



Apex Utilities Inc.

2023 Cost-of-Service Compliance Filing and 2023 Rates

December 15, 2022

Alberta Utilities Commission

Decision 27685-D01-2022

Apex Utilities Inc.

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Proceeding 27685

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers whether Apex Utilities Inc. has complied with all applicable Commission directions made in Decision 26616-D01-2022¹ and reviews Apex's resulting 2023 distribution rates. For the reasons that follow, the Commission has determined that:

- Apex complied with all applicable directions from Decision 26616-D01-2022, except for the need to remove the true-up (timing) adjustment for shared corporate services costs. As set out in Section 3.1, the Commission directs Apex to remove the \$190,000 adjustment at the time of other true-ups to 2023 rates upon the approval of the 2022 actual closing rate base.
- Apex's 2023 distribution rates, set out in [Appendix 4](#) to this decision, are approved on an interim basis, effective January 1, 2023. These rates will remain interim pending finalization of all outstanding placeholders (such as 2022 actual closing rate base).
- Apex's 2023 Special Charges Schedule, as set out in [Appendix 6](#), is approved effective January 1, 2023.
- Apex's updated Retailer Distribution Service Rules, as set out in [Appendix 7](#), are approved effective January 1, 2023.
- Apex's request to finalize its 2021 interim performance-based regulation (PBR) rates based on the calculation of its 2021 going-in revenue and K-bar amounts is approved.

2 Introduction and background

2. Since 2013, rates for the electric and natural gas distribution utilities under the Commission's jurisdiction have been set under PBR.² PBR plans applied to the four large electric distribution facility owners (DFOs): ATCO Electric Ltd., FortisAlberta Inc., ENMAX Power Corporation, and EPCOR Distribution & Transmission Inc.; and the two large natural gas DFOs: ATCO Gas and Pipelines Ltd., and Apex Utilities Inc.

¹ Decision 26616-D01-2022: ATCO Gas, Apex Utilities Inc., 2023 Cost-of-Service Review, Proceeding 26616, September 1, 2022.

² Until 2015, ENMAX Power Corporation was regulated under a different form of PBR, a 2007-2013 formula-based ratemaking plan followed by cost-of-service rebasing in 2014.

3. Under the PBR plans that ran from 2013 to 2017 (PBR1³) and 2018 to 2022 (PBR2⁴), each utility's rates (or revenue-per-customer in the case of gas DFOs) were adjusted annually by means of an indexing mechanism that tracked the rate of inflation (I factor), less an offset to reflect the productivity improvements each DFO was expected to achieve during the PBR plan period (X factor), plus other specific adjustments. These other adjustments included the ability to flow-through certain costs that should be recovered from, or refunded to, customers directly (Y factors), and an adjustment to account for the effect of exogenous and material events for which the distribution utility has no other reasonable cost recovery or refund mechanism within the PBR plan (Z factor). As well, K and K-bar factor adjustments served to provide supplemental capital funding. As a result, with the exception of these specifically approved adjustments, during a PBR term, a utility's revenues were no longer linked to its costs. This decoupling of costs and revenues was intended to promote behaviours that increase productivity and decrease costs.
4. At the end of the PBR2 plan, each DFO's costs and revenues were realigned through a "rebasings" process⁵ that involved a one-year cost-of-service (COS) review based on 2023 forecast costs. Under the COS regulatory framework, a regulator first determines the total amount of money required by a utility to provide its regulated services in a year. This is referred to as the revenue requirement, and it is made up of the total annual operation and maintenance (O&M) and administrative expenses of the company plus the utility's capital-related costs (depreciation, interest on debt, and return on equity (ROE)). Rates are then established by dividing the revenue requirement for each customer class by the billing units (such as the monthly charge, or dollars per kilowatt hour).
5. For ATCO Gas and Apex, the 2023 rebasing was approved in Decision 26616-D01-2022. In addition to reviewing the 2023 forecast revenue requirement, that decision also included consideration of the efficiencies achieved by the DFOs and the sharing of those efficiency gains with customers, as well as an assessment of the prudence of actual costs incurred to-date by the DFOs during the PBR2 term.
6. In Decision 26616-D01-2022, the Commission also determined that the 2023 rates established as a result of the 2023 COS review will be used as "going-in rates" for the next PBR term, referred to as PBR3, that will commence on January 1, 2024.
7. In Decision 26616-D01-2022, the Commission directed several changes to the applied-for revenue requirement by both Apex and ATCO Gas. In the present application, has filed information to support its compliance to those Commission directions.
8. In addition to responding to the Commission's directions, the utilities were also required to include, in their respective compliance filings, the calculation of 2023 rates based on the

³ Decision 2012-237: Rate Regulation Initiative Distribution Performance-Based Regulation, Proceeding 566, September 12, 2012.

⁴ Decision 20414-D01-2016 (Errata): 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Proceeding 20414, February 6, 2017.

⁵ As explained in Decision 20414-D01-2016 (Errata), paragraph 26, depending on the context, the word "rebasings" can be used as a noun (the process of rebasing); an adjective (the rebasing process); or as a verb (the process involves rebasing costs and revenues).

approved revenue requirement. Each utility was directed to include the following information that typically accompanies the calculation of rates in the compliance filings:

- 2023 billing determinant forecast reflective of the last approved Phase 2 methodologies and most recent data.
- 2023 distribution tariff based on the approved revenue requirement and the associated bill impact analysis.
- Terms and conditions of service for 2023 for approval.
- True-up of the prior approved deferral accounts such as the amounts included in the Y factor.
- Currently approved deferral accounts and rate riders, which shall continue to be applied in 2023. The differences between forecast and actual costs for amounts in these accounts will subsequently be trued up in future annual PBR rate adjustment filings.
- Any other items required to support the proposed 2023 distribution tariff.

9. The Commission reviewed the entire record in coming to this decision; lack of reference to a matter addressed in evidence or argument does not mean that it was not considered.

3 Compliance with Decision 26616-D01-2022

10. In Decision 26616-D01-2022, the Commission ordered Apex to revise its applied-for 2023 revenue requirement to reflect the Commission’s findings and directions in that decision. The Commission’s directions applicable to the present proceeding are set out in [Appendix 2](#) to this decision.

11. As shown in Table 1 below, Apex filed an updated forecast revenue requirement of \$98.4 million for 2023, reflective of the directions in Decision 26616-D01-2022, compared to the originally applied for revenue requirement of \$100.0 million in Proceeding 26616.⁶ Apex also submitted Excel schedules to support its revised 2023 revenue requirement, reflective of compliance with the directions in Decision 26616-D01-2022.⁷

Table 1. Apex 2023 revenue requirement

	Proceeding 26616 forecast	Compliance filing
	(\$ 000)	
Total revenue requirement	\$99,974	\$98,383

Source: Exhibit 27685-X0024, APEX-UCA-2022NOV01-001 attachment, Schedule 1.

12. No party raised any issues with regard to Apex’s compliance with the directions in Decision 26616-D01-2022. With the exception of shared corporate services costs (discussed in Section 3.1 below) the Commission has reviewed Apex’s schedules that support its revised 2023

⁶ Exhibit 27685-X0024, APEX-UCA-2022NOV01-001 attachment, Schedule 1.

⁷ Exhibit 27685-X0004, Appendix 2, 2023 COS Compliance Rebasing Schedules.

revenue requirement and is satisfied that the 2023 revenue requirement complies with the directions in Decision 26616-D01-2022.

3.1 Shared Corporate Services Costs

13. Apex was directed in Decision 26616-D01-2022 to use the TriSummit Utilities (TSU) shared corporate services costs at a 2021 forecast level and then normalize that forecast to 2023 dollars, using approved inflation and customer growth escalation factors.⁸ In addition to performing the directed adjustments, Apex removed \$190,000 of credits listed as a true-up (timing) from the 2021 forecast shared corporate services costs allocated to it by TSU. Apex did this by “grossing-up” the \$190,000 by dividing it by 0.433 to reallocate this amount back into the TSU cost pool. This adjustment had the impact of increasing the TSU 2021 forecast cost pool from \$6,493,000 to \$6,932,000.⁹

14. In response to a Commission information request, Apex explained that it excluded costs from the true-up (timing) cost category, because these amounts represent differences between billed and actual 2020 costs that were not accrued in 2020. Apex indicated that while these differences are recognized in the 2021 year for accounting purposes, they represent part of the cost of services provided in 2020 and not 2021. As such, it was Apex’s view that excluding the true-up (timing) cost category was necessary to comply with the Commission’s decision to keep corporate costs allocated to Apex at the 2021 forecast level.¹⁰

15. The Commission will not allow Apex to make the proposed adjustment. Just as there was a timing adjustment in 2021 for differences between billed and actual 2020 costs, presumably there was or will be an adjustment in 2022 for differences between billed and actual 2021 costs. Following Apex’s logic, the adjustment for (expected) differences between billed and actual 2021 costs should have been added to the 2021 forecast costs to arrive at a more precise number for that year. Given the small magnitude of the adjustment relative to the total TSU cost pool, the Commission finds the adjustment is not warranted.

16. Given that this adjustment is minor relative to Apex’s total 2023 forecast revenue requirement, and that Apex’s 2023 rates will be subject to a future true-up (to reflect the 2022 actual rate base), the Commission will not require Apex to adjust its rates at this time. Rather, the Commission directs Apex to remove the \$190,000 adjustment at the time of other true-ups to 2023 rates upon the approval of the 2022 actual closing rate base.

17. Apex is directed in its 2024 distribution rates application to correct its allocation of TSU shared corporate services costs to use 2021 forecast TSU total shared corporate services costs, as filed in Proceeding 26616, with the only approved adjustment to the 2021 forecast being the removal of TSU STIP costs from the 2021 forecast TSU cost pool.¹¹ As previously directed, Apex will then use the approved 2023 Apex allocation rate of 42.2 per cent¹² on the 2021 TSU forecast cost pool (after removing TSU STIP costs) to determine the Apex cost allocation for its TSU corporate services costs. It will then inflate that amount using the approved inflation and

⁸ Decision 26616-D01-2022, paragraph 212.

⁹ Exhibit 27685-X0020, APEX-AUC-2022NOV01-002.

¹⁰ Exhibit 27685-X0020, APEX-AUC-2022NOV01-002(a).

¹¹ Decision 26616-D01-2022, paragraph 227.

¹² Decision 26616-D01-2022, paragraph 220.

customer growth escalator to normalize Apex's calculated 2021 shared corporate services cost allocation amount to 2023 dollars.

4 2023 rate adjustments

18. As noted above, the purpose of this proceeding was for the Commission to consider both Apex's compliance with Decision 26616-D01-2022, and to determine Apex's rates for 2023, based on the revenue requirement resulting from the approvals in that decision. As such, the Commission has reviewed the rate adjustment aspect of Apex's application in much the same way as it has done in past annual PBR rate adjustment filings.

4.1 Final vs preliminary actuals

19. In Decision 26616-D01-2022, the Commission stated it was prepared to accept the 2021 non-audited actual costs as prudently incurred unless otherwise noted in that decision. The Commission also stated that the finding is subject to the Commission's review of each utility's explanations for any variances between the non-audited 2021 actual expenditures filed in that proceeding in April 2022 and audited costs reported in 2021 Rule 005¹³ filings. Apex was directed to file these explanations as part of this compliance filing.¹⁴

20. Apex confirmed that there are no differences between the non-audited 2021 actual costs (O&M and capital) filed in Proceeding 26616 and the audited costs filed as part of Apex's 2021 Rule 005 filing.¹⁵ As a result, the Commission confirms its finding in Decision 26616-D01-2022 that Apex's 2021 costs were prudently incurred.

4.2 Y factor deferral accounts

21. Under PBR, Y factor includes costs that do not qualify for capital treatment or Z factor treatment and the Commission considers should be directly recovered from customers or refunded to them. Apex applied for the inclusion of the Y factor amounts in its 2023 rates as these cost items continue to be subject to the previously established deferral account treatment in the 2023 COS year.

22. A summary of the proposed Y factor amounts is shown in Table 2 with each line item briefly explained below:

Table 2. Applied-for 2023 Y factor amounts¹⁶

Item	2023 Forecast	2021 & 2022 True-up	Total
	(\$)		
Natural Gas Settlement System Code	-	46,871	46,871
Intervener hearing costs	13,732	(48,359)	(34,627)
AUC assessment fees	263,533	(27,692)	235,840
UCA assessment fees	63,612	(8,811)	54,801
Production abandonment costs	295,727	(122,451)	173,276
Efficiency Carryover Mechanism	526,795	-	526,795
Carrying charges on true-up balances	-	(9,589)	(9,589)

¹³ Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

¹⁴ Decision 26616-D01-2022, paragraph 239.

¹⁵ Exhibit 27685-X0001, application, paragraph 31.

¹⁶ Exhibit 27685-X0005, Appendix 3 – 2023 Rates Filing Financial Schedules, Schedule 4.0.

Item	2023 Forecast	2021 & 2022 True-up	Total
		(\$)	
Total Y factor adjustments	1,163,399	(170,032)	993,367

23. Deferral account placeholders are Apex's 2023 forecasts for the following costs: AUC costs, intervenor costs, UCA costs, and production abandonment costs. These placeholders will be trued up to actual incurred costs once they become available. Deferral account true-ups represent the true-up of the above items (AUC costs, intervenor costs, UCA costs, production abandonment costs and Natural Gas Settlement System Code) to actual costs as of July 31, 2022.

24. The calculation of the ECM amounts is addressed in Section 4.2.1 of this decision.

25. With the exception of ECM amounts (addressed in Section 4.2.1 below), the Commission approves the inclusion of the applied-for Y factor amounts in 2023 rates as these amounts are treated under long-standing, approved deferral accounts for Apex. The Commission reviewed the calculations of forecast and true-up components the 2023 Y factor and finds them to be accurate and consistent with previously approved methodologies.

4.2.1 Efficiency Carryover Mechanism

26. A utility's incentive to find efficiencies weakens as the end of the PBR term approaches because there is less time remaining for the utility to benefit from any efficiency gains. The Commission approved the inclusion of the efficiency carryover mechanism, or ECM, to address this weakening of incentives by permitting the utilities to carry a portion of earnings in excess of the approved ROE from the prior PBR term to the following years. The ECM was approved for both the PBR1 and PBR2 plans.

27. Specifically, the ECM ROE add-on is calculated as 50 per cent of the difference between the average allowed and average actual ROEs over the course of a PBR term, with an upper limit of 0.5 per cent. This ROE add-on applies for two years after the end of a PBR plan and is collected by way of a Y factor.¹⁷

28. In Decision 20414-D01-2016 (Errata), the Commission pointed out that it is necessary to determine the rate base or rate bases to which the approved ROE add-on percentage would be applied in order to calculate the associated ECM dollar amount to be included in customer rates. In that decision, the Commission approved an ECM calculation based on the mid-year rate base during the final year of the PBR1 term. Consistent with the overall approach to the PBR2 rebasing, the Commission directed the final approved 2017 notional mid-year rate base as the value to which the approved ROE add-on percentage would be applied, with an escalation of the calculated ECM dollar amount by the approved I-X value for each of 2018 and 2019 to arrive at the ECM dollar amounts for each of those years. Finally, in that decision, the Commission stated that the same ECM calculation would also apply to determine the ECM dollar amounts for the PBR2 term.¹⁸

29. Apex showed that, based on its returns over the PBR2 term, it qualifies for the maximum allowed ECM ROE add-on of 0.5 per cent. Apex calculated the 2023 ECM interim dollar amount by applying the add-on of 0.5 per cent to the 2022 approved forecast rate base. Apex expressed a

¹⁷ Decision 20414-D01-2016 (Errata), paragraph 79.

¹⁸ Decision 20414-D01-2016 (Errata), Appendix 5, PDF page 100.

view that the 2023 ECM interim dollar amount should be trued up to reflect the 2022 actual mid-year rate base and 2022 actual ROE.

30. In support of this approach, it noted that due to differences in the rebasing approaches for the PBR1 and PBR2 plans, it is not possible to precisely apply the Commission's directions from Decision 20414-D01-2016 (Errata) to determine the 2023 interim ECM dollar amount. Rebasing at the end of PBR1 was achieved using a notional 2017 rate base with no intervening COS year prior to the start of PBR2 in 2018. Whereas, at the end of PBR2, an intervening COS year is being used for rebasing prior to the start of the PBR3 term.¹⁹

31. Apex noted that as there is no approved I-X value in 2023, due to the intervening COS year, an ECM amount could be calculated for 2023 using the forecast 2023 mid-year rate base as was done by some other distribution utilities. This approach also obviates the need for a 2023 escalation factor. However, Apex asserted that this approach does not utilize the mid-year rate base of the final year of the PBR2 term. Alternatively, if the ECM amount is calculated using the mid-year rate base of the final year of the PBR2 term, in the absence of an approved I-X value for 2023, an alternate indexing mechanism must be used to escalate the ECM amount to 2023 dollars.²⁰

32. Apex stated that while neither of the described approaches aligns perfectly with the Commission's directions in Decision 20414-D01-2016 (Errata), the latter approach, utilizing Apex's approved 2023 COS inflation escalator, as the only approved escalation factor available, is the more consistent approach of the two.

33. The interveners did not comment on this issue.

34. The Commission finds that the 2023 ECM dollar amount will be calculated based on the 2022 actual approved mid-year rate base. In Decision 20414-D01-2016 (Errata), the Commission based the ECM calculation on the mid-year rate base during the final year of the PBR term. In support of this approach, the Commission stated that because the ECM ROE add-on percentage is calculated based on a utility's earnings in the PBR term, it should not be applied to the actual rate base amounts outside of that term.²¹ The Commission continues to find this approach to be reasonable and further notes that to the extent a utility's 2023 rate base is different from its 2022 rate base, basing the ECM calculation on the 2023 mid-year rate base may result in windfall gains or losses to the utility.

35. In Decision 20414-D01-2016 (Errata), the Commission explained that the choice of the 2017 notional mid-year rate base, (rather than an actual 2017 rate base), was reflective of the overall rebasing approach for the PBR2 plan.²² In the Commission's view, such choice was not meant to be inconsistent with the separate determination to base the ECM calculation on the mid-year rate base of the final year of the PBR term.

36. The Commission finds that it is reasonable to escalate the ECM dollar amount calculated using the 2022 actual mid-year rate base using the 2023 COS inflation escalator approved in Decision 26616-D01-2022. Doing so is consistent with the Commission's approvals in that

¹⁹ Exhibit 27685-X0020, APEX-AUC-2022NOV01-001(a).

²⁰ Exhibit 27685-X0020, APEX-AUC-2022NOV01-001(c).

²¹ Decision 20414-D01-2016 (Errata), paragraph 83.

²² Decision 20414-D01-2016 (Errata), paragraph 84.

decision and the overall COS approach to rebasing. As the PBR3 plan starts on January 1, 2024, the Commission finds that the ECM dollar amount should be escalated for 2024 by the index approved in the PBR3 plan. This is consistent with the methodology in Decision 20414-D01-2016 (Errata).

37. The Commission approves Apex's 2023 interim ECM amount as filed. This amount will be trued up to reflect the actual 2022 rate base given the determinations in Decision 26616-D01-2022 that the 2022 actual closing rate base will establish the basis of the mid-year rate base used to establish going-in rates for the PBR3 term.²³ Also, a true-up may be required to reflect the actual 2022 ROE for Apex as it may affect the ECM ROE add-on percentage.

4.3 Forecast billing determinants

38. Forecast billing determinants are used to allocate a DFO's revenue requirement to rate classes and to calculate the resulting rate adjustments, and are also used in performing the annual use-per-customer adjustments for gas distribution utilities.

39. In its application, Apex provided detailed 2023 billing determinant forecasts.²⁴ Apex submitted that its forecast 2023 billing determinants were based on the same methodology as described in its COS application,²⁵ and that changes in billing determinants are a result of incorporating more recently available information and actual data where available.²⁶

40. In response to an information request, Apex clarified that the forecast methodologies used for the 2023 billing determinants are the same as were described in its COS application.²⁷ Specifically, Apex used population growth metrics for forecasting Rate 1/11 (residential, small commercial and rural) customers. The previously approved methodology to forecast customer numbers for Rate 1/11 was based on historical actuals and did not take into consideration forward looking information.

41. In its COS application, Apex explained that the recent economic environment, influenced by the COVID-19 pandemic and oil prices crashes in 2019 and 2020, can significantly affect its customer growth rates. Therefore, while methodology based on historical information remains appropriate for 2023 forecast customer usage, it is necessary to incorporate forward-looking information to determine the 2023 forecast customer growth for certain rate classes.

42. For Rate 1/11 customers, Apex identified a strong correlation between its customer growth and population growth in its service area census divisions using Government of Alberta data and determined that the population growth metrics published by the Alberta Government in July 2021 provide a reasonable forecast. Therefore, Apex chose to use the population growth projections to forecast customer growth for 2022 and 2023. Apex then applied the projected population growth rates to the 2021 Rate 1/11 customer billings to forecast 2022 and 2023 customer billings. The 2021 forecast customer billings were updated from Apex's 2022 annual PBR rate adjustment filing to incorporate October 2021 actuals.²⁸

²³ Exhibit 27685-X0029, AG-AUC-2022OCT31-002(c).

²⁴ Exhibit 27685-X0005, Appendix 3, Schedule 2.3.

²⁵ Proceeding 26616, Exhibit 26616-X0023, PDF pages 100-103.

²⁶ Exhibit 27685-X0001, application, paragraph 64.

²⁷ Exhibit 27685-X0020, PDF page 15.

²⁸ Exhibit 26616-X0023, paragraphs 352-353.

43. In Decision 26851-D01-2021,²⁹ the Commission directed Apex to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify variances larger than five per cent on an annual basis.³⁰ The only customer class with a variance larger than +/- five per cent was Rate 4/14 Irrigation which was six per cent lower than forecasted in 2021. Apex explained that the lower than forecast customer numbers in 2021 is a continuation of a decreasing customer number over the past several years which is attributed to changing business requirements and switching of energy sources from natural gas to electric to run irrigation motors.³¹

44. No party objected to Apex's billing determinant forecast or its variance explanations. The Commission notes that Apex's billing determinant methodologies were approved in Decision 26616-D01-2022.

45. The Commission considers Apex's explanation for the billing determinant variances from forecasts to be reasonable. Such variances do not generally call into question the predictive value of the methodology used to generate the forecasts. The Commission directs Apex to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than five per cent on an annual basis.

46. Based on its review and assessment of Apex's billing determinants in this proceeding, the Commission finds that the 2023 forecast billing determinants are reasonable. Accordingly, the billing determinant forecast is approved, as applied for.

5 2023 distribution rates

5.1 Distribution rates

47. Apex has determined the 2023 rates for each of its rate classes based on the 2023 forecast revenue requirement and rate adjustments discussed in earlier sections of this decision, utilizing the rate design methodology from Apex's 2012 COS study (with the exception of the allocation between Rate 4/14 and 3/13 discussed in Section 5.1.1 below).³²

48. Apex also provided bill impact schedules reflecting the 2023 proposed rates that will go into effect on January 1, 2023. Apex's estimated bill impacts for a typical customer are shown in the table below.

Table 3. Bill impacts of Apex's proposed 2023 distribution rates

Rate class description	A	B	C	D
	Forecast rate change excluding commodity (\$)	Forecast rate change excluding commodity (%)	Forecast rate change including commodity (\$)	Forecast rate change including commodity (%)
Residential Rate 1/11	33	3.5	21	1.2
Commercial Rate 1/11	194	7.6	458	6.1
Rural Rate 1/11	25	2.1	(33)	-1.3

²⁹ Decision 26851-D01-2021: Apex Utilities Ltd., 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26851, December 10, 2021.

³⁰ Decision 26851-D01-2021, paragraph 32.

³¹ Exhibit 27685-X0001, application, paragraphs 85-86.

³² Exhibit 27685-X0001, application, paragraphs 87-88.

Rate class description	A	B	C	D
	Forecast rate change excluding commodity (\$)	Forecast rate change excluding commodity (%)	Forecast rate change including commodity (\$)	Forecast rate change including commodity (%)
Large General Service Rate 2/12	2,201	8.9	4,375	4.8
Demand Rate 3/13	(76,531)	-2.9	(83,477)	-2.8
Irrigation Rate 4/14	136	8.7	110	2.9

Source: Exhibit 27685-X0005, Appendix 3, schedules 3.0 and 3.1.

49. The Commission accepts the general principles and methodologies used by Apex for calculating its 2023 rates (including the allocation between Rate 4/14 and Rate 3/13 customers explained in Section 5.1.1 below). The Commission also accepts the bill impacts that result, as shown in Table 3. For the reasons set out above, the Commission approves Apex's 2023 rates, effective January 1, 2023, on an interim basis. These rates will remain interim until all remaining placeholders (such as those reflecting the 2022 actual approved closing rate base) have been determined by the Commission. These 2023 rates will be finalized following such approvals and any required true-up adjustments will be made in accordance with directions subsequently provided by the Commission.

5.1.1 Allocation between Rate 4/14 and Rate 3/13 customers

50. Apex stated that in the process of preparing its application, it noted that an unadjusted allocation of revenue requirement to each rate class based on the current Phase 2 allocations would result in a significant increase to Rate 4/14 (Irrigation) customers of 39.9 per cent in their delivery rates and an increase of 29 per cent in bill impact excluding commodity costs. Apex assessed that this increase in rates is a result of the number of customers in this rate class gradually decreasing year-over-year, resulting in fewer customers bearing the same allocated pool of the revenue requirement at rebasing.

51. Apex explained that in consideration of rate shock and affordability to its Rate 4/14 customers, it allocated \$50,000 from Rate 4/14 customers to Rate 3/13 (demand) customers to bring the rate increase for Rate 4/14 customers to 10 per cent in delivery rates and 8.7 per cent in bill impact excluding commodity costs. Rate 3/13 was identified as the offsetting rate class, as it will see a decrease in rates for 2023. This decrease in rates is a result of an increase in customer numbers and large volume throughput. Apex noted that the impact to Rate 3/13 customers is considered minimal as the proposed reallocation reduces the decrease in delivery rates from 9.8 per cent to 8.4 per cent, and the bill impact excluding commodity costs from 4.4 per cent to 2.9 per cent.

52. Apex stated that it will be filing an updated Phase 2 COS study by 2024 in accordance with Commission directions in Proceeding 27388 and will realign revenue requirement allocations among rate classes based on the updated study.³³

53. In response to an information request, Apex stated that it "is aware of the potential for cross-subsidization between rate classes as a result of reallocation adjustments. However, given the rate stability achieved for Rate 4/14 customers, and the corresponding immaterial impact to Rate 3/13 customers, Apex submits that the potential cross-subsidization is justified."³⁴ Apex

³³ Exhibit 27685-X0001, application, paragraphs 88-90.

³⁴ Exhibit 27685-X0020, PDF page 18.

further clarified that the proposed reallocation is appropriate as an interim solution, until an updated Phase 2 COS study is completed and approved and the allocation of revenue to each rate class will be adjusted accordingly.³⁵

54. The Office of the Utilities Consumer Advocate (UCA) argued that it is concerned that the current Phase 2 is over 10 years old, and submitted that given the magnitude of the proposed increase to Rate 4/14, the Phase 2 requirement deadline should be advanced. The UCA requested that the Commission direct Apex to file a full Phase 2 application prior to the end of 2023.³⁶

55. In response, Apex stated that the request for an expedited Phase 2 filing is inconsistent with the Commission's ruling in Proceeding 27388, where the Commission ruled that matters related to depreciation studies or Phase 2 applications and their timing are excluded from that proceeding and directed DFOs to file these studies during the PBR3 term, after the parameters of that plan have been set. Apex stated that it intends to comply with the Commission-directed timeline for filing its Phase 2 application.³⁷

56. Regarding Apex's proposed reallocation of \$50,000 from Rate 4/14 to Rate 3/13 customers, the Commission weighs the risk associated with cross-subsidization between rate classes against the impact to Rate 4/14 customers in the case that the reallocation is not approved. The Rate 4/14 customers face a 39.9 per cent increase in their delivery rates and a bill impact (excluding commodity costs) increase of 29 per cent. The Commission refers to Apex's assessment of its proposed reallocation which provides Rate 4/14 customers with "rate stability" and agrees that Apex's proposed solution offsets the potential impact to Rate 4/14 customers with minimal impact to Rate 3/13 customers. Given the magnitude of changes that these rate classes have experienced with regard to their customer numbers, the Commission further relies on Apex's assertion that this solution is interim, until its next Phase 2 application when it can propose an adjustment to the allocation of revenue to each rate class. For these reasons, the Commission approves the reallocation of \$50,000 from Rate 4/14 customers to Rate 3/13 customers for the purposes of this decision.

57. Regarding the filing of Apex's Phase 2 application, the Commission refers to its ruling on final list of issues in Proceeding 27388:

Several parties suggested that the timing of depreciation studies or Phase 2 applications should be included on the list of issues. The Commission has decided to exclude these matters. Instead, consistent with its determinations in Decision 20414-D01-2016 (Errata), the Commission directs distribution facility owners (DFOs) to file these studies once during the PBR3 term, after the parameters of the plan have been set. If a DFO does not have either a depreciation study or a Phase 2 application approved within the last five years, it must file an application for approval in either 2024 or 2025. Consistent with the Commission's past practice, PBR rates will be adjusted to reflect any changes in approved depreciation parameters or Phase 2 determinations.³⁸ [footnote omitted]

³⁵ Exhibit 27685-X0020, PDF page 18.

³⁶ Exhibit 27675-X0031, PDF page 6.

³⁷ Exhibit 27685-X0033, PDF page 5.

³⁸ Proceeding 27388, parameters of the PBR3 plans, Exhibit 27388-X0046, paragraph 12.

58. The Commission reiterates that DFOs, including Apex, are to file their Phase 2 applications during the PBR3 term after the parameters of the plan have been set. As Apex's last Phase 2 application was in 2012, it must file an application for approval in either 2024 or 2025.

6 Other matters

6.1 Terms and conditions of service

59. Apex made a minor revision to one of its terms and conditions documents; a revision was made to Section 11.1(4) of the Retailer Distribution Service Rules (RDSR) to reflect the amendment to the *Natural Gas Billing Regulation (AR 185/2003)* as prescribed in Ministerial Order 137/2021 which states "Section 5(2)(a) is amended by striking out '75 days' and substituting '45 days.'" The Commission has reviewed the proposed change to the RDSR and is satisfied that this change is required to comply with the legislation and approves the RDSR as filed.

6.2 Special Charges Schedule

60. Apex included an update to the Special Charges Schedule to reflect an annual inflationary increase. For 2023, Apex proposed to adjust its Special Charges Schedule by applying the 2023 COS inflation escalator of 2.78 per cent approved in Decision 26616-D01-2022 to the 2022 rates that were approved in Decision 26851-D01-2021.³⁹

61. In its argument, the UCA stated that one of the purposes of the 2023 COS proceeding was to capture efficiencies achieved during the second term of PBR and pass them along to customers. As such, adding an inflation factor to the previously approved special charges passes on none of the achieved efficiency gains to customers as the intent of the 2023 COS proceeding was to rebase Apex rates to actual costs.⁴⁰

62. In its reply argument Apex disagreed that the method it used to determine the 2023 special charges prevents the efficiency gains expected in the 2023 COS forecast from being passed on to customers. In Decision 26616-D01-2022, the Commission found that Apex's 2023 forecast costs are reflective of the efficiencies achieved during the PBR2 term and as such are reflected in its 2023 forecast revenue requirement. Apex explained that recovery of the revenue requirement is achieved through distribution rates after first recognizing expected recoveries from revenue offsets, which include special charges. Also in Decision 26616-D01-2022 the Commission approved the application of an inflation escalator to historical costs when determining the 2023 revenue requirement forecast under a mechanistic approach and as such Apex used this approach for revenue offsets, which includes special charges. Apex also explained that a review of the specific tasks underlying special charges can be undertaken in a future application but to the extent that there is an increase or reduction in special charges, there may have to be an increase or decrease in distribution rates to ensure that Apex recovers its total revenue requirement as the overall revenue requirement would remain unchanged and continues to embed all the efficiencies from the 2023 COS proceeding.⁴¹

³⁹ Decision 26851-D01-2022: Apex Utilities Inc., 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26851, December 10, 2021.

⁴⁰ Exhibit 27685-X0031, UCA argument, paragraph 4.

⁴¹ Exhibit 27685-X0033, Apex reply argument, paragraphs 5-8.

63. The Commission is not persuaded by the UCA's argument that adding the approved 2023 inflation factor to the previously approved special charges passes on none of the efficiency gains to customers. The Commission agrees with Apex that the revenue offsets forecast for 2023 capture the efficiencies as they were forecasted mechanistically using historical costs. While a review of the specific tasks underlying the special charges may be useful in a future application, the Commission finds that such a review is out of scope of the present proceeding. The Commission also notes that during PBR, Apex's special charges were adjusted by I-X, and allowing for an inflation adjustment for 2023 is in line with the Commission's prior decisions and the overall approach to rebasing. As a result, the Commission approves Apex's Special Charges Schedule as filed.

6.3 Finalization of 2021 interim rates

64. Apex requested to finalize its 2021 interim PBR rates. No party objected to the finalization of these rates.

65. The Commission finds that all outstanding placeholders (such as K factor, K-bar and Y factor adjustments) from that year have been trued up and there are no further outstanding matters relating to the calculation of the rates. The Commission approves Apex's request to finalize 2021 rates.

7 Order

66. It is hereby ordered that:

- (1) Apex's 2023 distribution rates, set out in Appendix 4 to this decision, are approved on an interim basis, effective January 1, 2023. These rates will remain interim pending finalization of all outstanding placeholders (such as 2022 actual closing rate base).
- (2) Apex's 2023 Special Charges Schedule, as set out in Appendix 6, is approved effective January 1, 2023.
- (3) Apex's updated Retailer Distribution Service Rules, as set out in Appendix 7, are approved effective January 1, 2023.
- (4) Apex's request to finalize its 2021 interim performance-based regulation rates based on the calculation of its 2021 going-in revenue and K-bar amounts is approved.

Dated on December 15, 2022.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Vice-Chair

(original signed by)

Cairns Price
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Apex Utilities Inc. (Apex)
Office of the Utilities Consumer Advocate (UCA) Russ Bell & Associates Inc.

Alberta Utilities Commission
Commission panel K. Sebalj, Vice-Chair C. Price, Commission Member
Commission staff A. Spurrell C. Robertshaw L. Fukuda

Appendix 2 – Commission directions from Decision 26616-D01-2022 applicable to this proceeding

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of Decision 26616-D01-2022, the wording in the main body of Decision 26616-D01-2022 shall prevail.

[\(return to text\)](#)

1. The Commission directs the following adjustments to the applied-for escalation factors:
 - (a) Both ATCO Gas and Apex are to use their actual labour cost increases for the period 2019-2020 in calculating their inflation escalators.
 - (b) Both ATCO Gas and Apex are to reduce their proposed customer growth escalator by 15 per cent..... paragraph 6
2. The Commission directs each of ATCO Gas and Apex to recalculate their respective 2023 forecasts under the mechanistic approach to reflect the escalation factors approved in this decision. paragraph 7
3. Both ATCO Gas and Apex relied on the same weightings between CPI and labour costs currently established for the I factor. Both used data from well-known sources for their historical and forecast CPI. The Commission also accepts, for the purposes of this decision, the calculation of CPI and labour escalators on a calendar year basis (rather than a July to June basis as is currently done for the I factor calculation). Doing so aligns more closely with the utilities' costs and revenues, which are measured on a calendar year basis. Given the Commission's approval to use the most up-to-date data, the Commission directs ATCO Gas and Apex to use the 2021-2023 CPI values as shown in tables 9 and 10 above in their respective compliance filings. The Commission denies ATCO Gas's request to further update its forecasts at the time of the compliance filing. ... paragraph 112
4. Regarding labour costs, both ATCO Gas and Apex used the Alberta AWE index as a substitute for their labour costs escalator for 2019 and 2020, and used their own actual or projected labour cost increases for 2021-2023. In the Commission's view, it is more methodologically sound to use the utility's own actual or forecast labour cost growth for the entire 2019-2023 period so that the data for both historical and forecast costs is consistent. The Commission considers the use of the utilities' actual and forecast labour costs is reasonable for purposes of the inflation escalator because the objective of this proceeding is to realign each of the utility's costs with revenues. Further, in Section 5.2.6 of this decision, the Commission reviews the 2021-2023 proposed labour cost escalators developed by the utilities, and finds them to be reasonable. As such, the Commission directs ATCO Gas and Apex to recalculate their 2019-2020 inflation indexes based on their own labour cost data using the same methodology used for developing their 2021-2023 labour cost indexes as shown, respectively, in tables 9 and 10 above. paragraph 113
5. As a result, the Commission has determined that it is necessary to introduce an offset to the customer growth escalation factors used by both utilities to account for its findings that (i) there is not an observed one-to-one relationship between customer growth and utility costs; and (ii) there exist economies of scale that are not accounted for in the application of the customer growth escalator. Having reviewed the record and exercised

- its judgment, the Commission directs each of the utilities to reduce their proposed customer growth escalation factors by 15 per cent. paragraph 129
6. ATCO Gas and Apex updated their respective 2021 capital costs with non-audited 2021 actual amounts on April 1, 2022. As set out in Section 7.1, the Commission examined the utilities' 2021 non-audited actual capital additions in this proceeding and, except as noted otherwise in this decision, finds these amounts to have been prudently incurred, subject to reviewing the explanations for variances between the non-audited 2021 actuals provided in April 2022 and audited actuals provided in Rule 005 filings. Therefore, the Commission directs ATCO Gas and Apex to incorporate the 2021 actual rate base, subject to the exceptions otherwise noted in this decision, into their compliance filings. paragraph 146
 7. For these reasons, the Commission finds that Apex's O&M forecasts derived using the mechanistic approach, and adjusted using the escalation factors approved in Section 5.2 of this decision, are reasonable. The Commission directs Apex to recalculate its 2023 O&M costs forecast under the mechanistic approach to reflect the escalation factors approved in Section 5.2 of this decision. paragraph 186
 8. For the reasons set out in sections 6.3.2.1.1 to 6.3.2.1.3 below, the Commission is not persuaded by Apex's explanations for the large overall increases to TSU's 2022 and 2023 shared corporate services costs forecasts after several years of declining costs. The Commission also finds that the allocation percentage of shared corporate services costs to Apex from TSU should be changed. Finally, the Commission directs Apex to remove any TSU STIP costs in the TSU total cost pool prior to allocating any corporate costs to Apex. paragraph 193
 9. The Commission therefore directs Apex to reflect, in the compliance filing to this decision, the following adjustments to its 2023 shared corporate services costs forecast:
 - (i) Remove any TSU STIP costs, if any, from the 2021 shared corporate services forecast costs to be used as the basis of allocation to Apex.
 - (ii) Calculate the allowable 2023 forecast TSU cost pool to be allocated to Apex by escalating the 2021 forecast TSU cost pool to 2023 dollars using the inflation and customer growth escalators approved in Section 5.2 of this decision.
 - (iii) Allocate to Apex the allowable 2023 forecast TSU cost pool calculated above by using the allocation percentage of 42.2 per cent. paragraph 194
 10. The Commission finds total assets to be a more reasonable cost allocator for use in the MMF formula for the following reasons: (i) total assets is one of the three MMF composite allocators used consistently by the comparator utilities and was previously used by AltaGas; (ii) the Commission has previously found that the cost of gas should be included in the composite allocator; and (iii) corporate service support costs are driven by more than the net book value of property owned by each affiliate. The Commission therefore directs Apex to use total assets in place of the property factor as one of the three MMF composite factors for its 2023 forecast TSU corporate allocations, and to reflect this change in its compliance filing. paragraph 219
 11. On balance, the Commission finds there to be insufficient evidence to support the proposition that Apex's ratepayers will be better off paying for TSU's employee STIP program benefits and incentives than these costs being borne by TSU's shareholders. The Commission, therefore, denies the inclusion of any TSU employee STIP costs in the

- corporate shared service allocation to Apex. If any TSU employee STIP costs were included in the 2021 TSU forecast cost pool (that will be used as the basis for Apex's 2023 forecast allocation as directed earlier in this decision), the Commission directs that they be removed to ensure that Apex's 2023 forecast shared corporate services costs exclude any TSU employee STIP costs. paragraph 227
12. The Commission finds that with the exception of NGSSC operating costs, the forecast costs in Apex's 2023 O&M deferral accounts are reasonable, and are approved. While the Commission approves the 2023 forecast NGSSC operating costs as reasonable, the Commission denies deferral account treatment for these costs for the reasons set out in Section 7.3.2.3. The Commission directs Apex to remove the NGSSC operating costs from the O&M deferrals (A&G) expense account, as shown in Table 16 above, and reclassify these costs as general distribution operating costs. paragraph 234
13. Based on its assessment, the Commission is prepared to accept the 2021 non-audited actual costs as prudently incurred unless noted otherwise in this decision. This finding is also subject to the Commission's review of each utility's explanations for any variances between the non-audited 2021 actual expenditures filed in this proceeding in April 2022 and audited costs reported in 2021 Rule 005 filings. The Commission directs the utilities to file these explanations as part of their compliance filings to this decision. paragraph 239
14. The Commission finds that the 2023 forecast costs for those programs that were forecast mechanistically are reasonable and approves them as filed, subject to using the escalators approved in Section 5.2. Accordingly, the Commission directs Apex to provide updated amounts in the compliance filing. paragraph 287
15. The Commission directs Apex to remove the proposed \$3.27 million of capital additions from its 2023 forecast revenue requirement in the compliance filing to this decision. paragraph 303
16. Throughout this decision, the Commission has issued various directions to ATCO Gas, ATCO Electric and Apex. The Commission directs each of ATCO Gas and Apex to file a compliance application to finalize their respective 2023 forecast revenue requirements to reflect the approvals, denials, and adjustments in this decision by October 3, 2022. ATCO Electric must reflect the adjustments from this decision in its September 26, 2022, compliance filing, directed by the Commission in Decision 26615-D01-2022. paragraph 405
17. To assist the Commission in reviewing the compliance of ATCO Gas and Apex with the directions in this decision, the Commission directs both utilities to support their revised 2023 revenue requirement, inclusive of 2023 forecasts, with accompanying Excel schedules. Specifically, each of the 2023 forecast amounts contained in the rebasing templates should either have a working formula showing how the number was determined (e.g., a formula that shows the calculation of the escalated 2018-2020 average), or reference to an associated working paper where such calculation was performed. The calculations should clearly illustrate how the utility's compliance with a Commission direction (e.g., denial of a capital project or the application of approved escalators) was achieved. paragraph 407

Appendix 3 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. Given that this adjustment is minor relative to Apex’s total 2023 forecast revenue requirement, and that Apex’s 2023 rates will be subject to a future true-up (to reflect the 2022 actual rate base), the Commission will not require Apex to adjust its rates at this time. Rather, the Commission directs Apex to remove the \$190,000 adjustment at the time of other true-ups to 2023 rates upon the approval of the 2022 actual closing rate base. paragraph 16
2. Apex is directed in its 2024 distribution rates application to correct its allocation of TSU shared corporate services costs to use 2021 forecast TSU total shared corporate services costs, as filed in Proceeding 26616, with the only approved adjustment to the 2021 forecast being the removal of TSU STIP costs from the 2021 forecast TSU cost pool. As previously directed, Apex will then use the approved 2023 Apex allocation rate of 42.2 per cent on the 2021 TSU forecast cost pool (after removing TSU STIP costs) to determine the Apex cost allocation for its TSU corporate services costs. It will then inflate that amount using the approved inflation and customer growth escalator to normalize Apex’s calculated 2021 shared corporate services cost allocation amount to 2023 dollars..... paragraph 17
3. The Commission considers Apex’s explanation for the billing determinant variances from forecasts to be reasonable. Such variances do not generally call into question the predictive value of the methodology used to generate the forecasts. The Commission directs Apex to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than five per cent on an annual basis. paragraph 45

Appendix 4 – 2023 Rate schedules

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Appendix 4 - 2023
Rate schedules

(consists of 12 pages)

Appendix 5 – Rate riders



Appendix 5 - Rate
riders

(consists of 1 page)

Appendix 6 – 2023 Special Charges Schedule

[\(return to text\)](#)



Appendix 6 - 2023
Special Charges Sch

(consists of 4 pages)

Appendix 7 – Retailer Distribution Services Rules

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Appendix 7 -
Retailer Distribution
(consists of 39 pages)

RATE 1	SMALL GENERAL SERVICE
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Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, emergency, or irrigation services.

Distribution Charges:

Fixed Delivery	\$ 1.629 / Day
Variable Delivery	\$ 2.686 / GJ

Third Party Transportation

Rate Rider G

Default Supply Provider Charges:

Administration Fee	\$ 0.102 / Day
Gas Cost	Rate Rider D

The minimum daily charge will be the Fixed Delivery Charge and the Administration Fee.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 SGS
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Apex Utilities Inc.

RATE 2	LARGE GENERAL SERVICE (OPTIONAL)
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Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, or emergency services.

Distribution Charges:

Fixed Delivery	\$ 22.366 / Day
Variable Delivery	\$ 1.766 / GJ

Third Party Transportation

Rate Rider G

Default Supply Provider Charges:

Administration Fee	\$ 0.102 / Day
Gas Cost	Rate Rider D

The minimum daily charge will be the Fixed Delivery Charge and the Administration Fee.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 LGS
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Apex Utilities Inc.

RATE 3	DEMAND GENERAL SERVICE (OPTIONAL)
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Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, or emergency services.

Distribution Charges:

Fixed Delivery	\$ 22.191 / Day
Variable Delivery	\$ 0.049 / GJ
Demand	\$ 0.404 / Day / GJ of Billing Demand

Third Party Transportation

Rate Rider G

Default Supply Provider Charges:

Administration Fee	\$ 0.102 / Day
Gas Cost	Rate Rider D

The minimum daily charge will be the Fixed Delivery Charge, Demand Charge, and the Administration Fee.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 DGS
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Apex Utilities Inc.

RATE 4	IRRIGATION PUMPING SERVICE (OPTIONAL)
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Description:

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

	April 1 to October 31
Distribution Charges:	
Fixed Delivery	\$ 4.781 / Day
Variable Delivery	\$ 1.549 / GJ
 Third Party Transportation	 Rate Rider G
 Default Supply Provider Charges:	
Administration Fee	\$ 0.102 / Day
Gas Cost	Rate Rider D

The minimum daily charge will be the Fixed Delivery Charge and the Administration Fee.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 IPS
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Apex Utilities Inc.

RATE 6	STANDBY, PEAKING, AND EMERGENCY SERVICE
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Description:

Available only at the option of the Company.

Distribution Charges:

Fixed Delivery	\$ 22.191 / Day
Demand	\$ 0.404 / Day / GJ of Billing Demand

Third Party Transportation Rate Rider G

Default Supply Provider Charges:

Administration Fee	\$ 0.102 / Day
Gas Cost	1.3 times the Variable Delivery Charge of Rate 3 plus the greater of: a) 1.3 times the GCRR; or b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Fixed Delivery Charge and the Demand Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 SPES
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Apex Utilities Inc.

RATE 10a	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

Charges:

	<u>1 Year</u>	<u>Term 2 Years</u>	<u>3 Years</u>
Fixed Delivery / Month	\$ 250.00	\$ 250.00	\$ 250.00
Demand Charge / GJ of Billing Demand / Month.....	\$ 1.418	\$ 1.333	\$ 1.248
Variable Delivery Charge / GJ.....	\$ 0.019	\$ 0.019	\$ 0.019

- a) The minimum monthly charge will be the fixed plus demand charge.
- b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.
- c) Service under Rate 10a is subject to available system capacity.
- d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.
- e) Billing demand will be the higher of contracted demand or the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.
- f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 PTS10a Closed Rate
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Apex Utilities Inc.

RATE 10c	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

Charges:

Demand Charge	\$ 0.020 / Day / GJ of Billing Demand
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EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 PTS10c Closed Rate
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Apex Utilities Inc.

RATE 11	SMALL GENERAL SERVICE FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Distribution Charges:

Fixed Delivery	\$ 1.629 / Day
Variable Delivery	\$ 2.686 / GJ

Third Party Transportation

Rate Rider G

The minimum daily charge will be the Fixed Delivery Charge.
 This service is not available for standby, peaking, or emergency services.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 SGS-R
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Apex Utilities Inc.

RATE 12	LARGE GENERAL SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Distribution Charges:

Fixed Delivery	\$ 22.366 / Day
Variable Delivery	\$ 1.766 / GJ

Third Party Transportation

Rate Rider G

The minimum daily charge will be the Fixed Delivery Charge.
 This service is not available for standby, peaking, or emergency services.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 LGS-R
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Apex Utilities Inc.

RATE 13	DEMAND GENERAL SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Distribution Charges:

Fixed Delivery	\$ 22.191 / Day
Variable Delivery	\$ 0.049 / GJ
Demand	\$ 0.404 / Day / GJ of Billing Demand

Third Party Transportation

Rate Rider G

The minimum daily charge will be the Fixed Delivery Charge and the Demand Charge. This service is not available for standby, peaking, or emergency services.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 DGS-R
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Apex Utilities Inc.

RATE 14	IRRIGATION PUMPING SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from April 1 to October 31, inclusive.

	April 1 to October 31
Distribution Charges:	
Fixed Delivery	\$ 4.781 / Day
Variable Delivery	\$ 1.549 / GJ
 Third Party Transportation	 Rate Rider G

The minimum daily charge will be the Fixed Delivery Charge.
 This service is not available for standby, peaking, or emergency services.

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 IPS-R
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Apex Utilities Inc.

RATE 30 SPECIAL CONTRACT	TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 30 customer for the term and conditions specified in the contract.

Charges:

Fixed Delivery	\$ 250.00 / Month
Variable Delivery	\$ 0.230 / GJ

EFFECTIVE DATE: January 1, 2023	REPLACING RATE EFFECTIVE: January 1, 2022 Decision 26851-D01-2021	Page 1 of 1 TS-RT30 Closed Rate
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Apex Utilities Inc.

Apex Utilities Inc.

Cost of Service and Rates Compliance
Filing to Decision 26616-D01-2022

Appendix 8

AUI Rate Riders

Rider	Description
Rider A - Franchise Fees	Franchise fees are paid to municipalities in consideration of the exclusive grant of a franchise and for the ability to put gas distribution facilities on land owned by the municipalities.
Rider B - Property Taxes and Municipal Fees	Property taxes and fees are levied by municipalities against AUI's land and buildings, linear property, machinery, and equipment or charged for services such as inspection and permitting related to construction work within the franchise area.
Rider C - Deemed Cost of Gas	Rider C is a deemed calculation used where municipalities calculate the franchise fee on both natural gas charges and delivery charges for customers being served by a competitive retailer. Rider C is necessary to ensure the franchise fee is charged in a fair way, whether a customer purchases gas through a competitive or default gas supply.
Rider D - Gas Cost Recovery	The gas cost recovery rate is the cost per gigajoule, approved by the AUC on a monthly basis, for the cost of natural gas provided to default supply customers plus procurement costs, management fees, bad debt, penalty revenue, and/or carrying costs of cash working capital related to providing natural gas to its customers.
Rider E – Unaccounted-for Gas (Receipts)	Rate Rider E is used in calculating Rider D and Rider G. It is designed to allow AUI to recover its annual line losses and is approved on an annual basis by the AUC.
Rider F – Deficiency or Refund	Rider F is used to recover a deficiency or refund resulting from AUC Decisions.
Rider G - Third Party Transportation	Rider G is the cost per gigajoule, approved by the AUC on a monthly basis, for third party transportation costs incurred by AUI for transporting gas to customers on a third party's pipeline (e.g. TCPL, ATCO Pipelines, municipal systems).
Rider H – Unaccounted-for Gas (Deliveries)	Rider H is used to facilitate gas settlement and balancing calculations consistent with AUC Rule 028. This rider is necessary to ensure retailers' bear their share of UFG related to deliveries, consistent with AUC Rule 028.
Rider L – Load Balancing Deferral Account	Rider L is used to capture the financial impact of the effect of retailers' account balances for deliveries and receipts on AUI's distribution system and to account for system balancing of transmission capacity on the TCPL system. Rider L was developed to ensure compliance with AUC Rule 028.

Apex Utilities Inc. Special Charges Schedule

In a number of places the Natural Gas Utility Service Rules refer to special charges for some services. Following is a list of the charges, as approved by the Alberta Utilities Commission.

Special Charge	Fee
Account Activation Fee	\$ 40
Remove and test meter - per meter:	
Residential	\$ 85
Other	Actual Cost
Special meter readings (each time)	\$ 40
No Access Fee (each time)	\$ 40
Reconnection Fee:	
Residential	\$ 57
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end)	\$ 85
Reinstallation of Meter/Regulator:	
Residential	\$ 85
Other	Actual Cost
Dishonoured payment charge (NSF cheque, etc.) - each time	\$ 29
Cheque certification charge - each time	\$ 11
Any other service at Customer's Request.....	Actual Cost
Late Payment Percentage	
Applied to any unpaid balance from previous bills	1.5%
(18% per annum, compounded monthly)	
Standard Non-Refundable Contribution (as defined on p.3):	
Town.....	\$ 0
Rural Subdivision.....	\$ 567
Rural Other	\$ 6,130

Note: "Actual Cost", where referenced, means our direct costs for labour, materials, services, and equipment plus applicable overheads.

Apex Utilities Inc.
Special Charges Schedule (continued)

AUC Rule 003 – Service Standards for Energy Service Providers

Service Guarantee for Default Supply Customers

We will credit your account with us for \$150.00 if:

- You were provided written notice of pending disconnection of service in error;
- You were provided written notice of pending referral to a credit agency in error;
- You were referred to a credit agency in error; or
- You experienced disconnection of service in error.

The \$150 credit will not be applied if the error was not made by us or if:

- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice and your payment crossed in the mail;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was in mail transit at the time you made or attempted to make payment by visiting the premises of an authorized payment acceptance establishment, such as a bank, trust company, or credit union;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was properly mailed, but you did not pick up the mail from locations, such as a post office, super mailbox, or home mailbox;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was undelivered by the mail delivery service; or
- You attempted to make payment to one of our employees or someone hired by us to disconnect your *service site* and the disconnection was not in error, but that person was not authorized to accept payment.

Apex Utilities Inc. Special Charges Schedule (continued)

Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

Standard Non-Refundable Contributions

Standard contributions are filed for acknowledgment with the Commission when they are initially established and, thereafter, whenever they are changed. For a current list of our standard non-refundable contributions, please refer to Page 1 of this Special Charges Schedule or contact us toll-free using our General Inquiry phone number to find current rates.

Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not economic to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific, non-refundable contribution.

Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

- a) An estimate of the total capital costs of providing service;
- b) An estimate of the total annual operating costs of providing service;
- c) The *Commission*-approved return on common equity, interest rate, depreciation rates, income taxes, and capital structure;
- d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

Apex Utilities Inc. Special Charges Schedule (continued)

Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality, such as a village, town, or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as ‘Town’, but located in an Apex Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* not defined as ‘Town’ or ‘Rural Subdivision’
- Other – A *service site* served under any rate other than Rate 1/11.



RETAILER DISTRIBUTION SERVICE RULES

Effective: January 1, 2023

**Apex Utilities Inc.
Retailer Distribution Service Rules**

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ARTICLE 1 – Context

1.1. Application

These *Retailer Distribution Service Rules* are part of every *Retailer Distribution Service Contract* of *Apex Utilities Inc. (AUI)*.

1.2. Relationships

These *Retailer Distribution Service Rules* govern the relationship between *AUI* and the *Retailer* or any *Agent* acting on behalf of the *Retailer*, and between *AUI* and the *Customer*. These *Retailer Distribution Service Rules* complement *AUI's* Commission-approved *Natural Gas Utility Service Rules*, are part of *AUI's* *Gas Distribution Tariff* and apply to every *Retailer* unless varied by an Order of, or agreement approved by, the *Commission*.

1.3. Customers and Agents

Where the *Customer* has appointed the *Retailer* to act on the *Customer's* behalf, the *Retailer* will act in place of the *Customer*. Notwithstanding the foregoing, where the *Retailer* requires *AUI* to bill for *Gas Distribution Service* separately, *AUI* reserves the right to bill the *Customer* directly and receive payments for *Gas Distribution Service* directly from the *Customer*. Under this arrangement, *AUI's* *Natural Gas Utility Service Rules* apply with respect to payment terms for the *Customer*.

ARTICLE 2 – Definitions

2.1. Definitions

The following words or terms, when used in these *Retailer Distribution Service Rules*, the *Rate Schedule* or in a *Retailer Distribution Service Contract* will, unless the context otherwise requires, have the following meanings:

“Account” means a record maintained by *AUI* containing receipts, deliveries, *Unaccounted-For Gas*, *Imbalance Purchases*, *Imbalance Sales* and adjustments applicable to each *Retailer* providing *Gas Services* to *Customers* served by the *Gas Distribution System*;

“Account Balancing” means the process of managing *Gas* receipts and/or *Gas* deliveries in an *Account* to keep the difference, net of adjustments, within the tolerance specified by the *Tolerance Zone*;

“Account on the Transmission System” means the account held by *AUI* on *TCPL*;

“Act” means the *Gas Utilities Act – R.S.A. 2000 c.G-5*, as amended from time to time and any legislative enactment in substitution or replacement thereof;

“Agency Agreement” means an agreement between a *Retailer* and another party wherein the other party is appointed as *Agent* for that *Retailer*;

“Agent” means a person who, on behalf of a *Retailer* under an *Agency Agreement*, performs functions, including, but not limited to, *Retailer* transactions with *AUI*;

“Alberta Utilities Commission”, “AUC” or “Commission” means the *Alberta Utilities Commission* or its successor;

“Apex Utilities Inc.” or “AUI” means *Apex Utilities Inc.* or its successor;

“AUI Emergency Phone Number” means *Apex Utilities Inc.*’s Emergency Phone Number as provided on *AUI*’s website at www.apexutilities.ca.

“AUI General Inquiry Phone Number” means *Apex Utilities Inc.*’s General Inquiry Phone Number as provided on *AUI*’s website at www.apexutilities.ca.

“Backcast” is an estimate of a *Retailer*’s aggregate and per site gas consumption near the end of the *gas day* using models, actual and forecast temperatures for a *gas day* and/or *automatic meter reading*;

“Business Day” means any day other than Saturday, Sunday, or a statutory holiday in Alberta, except for Easter Monday.

“Code of Conduct Regulation” means the *Code of Conduct Regulation, A.R. 183/2003*, as amended from time to time and any legislative enactment in substitution or replacement thereof;

“Consent for Release of Customer Information” means the form used to obtain historical usage information outside of *Rule 010*:

“Consumer” means a person who enters into a marketing contract to purchase less than 2,500 gigajoules of gas per year as defined in the *Energy Marketing and Residential Heat Sub-Metering Regulation, A.R. 246/2005*, as amended from time to time, and any legislative enactment in substitution or replacement thereof;

“Consumer Protection Act” means the *Consumer Protection Act, RSA 2000, C-26.3*, as amended from time to time;

“Customer” means a person, firm, partnership, corporation or organization, served under Rates 11, 12, 13, or 14 pursuant to the *Rate Schedule*, consuming Gas in end-use at its location and is connected to the *Gas Distribution System*;

“Customer Billing Information” means the information required to be included in the *Customer*’s bill issued by the *Retailer* as required by the *Natural Gas Billing Regulation, A.R. 185/2003* and provided by *AUI*;

“Customer Information” means the data specified in the *Natural Gas Settlement System Code* and includes without limitation *Site Customer* name, *Site Customer* telephone number, *Site Customer* mailing address, *Site Contact* name, *Site Contact* phone number and *Site* owner; alternate contact information; and safety-related information about *Customers* required to provide safe *Gas Distribution Service*;

“Customer Usage Information” means historical Gas consumption information as specified in *AUC Rule 010*;

“Day” means a period of twenty-four (24) consecutive hours;

“Defaulting Party” will have the meaning set out in Article 14;

“Final Settlement” means the final calculation of settlement (S3) performed for the settlement *Month*, as described in the *Natural Gas Settlement System Code*;

“Forecast” refers to the estimate of a *Retailer*’s aggregate consumption for a *Gas Day* based on forecast temperatures. The forecast may be F1, F2 or F3 as described in *Rule 28*.

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

“Gas Day” means a *Day* beginning at eight hours (08:00), Mountain Standard Time;

“Gas Distribution Service” means the service required to deliver *Gas* to a *Customer* by means of the *Gas Distribution System* and includes any services *AUI* is required to provide by the *Commission* or under the *Act* or regulations made thereunder;

“Gas Distribution System” means all facilities owned or used by *AUI* to deliver *Gas* to a *Customer* through a system of pipelines, works, plant and equipment that is primarily a low pressure system, including, without limitation, valves, meters, regulators and machinery;

“Gas Distribution Tariff” means *AUI*'s distribution tariff, including its rates, tolls, charges and terms and conditions of service fixed by the *Commission*, as defined in the *Act*, and amended from time to time;

“Gas Services” as defined in the *Act* means:

- i. The *Gas* provided and delivered, and
- ii. The services associated with the provision and delivery of the *Gas*, including
 - a) Arranging for the exchange or purchase of the *Gas*;
 - b) Making financial arrangements to manage the financial risk associated with the price of gas;
 - c) Arranging for *Gas Distribution Service*;
 - d) Arranging for delivery of *Gas* to specified Point(s) of Receipt on the *Gas Distribution System*;
 - e) Storage;
 - f) Billing, collection and responding to customer billing inquiries;
 - g) Maintaining information systems; and
 - h) Any other services specified by the Minister by Order as *Gas Services*;

“Gas Settlement” means *Initial Monthly Settlement*, *Interim Settlement* and/or *Final Settlement* as defined in the *Natural Gas Settlement System Code*;

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

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

“Imbalance” means the difference between energy quantities of *Gas* received and *Gas* delivered, net of adjustments, in an *Account* each *Gas Day*;

“Imbalance Purchase” means the removal of an energy quantity outside the positive *Tolerance Zone* from the *Account Imbalance* and financial settlement of that quantity;

“Imbalance Sale” means the removal of an energy quantity outside the negative *Tolerance Zone* from the *Account Imbalance* and financial settlement of that quantity;

“Initial Monthly Settlement” means the first calculation of settlement (S1) performed for the settlement *Month*, as described in the *Natural Gas Settlement System Code*;

“Intercontinental Exchange” means *Intercontinental Exchange, Inc.*, an electronic trading platform market participants may use for transactions related to, amongst others, *Gas* purchase or sale;

“Interim Settlement” means the second calculation of settlement (S2) performed for the settlement *Month*, as described in the *Natural Gas Settlement System Code*;

“International System of Units” means a system of units based on the metric system and developed and refined by international convention especially for scientific work;

“J” or “joule” means the amount of work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force;

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

“Load” means the amount of *Gas* delivered or required to be delivered at any specific point or points on the *Gas Distribution System*;

“LBDA” means *AUI’s* Load Balancing Deferral Account used to record certain revenues and expenses associated with load balancing the *Gas Distribution System*, including without limitation load balancing purchase/sales and *Imbalance Purchase/Sales*;

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

“Natural Gas Settlement System Code” or “NGSSC” means the AUC’s rules governing the standards for determining and communicating retail *Gas* consumption for the purpose of load settlement;

“Natural Gas Utility Service Rules” means the *AUI Natural Gas Utility Service Rules*, as amended by *AUI* and approved by the *Commission*, from time to time;

“NGX” means the Natural Gas Exchange Inc., an exchange for the trading and clearing of natural gas and electricity contracts operating in a North American Technology and Physical Clearing Alliance with *Intercontinental Exchange, Inc.*;

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

“Non-Defaulting Party” has the meaning set out in Article 14;

“Notice of Non-Renewal” has the meaning set out in Article 11.2;

“Point of Delivery” for service by *AUI* to the *Customer*, means, unless otherwise specified in a *Retailer Distribution Service Contract* or other service agreement, the outlet side of a meter;

“Point of Receipt” means the point where the *Retailer* delivers *Gas* to the *Gas Distribution System* under the *Retailer Distribution Service Contract*. This is usually indicated by *AUI’s* acceptance of a receipt *Nomination* into the *Retailer’s Account*;

“R3 Regulation” means the *Roles, Relationships and Responsibilities Regulation, A.R. 186/2003*, as amended from time to time and any legislative enactment in substitution or replacement thereof;

“Rate Schedule” means the *Gas Distribution Tariff* rate schedule, including the general conditions of service, any applicable gas distribution service rates and any applicable rate riders and/or such other rate schedule(s) as may be approved for *AUI* by the *Commission*, from time to time;

“Retailer” means a person or company other than *AUI*, selling *Gas* and *Gas Services* directly to *Customers*, entitled to enroll *Customers* for that purpose within *AUI*'s service area, and meeting any prudential requirements set forth in in these *Retailer Distribution Service Rules*. The term “*Retailer*” includes *Self-Retailers* and *Agents*;

“Retailer Distribution Service Contract” means the *Retailer Distribution Service Contract* between *AUI* and the *Retailer*, including all attached *Rate Schedules* and these *Retailer Distribution Service Rules*;

“Retailer Distribution Service Rules” means the *AUI Retailer Distribution Service Rules*, as amended by *AUI* and approved by the *Commission*, from time to time;

“Retailer Handbook” means the guide prepared by *AUI* describing the business processes between *AUI* and the *Retailer* in relation to the provision of service under these *Retailer Distribution Service Rules* and the *NGSSC*;

“Retailer Identification” means the 9-digit number uniquely representing each *Retailer* operating within Alberta;

“Retailer of Record” means the *Retailer* who is listed in *AUI*'s records through the procedures outlined in these *Retailer Distribution Service Rules*, the *Natural Gas Settlement System Code* and *Retailer Handbook* and thereby recognized by *AUI* as a particular *Customer's Retailer* for a *Point of Delivery* at a particular time;

“Rider H” means the rate rider, expressed as a percentage of deliveries, approved by the *AUC*, and applicable to *Retailer's Account* for the recovery in-kind of Unaccounted-For Gas;

“Rule 004” means *AUC Rule 004 - Alberta Tariff Billing Code Rules*, as set by the *Commission* and amended from time to time;

“Rule 010” means *AUC Rule 010 - Rules on Standards for Requesting and Exchanging Site-Specific Historic Usage Information for Retail Electricity and Natural Gas Markets*, as set by the *Commission* and amended from time to time;

“Rule 028” means *AUC Rule 028 – Natural Gas Settlement System Code rules*, as set by the *Commission* and amended from time to time;

“Same Day Market” means the intra-Alberta *Gas* market generally available during trading hours on a calendar *Day* for transactions applicable to the *Gas Day* commencing on the same calendar *Day*;

“Self-Retailer” means a *Customer* carrying out *Retailer* functions to obtain *Gas* solely for its own use;

“Site” means a unique end-use *Point of Delivery*, being the finest level where settlement recognizes *Retailer* assignments and receives consumption data;

“Site ID” means a unique identification number assigned by *AUI* for each unique end-use *Point of Delivery*;

“Special Charges Schedule” means the *AUI Special Charges Schedule*, as amended by *AUI* and approved by the *Commission*, from time to time;

“Specific Facilities” means those facilities installed by *AUI* for the benefit of the *Customer* and required to deliver *Gas*;

“TCPL” means TransCanada Pipeline Ltd., including NOVA Gas Transmission Ltd. and their successor(s), a *Gas* transmission system;

“Tolerance Zone” means the range of *Imbalances* within an *Account* where it is considered to be in balance without action being taken to adjust receipts into or deliveries from that *Account*;

“Unaccounted-For Gas” means a *Retailer’s* share of *AUI’s* line loss, *unaccounted-for gas* and compressor fuel at the rate specified in *Rider H* of the *Rate Schedule*;

“Yesterday Market” means the intra-Alberta natural gas market, generally available during trading hours on a calendar *Day* for transactions applicable to the *Gas Day* commencing on the previous calendar *Day*;

2.2. Conflict

- (1) If there is any conflict between a provision expressly set out in an Order of the *AUC* and these *Retailer Distribution Service Rules*, the Order of the *AUC* will govern.
- (2) If there is any conflict between a provision expressly set out in these *Retailer Distribution Service Rules*, as may be amended from time to time, and a *Retailer Distribution Service Contract*, the express provision of these *Retailer Distribution Service Rules*, will govern, as of their effective date.

2.3. Interpretation

- (1) In the interpretation of the *Retailer Distribution Service Contract* or these *Retailer Distribution Service Rules*, words in the singular will be read and construed in the plural or words in the plural will be read and construed in the singular where the context so requires.
- (2) The headings used throughout the *Retailer Distribution Service Contract* or these *Retailer Distribution Service Rules* are inserted for reference only and are not to be considered or taken into account in construing the terms or provisions of any article, clause or schedule nor are they to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.
- (3) The definitions of all units of measurement and their prefixes used throughout the *Retailer Distribution Service Contract* or these *Retailer Distribution Service Rules* will be in accordance with the *International System of Units*.

ARTICLE 3 – General Provisions

3.1. AUC Approval

These *Retailer Distribution Service Rules* have been approved by the *AUC*. The Company may amend these *Retailer Distribution Service Rules* by filing a notice of amendment with the *AUC*. Included in the notice to the *AUC* will be identification of the *Retailers* affected by the amendment and an explanation of how the affected *Retailers* will be notified of the amendments. Any

amendment to the *Retailer Distribution Service Rules* will take effect 60 days after such notice is filed, unless the *AUC* otherwise directs.

3.2. Gas Distribution Tariff

The *AUI Gas Distribution Tariff* is available to the public during normal business hours at *AUI's* head office and at the offices of the *AUC*, and can also be accessed at *Apex Utilities Inc.'s* website at www.apexutilities.ca.

3.3. Effective Date

These *Retailer Distribution Service Rules* come into force as per the effective date shown on the cover page. Whenever *AUI* files notice of an amendment to these *Retailer Distribution Service Rules*, or when the *AUC* approves an amendment to these *Retailer Distribution Service Rules*, revisions will be issued, with the effective date of the amendments indicated thereon.

3.4. Waiver or Alteration

No agreement can provide for the waiver or alteration of any part of these *Retailer Distribution Service Rules* unless such agreement is first filed with, and approved by, the *AUC*.

3.5. Retailer Handbook

AUI has developed the *Retailer Handbook* to help *Retailers* and *Customers* understand the normal practices of *AUI*. The *Retailer Handbook* is available on *AUI's* website at www.apexutilities.ca. The *Retailer Handbook* will be updated, from time to time, to reflect industry changes, or the changing needs of *Retailers* and/or *Customers*. *AUI* is committed to follow practices in the *Retailer Handbook*. However, as these practices cannot cover every situation that may arise, it may be necessary to deviate from the *Retailer Handbook* in certain circumstances.

3.6. Ownership of the Gas Distribution System

- (1) *AUI* remains the owner of all segments of the *Gas Distribution System*, unless an agreement between *AUI* and the *Retailer* or *Customer* specifically provides otherwise.
- (2) Payment made by *Retailers* or *Customers* for costs incurred by *AUI* in installing any segment of the *Gas Distribution System* does not entitle *Retailers* or *Customers* to ownership of any such segment, unless an agreement between *AUI* and the *Retailer* or *Customer* specifically provides otherwise.

3.7. New Gas Distribution System Segments, Specific Facilities and Service Additions

AUI reserves the right to communicate directly with the *Customer* in respect of any requests made by the *Customer*, or a party acting on its behalf, for the construction of new *Gas Distribution System* segments, *Specific Facilities*, or additional services as provided for in the *Natural Gas Billing Regulation, A.R. 185/2003*, and amended from time to time. *AUI* reserves the right to charge the *Customer* directly for any amounts required to be provided by the *Customer* under *AUI's Gas Distribution Tariff*.

3.8. Title or Interest in the Gas

AUI will not acquire any title or interest in the *Gas* being transported under the *Retailer Distribution Service Contract*.

3.9. Gas Under AUI Control

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

3.10. AUI Determines Routing

AUI does not dedicate the Gas Distribution System or any segment of the Gas Distribution System for Gas Distribution Service for the Retailer or the Customer and, accordingly, the routing and facilities used for Gas Distribution Service for the Retailer will be at AUI's discretion and may change from time to time.

3.11. Commingling or Exchange

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

3.12. Right to Transport

The Retailer covenants with AUI the Retailer has the right to transport all Gas delivered under the Retailer Distribution Service Contract to AUI at the Point of Receipt.

ARTICLE 4 – General Obligations of the Retailers

4.1. Timeliness and Due Diligence

- (1) The Retailer is required to exercise due diligence and use reasonable efforts in meeting its obligations under these Retailer Distribution Service Rules and perform its obligations in a timely manner.
- (2) The Retailer must adhere to all credit, deposit and security requirements specified in these Retailer Distribution Service Rules.
- (3) The Retailer is required to make every reasonable effort to ensure the Customer is aware of the provisions of these Retailer Distribution Service Rules.

4.2. Arrangements with the Customer

Unless otherwise stated in these Retailer Distribution Service Rules, the Retailer will be solely responsible for having appropriate contractual or other arrangements with the Customer necessary to provide service to the Customer. AUI is not responsible for monitoring, reviewing, or enforcing

such contracts or arrangements and is not liable for any loss, damages, cost, injury, expense, or other liability, whether direct, indirect, consequential, or special in nature, howsoever caused, as a result of the *Retailer's* failure to perform obligations to the *Customer*.

4.3. Responsibility for Gas Services

The *Retailer* will be solely responsible for the provision of *Gas Services*, including, without limitation, the purchase of *Gas* supply, delivery of such *Gas* to the *Point of Receipt* and arranging for *Gas Distribution Service* of such *Gas* to the *Point of Delivery* for the *Customer*, subject to these *Retailer Distribution Service Rules*.

4.4. Customer Authorization

The *Retailer* is responsible for obtaining the *Customer's* authorization to enrol the *Customer* for receipt of *Gas Distribution Service*. For the purpose of *Gas Services*, the *Retailer* is responsible for obtaining any consent required under the *Code of Conduct Regulation* and the *Personal Information Protection Act SA 2003 c. P-6.5*, as amended, or any similar or replacement legislation.

4.5. Retailer ID

Any information exchange or communications between the *Retailer* and *AUI* under these *Retailer Distribution Service Rules* must include the *Retailer ID*.

4.6. Single Retailer for Customers

AUI is not required to recognize and deal with more than one *Retailer* per *Customer* in respect of a *Point of Delivery* at any given time. Nothing in these *Retailer Distribution Service Rules* prohibits a *Customer* from entering into arrangements with multiple *Retailers* for a *Point of Delivery* provided a single *Retailer* is designated to be the *Customer's Retailer* for purposes of these *Retailer Distribution Service Rules*.

4.7. Fees and Other Charges

AUI will provide all standard services hereunder pursuant to *AUI's Gas Distribution Tariff*. All additional, supplementary, or extra non-discretionary services provided by *AUI* to a *Retailer* or *Customer*, where applicable, will be charged a separate rate or fee, such as those included, without limitation, in *AUI's Special Charges Schedule*. Payment for these services will be in accordance with the provisions of these *Retailer Distribution Service Rules*.

ARTICLE 5 – Customer Inquiries and Customer Information

5.1. Customer Inquiries

For *Customers* requesting information about retailer choice, *AUI* will direct them to an external source where they may obtain such information. *AUI* is under no obligation to ensure the accuracy of the information provided by the external source.

5.2. Customer Inquiries Related to Emergency, Outage, Safety and Environmental Situations

The *Retailer* must ensure *Customers* contacting the *Retailer* regarding distribution emergency conditions, outages, safety, or environmental situations related to the *Gas Distribution System* are immediately transferred to *AUI* using the *AUI Emergency Phone Number*. If the *Retailer* is unable

to transfer a call to *AUI*, the *Retailer* will provide the *AUI Emergency Phone Number* to the *Customer*.

For continued quality customer care and for safety purposes, *AUI* may test or audit the time required by the *Retailer* to respond to such situations and communicate to the *Retailer* results considered by *AUI* to require corrective action by the *Retailer*.

5.3. Standard Requests for Customer Usage Information Pursuant to Rule 010

Requests for *Customer Usage Information* pursuant to *Rule 010* will be processed accordingly, provided *AUI* has received a Retailer Representation and Warranty Agreement signed by the *Retailer* in a form acceptable to *AUI*.

5.4. Providing Customer Information to AUI

The *Retailer* must notify *AUI* as promptly as reasonably practical of any changes to *Customer Information*, as *AUI* relies on this information to reasonably perform its *Gas Distribution Service* obligations to *Customers*. Such information will be provided in a form compliant with the *NGSSC* and *AUI's Retailer Handbook*. *AUI* will not be liable for any loss, damages, cost, injury, expense, or other liability, whether direct, indirect, consequential, or special in nature, howsoever caused, as a result of the *Retailer's* failure to provide up-to-date and accurate *Customer Information* to *AUI*. *AUI* reserves the right to assess a charge at actual cost for additional processing work undertaken by *AUI* as a result of inaccurate *Customer Information* provided by the *Retailer*.

ARTICLE 6 – Provision of Service

6.1. Request for Service

When the *Retailer* requests *Gas Distribution Service* from *AUI*, *AUI* must inform the *Retailer* of the conditions to be satisfied before a *Retailer Distribution Service Contract* can be accepted and service commenced. The *Retailer* must provide any information *AUI* reasonably requires to assess the request. *AUI* may reject the request if the *Retailer* wants non-standard conditions or if facilities are not available to provide safe and reliable service.

6.2. Qualification for Service

The *Retailer* must fulfill the following requirements to the satisfaction of *AUI* before *AUI* will provide *Gas Distribution Service* to the *Retailer*:

- (1) To initiate the provision of *Gas Distribution Service*, the *Retailer* must complete and provide a *Retailer Distribution Service Contract* to *AUI*. Where practicable, a single *Retailer Distribution Service Contract* between *AUI* and the *Retailer* will be used to serve all *Customers* under Rates 11, 12 and 14;
- (2) Satisfy the credit requirements of *AUI* as set forth in these *Retailer Distribution Service Rules* and the *Natural Gas Billing Regulation, A.R. 185/2003*, as amended from time to time;
- (3) For *Retailers* providing *Gas Services* to *Consumers*, as defined in the *Energy Marketing Regulation, A.R. 246/2005*, a certified copy of the Service Alberta license must be provided.;

- (4) For all the *Retailers* providing *Gas Services* to *Customers* using 2,500 GJ or more of gas per year, warrant in writing to *AUI* it will comply with the provisions of the *Consumer Protection Act*, and any regulations or policies made thereunder;
- (5) Warrant in writing to *AUI*, the *Retailer* will comply with the guidelines established in the *Retailer Handbook*;
- (6) Meet the compliance testing protocol of *AUI* in respect of information exchange, as set forth in the *Retailer Handbook*;
- (7) Meet any other requirements *AUI*, acting reasonably, may impose to provide *Gas Distribution Service* hereunder. If *AUI* determines additional requirements must be satisfied to qualify for *Gas Distribution Service*, the following process will apply:
 - a) Where *AUI* is confronted with a situation it, in its sole discretion, considers would materially alter the risk to *AUI*, or where *AUI* must impose additional requirements to comply with applicable legislation, *AUI* may implement the additional requirement and then apply to the *Commission* for approval of same; or,
 - b) Where *AUI* is not confronted with the circumstances outlined in (a) above, *AUI* will apply to the *Commission* for approval of the proposed additional requirement prior to implementing same.

6.3. Provision of Gas Distribution Service

Upon satisfaction of the requirements in Article 6.2, *AUI* will provide *Gas Distribution Service* to the *Retailer*, on behalf of the *Customer*, subject to these *Retailer Distribution Service Rules* and the *Natural Gas Utility Service Rules*. Subject to complying with all applicable laws, and the directions or requirements of any of those mentioned above, *AUI* reserves the right, upon giving the *Retailer* three (3) *Business Days*' notice, acting reasonably, to discontinue *Gas Distribution Service* to the *Retailer*, if at any time the *Retailer* no longer fulfills the above requirements.

6.4. Application for Enrolment

- (1) To initiate the provision of *Gas Distribution Service* by *AUI*, the *Retailer* will complete and provide to *AUI* an enrolment for *Gas Distribution Service* in the form and manner set out in the *NGSSC*. The *Retailer* will provide updated *Customer Information* with each enrolment.
- (2) Subject to the *Retailer* meeting the provisions of these *Retailer Distribution Service Rules*, *AUI* will accept an enrolment by the *Retailer* for provision of *Gas Distribution Service*. *AUI* reserves the right to verify the identity of the *Customer* and the accuracy of the *Customer Information*.
- (3) Upon receipt of a valid enrolment from the *Retailer* in the form and manner set out in the *NGSSC*, *AUI* will recognize the *Retailer* as the *Retailer of Record* for that particular *Site*.
- (4) Enrolments will be processed by *AUI* in accordance with *Rule 028*.
- (5) *AUI* will normally estimate the meter reading for each *Customer* enrolled. If the *Retailer* requests a special off-cycle meter reading, *AUI* will make one attempt to read the meter and will assess a Special Meter Reading charge to the *Retailer*, as set forth in the *Special Charges Schedule*. If *AUI* cannot access the meter for a reading, *AUI* will estimate the meter reading and the *Customer* will be charged a *No Access Fee*.

- (6) If a *Retailer* finds it has enrolled a *Site* in error, the *Retailer* must notify *AUI* as soon as reasonably possible of the error in the manner indicated in *Rule 028*.
- (7) The *Retailer* will not be liable to *AUI* for any outstanding indebtedness of the *Customer* to *AUI* accruing prior to the *Retailer* receiving *Gas Distribution Service*.

ARTICLE 7 – Financial Matters

7.1. Retailer Pays Tariffs

- (1) The *Retailer* will pay *AUI* for those tariffs and charges set forth in the *Retailer Distribution Service Contract* as payable by the *Retailer*.
- (2) The *Retailer* will not be relieved by Force Majeure from the obligation to pay the charges set forth pursuant to this Article unless Force Majeure has been invoked by *AUI*.

7.2. Billing

AUI will bill the *Retailer* for *Gas Distribution Service* provided in accordance with the *AUC Rule 004* billing procedures set out as follows:

- (1) For the purpose of determining the variable amount to be billed by *AUI* and paid by the *Retailer* for the transportation of *Gas* under the *Retailer Distribution Service Contract*, the unit to be used will be gigajoules.
- (2) *AUI* will invoice the *Retailer* each billing cycle for *Gas Distribution Service* provided by *AUI* for the period prior to the billing cycle. *AUI* reserves the right to perform off-cycle billings.
- (3) *AUI* may include, in any statement, any adjustments to billings for prior Months. Neither *AUI*, nor the *Customer*, nor the *Retailer* will be entitled to interest on any adjustment.
- (4) *AUI* reserves the right to bill the *Customer* directly for any amounts required to be provided by the *Customer* for *Specific Facilities*.
- (5) The *Retailer* is required to provide the *Customer* with notification of an *AUI Gas Distribution Tariff* rate change in the billing envelope or through electronic billing at the time of the first charge to the *Customer* at the new rate. Notwithstanding the foregoing, *AUI* reserves the right to directly provide the *Customer* with information about its *Gas Distribution Tariff*. *AUI* also reserves the right to contact the *Customer* directly for comments and receive feedback about *AUI's Gas Distribution Service* and *Gas Distribution Tariff*.
- (6) *AUI* reserves the right to correct for errors in a previous statement.
- (7) The *Retailer* will process the *Customer* payments and handle collection responsibilities. *AUI* will not assume any billing or collection obligations or responsibilities for, or on behalf of, the *Retailer*. *AUI* may, at its sole discretion and in addition to any other remedies available to it, restrict enrolment or terminate *Gas Distribution Service* provided to the *Retailer* if the *Retailer* does not pay all outstanding amounts owed to *AUI*.

7.3. Payment

- (1) The *Retailer* will pay to *AUI*, on or before the 21st *Calendar Day* following the *date* on which the *Retailer* was invoiced.

- (2) *AUI* will invoice, and the *Retailer* will pay, the monthly net *Imbalance Sale* amount, if any, on or before the due date as shown on the invoice.
- (3) *AUI* will establish an electronic billing and payment procedure for the payment of services hereunder. Notwithstanding, *AUI* will accept payment by cash, cheque or electronic funds transfer drawn in *AUI*'s favour if agreed to by *AUI*.
- (4) An Electronic Payment Transfer Agreement, is included in the *Retailer Handbook*, and sets forth the terms and conditions for making payments and providing remittance information electronically.
- (5) The *Retailer* will pay all amounts owed to *AUI* for any of the *Gas Distribution Services* provided by *AUI* regardless of whether the *Customer* has paid the *Retailer*.
- (6) Failure to receive a bill does not release the *Retailer* from the obligation to pay the amount owing for any of the *Gas Distribution Services* provided by *AUI*.

7.4. Unpaid Bills

- (1) If the *Retailer* defaults or is late in paying charges, subject to 7.4.3(d) below, *AUI* will provide the *Retailer* notice as required in 7.4.3(a) below. *AUI* will be entitled to draw on the credit facility of the *Retailer* if the *Retailer*'s arrears are not paid within three (3) *Business Days* after the date of the notice. The *Retailer* must provide an additional deposit to replace the funds drawn down because of the default or late payment.
- (2) *AUI* will assess the *Retailer* a late payment charge for any overdue amount, including previous late payment charges. The late payment percentage is set out in the *Special Charges Schedule*. Any payments will first be applied to unpaid balances.
- (3) If the *Retailer* defaults in its payments:
 - a) *AUI* must provide the *Retailer* with a notice in writing stating the *Retailer* is in default in its payments to *AUI* under these *Retailer Distribution Service Rules* and advising the *Retailer* *AUI* may make a claim against the *Retailer*'s security if the arrears are not paid within three (3) *Business Days* after the date of the notice;
 - b) If, after the expiry of the period set out in (3)(a) above, the *Retailer*'s arrears remain unpaid, *AUI* may make a claim against the *Retailer*'s security to cover the arrears;
 - c) If the *Retailer* has provided security in the form of a financial deposit, *AUI* may deduct from that deposit the amount of the unpaid arrears; and
 - d) If, in the opinion of *AUI*, the giving of notice in accordance with (3)(a) above would impair *AUI*'s ability to make a claim against the *Retailer*'s security or to deduct the unpaid arrears from the *Retailer*'s financial deposit, *AUI* may make the claim or deduct the unpaid arrears without notice.
- (4) *AUI* may, at its sole discretion and in addition to any other remedies available to it, restrict enrolment or terminate *Gas Distribution Service* to the *Retailer*, if such *Retailer* does not pay all outstanding bills in accordance with these *Retailer Distribution Service Rules*.

7.5. Unauthorized Use

Where *AUI* determines there has been unauthorized use of *Gas Distribution Service* or the *Gas Distribution System*, including, but not limited to, meter or equipment tampering, unauthorized connection or reconnection, theft, or fraud, whereby *AUI* is denied full compensation for *Gas Distribution Services* provided, *AUI* will bill the *Retailer* for *AUI*'s estimated *Gas Distribution Service* charges for such unauthorized use. *AUI* reserves the right to bill the *Retailer* for repairs of damage or reconstruction of *AUI*'s *Gas Distribution System*. Nothing in this Article will limit any other rights or remedies *AUI* may have in connection with such unauthorized use.

7.6. Disputes

- (1) In the event the *Retailer* disputes any amount owing, the *Retailer* will nevertheless pay to *AUI* the full disputed amount when payment is due and subject the dispute for resolution in accordance with these *Retailer Distribution Service Rules*. Following resolution of any such dispute pursuant to Article 18 – Dispute Resolution, *AUI* will return any amount found owing to the *Retailer*.
- (2) The right or ability of the *Retailer* to dispute a charge for service provided under the *Retailer Distribution Service Contract* or these *Retailer Distribution Service Rules* will only apply to requests in writing and are limited to charges rendered up to two (2) years prior to the date of written notice of the dispute. *AUI* reserves the right to assess a charge to the *Retailer* for administration of a billing dispute raised by the *Retailer* in circumstances where *AUI* is not responsible for any error.

7.7. Failure to Pay

In the event the *Retailer* fails to pay the full amount of any statement within sixty (60) *Days* after payment is due, *AUI*, in addition to any other remedy it may have, may suspend *Gas Distribution Service* provided to the *Retailer* (upon 48 hours written notice) until full payment is made and such suspension will not terminate or otherwise affect the *Retailer*'s obligations to *AUI*.

ARTICLE 8 – Gas Distribution Service Interruption

8.1. Continuous Supply

The Company will make all reasonable efforts to maintain a continuous *Gas* supply to the *Retailer*'s *Customers*, but *AUI* cannot guarantee an uninterrupted *Gas* supply.

8.2. Interruption

Without liability of any kind to *AUI*, *AUI* will have the right to disconnect or otherwise curtail, interrupt, or reduce service to the *Retailer* (and the *Retailer*'s *Customers*):

- (1) whenever *AUI* reasonably determines such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any segment of the *Gas Distribution System*;
- (2) to maintain the safety and reliability of the *Gas Distribution System*; or,
- (3) due to any other reason related to dangerous or hazardous circumstances including emergencies, forced outages, potential overloading of the *Gas Distribution System* or Force Majeure.

8.3. Reasonable Efforts

AUI will use reasonable efforts to minimize any scheduled curtailment, interruption, or reduction to the extent reasonably practicable under the circumstances, to provide the *Customer* with prior notification of any such curtailment, interruption, or reduction to the extent reasonably practicable, and to resume *Gas Distribution Service* as promptly as reasonably practicable.

ARTICLE 9 – Discontinuance of Gas Distribution Service

This Article, as amended from time to time, specifies the processes for the transactions between *AUI* and the *Retailer* in relation to de-enrolment of a *Site*, including, without limitation, the circumstances when the *Retailer* chooses to discontinue *Gas Distribution Service* for the *Customer*, as set forth in Article 9.1 of these *Retailer Distribution Service Rules* or when *AUI* discontinues *Gas Distribution Service* to the *Retailer*, as set forth in Article 9.2.

9.1. Discontinuance by the Retailer

- (1) To discontinue *Gas Distribution Service*, the *Retailer* must provide *AUI* with an electronic notice of de-enrolment in accordance with *Rule 028*.
- (2) In accordance with Article 12 of these *Retailer Distribution Service Rules*, *AUI* will obtain meter reads on a monthly basis. If *AUI* does not obtain an actual read at the time of the de-enrolment, *AUI* will estimate a meter read. At the request of the *Retailer*, *AUI* will obtain an actual off-cycle meter read and assess a charge to the *Retailer* as set forth in the *Special Charges Schedule*.
- (3) *AUI* will accept or reject the *Retailer's* de-enrolment in accordance with *Rule 028*.
- (4) Notwithstanding the *Retailer's* responsibilities to provide updated *Customer Information* pursuant to Article 5 – *Customer Inquiries* and *Customer Information*, **the Retailer must update Customer Information upon notice of de-enrolment** as per AUC Rule 028.
- (5) The *Retailer* will provide *AUI* with updated *Customer Information* pursuant to Article 5.
- (6) The *Retailer* is responsible to ensure the *Customer* is provided notice of the de-enrolment and the consequences of such de-enrolment, including the fact *AUI* will not be held liable for any disputes as between the *Customer* and the *Retailer*.
- (7) Upon receipt of a successful de-enrolment from a *Retailer* in the form and manner set out in the *NGSSC*, and if the *Site* is not subsequently enrolled by a replacement *Retailer* within the period set out in the *NGSSC*, the *Site* will be enrolled for default supply *Gas Service*.
- (8) The *Retailer* will remain responsible for *Gas Services* to the *Site* until a replacement *Retailer* is enrolled for the *Site*, a de-enrolment from the current *Retailer* processed, default supply *Gas Service* is in place for the *Site*, or the *Site* is permanently disconnected, whichever is earlier.
- (9) The *Retailer* may revoke a notification to de-enrol a *Site* as set out in the *NGSSC*.

9.2. Discontinuance by Apex Utilities Inc.

- (1) *AUI* may discontinue or restrict *Gas Distribution Service* to the *Retailer* if any of the following occur:

- a) The *Retailer* fails to meet its obligations under these *Retailer Distribution Service Rules* or the *Retailer Distribution Service Contract* with *AUI*;
 - b) The *Retailer* fails to meet its prudential requirements pursuant to Article 11; or
 - c) The *Retailer's* license is revoked by Alberta Government Services or another responsible authority.
- (2) Notification of discontinuance will be made electronically to the *Retailer*. *AUI* will provide the *Retailer* three (3) *Business Days'* notice before *AUI* discontinues *Gas Distribution Service* to the *Retailer*. Upon discontinuance of *Gas Distribution Service* to the *Retailer* pursuant to this Article, *AUI* will assume provision of the affected service it is reasonably capable of providing.

ARTICLE 10 – Service Disconnects and Reconnect

This Article, as amended from time to time, specifies the processes for the transactions between *AUI* and the *Retailer* in relation to the physical disconnect of a *Site*.

10.1. Disconnection of Service

- (1) Disconnection by *AUI*
 - a) *AUI* reserves the right to temporarily or permanently disconnect the *Customer* from the *Gas Distribution System* in a number of circumstances, including, but not limited to, evidence of safety violations, energy theft or fraud by the *Customer*, threats or harassment made against employees or agents of *AUI*, failure to provide access to the *service site* for meter readings or other necessary work or any other failure by the *Customer* to meet its obligations under the *Natural Gas Utility Service Rules* or *Retailer Distribution Service Rules*.
 - b) If the disconnect is a result of a safety violation, *AUI* will reconnect the service only after the safety problem is resolved and the *Customer* has provided or paid *AUI's* costs of providing such devices or equipment as may be necessary to resolve such safety problem and to prevent such damage, interference, or disturbance. *AUI* may assess a Reconnection Fee as set forth in the *Special Charges Schedule*.
- (2) Disconnection at Request of the *Retailer*
 - a) In accordance with the *R3 Regulation*, the *Retailer* will have the right to request *AUI* disconnect *Gas Distribution Service* to a *Site* where the *Retailer* is the *Retailer of Record*. *AUI* will process such requests in accordance with *Rule 028*.
 - b) The *Retailer* will remain responsible for all *Gas Services* to the *Site* until *AUI* has completed the disconnection.
 - c) *AUI* reserves the right to assess charges to the *Retailer* to disconnect *Gas Distribution Service* or attempt to disconnect service to the *Customer* at actual cost, including, but not limited to, direct labour, materials, services and equipment, plus applicable overheads.
 - d) *AUI* will notify the *Retailer* if a disconnect request was not successfully completed and include the reason why it was not successfully completed. If the *Retailer* still

requires the *Customer* to be disconnected, the *Retailer* must re-issue a disconnect request.

- e) *AUI* will not be liable to any person for any damages, cost, expense, injury, loss or other liability of any kind, whatsoever or however caused, resulting directly or indirectly from its good faith performance of its responsibilities under the provisions of this Article.

(3) Disconnects Affecting Lines and Equipment

- a) If the purpose of a disconnection can be reasonably expected to affect the *Gas Distribution System*, the *Customer* is expected to notify *AUI* of the *Customer's* plans prior to the disconnection. The *Retailer* will provide the *Customer* with the *AUI General Inquiry Phone Number*. Such purposes include, but are not limited to, relocation of *lines and equipment*, *service site* renovations, *service site* demolition and permanent stoppage in the use of *Gas*.

10.2. Reconnect Service

Before reconnecting or restoring service to a *Site*:

- a) Reconnection of service to a site that is de-energized or disconnected requires an energize request from a *Retailer*.
- b) The *Retailer* or *Customer* must comply with *AUI's Natural Gas Utility Service Rules* and these *Retailer Distribution Service Rules*.
- c) *AUI* reserves the right to assess, in accordance with these *Retailer Distribution Service Rules* and the *Natural Gas Utility Service Rules*, a Reconnection Fee and any other applicable charges set forth in the *Special Charges Schedule*.

ARTICLE 11 – Prudential Requirements

In circumstances where the *Retailer* has multiple *Retailer Identification* numbers, the review, setting and maintaining of prudential requirements will be based on the *Retailer Business Function Identification* code as defined in AUC Rule 028.

11.1. Setting of Prudential Requirements

The *Retailer* must fulfill the requirements set forth in this Article to the satisfaction of *AUI* before *AUI* will provide *Gas Distribution Service* to the *Retailer*.

- (1) Subject to review and reassessment of the prudential requirements of the *Retailer* by *AUI*, from time to time, the *Retailer* is required to meet and maintain such financial and other prudential requirements as set out in the *Natural Gas Billing Regulation, A.R. 185/2003*, to ensure the *Retailer* is, and remains, of sufficient financial standing to meet its ongoing financial obligations.
- (2) *AUI* will confirm the credit rating of the *Retailer*, affiliate or person guaranteeing the financial obligation of the *Retailer*. The credit rating will mean the bond rating according to Standard and Poor's Bond Rating Service or an equivalent bond rating from Dominion Bond Rating Service or Moody's Investors Service.

The minimum credit rating qualifying a *Retailer* for a reduction in security or allowing a person to provide an irrevocable guarantee of the *Retailer's* financial obligation is BBB-, as set out in section 6(3) of the *Natural Gas Billing Regulation A.R. 185/2003*, as amended from time to time.

If the *Retailer* has obtained more than one credit rating, the lowest credit rating will be used in the assessment.

- (3) Subject to review and reassessment, *AUI* will determine the amount of the security reduction available for each *Retailer*, and the maximum amount of any guarantee required from the person guaranteeing the financial obligations of the *Retailer*, subject to sections 5, 6 and 7 of the *Natural Gas Billing Regulation, A.R. 185/2003*, as amended from time to time. *AUI* will notify the *Retailer* of its security requirement within 20 (twenty) *Business Days* from the receipt of the *Retailer's* complete application for service.
- (4) For purposes of calculating the amount of the *Retailer's* security deposit pursuant to section 5(2) of the *Natural Gas Billing Regulation, A.R. 185/2003*, the *Retailer* must project its payments under *AUI's Rate Schedule* over a period equal to the lesser of (A) 45 days, or (B) the total of (i) 20 days, plus (ii) the number of days between consecutive bills issued by *AUI* to the *Retailer*, plus (iii) the number of days from the issuance of a bill by *AUI* until payment is due from the *Retailer*.
- (5) For the purposes of calculating the amount of the *Retailer's* security deposit required, the *Retailer* will add an additional 20 days of projected payments (the *Load Balancing Security*) under *AUI's Rate Schedule* to the amount of security deposit required under the *Natural Gas Billing Regulation A.R. 185/2003*, as amended from time to time as identified in part (4) above, which will serve as separate security in respect of any *Imbalance Sales* *AUI* may be required to charge the *Retailer* in order to balance *Retailer's Account*.
- (6) For the purposes of calculating the amount of the *Retailer's* annual prudential required, the *Retailer* will add any additional projected payments *AUI* is required to remit on behalf of the *Retailer's customers* related to any carbon-related tax, fee, or levy enacted by a governmental authority, which shall serve as security in respect of any additional payments that *AUI* is required to remit to any governmental authority on behalf of the *Retailer's customers*.
- (7) Subject to section 6 of the *Natural Gas Billing Regulation, A.R., 185/2003*, as amended from time to time, the *Retailer* will provide security in the manner set out in the *Retailer Handbook*, in the form of a financial deposit, a bond, an irrevocable letter of credit from a financial institution acceptable to *AUI*, or an irrevocable guarantee. An irrevocable guarantee may only be provided from a person(s) acceptable to *AUI*, other than the *Retailer*, with a qualifying credit rating.

11.2. Maintaining Prudential Requirements

- (1) If the *Retailer's* actual outstanding charges under *AUI's Rate Schedule* are materially greater than the value projected by the *Retailer* under Article 11.1 of these *Retailer Distribution Service Rules*, *AUI* will update the projection and, if additional security is required based on the updated projection, require the *Retailer* to provide additional security within five (5) *Business Days* of *AUI's* request.
- (2) *AUI* requires *Retailers* to report any downgrading of their corporate bond rating to *AUI* within two (2) *Business Days* of said rating revisions, and must provide any additional

security required as a result of the downgrading within five (5) *Business Days* of the downgrading.

- (3) A *Retailer* may also advise *AUI* of any upgrading of its credit rating. If the amount of security required from the *Retailer* is reduced as a result of the upgraded credit rating, *AUI* will return any financial deposit no longer required within 20 business days of being advised by the *Retailer* of the upgraded credit rating.
- (4) Subject to Article 7 of these *Retailer Distribution Service Rules*, if the *Retailer* fails to pay any amount billed *AUI* will apply all or any portion of the *Retailer's* security deposit to the unpaid amount. The *Retailer* will then be required to replenish the security deposit within five (5) *Business Days*.
- (5) Subject to Articles 7 and 11 of these *Retailer Distribution Service Rules*, if the *Retailer* fails to pay any amount billed or fails to present additional security as outlined herein, *AUI* reserves the right to suspend the provision of additional *Gas Distribution Service* to the *Retailer* or discontinue *Gas Distribution Service* entirely to the *Retailer*. *AUI* will provide the *Retailer* notice of discontinuance three (3) *Business Days* before *AUI* discontinues *Gas Distribution Service* to the *Retailer*.

Upon discontinuance of *Gas Distribution Service* to the *Retailer* pursuant to this Article, *AUI* will assume the provision of the affected service *AUI* is reasonably capable of providing.

- (6) A *Retailer* required to provide security in accordance with the *Natural Gas Billing Regulation, A.R. 185/2003* and these *Retailer Distribution Service Rules* must maintain that amount of security until all obligations of the *Retailer* under *AUI's Gas Distribution Tariff* are satisfied. A *Retailer* providing security, other than by means of a cash deposit held by *AUI*, must either ensure its security has no expiry date and cannot be terminated or must, at all times, ensure its security is automatically extended from year to year for successive periods of a minimum of one year from any expiration date thereof, unless *AUI* is notified in writing by prepaid registered mail not less than thirty (30) *Days* prior to any expiration date, the security will not be renewed for any such additional period (*Notice of Non-Renewal*). A *Retailer* who provides security other than a cash deposit, must ensure that its security is executable from an intermediary bank branch or office with a drawing location in Leduc or Edmonton, Alberta.
- (7) Upon receipt of a *Notice of Non-Renewal*, *AUI* will provide notice of same in writing to the *Retailer* advising the *Retailer's* failure to provide *AUI* with alternate security meeting the requirements set out in the *Natural Gas Billing Regulation, A.R. 185/2003* within three (3) *Business Days* after the date of the notice will constitute a breach of the *Retailer's* obligation to maintain its security in accordance with section 8 of the *Natural Gas Billing Regulation, A.R. 185/2003* and an event of default under Article 14 of these *Retailer Distribution Service Rules*. If, after three (3) *Business Days*, *AUI* is not in receipt of such alternate security, the full amount of the *Retailer's* security determined in accordance with Article 11 of these *Retailer Distribution Service Rules* will become due and payable to *AUI* and *AUI* will be entitled to make demand or claim against the *Retailer's* security in accordance with Article 14.3.
- (8) In the event of a default by the *Retailer*, *AUI* is entitled to recover, as part of the *Gas Distribution Tariff*, any costs not covered by a claim against the *Retailer's* security under section 9 of the *Natural Gas Billing Regulation A.R. 185/2003*, as amended from time to time.

11.3. Confidentiality

All information provided by the *Retailer* in relation to its financial standing and designated by the *Retailer* as confidential will be treated as such under the Confidentiality Agreement between the *Retailer* and *AUI*. The terms and conditions of the Confidentiality Agreement are set out in the *Retailer Handbook*.

Notwithstanding the preceding paragraph, pursuant to section 10(3) of the *Code of Conduct Regulation*, a receiving party may disclose confidential information to any governmental, judicial, or regulatory authority requiring such confidential information in the reasonable exercise of its duties.

11.4. Costs

All costs associated with obtaining financial security and meeting prudential requirements under this Article are the responsibility of the *Retailer*.

11.5. Interest on Security Deposits

Interest on each *Retailer's* cash security deposit held by *AUI* will be calculated at the rate specified, from time to time, in the *Residential Tenancies Act, S.A. 2004, c.R-17.1*. Interest will be credited to the *Retailer* annually.

ARTICLE 12 – Measurement

12.1. Provision and Ownership

The meters used by *AUI* to assess the level of *Gas Distribution Service* charges to the *Retailer* will be the same meters used to provide the *Customer Billing Information* to the *Retailer*. *AUI* will provide and install all meters for each *Point of Delivery* and each meter will remain the property of *AUI*.

12.2. Meter Reading

- (1) Billing will be based on actual or estimated usage. *AUI* reserves the right to assess a Special Meter Reading charge for non-routine reads, as set out in the *Special Charges Schedule*.
- (2) *AUI* will read the meter monthly or as often as reasonable necessary.
- (3) *AUI* will keep an accurate record of all meter readings for the purpose of billing the *Gas Distribution Services* provided.
- (4) *AUI* may elect to change the meter reading schedule for a site, providing advance notice to the *Retailer* as defined by *Rule 004*.
- (5) *AUI* is not required to accept *Customer* meter readings. Where *Customer* meter readings are provided, *AUI* reserves the right to decline the use of the *Customer* meter reading based on specific criteria.

12.3. Changes to Metering Equipment

Notwithstanding Article 3.7, should a *Retailer* request, or consent to, a *Customer* request for new metering equipment beyond the basic service, *AUI* will provide, install, test and maintain the required metering equipment. The metering equipment must be requested or consented to in writing by the *Customer* and meet *AUI*'s requirements. The *Customer* will bear the cost of providing and installing the metering equipment and ongoing operating costs as set forth in the *Special Charges Schedule*.

12.4. Statutory Standards Apply

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

12.5. Measuring Equipment

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

12.6. Testing Measuring Equipment

The accuracy of the measuring equipment must be verified by standard tests and methods acceptable to *AUI* or upon the reasonable request of the *Retailer* or the *Customer*. Tests of such measuring equipment will be made at *AUI*'s expense, however the *Retailer* or the *Customer* will bear the expense of tests made at their request if the inaccuracy is found to be within the limits of error allowed in the *Electricity and Gas Inspection Act, R.S.C., 1985, c.E-4*.

12.7. Facilities Interference

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

12.8. Use of TCPL Measurements

Notwithstanding anything contained elsewhere in the *Retailer Distribution Service Contract*, *AUI* and the *Retailer* agree, at a *Point of Delivery* or at a *Point of Receipt*, being a *TCPL/AUI* system interconnection, where *TCPL*'s measuring equipment (rather than *AUI* measuring equipment) is used or relied upon by *AUI* for measuring *Gas* delivered under the *Retailer Distribution Service Contract*, *TCPL*'s measurement and testing of *Gas* procedures will apply.

12.9. Forecast Quantities

The *Retailer* agrees to provide to *AUI*, for planning purposes, such forecasts of future quantities to be delivered under the *Retailer Distribution Service Contract* or the *Demand General Service Contract*, as *AUI* may request from time to time.

ARTICLE 13 – Account Balancing

13.1. Retailer's Account

- (1) The *Retailer's Account* will be accumulated and recorded by *AUI* each *Day* and, without limitation, will include such items as *Gas supply Nominations*, *Retailer Load*, *Imbalance* quantity, opening *Imbalance* quantity, in-kind settlement quantity, *Retailer's* share of *Unaccounted-For Gas* and/or other adjustment quantities deemed appropriate as determined by *AUI* from time to time.
- (2) Each *Day* *AUI* will *Forecast* and *Backcast* *Retailer's Load* according to the practices specified in Rule 028 and *AUI's Retailer Handbook*.
- (3) The *Retailer* will provide in kind, *Unaccounted-For Gas* each *Day* at the rate specified in *Rider H*.
- (4) *AUI* will make the *Account* available to the *Retailer* in the manner described in *AUI's Retailer Handbook*.

13.2. Exchange of Gas

The *Retailer* warrants it will make its *Gas* supply available in an account on *TCPL* and *AUI* will make *Gas* available in the *Retailer's Account* by means of an exchange with said account on *TCPL* and *AUI's Account on the Transmission System*, subject to the procedures described in the *Retailer Handbook*.

13.3. Daily Retailer's Account Imbalance

- (1) For each *Gas Day*, the *Tolerance Zone* applicable to each *Retailer's Account Imbalance* will be determined as specified on Schedule A.
- (2) The *Retailer* will, at all times, endeavor to maintain its daily *Account Imbalance* energy within the daily *Tolerance Zone*.
- (3) For each *Gas Day*, in the event the value of the *Retailer's Account* daily *Imbalance* energy is greater than/less than the value of the quantity specified by the positive/negative *Tolerance Zone*, the difference will be settled by *Imbalance Purchase/Sale* at the price specified on Schedule A.
- (4) The net quantity and dollars resulting from the *Imbalance Purchase* and *Imbalance Sales* transactions in Article 13.3(3), if any, will be invoiced to *Retailer* once per *Month*.

13.4. Retailer's Account Monitoring Rules

AUI will perform monitoring of the *Retailer's Account* according to the following:

- (1) Step 1
 - a) If there is no evidence of a *Nomination* in the *Retailer's Account* by 8:00 a.m. MST of the closing *Gas Day* (*Gas Day 1*), which has not been pre-authorized by *AUI*, *AUI* will attempt to contact the *Retailer* for an explanation. If the *Retailer* indicates in writing (by e-mail) it intends to balance the *Account* within the *Account Balancing* timeline specified in the *Retailer Handbook*, then *AUI* will take no further action at Step 1. For this purpose, "balance the *Account*" means the *Retailer* provided

sufficient *Gas* supply for *Gas Day 1*, whereby the resulting *Account Imbalance* on *Gas Day 1* was within the *Tolerance Zone* and no *Imbalance Purchase/Sale* was triggered.

- b) If at (1)(a) above:
 - i) *AUI*, with reasonable effort by telephone and e-mail, is unable to contact the *Retailer* by 10:00AM MST; or
 - ii) the *Retailer* has indicated an inability to make *Nominations* to its *Account* for *Gas Day 1*;

then the *Retailer's Account* will be closed for the remainder of *Gas Day 1* and the rules related to *Imbalance Purchases/Sales* as stipulated in the *Retailer Distribution Service Rules* will be in effect for the *Retailer's Account* on *Gas Day 1*.

(2) Step 2

- a) If there is no evidence of a *Nomination* in the *Account* by 8:00 a.m. MST of the *Gas Day* following *Gas Day 1* (*Gas Day 2*), not pre-authorized by *AUI*, *AUI* will attempt to contact the *Retailer* for an explanation. This rule will also apply to those *Retailers* who made a commitment to balance their *Account* in Step 1, but did not fulfill that commitment, even if a nomination was made for *Gas Day 1*.
- b) If at (2)(a) above
 - i) *AUI*, with reasonable effort by telephone and e-mail, is unable to contact the *Retailer* by 10:00AM ; or
 - ii) the *Retailer* has indicated an inability to make the *Nominations* to its *Account* for *Gas Day 2*;

then the *Retailer's Account* will be closed for the remainder of *Gas Day 2* and the rules related to *Imbalance Purchases/Sales* as stipulated in these *Retailer Distribution Service Rules* will be in effect for the *Retailer's Account* on *Gas Day 2*.

AUI will also provide electronic notice to the *Retailer* indicating the *Retailer* must take action to provide gas supply to its *Account* sufficient to alleviate *AUI's* concerns by 10:00 a.m. MST of the next *Gas Day* (*Gas Day 3*), and *AUI* intends to permanently close the *Retailer's Account* during *Gas Day 3*.

(3) Step 3

If there is no evidence of a *Nomination* in the *Retailer's Account* by 8:00 a.m. MST of the current *Gas Day* (*Gas Day 3*), not pre-authorized by *AUI*, *AUI* will attempt to contact the *Retailer* for an explanation. This rule will also apply to those *Retailers* who made a commitment to balance their *Account* in Step 1, but did not fulfill that commitment, even if a nomination was made for *Gas Day 1*. If there is no evidence of a *Nomination* in the *Retailer's Account* by 10:00 a.m. MST, *AUI* will provide electronic notice to the *Retailer* indicating the *Retailer's Account* is permanently closed. *AUI* will commence de-enrolment of *Sites* associated with the *Retailer's Account* during *Gas Day 3* to first take effect on *Gas Day 4*.

The rules related to *Imbalance Purchases/Sales* as stipulated in these *Retailer Distribution Service Rules* will be in effect for the *Retailer's Account*.

(4) Step 4

AUI will continue to assess *Imbalance Purchases/Sales* for the *Retailer* who has defaulted until all the *Retailer's Sites* have been de-enrolled and successfully re-enrolled with the default supply provider. When all of the defaulting *Retailer's Sites* have been successfully enrolled with the default supply provider, the termination of *Gas Distribution Service* will be complete. *AUI* will continue to apply the rules related to *Imbalance Purchases/Sales* to the *Retailer's Account* as a result of adjustments related to settlement or other matters which occur after the *Retailer's Account* has been permanently closed.

(5) Step 5

In the event of non-payment on the part of the *Retailer*, and without limiting *AUI's* rights or remedies at law or in equity, *AUI* will have the right to recover any charges to a *Retailer* by claiming against the *Retailer's* or *Agent's* performance bond (as stipulated in Article 11) and existing to secure due performance by the *Retailer* or *Agent* of its obligation under the *Retailer Distribution Service Contract*.

- (6) In the event *AUI* is notified by the *Retailer* in writing or by e-mail, or in the event *AUI* becomes aware the *Retailer* has declared itself or has been declared to be insolvent prior to the full three (3) days of *Account* monitoring described in this Article, *AUI* will have the right to discontinue *Gas Distribution Service* with one (1) *Business Days'* notice.

13.5. Termination of Retailer Service

- (1) These *Retailer Distribution Service Rules* will continue in force until all the *Retailer's Sites* have been de-enrolled and *Final Settlement* for the *Retailer's Account* has been completed, whereupon *AUI* will terminate the *Retailer's Account*. *AUI* will continue to transact in the *Same Day Market* based on the *F3 Forecast* for the *Retailer* who has defaulted until all the *Retailer's Sites* have been de-enrolled and successfully re-enrolled with the default supply provider. The transaction will be recorded in *AUI's Account on the Transmission System*, not the *Retailer's Account* and the rules related to *Imbalance Purchase/Sale* as stipulated in these *Retailer Distribution Service Rules* will be in effect.
- (2) Notwithstanding the provisions of Article 13.5(1) above, upon mutual agreement, the *Retailer* and *AUI* may enter into an arrangement to settle the outstanding energy amounts in the *Retailer's* terminating *Account*, including without limitation, the closing *Account Imbalance* and adjustments to the *Account* from *Gas Settlement*, in a manner different than is normally required under the provisions of these *Retailer Distribution Service Rules* and/or the *Retailer Handbook*.

13.6. Request for Additional Information

A *Retailer* may request additional settlement information above the basic service provisions specified in the *Retailer Handbook* or information previously provided by *AUI* if:

- a) the *Retailer* provides a written request to *AUI* outlining the purpose for the additional settlement information; and
- b) the additional settlement information applies only to the *Customers* of the *Retailer*.

Upon satisfaction of the above requirements, *AUI* will advise the *Retailer* in a written proposal of the type of work, time of delivery and charges necessary to provide the additional settlement information to the *Retailer*.

13.7. Liability

AUI will not be liable to any person for any damages, cost, expense, injury, loss or other liability of any kind whatsoever, or however caused, resulting directly or indirectly from its good faith performance of its responsibilities under the provisions of this Article. No express or implied warranties of any kind will apply to information or services provided by *AUI* to any person as part of such good faith performance, including without limitation implied warranties of fitness for a particular purpose.

ARTICLE 14 – Termination on Default

14.1. Events of Default

An event of default under these *Retailer Distribution Service Rules* and the *Retailer Distribution Service Contract* will occur if either *AUI* or the *Retailer* (for purposes of this provision, the *Defaulting Party*):

- a) is the subject of a bankruptcy, insolvency or similar proceeding;
- b) makes an assignment for the benefit of its creditors;
- c) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;
- d) fails to pay the other party (*Non-Defaulting Party*) when payment is due, or to satisfy any other material obligation under these *Retailer Distribution Service Rules* or the *Retailer Distribution Service Contract* including, without limiting the generality of the foregoing, fulfilling the prudential requirements as set forth in Article 11 in accordance with these *Retailer Distribution Service Rules* and fails to remedy the failure or satisfy the obligation, as the case may be, within three (3) *Business Days* after the receipt of written notice of the default or breach from the *Non-Defaulting Party*.
- e) fails to balance its *Account* in accordance with Article 13.

14.2. Rights Upon Default

In an event of default, the *Non-Defaulting Party* will, subject to these *Retailer Distribution Service Rules* and any applicable regulatory requirements, be entitled to pursue any and all available legal and equitable remedies and terminate the *Retailer Distribution Service Contract*. Where the *Defaulting Party* is *AUI* or the *Retailer* and the *Non-Defaulting Party* elects to terminate, the *Retailer Distribution Service Contract* is terminated without any liability or responsibility whatsoever, except for obligations arising prior to the date of termination. The *Non-Defaulting Party* will provide written notice to the *Defaulting Party* advising as to the nature of any default and of its intention to terminate service under the *Retailer Distribution Service Contract* and these *Retailer Distribution Service Rules*.

14.3. Recourse to Security Upon the Retailer Default

In addition to any other rights and remedies set out in these *Retailer Distribution Service Rules*, in an event of default by the *Retailer*, other than a default in payment addressed under section 9 of *Natural Gas Billing Regulation, A.R. 185/2003*, the full amount of the *Retailer's* security determined in accordance with Article 11 of these *Retailer Distribution Service Rules* will become due and payable to *AUI* and *AUI* will be entitled to make demand or claim against the *Retailer's* security for the full amount secured. All funds received by *AUI* in respect of such claim will be retained by *AUI* and applied against the *Retailer's* obligations until such time as all of the *Retailer's* obligations have been determined and satisfied. Any balance remaining after satisfaction of the *Retailer's* obligations will be returned to the issuing party of the security for the benefit of the *Retailer*.

14.4. Termination on Default

If any one or more of the parties to the *Retailer Distribution Service Contract* fails to perform any of the covenants or obligations imposed upon it under and by virtue of the *Retailer Distribution Service Contract* (the *Defaulting Party*), then in any such event, the other party to the *Retailer Distribution Service Contract* (the *Non-Defaulting Party*) may, at its option, terminate the *Retailer Distribution Service Contract* insofar, and only insofar, as the *Retailer Distribution Service Contract* pertains to the *Defaulting Party*. To terminate the *Retailer Distribution Service Contract* pursuant to this provision, the *Non-Defaulting Party* will cause a notice in writing or e-mail to be given to the *Defaulting Party* advising as to the nature of any default and declaring it to be the intention of the *Non-Defaulting Party* to terminate the *Retailer Distribution Service Contract*.

ARTICLE 15 – Impaired Deliveries

15.1. Impaired Deliveries

- (1) If, by reason of the causes set out in this Article, *AUI* is unable, in whole or in part, to deliver the *Gas* provided for in the *Retailer Distribution Service Contract*, then *AUI* will be relieved of liability for not delivering such quantities and *AUI* may curtail or discontinue deliveries of *Gas* under the *Retailer Distribution Service Contract* during the discontinuance and to the extent of the inability. However, *AUI* will endeavour to give reasonable notice of any curtailment or discontinuance of deliveries arising by virtue of such causes and will promptly endeavour to remedy the cause of any curtailment or discontinuance of deliveries as soon as reasonably possible.
- (2) Such notice will specify *AUI's* estimate of the duration of any such curtailment or discontinuance of deliveries under the *Retailer Distribution Service Contract*.
- (3) The causes referred to above are the necessity, in *AUI's* sole opinion, of making repairs, modifications or improvements to the *Gas Distribution System*. However, *AUI* will, when practicable, endeavour to effect such modifications or improvements, not emergency in nature, at a time and in a manner that does not unduly interfere with or interrupt deliveries of *Gas*.

ARTICLE 16 – Liability and Indemnity

16.1. Indemnity

- (1) Each party (as applicable, the Indemnitor) will indemnify and hold harmless the other party and its directors, officers, employees, agents and representatives (Indemnitee(s)) from and against any direct damages, injuries, losses and other liabilities claimed against the Indemnitee or any of them, and all related costs and expenses (including reasonable legal fees) suffered or incurred by any of them in relation to any claim, cause of action, action, suit or proceeding by a third party (Claim) which arises from damage to property or injury to or death of persons resulting from the Indemnitor's failure to perform its obligations under these *Retailer Distribution Service Rules* which failure is caused by the negligence or willful act of the Indemnitor or any of its directors, officers, employees, agents or representatives acting within the scope of their authority or employment. The indemnity under this Article will be limited to an amount in proportion to the degree to which the Indemnitor or its directors, officers, employees, agents or representatives acting within the scope of their authority or employment are at fault. For the purpose of this Article "willful act" means any act or omission which is an intentional tort or an intentional breach of any obligations under these *Retailer Distribution Service Rules*.
- (2) In the event that an Indemnitee is entitled to and desires to assert its right to indemnification from an Indemnitor under this Article such Indemnitee will give the Indemnitor prompt notice of the Claim, which will describe the Claim in reasonable detail and will indicate the estimated amount, if practicable, of the indemnifiable loss that has been or may be sustained by the Indemnitee. The failure to promptly notify the Indemnitor hereunder will not relieve the Indemnitor of its obligations hereunder, except to the extent that the Indemnitor is actually and materially prejudiced by the failure to so notify promptly.
- (3) Subject to Article 16.1(4) hereof, if the Indemnitor delivers to the Indemnitee a written acknowledgement of its unconditional and irrevocable obligation to indemnify the Indemnitee under Article 16.1(1) in respect of:
 - (a) all of the damages, injuries, losses, liabilities, costs and expenses that may be claimed against, or suffered or incurred by, the Indemnitee in respect of the Claim within 10 days following the Indemnitor's receipt of the Indemnitee's notice of such Claim and if the existence of such obligation to indemnify is made known by the Indemnitor to the third party claimant (and, if applicable, to the court or other tribunal determining the Claim), the Indemnitee will make available to the Indemnitor all information in its possession or to which it has access, other than information that has been designated as confidential by the provider of such information, which is or may be relevant to the particular Claim and the Indemnitor will be entitled, at its option, to take carriage of the defense of the Claim by its own counsel and, if it elects to do so, the Indemnitee will cooperate with the Indemnitor to the fullest reasonable extent in the defense, settlement or compromise of the Claim; or
 - (b) some, but less than all, of the damages, injuries, losses, liabilities, costs and expenses that may be claimed against, or suffered or incurred by, the Indemnitee in respect of the Claim within 10 days following the Indemnitor's receipt of the Indemnitee's notice of such Claim and if the Indemnitee is of the opinion that the Indemnitor's interests are not in conflict with its own, the Indemnitee will make available to the Indemnitor all information in its possession or to which it has access, other than information that has been designated as confidential by the provider of such information, which is or may be relevant to that portion of the

Claim in respect of which the Indemnitor has an obligation to indemnify the Indemnitee and consult with the Indemnitor in respect thereof.

The Indemnitee will not make any admission of the liability regarding, or settle or compromise, that portion of the Claim in respect of which the Indemnitor has acknowledged its obligation to indemnify the Indemnitee without the written consent of the Indemnitor, which consent will not be unreasonably withheld.

- (4) The provisions of Article 16.1(1) hereof will not apply in respect of any Claim to which the Indemnitor is, or may reasonably be expected to be, a party and where the Indemnitee is asserting legal defenses in relation to the Claim that conflict with legal defenses being asserted by the Indemnitor.
- (5) Except to the extent to which either party is required to indemnify the other party (and those other persons specified in this Article 16 by the express terms of Article 16, neither party, nor its directors, officers, agents, employees, and representatives, will be liable to the other party for any damages, costs, expenses, injuries, losses, or liabilities suffered or incurred by the other party, its directors, officers, employees, agents and representatives howsoever and whenever caused, and each party, for itself and as agent for its directors, officers, agents, employees and representatives hereby forever releases the other party, its directors, officers, agents, employees and representatives from any liability or obligation in respect thereof. For greater certainty, neither party will be limited in a claim against the other for specific performance or other equitable relief in relation thereto, or direct damages only and related costs and expenses (including reasonable legal fees), arising from a breach of these Terms and Conditions.

16.2. Consequential Loss

Notwithstanding anything to the contrary contained in these *Retailer Distribution Service Rules*, neither party will be liable to the other party, and *AUI* will not be liable to the *Customer* with respect to matters for which the party is acting as agent for the *Customer*, for any damage, cost, expense, injury, loss or other liability of an indirect, special or consequential nature suffered by the other party or claimed by any third party against the other party which arises due to such party's failure to perform its obligations under these *Retailer Distribution Service Rules* or for any other reason (including negligence on its part or on the part of any person for whose acts it is responsible), howsoever and whensoever caused, and whether arising in contract, negligence or other tort liability, strict liability or otherwise; and without limiting the generality of the foregoing, damage, injury or loss of an indirect or consequential nature will include loss of revenue, loss of profits, loss of production, loss of earnings, loss of contract, cost of purchased or replacement capacity and energy, cost of capital and loss of the use of any segment of the *Gas Distribution System* or property owned, operated, leased or used by the other party.

ARTICLE 17 – Force Majeure

17.1. Effect of Force Majeure on Breach

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

Retailer will not be relieved by Force Majeure as described in this Article 17 from the obligation to pay the charges set forth pursuant to this Article unless Force Majeure has been invoked by *AUI*.

17.2. Meaning of Force Majeure

For the purposes of the *Retailer Distribution Service Rules*, “Force Majeure” means any cause, other than financial, beyond the control of the party claiming suspension and the cause could not have been prevented or overcome by due diligence, including, but not limited to:

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

17.3. Exceptions to Force Majeure

- (1) Notwithstanding Article 17.2, a Decision, Direction, or Order made by the *Commission* in the normal course of it exercising its authority to establish the appropriate revenue requirement or rates of the parties to this agreement will not be considered an event of Force Majeure.
- (2) Neither party is entitled to the benefit of the provisions of Article 12.1 under any of the following circumstances:
 - a) to the extent the failure was caused by the sole negligence of the party claiming suspension;
 - b) to the extent the failure was caused by the party claiming suspension having failed to remedy the condition where it is within that party’s ability, alone, to do so and to resume the performance of such covenants or obligations with reasonable dispatch;
 - c) if the failure was caused by lack of funds or with respect to the payment of any amount or amounts then due under the *Retailer Distribution Service Contract*, or
 - d) unless, as soon as possible after the happening of the occurrence relied upon or as soon as possible after determining the occurrence was in the nature of Force Majeure and would affect the claiming party’s ability to observe or perform any of its covenants or obligations under the *Retailer Distribution Service Contract*, the party claiming suspension necessarily gives to the other party notice, either in writing or by electronic mail, advising that such party is unable, by reason of Force

Majeure (the nature of which to be specified in the notice, to perform the particular covenants or obligations).

17.4. Notice of remedy

The party claiming relief from liability under the provisions of this Article 17 will promptly give the other party notice of the Force Majeure including full particulars thereof and will promptly give the other party notice when the Force Majeure event ceases to prevent performance pursuant to these *Retailer Distribution Service Rules*.

17.5. Obligation to Remedy

The party claiming relief from liability under the provisions of this Article 17 will promptly remedy the cause and effect of the Force Majeure insofar as it is reasonably able to do so.

17.6. Labour Disputes

Notwithstanding anything to the contrary in this Article, expressed or implied, the parties agree the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the particular party involved in the labour dispute and such party may make settlement of the labour dispute at such time and on such terms and conditions as it may deem advisable. No delay in making such settlement will deprive such party of the benefit of this Article 17.

ARTICLE 18 – Dispute Resolution

18.1. Resolution by AUI and the Retailer

If any dispute between *AUI* and a *Retailer* arises at any time in connection with these *Retailer Distribution Service Rules*, *AUI* and the *Retailer*, acting reasonably and in good faith, will use all reasonable efforts to resolve the dispute as soon as possible in an amicable manner.

18.2. Resolution by Arbitration

If any dispute has not been resolved pursuant to Article 18.1 hereof within 30 days after notice from *AUI* or the *Retailer* to the other of its desire to have the dispute resolved, then the dispute will be resolved pursuant to Articles 18.3 to 18.11 hereof. *AUI* and the *Retailer* will abide by the terms of any award rendered by the arbitrator appointed hereunder without delay.

18.3. Arbitrators

All disputes or differences between *AUI* and a *Retailer* in connection with these *Retailer Distribution Service Rules* will be referred (unless *AUI* and the *Retailer* concur in the appointment of a single arbitrator) to a board of arbitrators consisting of one (1) arbitrator to be appointed by each of *AUI* and the *Retailer* who will, by instrument in writing, appoint a third arbitrator immediately after they are themselves appointed. Notwithstanding the foregoing, any disputed matters between *AUI* and a *Retailer* relating to an order or direction made or approved by the *AUC* or falling within the exclusive jurisdiction of the *AUC*, will be referred to the *AUC* for resolution.

18.4. Failure to Concur

AUI and a *Retailer* will be deemed to have failed to concur in the appointment of a single arbitrator if such an arbitrator will not have been appointed within fifteen (15) days after the serving by either

AUI or the *Retailer* on the other of notice requesting it to concur in the appointment of such an arbitrator.

18.5. Refusal to Appoint an Arbitrator

If either *AUI* or the *Retailer* will neglect or refuse to appoint an arbitrator within fifteen (15) days after the other party (provided such other party has appointed its arbitrator) has served *AUI* or the *Retailer*, as the case may be, with notice to make the appointment, the party who has appointed its arbitrator will be entitled to apply, upon notice to the other party, to a Justice of the Court of Queen's Bench of Alberta to appoint an arbitrator for the party in default.

18.6. Failure to Appoint a Third Arbitrator

If the arbitrators appointed by *AUI* and the *Retailer* have not, within fifteen (15) days after their appointment or the appointment of the arbitrator last appointed, as the case may be, appointed a third arbitrator, either *AUI* or the *Retailer* will be entitled to apply upon notice to the other party to a Justice of the Court of Queen's Bench of Alberta to appoint such an arbitrator.

18.7. Technical Competence

Any arbitrator appointed under the provisions of this Article whether by concurrence of *AUI* and the *Retailer*, by either party, by the arbitrators, or by a Justice of the Court of Queen's Bench of Alberta will, in the opinion of the persons making such appointment, be possessed of such technical or other qualifications as may be reasonably necessary to enable him to properly adjudicate upon the dispute or difference.

18.8. Compensation of Arbitrators

Each party will be responsible for the costs of the arbitrator appointed by it hereunder. The costs of the third arbitrator will be divided evenly between the parties.

18.9. Application of the Arbitration Act (Alberta)

Except as herein modified, the provisions of the *Arbitration Act, R.S.A., 2000, c. A-43*, as amended from time to time, will apply to any arbitration proceeding.

18.10. Decisions Binding

A decision of the single arbitrator or the majority of the three arbitrators named or appointed will be final and binding upon each of the parties to the dispute or difference.

18.11. Continuity of Service

All performance and payments requirements under these *Retailer Distribution Service Rules* by *AUI* and the *Retailer* will continue during the dispute resolution proceedings contemplated by this Article provided, in the case of any such proceedings pertaining to amounts payable under these *Retailer Distribution Service Rules*, any payments or reimbursements required as a result of the proceedings will be effective as of a date to be determined in such proceedings and interest will be paid on those amounts by the party required to make the payment or reimbursement on the amount at the rate specified from time to time in the *Residential Tenancies Act, R.S.A. 2000, c.R.-17*, but not less than 2.5% from the date so determined until paid.

ARTICLE 19 – Miscellaneous Matters

19.1. Retailer Distribution Service Rules Prevail

No representation or commitment inconsistent with these *Retailer Distribution Service Rules* has any effect unless approved by the *Commission*.

19.2. General Laws Apply

The *Retailer Distribution Service Rules* and the *Retailer Distribution Service Contract* are subject to all applicable present and future laws, rules, regulations and orders of any legislative body or duly instituted authority now or hereafter having jurisdiction. *AUI* will not violate, directly or indirectly, or become a party to a violation of any requirement of any applicable federal, provincial or local statute, regulation, bylaw, rule or order to provide *Retailer Distribution Service* to the *Retailer* (or a *Customer* of the *Retailer*). *AUI*'s obligation to provide *Retailer Distribution Service* is subject to the condition all requisite governmental and regulatory approvals for the provision of such *Retailer Distribution Service* will have been obtained and will be maintained in force during such period of *Retailer Distribution Service*.

19.3. No Waiver

The failure of either party to insist on strict performance of any provisions of these *Retailer Distribution Service Rules* or a *Retailer Distribution Service Contract*, or to take advantage of any of its rights hereunder, will not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which will remain in full force and effect. No term or condition of these *Retailer Distribution Service Rules* or a *Retailer Distribution Service Contract* will be deemed to have been waived and no breach excused unless such waiver or consent to excuse is in writing and signed by the party claimed to have waived or consented to excuse.

19.4. No Assignment

Neither *AUI* nor the *Retailer* may assign any of its rights or obligations under these *Retailer Distribution Service Rules* or the *Retailer Distribution Service Contract* without obtaining (a) any necessary regulatory approval(s); and (b) the prior written consent of the non-assigning party, which consent may not be unreasonably withheld. No assignment will relieve the assigning party of any of its obligations under these *Retailer Distribution Service Rules* or the *Retailer Distribution Service Contract* until such obligations have been assumed by the assignee. Any assignment in violation of this Article will be void. However, *AUI* may assign any or all of its rights and obligations under these *Retailer Distribution Service Rules* and the *Retailer Distribution Service Contract*, without the *Retailer*'s consent, to any entity succeeding to all, or substantially all, of the assets of *AUI*, if the assignee agrees, in writing, to be bound by the terms of the *Retailer Distribution Service Rules* and *Retailer Distribution Service Contract* and if any necessary regulatory approvals are obtained.

19.5. Applicable Laws

The *Retailer Distribution Service Rules* and the *Retailer Distribution Service Contract* between *AUI* and the *Retailer* will be governed by the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta, without regard to principles of conflicts of law. Any lawsuit arising in connection with these *Retailer Distribution Service Rules* and the *Retailer Distribution Service Contract* will be brought in the courts of the Province of Alberta.

ARTICLE 20 – Notice

20.1. Notice in Writing

Unless otherwise stated herein, all notices, demands or requests required or permitted under these *Retailer Distribution Service Rules* or a *Retailer Distribution Service Contract* will be in writing and will be personally delivered or sent by courier-service or electronic transmission addressed as follows:

- (a) If to the *Retailer*, to the address and the addressee set out in the *Retailer Distribution Service Contract* between the *Retailer* and *AUI*.
- (b) If to *AUI* to:
 - Apex Utilities Inc.
 - 5509-45 Street,
 - Leduc, AB T9E 6T6
 - Attention: Director, Regulatory
 - Fax: (780) 986-5220

Notice received after the close of the *Business Day* will be deemed received on the next *Business Day*.

20.2. Delivery of Notice

- (1) Any notice may be given by mailing the same, postage prepaid, in an envelope properly addressed to the person to whom the notice is given and will be deemed to be received four (4) *Business Days* after the mailing of the notice.
- (2) Any notice may also be given by prepaid facsimile or other means of electronic transmission addressed to the person to whom such notice is given, at such person's address for notice and any such notice so served will be deemed to have been given one (1) *Business Day* after transmission.
- (3) Any notice may also be delivered by hand to the person, or his representative, to whom such notice is given at such person's address for notice and such notice will be deemed to have been given when received by such person or his representative.
- (4) Any notice may also be given by telephone followed immediately by letter, facsimile or other means of electronic transmission. Any notice so given will be deemed to have been given of the date and time of the telephone notice.

20.3. Disruption of Mail

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

Schedule A – Imbalance Purchases/Sales Charges

1.0 Tolerance Zone Percentage

The percentage used to calculate each *Retailer's Account Tolerance Zone* is $\pm 4\%$.

2.0 Tolerance Zone

The daily *Tolerance Zone* for each *Gas Day*, applicable to each *Retailer's Account Imbalance*, is based on the result of multiplying the *Retailer's* daily *Backcast* by the absolute value of the *Tolerance Zone* percentage (*Tolerance Zone* determinant):

- a) If the result is 0 (zero), the daily *Tolerance Zone* quantity will be 0 GJ;
- b) If the result is greater than 0, and less than or equal to 50, the daily *Tolerance Zone* quantity will be ± 50 GJ;
- c) If the result is greater than 50, and less than or equal to 100, the daily *Tolerance Zone* quantity will be ± 100 GJ;
- d) If the result is greater than 100, and less than or equal to 150, the daily *Tolerance Zone* quantity will be ± 150 GJ;
- e) If the result is greater than 150, and less than or equal to 200, the daily *Tolerance Zone* quantity will be ± 200 GJ;
- f) If the result is greater than 200, the daily *Tolerance Zone* quantity will be ± 400 GJ.

3.0 Imbalance Purchase/Sale Price

The *Imbalance Purchase/Sale* price applicable to each *Retailer Account* is:

- a) For an *Imbalance Purchase*, the price used by *AUI* will be the lowest *Same Day Market* or *Yesterday Market* trade price reported on the *NGX* for the *Gas Day*, as reported by the *NGX* as the "ICE NGX AB-NIT Same Day INDEX" and "ICE NGX AB-NIT Yesterday Index" obtained from the "ICE NGX Price Indices" website.
- b) For an *Imbalance Sale*, the price used by *AUI* will be the highest *Same Day Market* or *Yesterday Market* trade price that occurs on the *NGX* for the *Gas Day* as reported by the *NGX* as the "ICE NGX AB-NIT Same Day Index" and "ICE NGX AB-NIT Yesterday Index" obtained from the "ICE NGX Price Indices" website.

4.0 Change to Tolerance Zone Percentage and Minimum Energy Tolerance Zone

In the event *TCPL* determines its pipeline tolerance level needs be increased or decreased and as a result, the *TCPL* transmission balance zone is changed, *AUI* will revise the daily *Tolerance Zone* as follows:

TCPL Balance Zone		AUI Account Tolerance on TCPL		Tolerance Zone Determinant > 0 and <= 50		Tolerance Zone Determinant > 50 and <= 100		Tolerance Zone Determinant > 100 and <= 150		Tolerance Zone Determinant > 150 and <= 200		Tolerance Zone Determinant > 200	
-4%	+4%	-2,000	2,000	-50	50	-100	100	-150	150	-200	200	-400	400
-3%	+4%	-1,500	2,000	-38	50	-75	100	-113	150	-150	200	-300	400
-2%	+4%	-1,000	2,000	-25	50	-50	100	-75	150	-100	200	-200	400
-1%	+4%	-500	2,000	-13	50	-25	100	-38	150	-50	200	-100	400
0%	+4%	0	2,000	0	50	0	100	0	150	0	200	0	400
-4%	+3%	-2,000	1,500	-50	38	-100	75	-150	113	-200	150	-400	300
-4%	+2%	-2,000	1,000	-50	25	-100	50	-150	75	-200	100	-400	200
-4%	+1%	-2,000	500	-50	13	-100	25	-150	38	-200	50	-400	100
-4%	0%	-2,000	0	-50	0	-100	0	-150	0	-200	0	-400	0

A change to the *Tolerance Zone* as a result of a change in the *Tolerance Zone* percentage and/or change in the *AUI* account tolerance on *TCPL* will be in effect for the same *Gas Days* as the corresponding *TCPL* Balance Zone change.