

Westcoast Energy Inc.

Policy for Zone 3 Expansion and Extension Facilities

This Policy applies to Zone 3 (T-North) of the Westcoast pipeline system. Zone 3 comprises Westcoast's sales gas transmission pipelines upstream of Compressor Station No. 2 ("CS-2"), including the Fort Nelson Mainline (the segment between the outlet of the Fort Nelson Plant and CS-2 (including interconnections with the Aitken Creek storage facility), the Pine River Mainline (the segment between the outlet of the Pine River Plant and CS-2), the Fort St. John Mainline (the segment between Compressor Station No. 1 ("CS-1") and CS-2), the Stewart Lake Pipeline (the segment between the Fort St. John Mainline and Compressor Station No. 16), the Boundary Lake Pipeline (the segment between CS-1 and the NOVA/Boundary Lake Interconnection), and the Alberta Mainline (the segment between CS-1 and the NOVA/Gordondale and Alliance/Gordondale interconnections).

For purposes of this Policy (i) an "expansion" is a facility addition (generally looping or compression) that increases the capacity of existing Zone 3 facilities and (ii) an "extension" is a pipeline (or supply lateral) that connects gas production from a supply area to the existing Zone 3 system.

This Policy, as it may be amended from time to time, will be filed with the Canadian Energy Regulator (CER) and posted on Westcoast's Customer Interface website.

Procedures

With respect to expansions, if Westcoast receives a request for firm service in Zone 3 in circumstances where there is insufficient existing capacity to accommodate the request, Westcoast will conduct an open season process to provide potential shippers with an opportunity to contract for service. As part of the open season process, in order to minimize the

need for expansion facilities, Westcoast will provide existing firm service shippers with an opportunity to relinquish existing service back to Westcoast which will then be used by Westcoast, together with the required expansion facilities, to meet the total requirements of all shippers. The open season process will include the requirement that the expansion shippers sign binding long-term firm service agreements with Westcoast and demonstrate that they meet certain minimum credit requirements, the terms of each to be determined by Westcoast in its discretion. On completion of the open season, should Westcoast decide to proceed with the expansion it will conduct the necessary expansion facility design work, consult with stakeholders and apply to the Regulator for approval of the facilities, which would be sized to align with the total capacity required by all shippers.

With respect to extensions, if Westcoast receives a request to build extension facilities, the procedure to be adopted will be the subject of negotiation between Westcoast and the parties requesting service. Westcoast may also seek to determine whether there is interest from other parties for capacity on the extension, which could be accomplished either through an open season process or private discussions. Once the parties have settled the commercial terms on which Westcoast will undertake the extension, Westcoast will undertake the necessary facility design work and apply to the Regulator for approval of the extension.

Tolling

With respect to expansions, subject to Regulator approval, the cost of the expansion facilities will be included in the Zone 3 cost pool and the expansion facilities will be tolled on a rolled-in basis under the prevailing Zone 3 toll design.

With respect to extensions, the cost of the extension facilities will not be included in the Zone 3 cost pool. The extension will have its own cost pool and tolling on the extension will be based on

the outcome of the commercial negotiations between Westcoast and the shippers on the extension.