ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

DYNEGY CANADA INC.

APPLICATION FOR PIPELINE LICENCE AMENDMENTS

OKOTOKS FIELD

PINON OIL AND GAS LTD.

APPLICATION FOR A SOUR GAS COMPRESSOR

STATION AND PIPELINE LICENCE Default Addendum to Decision 2000-20

CROSSFIELD FIELD Applications No. 1034767 and 1034762

DECISION ADDENDUM—IN THE EVENT OF A FAILURE OF THE OLLERENSHAW-SOUTZO LAND AND RESOURCE DEVELOPMENT AGREEMENT ACCEPTED BY THE BOARD ON MARCH 21, 2001

On March 31, 2000, the Board issued *Decision 2000-20* respecting the application by Dynegy Canada Inc. (Dynegy) for various pipeline licence amendments. In that decision the Board directed Dynegy to work with certain landowners to prepare and present a land-use and resource development (LRD) agreement within a specified time frame. This direction was contained in condition 3 of the Board's decision, which reads:

3) In Section 3.5 the Board outlines a framework intended to allow the continuation of operations of the Dynegy pipeline north of the Bow River but leading toward a potential restriction or phase-out. This would allow for the natural progression of land-use changes that are likely to happen on the Ollerenshaw and Soutzo lands. The Board directs Dynegy to work with respective landowners to provide the Board with a logical plan (the LRD agreement) to allow for the planning and development of urban growth into the area of Dynegy's pipeline. The plan is to be based on the planning and encroachment milestones identified by the Board in Section 3.5 and must be submitted to the Board by October 1, 2000. Should the parties fail to reach agreement within the time frame given, the Board would, based on the evidence at the hearing, prescribe a plan based upon appropriate planning mechanisms and/or establish a fixed term of continued operations for the Dynegy pipeline north of the Bow River.

Based on the assurance from all direct parties that additional time would result in the finalization of LRD agreements, the time frame was extended by the Board. The agreement submitted in response to condition 3 is attached as Appendix A (Ollerenshaw-Soutzo LRD Agreement) to this addendum.

In the Board's review of the Ollerenshaw-Soutzo LRD Agreement, the Board noted that it was not provided with the renewal periods set out in clauses 6 and 13 or the "contraction date" set out in clause 8. Staff advising the Board asked if it wished to address the term of the pipeline approval without knowing what term had been agreed upon in the LRD agreement. The Board concluded that it would be appropriate to do so based on the evidence at the hearing. Consequently, the Board separately determined a term for the pipeline by signed decision that would only be released in the event that the Ollerenshaw-Soutzo LRD Agreement failed. Following the Board reaching a separate determination for the term of the pipeline, the Board

was advised of the dates set out in clauses 6, 8, and 13. This addendum sets outs the Board's decision in the event that the LRD agreement has failed.

The Board extends the Dynegy Chestermere pipeline Licences No. 21027 and 17711 for a minimum 12-year term commencing March 31, 2000, provided that prior to the end of the 12-year term the licensee initiates an informal written review of the licence. Interested parties will have an opportunity to participate in the written review process. Based on the Board's interpretation of the reserve estimates, the potential for new urban development and other relevant considerations, the Board will then determine whether to conduct a formal hearing. It is the opinion of the Board at this time that a formal hearing should be held if, after reviewing the written submissions, the Board is of the opinion that urban subdivision would be adversely effected by the presence of the existing pipeline within 5 years of the written review.

If the Board is satisfied after conducting the written review that urban subdivision development would not be adversely effected within 5 years, the Board is of the view at this time that the licence should continue in effect. Additional informal written reviews should be conducted every 3 years after the 12-year anniversary to examine the need to conduct a formal hearing based on the above criteria. The Board will require the licensee to commence the written review process in advance of the March 31, 2012, anniversary date.

DATED at Calgary, Alberta, on March 21, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

W. G. Remmer, P.Eng.

6 Rem

Acting Board Member

G. C. Dunn, P.Eng.

Acting Board Member

Suluna

N. G. Berndtsson, P.Eng. Acting Board Member

Mum Ham