the Decision Date (the “**Incremental Initial Customer Authorized Amount**”). Customer acknowledges and agrees that the Incremental Initial Customer Authorized Amount is not a firm estimate, quotation or price, but is only an estimate of Customer’s Share of the Estimated Total Incremental Initial Cost as set out in Table 1 of Schedule A.
- (c) After the Decision Date, Company estimates that the total cost and expenses to complete the Work is **\$1,393,320,000.00** plus applicable taxes (the “**Estimated Total Cost**”). Customer authorizes Company to incur such costs and expenses, as Company may deem necessary or appropriate up to a maximum amount of **[\$●]** plus applicable taxes for the account of the Customer to complete the Work (the “**Total Customer Authorized Amount**”) as set out in Table 1 of Schedule A. Customer acknowledges and agrees that the Total Customer Authorized Amount is not a firm estimate, quotation or price, but is only a preliminary estimate of Customer’s Share as determined by Company of the Estimated Total Cost. For clarity, the Total Customer Authorized Amount is inclusive of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount.

ARTICLE 7 AMENDMENTS

7.1 Amendments Must Be in Writing

All amendments to this PEA must be in writing, and signed and delivered by both Company and Customer.

7.2 Amendment Procedure

- (a) In the event that any change to the terms and conditions of this PEA is required, including, but not limited to:
 - (i) a material change to the scope of the Work or the New Facilities;
 - (ii) an increase or decrease in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost by more than 20%; or
 - (iii) a change to the terms and conditions set forth in the Schedules of Service prior to the Billing Commencement Date,

Company will forward to Customer an amendment to this PEA (the “**Amendment**”). Customer shall execute and deliver the Amendment within 10 Banking Days of Customer’s receipt of the Amendment, unless such time is otherwise extended by Company in writing.

- (b) Company is not required to continue to perform any Work until it has received the executed Amendment from Customer.
- (c) For clarity, Company will provide Customer with Notice for increases or decreases of less than 20% in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost.

ARTICLE 8 APPROVALS

8.1 Customer Approvals

- (a) Customer shall be solely responsible for constructing and operating any connecting facilities upstream or downstream (as applicable) of the NGTL System that are required to receive or deliver the Gas (as applicable) for the Service (the “**Customer Facilities**”).
- (b) Customer shall proceed with due diligence to obtain all necessary permits, certificates, licences and authorizations (“**Customer Approvals**”) from all governmental and regulatory authorities having jurisdiction over the construction and operation of any Customer Facilities, and if applicable, to construct and operate any PC&OPP Facilities as required in Section 15.3.
- (c) Within 10 Banking Days of the date of a request by Company, Customer shall provide written confirmation satisfactory to Company that Customer has obtained or will obtain

all Customer Approvals. Customer shall promptly notify Company of any matter that will cause a material delay or denial of a Customer Approval.

- (d) Customer shall proceed or, where applicable, cause its Affiliate or designate to proceed, with due diligence to undertake and complete the work for the Customer Facilities.

8.2 Company Approvals

- (a) Company shall proceed with due diligence to obtain, or cause to be obtained, all necessary permits, licences, certificates and authorizations from all corporate (including Board of Directors), governmental and regulatory authorities having jurisdiction over Company and the New Facilities and that are required by Company in order to perform the Work and provide the Service (“**Company Approvals**”).
- (b) Customer shall use reasonable efforts to assist Company in obtaining any Company Approvals and Customer shall provide Company with any information or documentation Company determines necessary in order to obtain any Company Approvals.
- (c) For the purposes of this Section 8.2, Customer consents to Company disclosing Customer’s name and Contract Demand.

ARTICLE 9 OTHER CUSTOMER PEAS

9.1 Termination of Other Customer PEA

- (a) In the event Other Customer PEA is terminated for any reason, Company shall give Notice to Customer, any remaining Other Customer and Anchor Customer that an Other Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the terminating customer’s authorized amount. If Company determines (i) it is unable to reallocate the terminating customer’s authorized amount; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorizations and service documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to the Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the terminating customer pursuant to its project and expenditure authorization shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

9.2 Termination of Anchor Customer PEA

- (a) In the event that Anchor Customer PEA is terminated for any reason, Company shall give Notice to Customer and any remaining Other Customer that Anchor Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the Anchor Customer’s authorized amount and other obligations under Anchor Customer PEA. If

Company determines (i) it is unable to reallocate the Anchor Customer's authorized amount and other obligations under Anchor Customer PEA; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorization and Service Documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to the Company, then Company has the right, in its sole discretion, to terminate this PEA.

- (c) Any Schedule C payment received by Company from the Anchor Customer pursuant to its Anchor Customer PEA shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

ARTICLE 10 TERMINATION

10.1 Customer Termination

- (a) Anchor Customer shall be entitled to terminate its Anchor Customer PEA on or prior to the Decision Date for any reason upon giving Notice to Company. Anchor Customer is not entitled to terminate its Anchor Customer PEA after the Decision Date.
- (b) Customer is not entitled to terminate this PEA.

10.2 Company Suspension and Termination Rights prior to Ready for Service Date

- (a) Company may, in its sole discretion, suspend the Work or terminate this PEA if any one or more of the following occurs, by giving Notice to Customer specifying the date of the suspension or termination:
 - (i) An Insolvency Event occurs in respect of Customer;
 - (ii) An Other Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs and Anchor Customer PEA in accordance with Section 9.1;
 - (iii) Anchor Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs in accordance with Section 9.2;
 - (iv) Customer fails to provide the PEA Financial Assurances pursuant to Section 13.1(b) or fails to maintain the PEA Financial Assurances provided;
 - (v) Customer fails to execute and deliver to Company any Amendment pursuant to Section 7.2;
 - (vi) Customer fails to comply with any of the obligations set forth in Section 8.1(c) or Customer is not proceeding with due diligence to undertake work for Customer Facilities pursuant to Section 8.1(d);
 - (vii) Customer fails to construct the PC&OPP Facilities, if required by Company pursuant to Section 15.3; or

- (viii) Company reasonably determines that the Company will not be able to, or Company fails to, obtain any of Company approvals on terms satisfactory to Company, or Company's NEB Certificate expires, is revoked, is amended on terms unsatisfactory to Company, or is terminated for any reason.

Where Company first elects to suspend the Work, Company may subsequently terminate this PEA by providing Customer with at least 7 Days prior Notice of termination.

10.3 Termination on Ready for Service Date

Unless earlier terminated pursuant to Sections 10.1 or 10.2, this PEA will terminate on the Ready for Service Date. The Service Documents shall survive the termination of this PEA pursuant to this Section 10.3 and shall remain effective.

ARTICLE 11 OBLIGATION TO PAY

11.1 Payment for Termination prior to Ready for Service Date

- (a) If this PEA is terminated pursuant to Sections 10.2(a)(i), (ii), or (iv) through (viii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, the Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (b) If this PEA is terminated as a result of termination of Anchor Customer PEA pursuant to Section 10.2(a)(iii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (c) The amounts payable as a result of termination as set out in Sections 11.1(a) and (b) represent a genuine and reasonable pre-estimate of the damages Company will sustain or incur and are payable as liquidated damages and not as a penalty. Such damages are in addition to any other remedies that may be available to Company at law or equity.
- (d) With the exception of termination pursuant to Section 10.3 (Termination on Ready for Service), upon termination of this PEA, the Schedule(s) of Service shall terminate and Company shall have no obligations to provide any service described in the Schedule(s) of Service.
- (e) All payments to be made by Customer upon termination of this PEA shall be paid to Company on or before 30 Days after the date of the invoice from Company (the

“Payment Due Date”). If Customer fails to pay any invoice received from Company by the Payment Due Date, Customer shall accrue and pay interest on any unpaid portion, up to and including the date of payment in full, at a rate per annum equal to the prime rate of interest as set by the Royal Bank of Canada, Main Branch, Calgary, Alberta plus 2%.

- (f) This Section 11.1 shall survive termination.

ARTICLE 12 READY FOR SERVICE

12.1 Estimated Ready for Service Date

- (a) Company estimates that it will complete the Work and provide Customer with a Ready for Service Date of [●] (**“Estimated Ready for Service Date”**).
- (b) Company shall proceed diligently with the Work in an effort to complete the Work by the Estimated Ready for Service Date.
- (c) If Company determines it is unable to complete the Work by the Estimated Ready for Service Date, or the Work is otherwise delayed, Company shall give Customer Notice of the change in the Estimated Ready for Service Date.

ARTICLE 13 PEA FINANCIAL ASSURANCE

13.1 PEA Financial Assurance

- (a) At any time during the term of this PEA, in order to secure all obligations or potential obligations of Customer under this PEA, Company may request and Customer shall then provide and maintain, financial assurances in a type and form and from an issuer satisfactory to Company, in an amount up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount (**“PEA Financial Assurances”**).
- (b) Customer shall provide PEA Financial Assurances as requested by Company no later than 10 Banking Days after the date of a request by Company. If Customer fails to provide the requested PEA Financial Assurances within such timeframe, Company may, at its sole discretion, suspend the Work and/or terminate this PEA pursuant to Section 10.2.
- (c) Any request for separate Financial Assurances related to gas transportation pursuant to the Service Documents will be made in accordance with the Tariff or provisions of the Schedules of Service. Such obligation is independent of and separate from the obligation of Customer under this Section 13.1.

ARTICLE 14 LIMITATION OF LIABILITY

14.1 Limitation of Liability

- (a) Subject to Section 14.1(b), Company is not liable to Customer or its directors, officers, consultants, agents, contractors or employees (collectively, “**Customer Associates**”) for any suit, claim, demand, action, proceeding, loss, cost, expense (including solicitor and his own client fees), injury, death or damage whatsoever, howsoever caused and whether contractual or tortious (collectively, “**Losses**”), asserted against or suffered or incurred by Customer, Customer Associates, or both, except and to the extent that such Losses are caused by the gross negligence or willful misconduct of Company.
- (b) Neither Party (including its directors, officers, consultants, agents, contractors or employees) is liable to the other Party (or its directors, officers, consultants, agents, contractors or employees) for any indirect, consequential, punitive, exemplary or similar damages related to this PEA, including, without limitation, business interruption loss, loss of profits, or whether or not such losses could have reasonably been foreseen on entry into this PEA; other than those losses that may be expressly set forth under this PEA.

ARTICLE 15 MISCELLANEOUS PROVISIONS

15.1 Headings

Headings are included solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents.

15.2 Title to Facilities

Customer acknowledges that it does not have and will not acquire, any right, title or interest in the New Facilities (or any portion of the New Facilities), or in any data, information, drawing, plan, equipment, materials, service or work, relating to the New Facilities, the Work, or both.

15.3 Customer’s Overpressure Protection Facilities

Company may determine, at its sole discretion, that pressure control and overpressure protection facilities (the “**PC&OPP Facilities**”) are required on Customer Facilities, in connection with the New Facilities. If Company advises Customer that PC&OPP Facilities are required, Customer shall construct, own, and operate the PC&OPP Facilities at its own risk and expense, and in accordance with CSA Z662. Customer shall provide to Company, documentation demonstrating to Company’s satisfaction that Customer has installed and is operating PC&OPP Facilities on Customer Facilities in accordance with CSA Z662.

15.4 Notices

- (a) Any notice required to be given under this PEA must be in writing (“**Notice**”) and may be given personally, sent by email or other electronic transmission, or prepaid courier addressed to the other Party at the addresses below:

If to Customer:

[•]

Attention: [•]

Email: [•]

If to Company:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [•]

Email: [•]

With a copy to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [•]

Email: [•]

- (b) Notices will be deemed to be received upon personal or courier delivery, or in the case of email or other electronic transmission upon successful transmission, where the Notice is received by a Party prior to 4:00 pm Calgary time on a Banking Day. Any Notice received by a Party after 4:00 pm Calgary time on a Banking Day will be deemed to be received on the next Banking Day.
- (c) A Party may, at any time, change such Party’s address for the purposes of Section 15.4(a), by Notice to the other Party.

15.5 Audit

Where Customer has paid the Development Costs as a result of a termination prior to the Ready for Service Date pursuant to Section 11.1, the calculations underlying the Development Costs may be audited once by Customer or Customer’s authorized representative. The audit must be conducted during normal business hours within 12 months of the date this PEA terminates; and Customer must give reasonable Notice of the intended date of such audit to Company and comply with confidentiality obligations reasonably requested by Company. Customer is responsible for all of its own and Company’s expenses related to the audit. Customer shall ensure any audit is conducted to cause a minimum of inconvenience to Company. Company shall review and respond in a timely manner with respect to any discrepancy or reasonable question raised by Customer because of such audit.

15.6 Compliance with Laws

Customer and Company shall comply with all laws, regulations, rules and orders by governmental or administrative authorities having jurisdiction and which a laws, regulations,

rules and orders are applicable to the observance or performance of their respective obligations under this PEA.

15.7 Further Assurances

Customer and Company covenant and agree to provide such data and information, to execute and deliver such further documents and instruments, to give further assurances and to perform such acts as may be reasonably required by the other Party in order to carry out the purposes, intentions and provisions of this PEA.

15.8 Assignment

Neither Party may assign this PEA without the prior written consent of the other Party, which consent shall not be unreasonably withheld, provided however that:

- (a) either Party may at any time, without the consent of the other Party, pledge its interest pursuant to this PEA as security to any lender providing financing to such Party, and
- (b) Company shall be entitled to assign its rights and obligations under this PEA to an Affiliate without the consent of Customer.

15.9 Entire Agreement and Amendments

This PEA and the Service Documents set forth the entire agreement between the Parties, and supersedes and replaces all previous discussions, understandings and agreements (excluding any confidentiality agreements between the Parties) respecting the subject matter. No amendment or variation of this PEA will be valid unless in writing and signed by the Parties.

15.10 Enurement

This PEA is binding upon and enures to the benefit of each of the Parties and their respective successors and permitted assigns.

15.11 Severability

If the whole or any portion of any provision of this PEA or the application of it to any circumstance shall be held invalid, unenforceable or superseded to any extent, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this PEA shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

15.12 Survival

The provisions of: Sections 1.1, 1.2, 11.1, 14.1, 15.2, 15.3, 15.4, 15.5, and 15.13 and the Service Documents pursuant to Section 10.3; and any other provisions of this PEA which, either by their express terms or by operation of their terms, are intended to be performed in whole or in part after termination or expiration of this PEA, shall survive such termination or expiration.

15.13 Governing Law

This PEA shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada, and each of the Parties irrevocably submits to the exclusive

jurisdiction of the courts of the Province of Alberta for interpretation and enforcement of this PEA.

15.14 Counterpart Execution

This PEA may be executed in counterparts, which together constitute one and the same agreement. A facsimile or electronic pdf copy of this PEA containing the signature of a Party will be deemed to be an originally signed document.

DULY SIGNED AND DELIVERED as of the date first written above.

[●]

NOVA GAS TRANSMISSION LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE A

New Facilities

The New Facilities that are the subject of this PEA are all new facilities and modifications to existing facilities that Company or its agent determine appropriate for the Service requested by Customer, including:

- North Montney Mainline (Aitken Creek Section) pipeline from 14-21-80-20-W6M and extending to D-044-L/94-A-13
- North Montney Mainline (First Kahta Section) pipeline from D-44-L/94-A-13 and extending to 090-J/094-B-16
- Groundbirch Compressor Station located at SW-35-78-16-W6M
- Saturn Compressor Station located at NE-6-81-20-W6M
- Customer Specific Facilities located at or near [●]

Cost Allocation of the Work for the New Facilities – see Table 1

Table 1 – Cost Allocation for the portion of New Facilities required for Service on North Montney Mainline (Aitken Creek Section) and North Montney Mainline (First Kahta Section).

Section Reference	Description	Total Estimated Cost of the Work (Cdn \$ million)	Customer's Share of the Work	Customer's Estimated Share of the Cost of the Work (Cdn \$ million)
6.1(a)	On or prior to the Effective Date, Company estimates the costs and expenses incurred for the Work required to develop the Pipeline Project are:			
	Estimated Total Initial Cost	\$356.47		
	Initial Customer Authorized Amount		[●] %	\$ [●]
6.1(b)	After the Effective Date and up to the Decision Date, Company estimates the total incremental costs and expenses to progress the Work are:			
	Customer Specific Facilities		100%	\$ [●]
	Common Facilities	\$60.00	[●] %	\$ [●]
	Estimated Total Incremental Initial Cost	\$97.04		
	Incremental Initial Customer Authorized Amount		[●] %	\$ [●]
	Sum of Initial Customer Authorized Amount and Incremental Initial Customer Authorized Amount	\$453.51	[●] %	\$ [●]
6.1(c)	After the Decision Date, Company estimates that the total costs and expenses to complete the Work are:			
	Estimated Total Cost	\$1,393.32		
	Total Customer Authorized Amount		[●] %	\$ [●]

SCHEDULE B

Service Documents

(Attached)

CUSTOMER: [●]

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]

NOVA Gas Transmission Ltd.

Per:

Per:

Per:

Per:

ATTACHMENT I

Conditions:

1. Customer and Company agree that the Primary Term will be 5 years and the Secondary Term will be 15 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 15 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

CUSTOMER: [●]

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●] NOVA Gas Transmission Ltd.

Per: _____

Per: _____

Per: _____

Per: _____

ATTACHMENT I

Conditions:

1. Customer and Company agree that there will be no Primary Term. The Secondary Term will be 20 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 20 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

SCHEDULE C

Development Costs

Part 1 (Pre Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 2 (Post Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the Total Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

SCHEDULE D

Schedule D Amount

The Schedule D Amount shall be calculated as the cumulative present value of revenues for a period equal to 3 years of Secondary Term for the Service, which equals \$[●] (the “**Schedule D Amount**”).

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (a) Customer’s proportionate share (based on Customer’s Contract Demand to the total contract demand of Customer, Other Customers and Anchor Customer) of costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of upstream or downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Customer and Other Customers.

Customer acknowledges that the actual damages associated with upstream or downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

SCHEDULE E

Definitions

“**Affiliate**” means, in relation to a Party, any company or corporation which (i) directly or indirectly controls such Party; (ii) is directly or indirectly controlled by such Party; or (iii) is directly or indirectly controlled by a company or corporation which directly or indirectly controls such Party; where “controls”, “controlled by” and “under common control with” mean the possession directly, or indirectly through one or more intermediaries, of more than 50% of the outstanding voting stock of the company in question, or the power to direct or cause the direction of management policies of, any person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

“**AFUDC**” means Company’s allowance for funds used during construction.

“**Amendment**” has the meaning given in Section 7.2(a).

“**Anchor Customer**” means Progress Energy Canada Ltd. and its successors and assigns.

“**Anchor Customer PEA**” means that Amended and Restated PEA which replaces the PEA executed by Anchor Customer and Company dated July 26, 2013 as amended by notice on April 8, 2015.

“**Company**” has the meaning given in the preamble.

“**Company Approvals**” has the meaning given in Section 8.2.

“**Contract Demand**” has the meaning given in Section 4.1(e).

“**Customer**” has the meaning given in the preamble.

“**Customer Approvals**” has the meaning given in Section 8.1.

“**Customer Associates**” has the meaning given in Section 14.1(a).

“**Customer Facilities**” has the meaning given in Section 8.1.

“**Customer’s Share**” has the meaning given in Schedule A.

“**Customer Specific Facilities**” means Customer’s meter station facilities described in the Schedule A.

“**Decision Date**” means the date that is 30 Days after Company receives from the NEB or other body, as applicable, a decision on Company’s application to vary its NEB Certificate by waiving, modifying or removing Condition 4 of the NEB Certificate.

“**Development Costs**” has the meaning given in Schedule C.

“**Effective Date**” has the meaning given in the preamble.

“**Estimated Ready for Service Date**” has the meaning given in Section 12.1(a).

“**Estimated Total Cost**” has the meaning given in Section 6.1(c).

“**Estimated Total Incremental Initial Cost**” has the meaning given in Section 6.1(b).

“Estimated Total Initial Cost” has the meaning given in Section 6.1(a).

“Incremental Initial Customer Authorized Amount” has the meaning given in Section 6.1(b).

“Initial Customer Authorized Amount” has the meaning given in Section 6.1(a).

“Insolvency Event” means, in relation to any Person, the occurrence of one or more of the following events:

- (a) it ceases to meet its liabilities generally as they become due or gives Notice to any of its creditors that it has suspended or is about to suspend payment of its debts generally;
- (b) it institutes or has instituted against it any proceeding under bankruptcy or insolvency laws, including, the *Bankruptcy and Insolvency Act* (Canada), and *Companies’ Creditors’ Arrangement Act* (Canada) and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged or stayed within 30 days of being instituted;
- (c) it seeks relief under any companies or corporations legislation respecting creditors’ rights;
- (d) it takes any steps for, or becomes the subject of any proceeding for, liquidation, dissolution, winding up or other termination of its existence; and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged, or stayed within 15 days of being instituted; or
- (e) a receiver or receiver manager of all or any part of its assets is appointed by any of its creditors or by a court of competent jurisdiction and such receiver or receiver manager is not discharged or removed within 15 days.

“Losses” has the meaning given in Section 14.1(a).

“NEB” means the National Energy Board.

“NEB Certificate” means the NEB Certificate of Public Convenience and Necessity GC-125 issued to NGTL authorizing construction and operation of the North Montney Mainline.

“New Facilities” has the meaning given in the recitals.

“NGTL System” means NGTL’s natural gas pipeline system comprised of approximately 25,000 km of pipeline, associated compression, and other facilities located in Alberta and British Columbia; subject to federal jurisdiction and regulation by the NEB.

“North Montney Mainline” means the North Montney Mainline (Aitken Creek Section, the North Montney Mainline (First Kahta Section) and the North Montney Mainline (Second Kahta Section).

“North Montney Mainline (Aitken Creek Section)” has the meaning given in Schedule A.

“North Montney Mainline (First Kahta Section)” has the meaning given in Schedule A.

“Notice” has the meaning given in Section 15.4(a).

“Original Receipt PEA” has the meaning given in the recitals.

“Original Schedules of Service” means those schedules of service executed by Customer on October 17, 2013 and associated with the Original Receipt PEA.

“Other Customer” has the meaning given in Section 3.1(a).

“Other Customer PEAs” has the meaning given in Section 3.1(a).

“Party” means a party to this PEA, and **“Parties”** means all of the parties to this PEA, collectively.

“Payment Due Date” has the meaning given in Section 11.1(e).

“PC&OPP Facilities” has the meaning given in Section 15.3.

“PEA” means this Project and Expenditure Authorization agreement and any schedules attached hereto in each case, as may be amended, modified, supplemented or restated from time to time.

“PEA Financial Assurances” has the meaning given in Section 13.1.

“Pipeline Project” has the meaning given in the recitals.

“Ready for Service Date” has the meaning given in the Tariff.

“Receipt Meter Stations” means those meter stations identified in Schedule A.

“Receipt Point” has the meaning given in the recitals.

“Revised Schedules of Service” means those schedules of service executed by Anchor Customer in association with Anchor Customer PEA.

“Schedule D Amount” has the meaning given in Schedule D.

“Schedule(s) of Service” has the meaning given in Section 4.1(b).

“Service” means the service as particularly described in the Schedule(s) of Service.

“Service Agreement” has the meaning given in Section 4.1(a).

“Service Documents” means collectively:

- (a) the Service Agreement, but only to the extent that the Service Agreement applies to the Service; and
- (b) the Schedule(s) of Service.

“Tariff” has the meaning given in the recitals.

“Total Customer Authorized Amount” has the meaning given in Section 6.1(c).

“Work” means all services and work related to the New Facilities that Company, its agent, or both, determine appropriate, including, but not limited to, preliminary study, engineering and design, procurement, obtaining regulatory approvals, construction and installation and associated site restoration and reclamation.

**North Montney Receipt PEA – Version B
Amended and Restated Project and Expenditure Authorization**

PROJECT AND EXPENDITURE AUTHORIZATION

THIS PROJECT AND EXPENDITURE AUTHORIZATION (“PEA”) is dated as of the 1st day of March, 2017 (“**Effective Date**”).

BETWEEN:

[●], a company with an office in [●] (“**Customer**”)

AND

NOVA GAS TRANSMISSION LTD., a corporation with an office in Calgary, Alberta (“**Company**”)

RECITALS:

- A. The Company has received a NEB Certificate, subject to conditions, to construct and operate the North Montney Mainline (“**NEB Certificate**”), which will extend the NGTL System from a location near the Saturn meter station at 14-21-80-20 W6M to Receipt Points in the Kahta area in northeast British Columbia, at or near D-30-K/94-G-07 (collectively the “**Pipeline Project**”).
- B. Customer seeks to acquire FT-R Service on the North Montney Mainline pursuant to Company’s Gas Transportation Tariff (“**Tariff**”) at a new meter station near [●].
- C. Company has determined that the new facilities described in Schedule A (“**New Facilities**”) will be required to provide the service to Customer.
- D. Customer has agreed to underpin a portion of the development costs for the New Facilities.

THEREFORE, Customer and Company agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

Except as specifically provided in this PEA, including in Schedule E (*Definitions*), the capitalized terms and phrases used but not defined in this PEA shall have the meaning ascribed to such terms and phrases in the Tariff.

1.2 Schedules

Attached to and forming an integral part of this PEA are the following schedules:

Schedule A – New Facilities

Schedule B – Service Documents

Schedule C – Development Costs

Schedule D – Schedule D Amount

Schedule E – Definitions

ARTICLE 2 THE WORK

2.1 Work Authorization

- (a) Customer authorizes Company to perform, or cause to be performed, the Work related to the New Facilities.
- (b) The Parties agree that Company is acting in its own right and not as agent or representative of Customer in Company's performance of the Work.

ARTICLE 3 CONDITION PRECEDENT

3.1 Condition Precedent

- (a) The obligations of Company under this PEA are subject to the following conditions precedent:
 - (i) that on or before March 3, 2017, or such other date that Company may determine, customers, excluding Anchor Customer, requesting service at the New Facilities ("**Other Customers**") have executed project and expenditure authorizations for the Work ("**Other Customer PEAs**") and schedules of service in a form acceptable to Company, for receipt in aggregate of a minimum of 19,830 10³m³/d (approximately 700 mmcf/d); and
 - (ii) that on or before March 3, 2017, or such other date that Company may determine, Anchor Customer has executed an Amended and Restated Project and Expenditure Authorization ("**Anchor Customer PEA**") and associated Revised Schedules of Service for receipt in an aggregate of 19,830 10³m³/d (approximately 700 mmcf/d).
- (b) These conditions precedent are for the sole benefit of Company and may be waived by Company at any time.
- (c) Company shall give Customer Notice once the conditions precedent in Section 3.1(a) have been satisfied or waived. In the event that these conditions precedent are not

satisfied or waived by the requested date, or such other date as the Company may agree, this PEA shall have no force or effect.

ARTICLE 4 SERVICE DOCUMENTS

4.1 Service Documents

- (a) The Parties acknowledge that, as of the Effective Date, Customer has a FT-R Service Agreement dated [●] (the “**Service Agreement**”), currently in effect.
- (b) Customer has executed, concurrently with this PEA, the Schedules of Service attached in Schedule B (the “**Schedule(s) of Service**”). This PEA will not be effective and binding on Company unless the Service Agreement and Schedule(s) of Service have been executed by Customer and Company.
- (c) Customer acknowledges and agrees that the Service Agreement and the Schedule(s) of Service:
 - (i) properly describe the Service to be provided to Customer by Company; and
 - (ii) are properly executed on behalf of Customer by its duly authorized representatives.
- (d) The Schedule(s) of Service will become effective on the Billing Commencement Date, which is expected to be the same date as the Ready for Service Date. Company will provide Notice of the Billing Commencement Date pursuant to the Schedule(s) of Service.
- (e) Company anticipates that where the Ready for Service Date is the same date as the Estimated Ready for Service Date, the following dates will be applicable to the Schedules of Service as summarized below, subject to the terms of the Tariff:

Meter Station Locations	Contract Demand (e3m3/day)	Estimated Billing Commencement Date	Primary Term (yrs, mos)	Estimated Restricted Secondary Term Start Date	Restricted Secondary Term (yrs, mos)	Estimated Service Termination Date
[●]	[●]	[●]	[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]	[●]	[●]

ARTICLE 5 TARIFF

5.1 Tariff

- (a) Customer acknowledges that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.

- (b) The Service shall be provided in accordance with the Tariff as amended from time to time and as such terms may be modified by the conditions of service set out in the Service Documents.

ARTICLE 6 AUTHORIZED AMOUNT

6.1 Authorized Amount

- (a) On or prior to the Effective Date, Company estimates that it has incurred **\$356,470,000.00** plus applicable taxes in costs and expenses for the Work (the “**Estimated Total Initial Cost**”). Company estimates that it has incurred approximately **[\$●]** plus applicable taxes as Customer’s Share of the Estimated Total Initial Cost as set out in Table 1 of Schedule A (the “**Initial Customer Authorized Amount.**”)
- (b) After the Effective Date and up to the Decision Date, Company estimates that the total incremental estimated costs and expenses to continue the Work is **\$97,040,000.00** plus applicable taxes (the “**Estimated Total Incremental Initial Cost**”). Customer authorizes Company to incur up to a maximum amount of **[\$●]** plus applicable taxes for the account of the Customer to progress the Work after the Effective Date up to the Decision Date (the “**Incremental Initial Customer Authorized Amount**”). Customer acknowledges and agrees that the Incremental Initial Customer Authorized Amount is not a firm estimate, quotation or price, but is only an estimate of Customer’s Share of the Estimated Total Incremental Initial Cost as set out in Table 1 of Schedule A.
- (c) After the Decision Date, Company estimates that the total cost and expenses to complete the Work is **\$1,393,320,000.00** plus applicable taxes (the “**Estimated Total Cost**”). Customer authorizes Company to incur such costs and expenses, as Company may deem necessary or appropriate up to a maximum amount of **[\$●]** plus applicable taxes for the account of the Customer to complete the Work (the “**Total Customer Authorized Amount**”) as set out in Table 1 of Schedule A. Customer acknowledges and agrees that the Total Customer Authorized Amount is not a firm estimate, quotation or price, but is only a preliminary estimate of Customer’s Share as determined by Company of the Estimated Total Cost. For clarity, the Total Customer Authorized Amount is inclusive of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount.

ARTICLE 7 AMENDMENTS

7.1 Amendments Must Be in Writing

All amendments to this PEA must be in writing, and signed and delivered by both Company and Customer.

7.2 Amendment Procedure

- (a) In the event that any change to the terms and conditions of this PEA is required, including, but not limited to:
 - (i) a material change to the scope of the Work or the New Facilities;

- (ii) an increase or decrease in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost by more than 20%; or
- (iii) a change to the terms and conditions set forth in the Schedules of Service prior to the Billing Commencement Date,

Company will forward to Customer an amendment to this PEA (the “**Amendment**”). Customer shall execute and deliver the Amendment within 10 Banking Days of Customer’s receipt of the Amendment, unless such time is otherwise extended by Company in writing.

- (b) Company is not required to continue to perform any Work until it has received the executed Amendment from Customer.
- (c) For clarity, Company will provide Customer with Notice for increases or decreases of less than 20% in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost.

ARTICLE 8 APPROVALS

8.1 Customer Approvals

- (a) Customer shall be solely responsible for constructing and operating any connecting facilities upstream or downstream (as applicable) of the NGTL System that are required to receive or deliver the Gas (as applicable) for the Service (the “**Customer Facilities**”).
- (b) Customer shall proceed with due diligence to obtain all necessary permits, certificates, licences and authorizations (“**Customer Approvals**”) from all governmental and regulatory authorities having jurisdiction over the construction and operation of any Customer Facilities, and if applicable, to construct and operate any PC&OPP Facilities as required in Section 15.3.
- (c) Within 10 Banking Days of the date of a request by Company, Customer shall provide written confirmation satisfactory to Company that Customer has obtained or will obtain all Customer Approvals. Customer shall promptly notify Company of any matter that will cause a material delay or denial of a Customer Approval.
- (d) Customer shall proceed or, where applicable, cause its Affiliate or designate to proceed, with due diligence to undertake and complete the work for the Customer Facilities.

8.2 Company Approvals

- (a) Company shall proceed with due diligence to obtain, or cause to be obtained, all necessary permits, licences, certificates and authorizations from all corporate (including Board of Directors), governmental and regulatory authorities having jurisdiction over Company and the New Facilities and that are required by Company in order to perform the Work and provide the Service (“**Company Approvals**”).

- (b) Customer shall use reasonable efforts to assist Company in obtaining any Company Approvals and Customer shall provide Company with any information or documentation Company determines necessary in order to obtain any Company Approvals.
- (c) For the purposes of this Section 8.2, Customer consents to Company disclosing Customer's name and Contract Demand.

ARTICLE 9 OTHER CUSTOMER PEAS

9.1 Termination of Other Customer PEA

- (a) In the event Other Customer PEA is terminated for any reason, Company shall give Notice to Customer, any remaining Other Customer and Anchor Customer that an Other Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the terminating customer's authorized amount. If Company determines (i) it is unable to reallocate the terminating customer's authorized amount; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorizations and service documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the terminating customer pursuant to its project and expenditure authorization shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

9.2 Termination of Anchor Customer PEA

- (a) In the event that Anchor Customer PEA is terminated for any reason, Company shall give Notice to Customer and any remaining Other Customer that Anchor Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the Anchor Customer's authorized amount and other obligations under Anchor Customer PEA. If Company determines (i) it is unable to reallocate the Anchor Customer's authorized amount and other obligations under Anchor Customer PEA; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorization and Service Documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the Anchor Customer pursuant to its Anchor Customer PEA shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

ARTICLE 10 TERMINATION

10.1 Customer Termination

- (a) Anchor Customer shall be entitled to terminate its Anchor Customer PEA on or prior to the Decision Date for any reason upon giving Notice to Company. Anchor Customer is not entitled to terminate its Anchor Customer PEA after the Decision Date.
- (b) Customer is not entitled to terminate this PEA.

10.2 Company Suspension and Termination Rights prior to Ready for Service Date

- (a) Company may, in its sole discretion, suspend the Work or terminate this PEA if any one or more of the following occurs, by giving Notice to Customer specifying the date of the suspension or termination:
 - (i) An Insolvency Event occurs in respect of Customer;
 - (ii) An Other Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs and Anchor Customer PEA in accordance with Section 9.1;
 - (iii) Anchor Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs in accordance with Section 9.2;
 - (iv) Customer fails to provide the PEA Financial Assurances pursuant to Section 13.1(b) or fails to maintain the PEA Financial Assurances provided;
 - (v) Customer fails to execute and deliver to Company any Amendment pursuant to Section 7.2;
 - (vi) Customer fails to comply with any of the obligations set forth in Section 8.1(c) or Customer is not proceeding with due diligence to undertake work for Customer Facilities pursuant to Section 8.1(d);
 - (vii) Customer fails to construct the PC&OPP Facilities, if required by Company pursuant to Section 15.3; or
 - (viii) Company reasonably determines that the Company will not be able to, or Company fails to, obtain any of Company approvals on terms satisfactory to Company, or Company's NEB Certificate expires, is revoked, is amended on terms unsatisfactory to Company, or is terminated for any reason.

Where Company first elects to suspend the Work, Company may subsequently terminate this PEA by providing Customer with at least 7 Days prior Notice of termination.

10.3 Termination on Ready for Service Date

Unless earlier terminated pursuant to Sections 10.1 or 10.2, this PEA will terminate on the Ready for Service Date. The Service Documents shall survive the termination of this PEA pursuant to this Section 10.3 and shall remain effective.

ARTICLE 11 OBLIGATION TO PAY

11.1 Payment for Termination prior to Ready for Service Date

- (a) If this PEA is terminated pursuant to Sections 10.2(a)(i), (ii) or (iv) though (viii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, the Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (b) If this PEA is terminated as a result of termination of Anchor Customer PEA pursuant to Section 10.2(a)(iii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (c) The amounts payable as a result of termination as set out in Sections 11.1(a) and (b) represent a genuine and reasonable pre-estimate of the damages Company will sustain or incur and are payable as liquidated damages and not as a penalty. Such damages are in addition to any other remedies that may be available to Company at law or equity.
- (d) With the exception of termination pursuant to Section 10.3 (Termination on Ready for Service), upon termination of this PEA, the Schedule(s) of Service shall terminate and Company shall have no obligations to provide any service described in the Schedule(s) of Service.
- (e) All payments to be made by Customer upon termination of this PEA shall be paid to Company on or before 30 Days after the date of the invoice from Company (the “**Payment Due Date**”). If Customer fails to pay any invoice received from Company by the Payment Due Date, Customer shall accrue and pay interest on any unpaid portion, up to and including the date of payment in full, at a rate per annum equal to the prime rate of interest as set by the Royal Bank of Canada, Main Branch, Calgary, Alberta plus 2%.
- (f) This Section 11.1 shall survive termination.

ARTICLE 12 READY FOR SERVICE

12.1 Estimated Ready for Service Date

- (a) Company estimates that it will complete the Work and provide Customer with a Ready for Service Date of [●] (“**Estimated Ready for Service Date**”).

- (b) Company shall proceed diligently with the Work in an effort to complete the Work by the Estimated Ready for Service Date.
- (c) If Company determines it is unable to complete the Work by the Estimated Ready for Service Date, or the Work is otherwise delayed, Company shall give Customer Notice of the change in the Estimated Ready for Service Date.

ARTICLE 13

PEA FINANCIAL ASSURANCE

13.1 PEA Financial Assurance

- (a) At any time during the term of this PEA, in order to secure all obligations or potential obligations of Customer under this PEA, Company may request and Customer shall then provide and maintain, financial assurances in a type and form and from an issuer satisfactory to Company, in an amount up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount (“**PEA Financial Assurances**”).
- (b) Customer shall provide PEA Financial Assurances as requested by Company no later than 10 Banking Days after the date of a request by Company. If Customer fails to provide the requested PEA Financial Assurances within such timeframe, Company may, at its sole discretion, suspend the Work and/or terminate this PEA pursuant to Section 10.2.
- (c) Any request for separate Financial Assurances related to gas transportation pursuant to the Service Documents will be made in accordance with the Tariff or provisions of the Schedules of Service. Such obligation is independent of and separate from the obligation of Customer under this Section 13.1.

ARTICLE 14

LIMITATION OF LIABILITY

14.1 Limitation of Liability

- (a) Subject to Section 14.1(b), Company is not liable to Customer or its directors, officers, consultants, agents, contractors or employees (collectively, “**Customer Associates**”) for any suit, claim, demand, action, proceeding, loss, cost, expense (including solicitor and his own client fees), injury, death or damage whatsoever, howsoever caused and whether contractual or tortious (collectively, “**Losses**”), asserted against or suffered or incurred by Customer, Customer Associates, or both, except and to the extent that such Losses are caused by the gross negligence or willful misconduct of Company.
- (b) Neither Party (including its directors, officers, consultants, agents, contractors or employees) is liable to the other Party (or its directors, officers, consultants, agents, contractors or employees) for any indirect, consequential, punitive, exemplary or similar damages related to this PEA, including, without limitation, business interruption loss, loss of profits, or whether or not such losses could have reasonably been foreseen on entry into this PEA; other than those losses that may be expressly set forth under this PEA.

ARTICLE 15 MISCELLANEOUS PROVISIONS

15.1 Headings

Headings are included solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents.

15.2 Title to Facilities

Customer acknowledges that it does not have and will not acquire, any right, title or interest in the New Facilities (or any portion of the New Facilities), or in any data, information, drawing, plan, equipment, materials, service or work, relating to the New Facilities, the Work, or both.

15.3 Customer's Overpressure Protection Facilities

Company may determine, at its sole discretion, that pressure control and overpressure protection facilities (the "**PC&OPP Facilities**") are required on Customer Facilities, in connection with the New Facilities. If Company advises Customer that PC&OPP Facilities are required, Customer shall construct, own, and operate the PC&OPP Facilities at its own risk and expense, and in accordance with CSA Z662. Customer shall provide to Company, documentation demonstrating to Company's satisfaction that Customer has installed and is operating PC&OPP Facilities on Customer Facilities in accordance with CSA Z662.

15.4 Notices

- (a) Any notice required to be given under this PEA must be in writing ("**Notice**") and may be given personally, sent by email or other electronic transmission, or prepaid courier addressed to the other Party at the addresses below:

If to Customer:

[●]

Attention: [●]

Email: [●]

If to Company:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

With a copy to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

- (b) Notices will be deemed to be received upon personal or courier delivery, or in the case of email or other electronic transmission upon successful transmission, where the Notice is

received by a Party prior to 4:00 pm Calgary time on a Banking Day. Any Notice received by a Party after 4:00 pm Calgary time on a Banking Day will be deemed to be received on the next Banking Day.

- (c) A Party may, at any time, change such Party's address for the purposes of Section 15.4(a), by Notice to the other Party.

15.5 Audit

Where Customer has paid the Development Costs as a result of a termination prior to the Ready for Service Date pursuant to Section 11.1, the calculations underlying the Development Costs may be audited once by Customer or Customer's authorized representative. The audit must be conducted during normal business hours within 12 months of the date this PEA terminates; and Customer must give reasonable Notice of the intended date of such audit to Company and comply with confidentiality obligations reasonably requested by Company. Customer is responsible for all of its own and Company's expenses related to the audit. Customer shall ensure any audit is conducted to cause a minimum of inconvenience to Company. Company shall review and respond in a timely manner with respect to any discrepancy or reasonable question raised by Customer because of such audit.

15.6 Compliance with Laws

Customer and Company shall comply with all laws, regulations, rules and orders by governmental or administrative authorities having jurisdiction and which a laws, regulations, rules and orders are applicable to the observance or performance of their respective obligations under this PEA.

15.7 Further Assurances

Customer and Company covenant and agree to provide such data and information, to execute and deliver such further documents and instruments, to give further assurances and to perform such acts as may be reasonably required by the other Party in order to carry out the purposes, intentions and provisions of this PEA.

15.8 Assignment

Neither Party may assign this PEA without the prior written consent of the other Party, which consent shall not be unreasonably withheld, provided however that:

- (a) either Party may at any time, without the consent of the other Party, pledge its interest pursuant to this PEA as security to any lender providing financing to such Party, and
- (b) Company shall be entitled to assign its rights and obligations under this PEA to an Affiliate without the consent of Customer.

15.9 Entire Agreement and Amendments

This PEA and the Service Documents set forth the entire agreement between the Parties, and supersedes and replaces all previous discussions, understandings and agreements (excluding any confidentiality agreements between the Parties) respecting the subject matter. No amendment or variation of this PEA will be valid unless in writing and signed by the Parties.

15.10 Enurement

This PEA is binding upon and enures to the benefit of each of the Parties and their respective successors and permitted assigns.

15.11 Severability

If the whole or any portion of any provision of this PEA or the application of it to any circumstance shall be held invalid, unenforceable or superseded to any extent, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this PEA shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

15.12 Survival

The provisions of: Sections 1.1, 1.2, 11.1, 14.1, 15.2, 15.3, 15.4, 15.5, and 15.13 and the Service Documents pursuant to Section 10.3; and any other provisions of this PEA which, either by their express terms or by operation of their terms, are intended to be performed in whole or in part after termination or expiration of this PEA, shall survive such termination or expiration.

15.13 Governing Law

This PEA shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada, and each of the Parties irrevocably submits to the exclusive jurisdiction of the courts of the Province of Alberta for interpretation and enforcement of this PEA.

15.14 Counterpart Execution

This PEA may be executed in counterparts, which together constitute one and the same agreement. A facsimile or electronic pdf copy of this PEA containing the signature of a Party will be deemed to be an originally signed document.

DULY SIGNED AND DELIVERED as of the date first written above.

[●]

NOVA GAS TRANSMISSION LTD.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

SCHEDULE A

New Facilities

The New Facilities that are the subject of this PEA are all new facilities and modifications to existing facilities that Company or its agent determine appropriate for the Service requested by Customer, including:

- North Montney Mainline (Aitken Creek Section) pipeline from 14-21-80-20-W6M and extending to D-044-L/94-A-13
- North Montney Mainline (First Kahta Section) pipeline from D-44-L/94-A-13 and extending to 090-J/094-B-16
- Groundbirch Compressor Station located at SW-35-78-16-W6M
- Saturn Compressor Station located at NE-6-81-20-W6M
- Customer Specific Facilities located at or near [●]

Cost Allocation of the Work for the New Facilities – see Table 1

Table 1 – Cost Allocation for the portion of New Facilities required for Service on North Montney Mainline (Aitken Creek Section) and North Montney Mainline (First Kahta Section).

Section Reference	Description	Total Estimated Cost of the Work (Cdn \$ million)	Customer's Share of the Work	Customer's Estimated Share of the Cost of the Work (Cdn \$ million)
6.1(a)	On or prior to the Effective Date, Company estimates the costs and expenses incurred for the Work required to develop the Pipeline Project are:			
	Estimated Total Initial Cost	\$356.47		
	Initial Customer Authorized Amount		[●]%	\$[●]
6.1(b)	After the Effective Date and up to the Decision Date, Company estimates the total incremental costs and expenses to progress the Work are:			
	Customer Specific Facilities		100%	\$ [●]
	Common Facilities	\$60.00	[●] %	\$ [●]
	Estimated Total Incremental Initial Cost	\$97.04		
	Incremental Initial Customer Authorized Amount		[●] %	\$ [●]
	Sum of Initial Customer Authorized Amount and Incremental Initial Customer Authorized Amount	\$453.51	[●] %	\$ [●]
6.1(c)	After the Decision Date, Company estimates that the total costs and expenses to complete the Work are:			
	Estimated Total Cost	\$1,393.32		
	Total Customer Authorized Amount		[●] %	\$ [●]

SCHEDULE B

Service Documents

(Attached)

CUSTOMER: [●]

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]

NOVA Gas Transmission Ltd.

.

Per:

Per:

Per:

Per:

ATTACHMENT I

Conditions:

1. Customer and Company agree that the Primary Term will be 5 years and the Secondary Term will be 15 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 15 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

CUSTOMER: [●]

**SCHEDULE OF
SERVICE RATE
SCHEDULE FT-R**

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Secondary Term Start Date	Service Termination Date	Receipt Contract Demand $10^3 \text{ m}^3/\text{d}$	Price Point	Additional Conditions
[●]	[●]	[●]	9930	See Condition 1, 2 Attachment I	See Condition 3 Attachment I	[●]	A	See Conditions 1, 2, 4, 5, 6, 7 Attachment I

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]

NOVA Gas Transmission Ltd.

Per: _____

Per: _____

Per: _____

Per: _____

ATTACHMENT I

Conditions:

1. Customer and Company agree that there will be no Primary Term. The Secondary Term will be 20 years, plus any partial billing month.
2. Customer and Company agree that transfers during the Secondary Term will be restricted to eligible receipt points on the North Montney Mainline (“**Restricted Secondary Term**”). The Restricted Secondary Term shall commence on the date that is not less than 20 years plus any partial month prior to the Service Termination Date. Once Company determines the Billing Commencement Date, Company and Customer agree that the Restricted Secondary Term start date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
3. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company’s letter to Customer declaring the Billing Commencement Date.
4. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
5. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer’s services on the Facilities.
6. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
7. Company shall provide Customer with Notice identifying final Schedule of Service Number, Receipt Point Number and Name and Legal description and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

SCHEDULE C

Development Costs

Part 1 (Pre Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 2 (Post Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the Total Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

SCHEDULE D

Schedule D Amount

The Schedule D Amount shall be calculated as the cumulative present value of revenues for a period equal to 3 years of Secondary Term for the Service, which equals \$[●] (the “**Schedule D Amount**”).

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (a) Customer’s proportionate share (based on Customer’s Contract Demand to the total contract demand of Customer, Other Customers and Anchor Customer) of costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of upstream or downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Customer and Other Customers.

Customer acknowledges that the actual damages associated with upstream or downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

SCHEDULE E

Definitions

“**Affiliate**” means, in relation to a Party, any company or corporation which (i) directly or indirectly controls such Party; (ii) is directly or indirectly controlled by such Party; or (iii) is directly or indirectly controlled by a company or corporation which directly or indirectly controls such Party; where “controls”, “controlled by” and “under common control with” mean the possession directly, or indirectly through one or more intermediaries, of more than 50% of the outstanding voting stock of the company in question, or the power to direct or cause the direction of management policies of, any person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

“**AFUDC**” means Company’s allowance for funds used during construction.

“**Amendment**” has the meaning given in Section 7.2(a).

“**Anchor Customer**” means Progress Energy Canada Ltd. and its successors and assigns.

“**Anchor Customer PEA**” means that Amended and Restated PEA which replaces the PEA executed by Anchor Customer and Company dated July 26, 2013 as amended by notice on April 8, 2015.

“**Company**” has the meaning given in the preamble.

“**Company Approvals**” has the meaning given in Section 8.2.

“**Contract Demand**” has the meaning given in Section 4.1(e).

“**Customer**” has the meaning given in the preamble.

“**Customer Approvals**” has the meaning given in Section 8.1.

“**Customer Associates**” has the meaning given in Section 14.1(a).

“**Customer Facilities**” has the meaning given in Section 8.1.

“**Customer’s Share**” has the meaning given in Schedule A.

“**Customer Specific Facilities**” means Customer’s meter station facilities described in the Schedule A.

“**Decision Date**” means the date that is 30 Days after Company receives from the NEB or other body, as applicable, a decision on Company’s application to vary its NEB Certificate by waiving, modifying or removing Condition 4 of the NEB Certificate.

“**Development Costs**” has the meaning given in Schedule C.

“**Effective Date**” has the meaning given in the preamble.

“**Estimated Ready for Service Date**” has the meaning given in Section 12.1(a).

“**Estimated Total Cost**” has the meaning given in Section 6.1(c).

“**Estimated Total Incremental Initial Cost**” has the meaning given in Section 6.1(b).

“Estimated Total Initial Cost” has the meaning given in Section 6.1(a).

“Incremental Initial Customer Authorized Amount” has the meaning given in Section 6.1(b).

“Initial Customer Authorized Amount” has the meaning given in Section 6.1(a).

“Insolvency Event” means, in relation to any Person, the occurrence of one or more of the following events:

- (a) it ceases to meet its liabilities generally as they become due or gives Notice to any of its creditors that it has suspended or is about to suspend payment of its debts generally;
- (b) it institutes or has instituted against it any proceeding under bankruptcy or insolvency laws, including, the *Bankruptcy and Insolvency Act* (Canada), and *Companies’ Creditors’ Arrangement Act* (Canada) and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged or stayed within 30 days of being instituted;
- (c) it seeks relief under any companies or corporations legislation respecting creditors’ rights;
- (d) it takes any steps for, or becomes the subject of any proceeding for, liquidation, dissolution, winding up or other termination of its existence; and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged, or stayed within 15 days of being instituted; or
- (e) a receiver or receiver manager of all or any part of its assets is appointed by any of its creditors or by a court of competent jurisdiction and such receiver or receiver manager is not discharged or removed within 15 days.

“Losses” has the meaning given in Section 14.1(a).

“NEB” means the National Energy Board.

“NEB Certificate” means the NEB Certificate of Public Convenience and Necessity GC-125 issued to NGTL authorizing construction and operation of the North Montney Mainline.

“New Facilities” has the meaning given in the recitals.

“NGTL System” means NGTL’s natural gas pipeline system comprised of approximately 25,000 km of pipeline, associated compression, and other facilities located in Alberta and British Columbia; subject to federal jurisdiction and regulation by the NEB.

“North Montney Mainline” means the North Montney Mainline (Aitken Creek Section, the North Montney Mainline (First Kahta Section) and the North Montney Mainline (Second Kahta Section).

“North Montney Mainline (Aitken Creek Section)” has the meaning given in Schedule A.

“North Montney Mainline (First Kahta Section)” has the meaning given in Schedule A.

“Notice” has the meaning given in Section 15.4(a).

“Other Customer” has the meaning given in Section 3.1(a).

“Other Customer PEAs” has the meaning given in Section 3.1(a).

“**Party**” means a party to this PEA, and “**Parties**” means all of the parties to this PEA, collectively.

“**Payment Due Date**” has the meaning given in Section 11.1(e).

“**PC&OPP Facilities**” has the meaning given in Section 15.3.

“**PEA**” means this Project and Expenditure Authorization agreement and any schedules attached hereto in each case, as may be amended, modified, supplemented or restated from time to time.

“**PEA Financial Assurances**” has the meaning given in Section 13.1.

“**Pipeline Project**” has the meaning given in the recitals.

“**Ready for Service Date**” has the meaning given in the Tariff.

“**Receipt Meter Stations**” means those meter stations identified in Schedule A.

“**Receipt Point**” has the meaning given in the recitals.

“**Revised Schedules of Service**” means those schedules of service executed by Anchor Customer in association with Anchor Customer PEA.

“**Schedule D Amount**” has the meaning given in Schedule D.

“**Schedule(s) of Service**” has the meaning given in Section 4.1(a).

“**Service**” means the service as particularly described in the Schedule(s) of Service.

“**Service Agreement**” has the meaning given in Section 4.1(a).

“**Service Documents**” means collectively:

- (a) the Service Agreement, but only to the extent that the Service Agreement applies to the Service; and
- (b) the Schedule(s) of Service.

“**Tariff**” has the meaning given in the recitals.

“**Total Customer Authorized Amount**” has the meaning given in Section 6.1(c).

“**Work**” means all services and work related to the New Facilities that Company, its agent, or both, determine appropriate, including, but not limited to, preliminary study, engineering and design, procurement, obtaining regulatory approvals, construction and installation and associated site restoration and reclamation.

**North Montney Receipt PEA – Version C
Amended and Restated Project and Expenditure Authorization**

**AMENDED AND RESTATED
PROJECT AND EXPENDITURE AUTHORIZATION**

THIS AMENDED AND RESTATED PROJECT AND EXPENDITURE AUTHORIZATION (“PEA”) is dated as of the 1 day of March, 2017 (“**Effective Date**”).

BETWEEN:

[●], a corporation with an office in [●] (“**Customer**”)

AND

NOVA GAS TRANSMISSION LTD., a corporation with an office in
Calgary, Alberta (“**Company**”)

RECITALS:

- A. The Company has received a NEB Certificate, subject to conditions, to construct and operate the North Montney Mainline (“**NEB Certificate**”), which will extend the NGTL System from a location near the Saturn meter station at 14-21-80-20 W6M to Receipt Points in the Kahta area in northeast British Columbia, at or near D-30-K/94-G-07 (collectively the “**Pipeline Project**”).
- B. Company and Customer entered into a Project and Expenditure Authorization for firm receipt service dated [●] (the “**Original Receipt PEA**”) on the North Montney Mainline pursuant to Company’s Gas Transportation Tariff (“**Tariff**”) at the Aitken Creek Interconnect Meter Station.
- C. Company and Customer entered into a Project and Expenditure Authorization for facilities connection service dated [●] (the “**Original Storage PEA**”) on the Pipeline Project pursuant to the Tariff.
- D. Company has certain procedures relating to the connection of gas storage facilities to the NGTL system which are attached to this PEA as Schedule “F”, which procedures may be modified from time to time (the “**Storage Procedures**”).
- E. The Parties have agreed, subject to Section 3.1, to replace the Original Receipt PEA and the Original Storage PEA in their entirety by this PEA. For clarity, Customer has requested, and Company agreed, to terminate the Original Receipt PEA and associated service documents and incorporate certain cost obligations of the Original Receipt PEA into this PEA.
- F. Company has determined that the new facilities and connecting facilities described in Schedule A (“**New Facilities**”) will be required to provide the facilities connection service to Customer.
- G. Customer has agreed to underpin a portion of the development costs for the New Facilities.

THEREFORE, Customer and Company agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Except as specifically provided in this PEA, including in Schedule E (*Definitions*), the capitalized terms and phrases used but not defined in this PEA shall have the meaning ascribed to such terms and phrases in the Tariff.

1.2 Schedules

Attached to and forming an integral part of this PEA are the following schedules:

Schedule A – New Facilities

Schedule B – Service Documents

Schedule C – Development Costs

Schedule D – Schedule D Amount

Schedule E – Definitions

Schedule F – Storage Procedures

ARTICLE 2 THE WORK

2.1 Work Authorization

- (a) Customer authorizes Company to perform, or cause to be performed, the Work related to the New Facilities.
- (b) The Parties agree that Company is acting in its own right and not as agent or representative of Customer in Company's performance of the Work.

ARTICLE 3 CONDITION PRECEDENT

3.1 Condition Precedent

- (a) The obligations of Company under this PEA are subject to the following conditions precedent:
 - (i) that on or before March 3, 2017, or such other date that Company may determine, customers, excluding Anchor Customer, requesting service at the New Facilities ("**Other Customers**") have executed project and expenditure authorizations for the Work ("**Other Customer PEAs**") and schedules of service in a form acceptable to Company, for receipt in aggregate of a minimum of 19,830 10³m³/d (approximately 700 mmcf/d); and

- (ii) that on or before March 3, 2017, or such other date that Company may determine, Anchor Customer has executed an Amended and Restated Project and Expenditure Authorization (“**Anchor Customer PEA**”) and associated Revised Schedules of Service for receipt in an aggregate of 19,830 10³m³/d (approximately 700 mmcf/d).
- (b) These conditions precedent are for the sole benefit of Company and may be waived by Company at any time.
- (c) Company shall give Customer Notice once the conditions precedent in Section 3.1(a) have been satisfied or waived. In the event that these conditions precedent are not satisfied or waived by the requested date, or such other date as the Company may agree, this PEA and Schedule(s) of Service shall be of no force and effect and the Original Receipt PEA and Original Schedules of Service shall survive. Further, the Original Receipt PEA and Original Schedules of Service remain in effect until these conditions precedent are satisfied or waived.

ARTICLE 4 SERVICE DOCUMENTS

4.1 Service Documents

- (a) The Parties acknowledge that, as of the Effective Date, Customer has an FT-R Service Agreement dated [●] and a FCS Service Agreement dated [●] currently in effect.
- (b) The Parties have agreed to terminate the FT-R Service Agreement and Original Receipt Schedule of Service and to replace the Original Storage Schedule of Service with, and Customer has executed concurrently with this PEA, the Schedule of Service attached in Schedule B (the “**Schedule(s) of Service**”). This PEA will not be effective and binding on Company unless the Schedule(s) of Service have been executed by Customer and Company. Subject to Section 3.1, once the Schedule(s) of Service are executed by Customer, the Original Schedules of Service are terminated and no longer of any force and effect.
- (c) Customer acknowledges and agrees that the FCS Service Agreement (“**Service Agreement**”) and the Schedule(s) of Service:
 - (i) properly describe the Service to be provided to Customer by Company; and
 - (ii) are properly executed on behalf of Customer by its duly authorized representatives.
- (d) The Schedule(s) of Service will become effective on the Billing Commencement Date, which is expected to be the same date as the Ready for Service Date. Company will provide Notice of the Billing Commencement Date pursuant to the Schedule(s) of Service.

ARTICLE 5 TARIFF

5.1 Tariff

- (a) Customer acknowledges that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.
- (b) The Service shall be provided in accordance with the Tariff as amended from time to time and as such terms may be modified by the conditions of service set out in the Service Documents.

ARTICLE 6 AUTHORIZED AMOUNT

6.1 Authorized Amount

- (a) On or prior to the Effective Date, Company estimates that it has incurred **\$356,470,000.00** plus applicable taxes in costs and expenses for the Work (the “**Estimated Total Initial Cost**”). Company estimates that it has incurred approximately **\$[●]** plus applicable taxes as Customer’s Share of the Estimated Total Initial Cost, as set out in Table 1 of Schedule A (the “**Initial Customer Authorized Amount**”).
- (b) After the Effective Date and up to the Decision Date, Company estimates that the total incremental estimated costs and expenses to continue the Work is **\$97,040,000.00** plus applicable taxes (the “**Estimated Total Incremental Initial Cost**”). Customer authorizes Company to incur up to a maximum amount of **\$[●]** plus applicable taxes for the account of the Customer to progress the Work after the Effective Date up to the Decision Date (the “**Incremental Initial Customer Authorized Amount**”). Customer acknowledges and agrees that the Incremental Initial Customer Authorized Amount is not a firm estimate, quotation or price, but is only an estimate of Customer’s Share of the Estimated Total Incremental Initial Cost as set out in Table 1 of Schedule A.
- (c) After the Decision Date, Company estimates that the total cost and expenses to complete the Work is **\$1,393,320,000.00** plus applicable taxes (the “**Estimated Total Cost**”). Customer authorizes Company to incur such costs and expenses, as Company may deem necessary or appropriate up to a maximum amount of **\$[●]** plus applicable taxes for the account of the Customer to complete the Work (the “**Total Customer Authorized Amount**”) as set out in Table 1 of Schedule A. Customer acknowledges and agrees that the Total Customer Authorized Amount is not a firm estimate, quotation or price, but is only a preliminary estimate of Customer’s Share as determined by Company of the Estimated Total Cost. For clarity, the Total Customer Authorized Amount is inclusive of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount.

ARTICLE 7 AMENDMENTS

7.1 Amendments Must Be in Writing

All amendments to this PEA must be in writing, and signed and delivered by both Company and Customer.

7.2 Amendment Procedure

- (a) In the event that any change to the terms and conditions of this PEA is required, including, but not limited to:
 - (i) a material change to the scope of the Work or the New Facilities;
 - (ii) an increase or decrease in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost by more than 20%; or
 - (iii) a change to the terms and conditions set forth in the Schedule(s) of Service prior to the Billing Commencement Date,

Company will forward to Customer an amendment to this PEA (the “**Amendment**”). Customer shall execute and deliver the Amendment within 10 Banking Days of Customer’s receipt of the Amendment, unless such time is otherwise extended by Company in writing.

- (b) Company is not required to continue to perform any Work until it has received the executed Amendment from Customer.
- (c) For clarity, Company will provide Customer with Notice for increases or decreases of less than 20% in the Incremental Initial Customer Authorized Amount, Estimated Total Incremental Initial Cost, Total Customer Authorized Amount, or Estimated Total Cost.

ARTICLE 8 APPROVALS

8.1 Customer Approvals

- (a) Customer shall be solely responsible for constructing and operating any connecting facilities upstream or downstream (as applicable) of the NGTL System that are required to receive or deliver the Gas (as applicable) for the Service (the “**Customer Facilities**”).
- (b) Customer shall proceed with due diligence to obtain all necessary permits, certificates, licences and authorizations (“**Customer Approvals**”) from all governmental and regulatory authorities having jurisdiction over the construction and operation of any Customer Facilities, and if applicable, to construct and operate any PC&OPP Facilities as required in Section 15.3.
- (c) Within 10 Banking Days of the date of a request by Company, Customer shall provide written confirmation satisfactory to Company that Customer has obtained or will obtain

all Customer Approvals. Customer shall promptly notify Company of any matter that will cause a material delay or denial of a Customer Approval.

- (d) Customer shall proceed or, where applicable, cause its Affiliate or designate to proceed, with due diligence to undertake and complete the work for the Customer Facilities.

8.2 Company Approvals

- (a) Company shall proceed with due diligence to obtain, or cause to be obtained, all necessary permits, licences, certificates and authorizations from all corporate (including Board of Directors), governmental and regulatory authorities having jurisdiction over Company and the New Facilities and that are required by Company in order to perform the Work and provide the Service (“**Company Approvals**”).
- (b) Customer shall support Company in any regulatory proceeding required in obtaining any Company Approvals and Customer shall provide Company with any information or documentation Company determines necessary in order to obtain any Company Approvals.
- (c) For the purposes of this Section 8.2, Customer consents to Company disclosing Customer’s name.

ARTICLE 9 OTHER CUSTOMER PEAS

9.1 Termination of Other Customer PEA

- (a) In the event Other Customer PEA is terminated for any reason, Company shall give Notice to Customer, any remaining Other Customer and Anchor Customer that an Other Customer PEA has terminated and that Company may suspend the Work.
- (b) Company will use reasonable efforts to facilitate the reallocation of the terminating customer’s authorized amount. If Company determines (i) it is unable to reallocate the terminating customer’s authorized amount; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorizations and service documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to the Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the terminating customer pursuant to its project and expenditure authorization shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

9.2 Termination of Anchor Customer PEA

- (a) In the event that Anchor Customer PEA is terminated for any reason, Company shall give Notice to Customer and any remaining Other Customer that Anchor Customer PEA has terminated and that Company may suspend the Work.

- (b) Company will use reasonable efforts to facilitate the reallocation of the Anchor Customer's authorized amount and other obligations under Anchor Customer PEA. If Company determines (i) it is unable to reallocate the Anchor Customer's authorized amount and other obligations under Anchor Customer PEA; (ii) there is inadequate contract demand to support service for the New Facilities; or (iii) if Company has not received executed new or amended project and expenditure authorization and Service Documents, if required, for any reallocated amounts within the time specified by Company and on terms acceptable to the Company, then Company has the right, in its sole discretion, to terminate this PEA.
- (c) Any Schedule C payment received by Company from the Anchor Customer pursuant to its Anchor Customer PEA shall be credited against the Estimated Total Cost for the Work. In no event, however, shall this credit result in payment of monies by Company to Customer.

ARTICLE 10 TERMINATION

10.1 Customer Termination

- (a) Anchor Customer shall be entitled to terminate its Anchor Customer PEA on or prior to the Decision Date for any reason upon giving Notice to Company. Anchor Customer is not entitled to terminate its Anchor Customer PEA after the Decision Date.
- (b) Customer is not entitled to terminate this PEA.

10.2 Company Suspension and Termination Rights prior to Ready for Service Date

- (a) Company may, in its sole discretion, suspend the Work or terminate this PEA if any one or more of the following occurs, by giving Notice to Customer specifying the date of the suspension or termination:
 - (i) An Insolvency Event occurs in respect of Customer;
 - (ii) An Other Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs and Anchor Customer PEA in accordance with Section 9.1;
 - (iii) Anchor Customer PEA is terminated and Company elects to terminate the remaining Other Customer PEAs in accordance with Section 9.2;
 - (iv) Customer fails to provide the PEA Financial Assurances pursuant to Section 13.1(b) or fails to maintain the PEA Financial Assurances provided;
 - (v) Customer fails to execute and deliver to Company any Amendment pursuant to Section 7.2;
 - (vi) Customer fails to comply with any of the obligations set forth in Section 8.1(c) or Customer is not proceeding with due diligence to undertake work for Customer Facilities pursuant to Section 8.1(d);

- (vii) Customer fails to construct the PC&OPP Facilities, if required by Company pursuant to Section 15.3; or
- (viii) Company reasonably determines that the Company will not be able to, or Company fails to, obtain any of Company approvals on terms satisfactory to Company, or Company's NEB Certificate expires, is revoked, is amended on terms unsatisfactory to Company, or is terminated for any reason.

Where Company first elects to suspend the Work, Company may subsequently terminate this PEA by providing Customer with at least 7 Days prior Notice of termination.

10.3 Termination on Ready for Service Date

Unless earlier terminated pursuant to Section 10.2, this PEA will terminate on the Ready for Service Date. The Service Documents shall survive the termination of this PEA pursuant to this Section 10.3 and shall remain effective.

ARTICLE 11 OBLIGATION TO PAY

11.1 Payment for Termination prior to Ready for Service Date

- (a) If this PEA is terminated pursuant to Sections 10.2(a)(i), (ii), or (iv) through (viii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, the Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (b) If this PEA is terminated as a result of termination of Anchor Customer PEA pursuant to Section 10.2(a)(iii), and the termination becomes effective:
 - (i) on or prior to the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 1) and the Schedule D Amount;
 - (ii) after the Decision Date, Customer shall not be obligated to pay to the Company the amount equal to the Development Costs in Schedule C (Part 2) and the Schedule D Amount.
- (c) The amounts payable as a result of termination as set out in Sections 11.1(a) and (b) represent a genuine and reasonable pre-estimate of the damages Company will sustain or incur and are payable as liquidated damages and not as a penalty. Such damages are in addition to any other remedies that may be available to Company at law or equity.
- (d) With the exception of termination pursuant to Section 10.3 (Termination on Ready for Service), upon termination of this PEA, the Schedule(s) of Service shall terminate and Company shall have no obligations to provide any service described in the Schedule(s) of Service.

- (e) All payments to be made by Customer upon termination of this PEA shall be paid to Company on or before 30 Days after the date of the invoice from Company (the “**Payment Due Date**”). If Customer fails to pay any invoice received from Company by the Payment Due Date, Customer shall accrue and pay interest on any unpaid portion, up to and including the date of payment in full, at a rate per annum equal to the prime rate of interest as set by the Royal Bank of Canada, Main Branch, Calgary, Alberta plus 2%.
- (f) This Section 11.1 shall survive termination.

ARTICLE 12 READY FOR SERVICE

12.1 Estimated Ready for Service Date

- (a) Company estimates that it will complete the Work and provide Customer with a Ready for Service Date of [●] (“**Estimated Ready for Service Date**”).
- (b) Company shall proceed diligently with the Work in an effort to complete the Work by the Estimated Ready for Service Date.
- (c) If Company determines it is unable to complete the Work by the Estimated Ready for Service Date, or the Work is otherwise delayed, Company shall give Customer Notice of the change in the Estimated Ready for Service Date.

ARTICLE 13 PEA FINANCIAL ASSURANCE

13.1 PEA Financial Assurance

- (a) At any time during the term of this PEA, in order to secure all obligations or potential obligations of Customer under this PEA, Company may request and Customer shall then provide and maintain, financial assurances in a type and form and from an issuer satisfactory to Company, in an amount up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount (“**PEA Financial Assurances**”).
- (b) Customer shall provide PEA Financial Assurances as requested by Company no later than 10 Banking Days after the date of a request by Company. If Customer fails to provide the requested PEA Financial Assurances within such timeframe, Company may, at its sole discretion, suspend the Work and/or terminate this PEA pursuant to Section 10.2.
- (c) Any request for separate Financial Assurances related to gas transportation or storage service pursuant to the Service Documents will be made in accordance with the Tariff or provisions of the Schedule(s) of Service. Such obligation is independent of and separate from the obligation of Customer under this Section 13.1.

ARTICLE 14 LIMITATION OF LIABILITY

14.1 Limitation of Liability

- (a) Subject to Section 14.1(b), Company is not liable to Customer or its directors, officers, consultants, agents, contractors or employees (collectively, “**Customer Associates**”) for any suit, claim, demand, action, proceeding, loss, cost, expense (including solicitor and his own client fees), injury, death or damage whatsoever, howsoever caused and whether contractual or tortious (collectively, “**Losses**”), asserted against or suffered or incurred by Customer, Customer Associates, or both, except and to the extent that such Losses are caused by the gross negligence or willful misconduct of Company.
- (b) Neither Party (including its directors, officers, consultants, agents, contractors or employees) is liable to the other Party (or its directors, officers, consultants, agents, contractors or employees) for any indirect, consequential, punitive, exemplary or similar damages related to this PEA, including, without limitation, business interruption loss, loss of profits, or whether or not such losses could have reasonably been foreseen on entry into this PEA; other than those losses that may be expressly set forth under this PEA.

ARTICLE 15 MISCELLANEOUS PROVISIONS

15.1 Headings

Headings are included solely for convenience of reference, and are not intended to be full or accurate descriptions of the contents.

15.2 Title to Facilities

Customer acknowledges that it does not have and will not acquire, any right, title or interest in the New Facilities (or any portion of the New Facilities), or in any data, information, drawing, plan, equipment, materials, service or work, relating to the New Facilities, the Work, or both.

15.3 Customer’s Overpressure Protection Facilities

Company may determine, at its sole discretion, that pressure control and overpressure protection facilities (the “**PC&OPP Facilities**”) are required on Customer Facilities, in connection with the New Facilities. If Company advises Customer that PC&OPP Facilities are required, Customer shall construct, own, and operate the PC&OPP Facilities at its own risk and expense, and in accordance with CSA Z662. Customer shall provide to Company, documentation demonstrating to Company’s satisfaction that Customer has installed and is operating PC&OPP Facilities on Customer Facilities in accordance with CSA Z662.

15.4 Notices

- (a) Any notice required to be given under this PEA must be in writing (“**Notice**”) and may be given personally, sent by email or other electronic transmission, or prepaid courier addressed to the other Party at the addresses below:

If to Customer:

[●]

Attention: [●]

Email: [●]

If to Company:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

With a copy to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: [●]

Email: [●]

- (b) Notices will be deemed to be received upon personal or courier delivery, or in the case of email or other electronic transmission upon successful transmission, where the Notice is received by a Party prior to 4:00 pm Calgary time on a Banking Day. Any Notice received by a Party after 4:00 pm Calgary time on a Banking Day will be deemed to be received on the next Banking Day.
- (c) A Party may, at any time, change such Party’s address for the purposes of Section 15.4(a), by Notice to the other Party.

15.5 Audit

Where Customer has paid the Development Costs as a result of a termination prior to the Ready for Service Date pursuant to Section 11.1, the calculations underlying the Development Costs may be audited once by Customer or Customer’s authorized representative. The audit must be conducted during normal business hours within 12 months of the date this PEA terminates; and Customer must give reasonable Notice of the intended date of such audit to Company and comply with confidentiality obligations reasonably requested by Company. Customer is responsible for all of its own and Company’s expenses related to the audit. Customer shall ensure any audit is conducted to cause a minimum of inconvenience to Company. Company shall review and respond in a timely manner with respect to any discrepancy or reasonable question raised by Customer because of such audit.

15.6 Compliance with Laws

Customer and Company shall comply with all laws, regulations, rules and orders by governmental or administrative authorities having jurisdiction and which laws, regulations, rules

and orders are applicable to the observance or performance of their respective obligations under this PEA.

15.7 Further Assurances

Customer and Company covenant and agree to provide such data and information, to execute and deliver such further documents and instruments, to give further assurances and to perform such acts as may be reasonably required by the other Party in order to carry out the purposes, intentions and provisions of this PEA.

15.8 Assignment

Neither Party may assign this PEA without the prior written consent of the other Party, which consent shall not be unreasonably withheld, provided however that:

- (a) either Party may at any time, without the consent of the other Party, pledge its interest pursuant to this PEA as security to any lender providing financing to such Party, and
- (b) Company shall be entitled to assign its rights and obligations under this PEA to an Affiliate without the consent of Customer.

15.9 Entire Agreement and Amendments

This PEA and the Service Documents set forth the entire agreement between the Parties, and supersedes and replaces all previous discussions, understandings and agreements (excluding any confidentiality agreements between the Parties) respecting the subject matter. No amendment or variation of this PEA will be valid unless in writing and signed by the Parties.

15.10 Enurement

This PEA is binding upon and enures to the benefit of each of the Parties and their respective successors and permitted assigns.

15.11 Severability

If the whole or any portion of any provision of this PEA or the application of it to any circumstance shall be held invalid, unenforceable or superseded to any extent, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this PEA shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

15.12 Survival

The provisions of: Sections 1.1, 1.2, 11.1, 14.1, 15.2, 15.3, 15.4, 15.5, and 15.13 and the Service Documents pursuant to Section 10.3; and any other provisions of this PEA which, either by their express terms or by operation of their terms, are intended to be performed in whole or in part after termination or expiration of this PEA, shall survive such termination or expiration.

15.13 Governing Law

This PEA shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada, and each of the Parties irrevocably submits to the exclusive

jurisdiction of the courts of the Province of Alberta for interpretation and enforcement of this PEA.

15.14 Counterpart Execution

This PEA may be executed in counterparts, which together constitute one and the same agreement. A facsimile or electronic pdf copy of this PEA containing the signature of a Party will be deemed to be an originally signed document.

DULY SIGNED AND DELIVERED as of the date first written above.

[●]

NOVA GAS TRANSMISSION LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE A

New Facilities

The New Facilities that are the subject of this PEA are all new facilities and modifications to existing facilities that Company or its agent determine appropriate for the Service requested by Customer, including:

- North Montney Mainline (Aitken Creek Section) pipeline from 14-21-80-20-W6M and extending to D-044-L/94-A-13
- North Montney Mainline (First Kahta Section) pipeline from D-44-L/94-A-13 and extending to 090-J/094-B-16
- Groundbirch Compressor Station located at SW-35-78-16-W6M
- Saturn Compressor Station located at NE-6-81-20-W6M
- Customer Specific Facilities:
 - Connecting Facilities: Type [●] meter station to be named [●], located at or near [●].

Cost Allocation of the Work for the New Facilities – see Table 1

Table 1 – Cost Allocation for the portion of New Facilities required for Service on North Montney Mainline (Aitken Creek Section) and North Montney Mainline (First Kahta Section).

Section Reference	Description	Total Estimated Cost of the Work (Cdn \$ million)	Customer's Share of the Work	Customer's Estimated Share of the Cost of the Work (Cdn \$ million)
6.1(a)	On or prior to the Effective Date, Company estimates the costs and expenses incurred for the Work required to develop the Pipeline Project are:			
	Estimated Total Initial Cost	\$356.47		
	Initial Customer Authorized Amount		[●] %	\$ [●]
6.1(b)	After the Effective Date and up to the Decision Date, Company estimates the total incremental costs and expenses to progress the Work are:			
	Customer Specific Facilities		100%	\$ [●]
	Common Facilities	\$60.00		\$ [●]
	Estimated Total Incremental Initial Cost	\$97.04		
	Incremental Initial Customer Authorized Amount			\$ [●]
	Sum of Initial Customer Authorized Amount and Incremental Initial Customer Authorized Amount	\$453.51	[●] %	\$ [●]
6.1(c)	After the Decision Date, Company estimates that the total costs and expenses to complete the Work are:			
	Estimated Total Cost	\$1,393.32		
	Total Customer Authorized Amount			\$ [●]

SCHEDULE B

Service Documents

(Attached)

**SCHEDULE OF SERVICE
RATE SCHEDULE FCS****CUSTOMER:** [●]**FCS CHARGE:** See Attachment 1 hereto

Schedule of Service Number	Storage or Extraction Delivery Point Number and Name	Legal Description	Maximum Delivery Pressure kPa	Maximum Daily Delivery Volume 10 ³ m ³ /d	Service Termination Date	Additional Conditions
[●]	[●]	[●]	9930	[●]	See Condition 1 Attachment 1	See Conditions 2, 3, 4 & 5 Attachment 1

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED [●] AND SHALL BE DEEMED TO BE ATTACHED THERETO.

[●]	NOVA Gas Transmission Ltd.
Per: _____	Per : _____
Per: _____	Per : _____

Effective Date: November 1, 2010

ATTACHMENT 1

Conditions:

1. This Schedule of Service shall terminate and be of no further force and effect on the day that is 20 years plus any partial month from the Billing Commencement Date for the Service described herein. Once Company determines the Billing Commencement Date, Company and Customer agree that the Service Termination Date for the Service described herein shall be as set out in Company's letter to Customer declaring the Billing Commencement Date.
2. This Schedule of Service becomes a binding obligation on the Company only upon and not prior to the date Company:
 - i) receives all permits, certificates, licenses, approvals and authorizations Company determines necessary on terms and conditions satisfactory to Company for the provision of Service described herein;
 - ii) has completed the construction of all facilities Company determines necessary to provide the Service; and
 - iii) delivers notice to Customer of the Billing Commencement Date for the Service described herein.
3. Company will apply the approved NGTL System Toll, including abandonment surcharge, to Customer's services on the Facilities.
4. Financial Assurances requirements will be determined in conjunction with the National Energy Board Order TG-002-2015 as may be amended from, time to time.
5. Company shall provide Customer with Notice identifying final Schedule of Service Number, and this Schedule of Service shall be updated and effective upon such Notice without requirement of signature from Customer.

ATTACHMENT 1

Attached to and Forming Part of Schedule of Service No. TBD

1.0 DEFINITIONS

- 1.1** The capitalized terms used in this Attachment 1 have the meanings attributed to them in the General Terms and Conditions of the Tariff unless otherwise defined in this Attachment 1.

2.0 INTRODUCTION

- 2.1** For Service provided annually during the period commencing January 1 and ending December 31 (the “Year”), Company will determine the FCS Charge, if any, payable by Customer to Company for Service under Rate Schedule FCS.

3.0 CALCULATION OF FCS CHARGE

- 3.1** Following the completion of each Year, Company will calculate the FCS Charge using the following steps:
- (i) determine the annual cost of service of the Facilities required to provide Service under the Schedule of Service (“ACS”) as described in paragraph 3.2;
 - (ii) determine the minimum annual volume of gas Company is to measure (“MAV”) at the Delivery Point set out in the Schedule of Service as described in paragraph 3.3; and

- (iii) calculate the FCS Charge as described in paragraph 3.4.

3.2 Determination of ACS

The ACS is equal to the sum of the components in paragraphs (i) through (v):

(i) Operating and Maintenance (“O&M”)

O&M expense is an estimate of O&M costs of the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, and may vary from Year to Year.

(ii) Municipal Taxes

Municipal tax expense is the actual municipal taxes paid for the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, and may vary from Year to Year.

(iii) Depreciation

Depreciation expense is calculated on a straight-line basis using Company’s system average depreciation rates, which may vary from time to time.

(iv) Income Taxes

Income tax expense is calculated on a flow-through basis. The income tax rate used is computed by applying the current combined federal and provincial income tax rates.

(v) **Return on Rate Base**

Return on rate base is calculated by applying Company's current rate of return to the average of the opening and closing balances in the rate base account related to the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year. The rate of return may vary from time to time as determined by Company.

The opening balance in the rate base is equal to the capital cost of the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, less accumulated depreciation, as reflected in the rate base account on the last day of the preceding Year, plus a working capital adjustment.

3.3 Determination of MAV

The MAV will be calculated each Year for each type of Delivery Point as follows:

(i) **Extraction Delivery Points:**

If Service under Rate Schedule FCS is at an Extraction Delivery Point, the MAV will be calculated as follows:

$$\text{MAV} = \frac{\text{ACS}}{2 \times \text{B}}$$

Where:

“B” = the system average metering unit cost of service, as determined by Company from time to time.

(ii) Storage Delivery Points:

If Service under Rate Schedule FCS is at a Storage Delivery Point, the MAV will be calculated as follows:

$$\text{MAV} = \frac{\text{ACS}}{\text{UC}}$$

Where:

“UC” = the firm receipt service unit cost, as determined by Company from time to time as the average FT-R Demand Rate, expressed as a unit cost at 100% load factor.

3.4 Calculation of the FCS Charge

The FCS charge will be calculated each Year for each Schedule of Service as follows (the “FCS Charge”):

$$\text{FCS} = \left(\frac{\text{MAV} - \text{C}}{\text{MAV}} \right) \times \text{ACS}$$

Where:

“FCS” = the FCS Charge; and

“C” = the actual volume of gas delivered by Company for Customer, as determined by Company, at the Delivery Point as set out in the Schedule of Service for the Year, provided however that if C is greater than or equal to MAV, the FCS Charge shall be zero.

SCHEDULE C

Development Costs

Part 1 (Pre Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the sum of the Initial Customer Authorized Amount and the Incremental Initial Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

Part 2 (Post Decision Date)

The Development Costs are the aggregate of Customer's Share of items 1, 2 and 3:

1. Costs of the Work: All costs and expenses, plus AFUDC and interest and carrying costs, incurred by Company, or for which Company is or may become liable, in the performance of the Work whether prior to, on or after the Effective Date, up to and including 2 Banking days following the date that Company and Customer, as the case may be, receives Notice of termination of this PEA

up to the Total Customer Authorized Amount;
2. AFUDC: Additional AFUDC, if any, accumulated because of a suspension of the Pipeline Project or other construction delay, or resulting from a delay in payment by Customer of amounts owing pursuant to Section 11.1. In the event of termination prior to the Ready for Service Date, AFUDC will be calculated up to and including the date of payment in full by Customer of the amount indicated in Section 11.1; and
3. Cancellation Costs: All cancellation and shut down expenses related to the Work paid or to be paid by Company.

SCHEDULE D

Schedule D Amount

The Schedule D Amount shall be calculated to be \$0.00 (the “**Schedule D Amount**”).

The Parties agree that the Schedule D Amount is a liquidated damage, intended to cover the following Company damages in the event of an early termination of the PEA and the Schedule(s) of Service:

- (a) Customer’s proportionate share (based on Customer’s Contract Demand to the total contract demand of Customer, Other Customers and Anchor Customer) of costs and expenses associated with the study, engineering, design, procurement, regulatory approval, construction and installation of upstream or downstream facilities on the NGTL System, if any, which facilities are not part of the New Facilities, but which Company requires in order to provide the gas transportation service to Customer and Other Customers.

Customer acknowledges that the actual damages associated with upstream or downstream facility costs are difficult to estimate on the Effective Date. The Parties do not intend for the Schedule D Amount to be a penalty for early termination.

SCHEDULE E

Definitions

“**Affiliate**” means, in relation to a Party, any company or corporation which (i) directly or indirectly controls such Party; (ii) is directly or indirectly controlled by such Party; or (iii) is directly or indirectly controlled by a company or corporation which directly or indirectly controls such Party; where “controls”, “controlled by” and “under common control with” mean the possession directly, or indirectly through one or more intermediaries, of more than 50% of the outstanding voting stock of the company in question, or the power to direct or cause the direction of management policies of, any person, whether through ownership of stock, as a general partner or trustee, by contract or otherwise.

“**AFUDC**” means Company’s allowance for funds used during construction.

“**Amendment**” has the meaning given in Section 7.2(a).

“**Anchor Customer**” means Progress Energy Canada Ltd. and its successors and assigns.

“**Anchor Customer PEA**” means that Amended and Restated PEA which replaces the PEA executed by Anchor Customer and Company dated July 26, 2013 as amended by notice on April 8, 2015.

“**Company**” has the meaning given in the preamble.

“**Company Approvals**” has the meaning given in Section 8.2.

“**Connecting Facilities**” has the meaning given in Schedule A.

“**Customer**” has the meaning given in the preamble.

“**Customer Approvals**” has the meaning given in Section 8.1.

“**Customer Associates**” has the meaning given in Section 14.1(a).

“**Customer Facilities**” has the meaning given in Section 8.1.

“**Customer’s Share**” has the meaning given in Schedule A.

“**Customer Specific Facilities**” means Customer’s meter station facilities described in the Schedule A.

“**Decision Date**” means the date that is 30 Days after Company receives from the NEB or other body, as applicable, a decision on Company’s application to vary its NEB Certificate by waiving, modifying or removing Condition 4 of the NEB Certificate.

“**Development Costs**” has the meaning given in Schedule C.

“**Effective Date**” has the meaning given in the preamble.

“**Estimated Ready for Service Date**” has the meaning given in Section 12.1(a).

“**Estimated Total Cost**” has the meaning given in Section 6.1(c).

“**Estimated Total Incremental Initial Cost**” has the meaning given in Section 6.1(b).

“**Estimated Total Initial Cost**” has the meaning given in Section 6.1(a).

“**FCS Service Agreement**” has the meaning given in Section 4.1(a).

“**FT-R Service Agreement**” has the meaning given in Section 4.1(a),

“**Incremental Initial Customer Authorized Amount**” has the meaning given in Section 6.1(b).

“**Initial Customer Authorized Amount**” has the meaning given in Section 6.1(a).

“**Insolvency Event**” means, in relation to any Person, the occurrence of one or more of the following events:

- (a) it ceases to meet its liabilities generally as they become due or gives Notice to any of its creditors that it has suspended or is about to suspend payment of its debts generally;
- (b) it institutes or has instituted against it any proceeding under bankruptcy or insolvency laws, including, the *Bankruptcy and Insolvency Act* (Canada), and *Companies’ Creditors’ Arrangement Act* (Canada) and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged or stayed within 30 days of being instituted;
- (c) it seeks relief under any companies or corporations legislation respecting creditors’ rights;
- (d) it takes any steps for, or becomes the subject of any proceeding for, liquidation, dissolution, winding up or other termination of its existence; and, in the case that such a proceeding is instituted against it, such proceeding is not dismissed, discharged, or stayed within 15 days of being instituted; or
- (e) a receiver or receiver manager of all or any part of its assets is appointed by any of its creditors or by a court of competent jurisdiction and such receiver or receiver manager is not discharged or removed within 15 days.

“**Losses**” has the meaning given in Section 14.1(a).

“**NEB**” means the National Energy Board.

“**NEB Certificate**” means the NEB Certificate of Public Convenience and Necessity GC-125 issued to NGTL authorizing construction and operation of the North Montney Mainline.

“**New Facilities**” has the meaning given in the recitals.

“**NGTL System**” means NGTL’s natural gas pipeline system comprised of approximately 25,000 km of pipeline, associated compression, and other facilities located in Alberta and British Columbia; subject to federal jurisdiction and regulation by the NEB.

“**North Montney Mainline**” means the North Montney Mainline (Aitken Creek Section, the North Montney Mainline (First Kahta Section) and the North Montney Mainline (Second Kahta Section).

“**North Montney Mainline (Aitken Creek Section)**” has the meaning given in Schedule A.

“**North Montney Mainline (First Kahta Section)**” has the meaning given in Schedule A.

“Notice” has the meaning given in Section 15.4(a).

“Original Receipt PEA” has the meaning given in the recitals.

“Original Receipt Schedule of Service” means the schedule of service executed by Customer on October 24, 2013 and associated with the Original Receipt PEA.

“Original Schedules of Service” means those schedules of service executed by Customer on October 24, 2013 and associated with the Original Receipt PEA and Original Storage PEA.

“Original Storage PEA” has the meaning given in the recitals.

“Original Storage Schedule of Service” means the schedule of service executed by Customer on October 24, 2013 and associated with the Original Storage PEA.

“Other Customer” has the meaning given in Section 3.1(a).

“Other Customer PEAs” has the meaning given in Section 3.1(a).

“Party” means a party to this PEA, and **“Parties”** means all of the parties to this PEA, collectively.

“Payment Due Date” has the meaning given in Section 11.1(e).

“PC&OPP Facilities” has the meaning given in Section 15.3.

“PEA” means this Project and Expenditure Authorization agreement and any schedules attached hereto in each case, as may be amended, modified, supplemented or restated from time to time.

“PEA Financial Assurances” has the meaning given in Section 13.1.

“Pipeline Project” has the meaning given in the recitals.

“Ready for Service Date” has the meaning given in the Tariff.

“Receipt Meter Stations” means those meter stations identified in Schedule A.

“Receipt Point” has the meaning given in the recitals.

“Revised Schedules of Service” means those schedules of service executed by Anchor Customer in association with Anchor Customer PEA.

“Schedule D Amount” has the meaning given in Schedule D.

“Schedule(s) of Service” has the meaning given in Section 4.1(b).

“Service” means the service as particularly described in the Schedule(s) of Service.

“Service Agreement” has the meaning given in Section 4.1(a).

“Service Documents” means collectively:

- (a) the Service Agreement, but only to the extent that the Service Agreement applies to the Service; and
- (b) the Schedule(s) of Service.

“Storage Facilities” has the meaning given in the recitals.

“Storage Procedures” has the meaning given in the recitals.

“Tariff” has the meaning given in the recitals.

“Total Customer Authorized Amount” has the meaning given in Section 6.1(c).

“Work” means all services and work related to the New Facilities that Company, its agent, or both, determine appropriate, including, but not limited to, preliminary study, engineering and design, procurement, obtaining regulatory approvals, construction and installation and associated site restoration and reclamation.

SCHEDULE F

Storage Procedures
