



**FORTISBC ENERGY INC.**

**RATE SCHEDULE 50  
LARGE VOLUME INDUSTRIAL TRANSPORTATION**

## TABLE OF CONTENTS

| Section                                                      | Page        |
|--------------------------------------------------------------|-------------|
| 1. DEFINITIONS .....                                         | R-50.1      |
| 2. APPLICABILITY .....                                       | R-50.11     |
| 3. CONTRACT DEMAND.....                                      | R-50.12     |
| 4. REQUESTED QUANTITY AND AUTHORIZED QUANTITY .....          | R-50.13     |
| 5. DELIVERY OF GAS.....                                      | R-50.16     |
| 6. ADJUSTMENTS AND CURTAILMENT .....                         | R-50.18     |
| 7. RECEIPT AND DELIVERY TEMPERATURE AND PRESSURE.....        | R-50.20     |
| 8. DAILY IMBALANCES .....                                    | R-50.21     |
| 9. EFFECTIVE DATE AND TERM OF TRANSPORTATION AGREEMENT ..... | R-50.23     |
| 10. CHARGES .....                                            | R-50.24     |
| 11. DEMAND TOLL CREDITS.....                                 | R-50.25     |
| 12. STATEMENTS AND PAYMENTS.....                             | R-50.26     |
| 13. SECURITY AND CREDIT .....                                | R-50.27     |
| 14. GAS QUALITY .....                                        | R-50.30     |
| 15. MEASUREMENT .....                                        | R-50.31     |
| 16. MEASURING EQUIPMENT .....                                | R-50.33     |
| 17. POSSESSION AND CONTROL OF GAS.....                       | R-50.35     |
| 18. REPRESENTATIONS AND ACKNOWLEDGMENTS.....                 | R-50.36     |
| 19. FORCE MAJEURE .....                                      | R-50.37     |
| 20. ARBITRATION.....                                         | R-50.39     |
| 21. NOTICES .....                                            | R-50.40     |
| 22. DEFAULT OR BANKRUPTCY .....                              | R-50.43     |
| 23. INDEMNITY AND LIMITATION ON LIABILITY .....              | R-50.46     |
| 24. INTERPRETATION.....                                      | R-50.47     |
| 25. MISCELLANEOUS .....                                      | R-50.48     |
| <br>TABLE OF CHARGES.....                                    | <br>R-50.50 |
| TRANSPORTATION AGREEMENT FOR RATE SCHEDULE 50 .....          | TA-50.1     |

## 1. Definitions

1.1 **Definitions.** Except where the context otherwise requires, the following terms when used in this Rate Schedule or in the Transportation Agreement shall have the following meanings:

- (a) **Affiliate** – means, in relation to FortisBC Energy or the Shipper, any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, that Party where “control” means, with respect to the relationship between two or more Persons, the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, including through the direct or indirect ownership of voting securities, as trustee, personal representative or executor, by statute, contract, credit arrangement or otherwise.
- (b) **Authorized Quantity** – means the quantity of Gas for each Day approved by the Transporter for transportation service on the Transporter's pipeline system, based on the quantity requested and adjusted pursuant to Section 4 (Requested Quantity and Authorized Quantity).
- (c) **BCUC** – means the British Columbia Utilities Commission continued pursuant to the *Utilities Commission Act, R.S.B.C. 1996 c.473*, or such successor or other entity as may be designated according to the laws of the Province of the British Columbia to carry out the functions of the BCUC in respect of the regulation of public utilities.
- (d) **Business Day** – means any day, excluding Saturdays, Sundays and statutory holidays in British Columbia.
- (e) **Carbon Tax** – means, in connection with any System Gas delivered by the Shipper to FortisBC Energy at the Receipt Point under this Rate Schedule and the Transportation Agreement, any amounts payable: (i) under the Carbon Tax Act (British Columbia) or any successor or replacement legislation; (ii) for any offsets, credits, allowances, rights to discharge greenhouse gases, renewable electricity certificates or other commodities which must be obtained and/or retired under applicable law to offset all or part of the greenhouse gas emissions or other environmental attributes of the System Gas; or (iii) to satisfy any payments required to be made under applicable law, of whatever kind, the value of which is determined in whole or in part by the greenhouse gas emissions or other environmental attributes of the System Gas.
- (f) **Commencement Date** – means the date, on or after the Effective Date on which Firm Transportation Service commences, as set out in the Transportation Agreement provided that the Commencement Date shall not occur before the amalgamation of FortisBC Energy and FortisBC Energy (Vancouver Island) Inc. pursuant to the Business Corporations Act (British Columbia).

- (g) **Commodity Toll** – means the commodity toll, expressed in dollars per gigajoule, charged under this Rate Schedule for costs incurred by FortisBC Energy, in respect of Firm Transportation Service and Interruptible Transportation Service, as allocated to the Shipper by FortisBC Energy, acting reasonably, which may include:
- (i) any excise or other taxes payable by FortisBC Energy in respect of System Gas, including taxes payable under the *Motor Fuel Tax Act* (British Columbia) and any Carbon Tax payable by FortisBC Energy in respect of System Gas;
  - (ii) any excise or other taxes payable by FortisBC Energy in respect of Shipper's Gas transported and delivered through the System;
  - (iii) odorant costs incurred by FortisBC Energy in respect of Shipper's Gas transported and delivered through the System; and
  - (iv) any costs incurred by FortisBC Energy for electricity used for the compression of Gas in connection with the transportation and delivery of Shippers' Gas through the System.
- (h) **Contract Demand** – means the quantity of Gas set out in a Transportation Agreement in respect of which FortisBC Energy is obligated to provide Firm Transportation Service, provided that if FortisBC Energy reasonably determines in respect of any Day or future period that the volume-weighted average heat content for all Gas received on the System during that Day or future period is or is reasonably likely to be less than  $38 \text{ GJ} / 10^3 \text{m}^3$ , then FortisBC Energy may by written notice to the Shipper adjust the Contract Demand for that Day or future period to an amount measured in GJ that FortisBC Energy reasonably estimates at the time of such adjustment will allow FortisBC Energy to deliver to the Shipper the volumetric equivalent in  $10^3 \text{m}^3$  per Day of the Contract Demand, as set out in the Transportation Agreement.
- (i) **Creditworthy** – means, in respect of any Shipper, that:
- (i) has been issued a credit rating by one or more of DBRS, Moody's or S&P on its senior unsecured long-term debt ("long-term debt rating") that is equivalent to or better than the minimum credit rating acceptable to FortisBC Energy as shown in Table 1 - Equivalent Credit Ratings for Long-Term Debt (which table may be amended by FortisBC Energy from time to time with approval of the BCUC);
  - (ii) meets the Minimum Tangible Net Worth requirements; and
  - (iii) its head office or its principal place of business is located in Canada or the United States or in a country that meets the Minimum Sovereign Risk Rating and such country is otherwise acceptable to FortisBC Energy.

If the Shipper has been issued a long-term debt rating by more than one of DBRS, Moody's or S&P that are not of the equivalent level, then:

1. if the lowest long-term debt rating issued to that Person is ranked no more than one level below the highest long-term debt rating issued to that Person as shown in Table 1 - Equivalent Credit Ratings for Long-Term Debt (as amended from time to time), then that Person's long-term debt rating will be deemed to be the highest of such long-term debt ratings issued to that Person; and
2. if the lowest long-term debt rating issued to that Person is ranked more than one level below the highest long-term debt rating issued to that Person as shown in Table 1 - Equivalent Credit Ratings for Long-Term Debt (as amended from time to time), then that Person's long-term debt rating will be deemed to be equivalent to the long-term debt rating shown in Table 1 - Equivalent Credit Ratings for Long-Term Debt (as amended from time to time) on the row immediately below the highest of such long-term debt ratings issued to that Person.

**Table 1**  
**Equivalent Ratings for Long-Term Debt**

| DBRS        | Moody's      | S&P         |
|-------------|--------------|-------------|
| AAA         | Aaa          | AAA         |
| AA (high)   | Aa1          | AA+         |
| AA          | Aa2          | AA          |
| AA (low)    | Aa3          | AA-         |
| A (high)    | A1           | A+          |
| A           | A2           | A           |
| A (low)     | A3           | A-          |
| BBB (high)  | Baa1         | BBB+        |
| <b>BBB*</b> | <b>Baa2*</b> | <b>BBB*</b> |
| BBB (low)   | Baa3         | BBB-        |
| BB (high)   | Ba1          | BB+         |
| BB          | Ba2          | BB          |
| BB (low)    | Ba3          | BB-         |

*\* Minimum credit rating acceptable to FortisBC Energy*

- (j) **cubic metre or m<sup>3</sup>** – means the volume of gas which occupies 1 cubic metre when such gas is at temperature of 15°C and at an absolute pressure of 101.325 kilopascals.

- (k) **Curtailment Notice** – means a notice delivered by FortisBC Energy to the Shipper pursuant to Section 3.2 (Reduction in Contract Demand), Section 6.2 (Curtailment for Planned Maintenance), or Section 6.3 (Curtailment of Interruptible Transportation Service) advising the Shipper that FortisBC Energy intends to limit the quantities of Gas to be delivered to the Shipper at the Delivery Point on any Day by an amount set out in such notice or is deemed to be a Curtailment Notice pursuant to Section 6.5 (Curtailment for Force Majeure).
- (l) **Day** – means, subject to Section 1.2 (Change in Definition of “Day”), any period of twenty-four consecutive hours beginning and ending at 0700 PST or DST, as the case may be.
- (m) **Daily Imbalance** – means the difference between the Receipt Quantity (less the quantity of Gas delivered to the Receipt Point by the Shipper as System Gas or to correct inventory imbalances) and the Delivered Quantity as set out in a daily system operations report provided to the Shipper by FortisBC Energy pursuant to Section 8 (Daily Imbalances).
- (n) **DST** – means Pacific Daylight Savings Time.
- (o) **Delivered Quantity** – means, in respect of any Day, the total quantity of Gas delivered to the Shipper at the Delivery Point.
- (p) **Delivery Point** – means one or more points where the System interconnects with the facilities of the Shipper, as set out in the Transportation Agreement, which for greater certainty shall be located immediately downstream of the outlet flange of FortisBC Energy’s meter installed at each such point (or as otherwise stated in the Transportation Agreement).
- (q) **Effective Date** – means the date the Transportation Agreement becomes effective as set out in Section 9.1 (Effective Date).
- (r) **Expiry Date** – means the expiry date set out in the Transportation Agreement, which shall be no earlier than November 1st in the year that is 15 full years after the Commencement Date or such later date determined by the operation of Section 19.6 (Extension of Term).
- (s) **Final Gas Balance** – has the meaning ascribed to it in Section 8.6 (Final Gas Balance).
- (t) **Final Gas Balance Payment** – has the meaning ascribed to it in Section 8.6 (Final Gas Balance).
- (u) **Firm Demand Toll** – means, in respect of Firm Transportation Service, the common demand toll, expressed in dollars per gigajoule, set out in the Table of Charges.
- (v) **Firm Transportation Service** – means the obligation of FortisBC Energy pursuant to Section 5.1 (Firm Transportation Service) to transport and deliver Gas to the Delivery Point up to the Contract Demand on a take or pay basis.

- (w) **Force Majeure** – means, any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, riots, acts of the public enemy, wars, insurrections, any order, regulation or restriction imposed by any government, regulatory authority or court having jurisdiction, blackouts, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier, and any other event or circumstance which is beyond the control of the Party, but specifically excluding:
- (i) an act of negligence or wilful misconduct by the Party claiming Force Majeure;
  - (ii) any lack of money, credit, markets or economic hardship on the part of the Party claiming Force Majeure; and
  - (iii) any act or omission of any vendor, supplier, contractor or customer of the Party claiming Force Majeure, unless such acts or omissions would themselves be excused by reason of Force Majeure as defined in this Agreement.
- (x) **Force Majeure Notice** – means a written notice delivered by one Party to the other in the event of Force Majeure in accordance with Section 19.2 (Force Majeure Notice).
- (y) **FortisBC Energy** – means FortisBC Energy Inc.
- (z) **Gas** – means natural gas (including odorant added by FortisBC Energy), which shall be measured in gigajoules or terajoules for purposes of this Rate Schedule.
- (aa) **Gas Inspection Act** – means the *Electricity and Gas Inspection Act, R.S.C. 1985, c. E4* as amended, and includes the regulations enacted thereunder and in effect from time to time.
- (bb) **gigajoule or GJ** – means 1,000,000,000 joules.
- (cc) **Interruptible Demand** – means for any Day during the Service Period the amount by which the Delivered Quantity exceeds the Contract Demand and, if provided for in the Transportation Agreement, means for any Day during the Pre-Commissioning Period, the whole of the Delivered Quantity.
- (dd) **Interruptible Demand Toll** – means, in respect of Interruptible Transportation Service, the common interruptible toll, expressed in dollars per gigajoule, set out in the Table of Charges.
- (ee) **Interruptible Transportation Service** – means the obligation of FortisBC Energy pursuant to Section 5.2 (Interruptible Transportation Service) to transport and deliver Gas to the Delivery Point in any amount exceeding the Contract Demand.
- (ff) **joule** – means the amount of work done when the point of application of a force of 1 Newton is displaced a distance of 1 meter in the direction of the force.

- (gg) **Maintenance** – means any maintenance, repairs, improvements, expansion or other work performed on the System which FortisBC Energy anticipates will impair FortisBC Energy's ability to deliver Gas to the Delivery Point at the times, hourly rates, pressure and heat content and in the quantities contemplated in this Rate Schedule and/or a Transportation Agreement in respect of the Firm Transportation Service or Interruptible Transportation Service or both.
- (hh) **Minimum Sovereign Risk Rating** – means the foreign currency credit rating for a country that is equivalent to or better than the minimum credit rating acceptable to FortisBC Energy as shown in Table 2- Equivalent Sovereign Ratings for Sovereign Risk. Where a country has two or more ratings that differ, if the lowest long-term debt rating issued to a country is ranked no more than one level below the highest long-term debt rating issued to that country as shown in Table 2 - Equivalent Sovereign Ratings for Sovereign Risk, then that country's long-term debt rating will be deemed to be the highest of such long-term debt ratings issued to that country. If the lowest long-term debt rating issued to that country is ranked more than one level below the highest long-term debt rating issued to that country as shown in Table 2, then that country's long-term debt rating will be deemed to be equivalent to the long-term debt rating shown in Table 2 - on the row immediately below the highest of such long-term debt ratings issued to that country.

**Table 2**  
**Equivalent Ratings for Sovereign Risk**

| DBRS       | Moody's | S&P  |
|------------|---------|------|
| AAA        | Aaa     | AAA  |
| AA (high)  | Aa1     | AA+  |
| AA*        | Aa2*    | AA*  |
| AA (low)   | Aa3     | AA-  |
| A (high)   | A1      | A+   |
| A          | A2      | A    |
| A (low)    | A3      | A-   |
| BBB (high) | Baa1    | BBB+ |
| BBB        | Baa2    | BBB  |
| BBB (low)  | Baa3    | BBB- |
| BB (high)  | Ba1     | BB+  |
| BB         | Ba2     | BB   |
| BB (low)   | Ba3     | BB-  |

\* Minimum credit rating acceptable to FortisBC Energy

- (ii) **Minimum Tangible Net Worth** – means, in respect of any Shipper, that Shipper's Tangible Net Worth is equal to or greater than the greater of:
- (i) 5 years of Firm Demand Tolls; and

- (ii) the book value of the incremental System Upgrades constructed, acquired, contracted or secured by FortisBC Energy to serve the Shipper.
- (jj) **Month** – means the period of time commencing at 0700 PST or DST, as the case may be, on the first Day of any calendar month and ending at 0700 PST or DST, as the case may be, on the first Day of the next succeeding calendar month.
- (kk) **Net Present Value** – means in respect of any future payment or revenue stream, the net present value of such payment or revenue stream calculated using a discount rate equal to FortisBC Energy's weighted average cost of capital rate calculated on an after-tax basis. The weighted average cost of capital shall be, determined with reference to (i) FortisBC Energy's actual weighted average cost of debt and (ii) the BCUC-approved return on equity and capital structure, all being determined as at the time the calculation is made.
- (ll) **petajoule or PJ** – means 1,000,000,000,000,000 joules.
- (mm) **PST** – means Pacific Standard Time.
- (nn) **Party or Parties** – means, with respect to a Transportation Agreement, FortisBC Energy and/or the Shipper.
- (oo) **Person** – includes an individual, a partnership, a body corporate, a joint venture, a trust, an unincorporated syndicate, association, organization, a government, any governmental agency, or other entity.
- (pp) **Pre-Commissioning Period** – means the period, if any, as set out in the Transportation Agreement during which FortisBC Energy agrees to provide Interruptible Transportation Service only to the Shipper, solely for the purpose of commissioning the facility to which Gas is to be transported and delivered by FortisBC Energy.
- (qq) **Prime Rate** – means the rate of interest per annum posted by the main Vancouver branch of FortisBC Energy's primary bank from time to time as a reference rate of interest for the determination of interest rates that it charges to its most creditworthy customers for Canadian dollar loans made by it in Canada.
- (rr) **Rate Schedule 50 or this Rate Schedule** – means this Rate Schedule, including all rates, terms and conditions, and the Table of Charges.
- (ss) **Receipt Point** – means one or more points where the System interconnects with the facilities of one of the Transporters, as set out in the Transportation Agreement.
- (tt) **Receipt Quantity** – means, in respect of any Day, the total quantity of Gas delivered by the Shipper to FortisBC Energy at the Receipt Point.
- (uu) **Requested Quantity** – means, in respect of any Day, the total quantity of Gas requested by the Shipper for Firm Transportation Service and Interruptible Transportation Service.

- (vv) **Required Security Amount** – means, at any time, the amount of the required Security set out in the most recent notice delivered by FortisBC Energy to the Shipper in accordance with Section 13.1 (Determination of Creditworthy and Security).
- (ww) **Security** – means the security provided by the Shipper in accordance with Section 13 (Security and Credit) to secure the prompt and orderly payment of the amounts to be paid by the Shipper to FortisBC Energy under this Rate Schedule and the Transportation Agreement, the nature, type and form of which shall be acceptable to FortisBC Energy, which may include:
- (i) one or more letters of credit or other cash form of security in favour of FortisBC Energy, issued by a financial institution acceptable to FortisBC Energy, in an aggregate amount not less than the Required Security Amount;
  - (ii) a guarantee from a Person acceptable to FortisBC Energy guaranteeing payment of the Termination Payment and all other payment obligations of the Shipper under this Rate Schedule and the Transportation Agreement; or
  - (iii) any combination of one or more letters of credit or other cash security as set out in (i) together with one or more guarantees from a Person acceptable to FortisBC Energy as set out in (ii).
- (xx) **Service Period** – means the period from 0700 PST or DST, as the case may be, on the Commencement Date until 0700 PST or DST, as the case may be, on the Expiry Date, or such other period as may be set out in the Transportation Agreement.
- (yy) **Shipper** – means any Person who enters into a Transportation Agreement with FortisBC Energy.
- (zz) **Shipper Planned Maintenance** – means any maintenance, repairs, improvements or other work performed at the facilities of the Shipper which the Shipper anticipates will impair the Shippers' ability to receive Gas at the Delivery Point.
- (aaa) **Shipper Specific Charges** – means any Shipper specific charges as determined by FortisBC Energy under Section 6.3 of the Table of Charges.
- (bbb) **System** – means the gas transmission and distribution pipeline system and related facilities owned or operated by FortisBC Energy, as such system is expanded, reduced or modified from time to time, extending from points of interconnection with the facilities of Transporters of FortisBC Energy to various delivery points in British Columbia, including those on the Sunshine Coast and Vancouver Island.
- (ccc) **System Contribution** – means the amount per GJ that is embedded in the Firm Demand Toll and Interruptible Demand Toll for use of FortisBC Energy's existing System.

- (ddd) **System Gas** – means that quantity of Gas which FortisBC Energy requires for fuel and other operating uses and for lost and unaccounted for Gas incurred in the operation and maintenance of the System, other than cost of Gas that is capitalized as part of the cost of a pipeline construction or repair project.
- (eee) **System Upgrades** – means the classes of assets that FortisBC Energy constructs, acquires, contracts or secures to serve Shippers under this Rate Schedule. For greater certainty, the System Upgrades include all capital projects, upgrades, replacements, expansions, compression, pipeline looping or other modifications to any element of the System and more specifically including the EGP project to expand the transmission facilities of FortisBC Energy (Vancouver Island) Inc.:
- (i) at and between the Eagle Mountain Compressor Station in Coquitlam and the Woodfibre LNG Export Facility; and
  - (ii) at the Port Mellon Compressor Station,
- and the CTS expansion projects to expand transmission facilities:
- (i) at and between the Cape Horn Valve Assembly and Coquitlam Gate Station;
  - (ii) at and between the Nichol Valve Assembly and Port Mann Crossover Station;
  - (iii) at and between the Nichol Valve Assembly and Roebuck Valve Assembly; and
  - (iv) at and between Tilbury Gate Station and Tilbury LNG Facility.
- (fff) **Supplier** – means the Shipper, if the Shipper has access to its own supplies of Gas, or a Person who sells Gas to the Shipper or FortisBC Energy.
- (ggg) **Table of Charges** – means the table of tolls, prices, fees and charges appended to this Rate Schedule.
- (hhh) **Tangible Net Worth** – means, in respect of a Shipper, means a Shipper's total assets, excluding intangible assets (including goodwill, copyright, patents, trademarks, intellectual property and other intangible assets), minus total liabilities, as shown on the Shipper's most recent audited annual financial statements prepared in accordance with generally accepted accounting principles.
- (iii) **terajoule or TJ** – means 1,000 gigajoules.

- (jjj) **Termination Payment** – means the amount payable by the Shipper on termination of the Transportation Agreement by FortisBC Energy in accordance with Section 22.1 (Default) or Section 22.2 (Bankruptcy or Insolvency), calculated in accordance with Section 22.3 (Termination Payment).
- (kkk) **Transportation Agreement** – means a transportation service agreement under which FortisBC Energy agrees to provide Firm Transportation Service and, if applicable, Interruptible Transportation Service, to the Shipper under this Rate Schedule in substantially the form appended hereto.
- (lll) **Transporter** – means, in the case of the Columbia service area, TransCanada PipeLines Limited, B.C. System, and Nova Gas Transmission Ltd., and in the case of the Inland, Lower Mainland, and Vancouver Island service areas, Westcoast Energy Inc., FortisBC Huntingdon Inc., and any other gas pipeline transportation company connected to the facilities of FortisBC Energy from which FortisBC Energy receives gas for the purposes of gas transportation or resale.
- (mmm) **Unauthorized Overrun Gas** – means any Gas taken on any Day in excess of the curtailed quantity set out in any Curtailment Notice, and for greater certainty Unauthorized Overrun Gas includes all Gas taken by the Shipper to the extent that the obligation of FortisBC Energy to deliver such Gas is suspended by reason of Force Majeure.
- (nnn) **10<sup>3</sup>m<sup>3</sup>** – means 1,000 cubic metres of gas.

- 1.2 **Change in Definition of "Day"**. FortisBC Energy may amend the definition of "Day" from time to time to suitably align its operations with those of its Transporters. If FortisBC Energy amends the definition of "Day", a pro-rata adjustment of quantities of Gas and charges to account for any Day of more or less than 24 hours will be made and the term of the Transportation Agreement will be similarly adjusted.

## **2. Applicability**

- 2.1 **Description of Applicability.** This Rate Schedule applies to the provision of Firm Transportation Service and Interruptible Transportation Service through the System and through one meter station to one Shipper, except as previously agreed upon by Shipper and FortisBC Energy.
- 2.2 **Status of FortisBC Energy.** FortisBC Energy does not provide transportation service as a common carrier. FortisBC Energy will only transport Gas under this Rate Schedule to the Shipper in the territory served by FortisBC Energy under this Rate Schedule if the Shipper has entered into a Transportation Agreement for a minimum Service Period of 15 years (or such longer minimum Service Period required by FortisBC Energy as a condition of service), and for a minimum of 45 terajoules per Day of Firm Transportation Service.

### **3. Contract Demand**

- 3.1 **Contract Demand.** For each Day during the Service Period, the quantity of Gas which FortisBC Energy is obligated to transport and deliver in respect of Firm Transportation Service will be the Contract Demand, as set out in the Transportation Agreement.
- 3.2 **Reduction in Contract Demand.** FortisBC Energy may set out conditions in the Transportation Agreement that allow FortisBC Energy to curtail the Shipper until the System Upgrades required to provide the Shipper with Firm Transportation Service are completed.

#### **4. Requested Quantity and Authorized Quantity**

4.1 **Requested Quantity.** The Shipper shall, on each Day prior to 0730 PST or DST, as the case may be, or prior to such other time as may be agreed to in writing by the Shipper and FortisBC Energy, provide FortisBC Energy by fax or other method approved by FortisBC Energy with an accurate and complete nomination schedule, in a form acceptable to FortisBC Energy, setting out for the next succeeding Day:

- (a) the quantities of Gas that the Shipper desires to take at each Delivery Point;
- (b) the allowance for System Gas;
- (c) the quantity of Gas required to correct any imbalance between the Receipt Quantity and the Delivered Quantity for any preceding Day or Days; and
- (d) such additional information as may be reasonably requested by FortisBC Energy.

If, in respect of any Day, the Shipper fails to provide FortisBC Energy with a nomination schedule in accordance with this Section 4.1 (Requested Quantity), the nomination shall be considered zero for that Day.

4.2 **Adjustment to Requested Quantity.** In the course of any Day, in respect of that Day or for the next succeeding Day, and at such times permitted by FortisBC Energy in accordance with FortisBC Energy's nomination schedule, if the Shipper wishes to change the Requested Quantity at a Delivery Point provided under Section 4.1 (Requested Quantity), then the Shipper shall provide FortisBC Energy by fax or other method approved by FortisBC Energy with a revised nomination schedule, in a form acceptable to FortisBC Energy, setting out:

- (a) the revised quantities of Gas that the Shipper desires to take at each Delivery Point;
- (b) the allowance for System Gas;
- (c) the revised quantity of Gas required to correct any imbalance between the Receipt Quantity and the Delivered Quantity for the current Day or any preceding Day or Days (as applicable); and
- (d) such additional information as may be reasonably requested by FortisBC Energy.

- 4.3 **Adjustment by FortisBC Energy.** If at any time FortisBC Energy, acting reasonably, determines that the capacity on the System is not sufficient to accommodate any portion of the Requested Quantity that is in excess of the Contract Demand, either as initially nominated pursuant to Section 4.1 (Requested Quantity) or as adjusted by the Shipper in accordance with Section 4.2 (Adjustment to Requested Quantity), then FortisBC Energy may by notice to the Shipper reduce the Requested Quantity to an amount not less than the Contract Demand which, FortisBC Energy determines, acting reasonably, may be accommodated by the capacity on the System at that time.
- 4.4 **Authorized Quantity.** If FortisBC Energy expects to have sufficient capacity available on the System to accommodate the Requested Quantity as adjusted by the Shipper pursuant to Section 4.2 (Adjustment to Requested Quantity), then FortisBC Energy will notify the Transporter of the Requested Quantity nominated by the Shipper pursuant to Section 4.1 (Requested Quantity), as adjusted. If FortisBC Energy has adjusted the Requested Quantity pursuant to Section 4.3 (Adjustment by FortisBC Energy) then FortisBC Energy will notify the Transporter of the Requested Quantity, as adjusted. In either case FortisBC Energy will request that the Transporter provide to FortisBC Energy the Authorized Quantity for the next succeeding Day or the current Day, as applicable.
- 4.5 **Notice of Authorized Quantity.** FortisBC Energy shall, as soon as reasonably practicable after receiving confirmation from the Transporter as to the Authorized Quantity for the current or succeeding Day (or, if an adjustment has been requested by the Shipper pursuant to Section 4.2 (Adjustment to Requested Quantity) as soon as reasonably practicable), FortisBC Energy will provide the Shipper by fax or other method approved by FortisBC Energy with a schedule setting out the following (as applicable):
- (a) the total quantity of Gas authorized by the Transporter to be delivered to FortisBC Energy at the Receipt Point on behalf of the Shipper;
  - (b) as applicable, an indication that the Authorized Quantity is less than the Requested Quantity; and
  - (c) as applicable, the quantity of Gas required to correct any imbalance between the Receipt Quantity and the Delivered Quantity for the current Day or any preceding Day or Days.
- 4.6 **Delivery to Receipt Point.** The Shipper will cause to be delivered to the Receipt Point on each Day a quantity of Gas at least equal to the Authorized Quantity.

- 4.7 **Failure to Deliver to Receipt Point.** If on any Day the Receipt Quantity is less than the Authorized Quantity, or if any portion of the gas delivered by the Shipper to FortisBC Energy at the Receipt Point does not meet the quality standards set out in Section 14.1 (Quality at Receipt Point), then FortisBC Energy may interrupt or curtail the Interruptible Transportation Service first by the amount of the shortfall or by the amount of the gas failing to conform with the quality specifications set out in Section 14.1 (Quality at Receipt Point), and then Firm Transportation Service to the extent of any remaining shortfall or amount of the gas failing to conform with the quality specifications set out in Section 14.1 (Quality at the Receipt Point).

## 5. Delivery of Gas

- 5.1 **Firm Transportation Service.** Subject to the other provisions of this Rate Schedule and the provisions of the Transportation Agreement, FortisBC Energy shall, on each Day in the Service Period, transport and deliver to the Shipper at the Delivery Point that quantity of Gas equal to the lesser of:

- (a) the Contract Demand; or
- (b) the Authorized Quantity,

provided that the Shipper delivers such quantity of Gas to FortisBC Energy at the Receipt Point in conformity with the quality specifications set out in Section 14.1 (Quality at Receipt Point) on each such Day.

- 5.2 **Interruptible Transportation Service.** Subject to the other provisions of this Rate Schedule and the provisions of the Transportation Agreement, FortisBC Energy shall, on each Day in the Service Period and, if provided for in the Transportation Agreement, during the Pre-Commissioning Period, transport and deliver to the Shipper at the Delivery Point a quantity of Gas equal to the Interruptible Demand, provided that the Shipper delivers such Gas to FortisBC Energy at the Receipt Point in conformity with the quality specifications set out in Section 14.1 (Quality at Receipt Point) on each such Day.

- 5.3 **Adjustment to Rate of Delivery.** The Shipper shall take delivery of Gas at the Delivery Point as nearly as practicable at a uniform hourly rate of flow. If the Shipper anticipates that the hourly delivery rate on any Day to the Delivery Point will be greater or less than 1/24 of the Authorized Quantity (less the quantity of Gas delivered by the Shipper to the Receipt Point as System Gas or for inventory imbalances) for such Day, then the Shipper will notify FortisBC Energy of the anticipated hourly deliveries. FortisBC Energy may authorize such deliveries provided that such rates of delivery may not:

- (a) adversely impact the operating stability, security and safety of the System; or
- (b) result in a breach of any regulatory rules or contractual obligations applicable to FortisBC Energy, including in respect of Transporter's balancing rules.

If FortisBC Energy does not authorize the delivery rates requested by the Shipper, then the Shipper shall adjust the hourly rate of flow at which it takes delivery of Gas at the Delivery Point to an amount equal to  $1/24$  of the Authorized Quantity (less the quantity of Gas delivered by the Shipper to the Receipt Point as System Gas or for inventory imbalances) for such Day for the Delivery Point or shall adjust the Authorized Quantity for such Day in accordance with this Section 5.3 (Adjustment to Rate of Delivery) to match the hourly delivery rate at the Delivery Point. Notwithstanding any prior delivery authorizations made by FortisBC Energy, FortisBC Energy will not be required to deliver Gas at the Delivery Point in any hour of a Day in an amount greater or less than  $1/24$  of the Authorized Quantity (less the quantity of Gas delivered by the Shipper to the Receipt Point as System Gas or for inventory imbalances) if FortisBC Energy considers that the rate of delivery should be limited to:

- (a) maintain the operating stability, security and safety of the System; or
- (b) comply with any regulatory rules or contractual obligations applicable to FortisBC Energy, including in respect of Transporter's balancing rules.

## **6. Adjustments and Curtailment**

### **6.1 Planned Maintenance:**

- (a) On or before November 1 of each year during the Service Period, FortisBC Energy shall provide Shipper written notice specifying the anticipated dates of planned Maintenance, together with a summary of such planned Maintenance, to occur during the following year. FortisBC Energy shall, provide the Shipper with periodic updates to the schedule of planned Maintenance.
- (b) FortisBC Energy shall provide the Shipper with a minimum 3 Days prior notice of any planned Maintenance, which notice shall specify the duration and timing of any anticipated reduction in FortisBC Energy's ability to deliver Gas to the Delivery Point at the times, hourly rates, pressure and heat content and in the quantities contemplated under the Transportation Agreement.

**6.2 Curtailment for Maintenance.** During any Maintenance, if FortisBC Energy determines, acting reasonably, that the capacity available on the System during a Day is not sufficient to permit FortisBC Energy to fulfill the Firm Transportation Service as contemplated under the Transportation Agreement, FortisBC Energy may curtail its deliveries of Gas at the Delivery Point to an amount that is less than the lesser of Contract Demand and the Authorized Quantity by providing the Shipper with a Curtailment Notice specifying the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy shall provide the Curtailment Notice to the Shipper by telephone and/or fax and use its reasonable efforts to provide the Curtailment Notice as soon as possible, but in any event not less than 2 hours prior to such curtailment, unless prevented or delayed by Force Majeure. FortisBC Energy shall, to the extent reasonably practicable, seek to reduce, to the extent feasible, any curtailment of Firm Transportation Service as a result of the Maintenance.

**6.3 Curtailment of Interruptible Transportation Service.** If at any time FortisBC Energy, determines that it does not have capacity on the System to accommodate a Requested Quantity in respect of Interruptible Transportation Service, FortisBC Energy may, for any length of time, interrupt or curtail transportation service under this Rate Schedule to an amount that is not less than the lesser of Contract Demand and Authorized Quantity by providing the Shipper with a Curtailment Notice specifying the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy shall provide the Curtailment Notice to the Shipper by telephone and/or fax and use its reasonable efforts to provide the Curtailment Notice as soon as possible, unless prevented or delayed by Force Majeure.

- 6.4 **Default Regarding Curtailment.** The Shipper will comply with a Curtailment Notice to interrupt or curtail the Shipper's take. If the Shipper at any time fails or neglects to comply with a Curtailment Notice, then FortisBC Energy may, in addition to any other remedy that it may then or thereafter have, at its option, without liability therefor and without any prior notice to the Shipper:
- (a) restrict the flow of Gas or turn off the valve at the applicable Delivery Point, or
  - (b) deliver such Gas and charge the Shipper the unauthorized overrun charges set out in the Table of Charges for any Unauthorized Overrun Gas.
- 6.5 **Curtailment for Force Majeure.** If a condition of Force Majeure has occurred and is continuing in respect of which FortisBC Energy has delivered a Force Majeure Notice, FortisBC Energy may elect to suspend the performance of Firm Transportation Service and Interruptible Transportation Service or to continue to perform such Gas transportation services but curtail its deliveries of Gas at the Delivery Point by any amount, including to an amount below Contract Demand or the Authorized Quantity. Any Force Majeure Notice delivered pursuant to Section 19.2 (Force Majeure Notice) which includes information in respect of a curtailment required by a Force Majeure event will be deemed to be a Curtailment Notice and the Shipper shall comply with such Curtailment Notice in accordance with Section 6.4 (Default Regarding Curtailment).

## **7. Receipt and Delivery Temperature and Pressure**

- 7.1 **Temperature and Pressure at Receipt Point.** The Shipper shall deliver Gas to FortisBC Energy at the Receipt Point that meets or exceeds the minimum, and shall not exceed the maximum, delivery pressure and temperature standards set out in the applicable Transporter's general terms and conditions.
- 7.2 **Pressure at Delivery Point.** FortisBC Energy shall deliver Gas to the Shipper at the Delivery Point that meets the delivery pressure set out in the Transportation Agreement.

## 8. Daily Imbalances

8.1 **Daily Operations Report.** FortisBC Energy shall provide the Shipper by fax or other method approved by FortisBC Energy with a daily service operations report for the previous Day, which report shall set out:

- (a) the Receipt Quantity;
- (b) the Delivered Quantity for each Delivery Point;
- (c) the required allowance for System Gas as determined in accordance with Section 10.2 (System Gas);
- (d) the resulting Daily Imbalance; and
- (e) the balance maintained in the Shipper's inventory account (if any).

8.2 **Daily Imbalance.** The Shipper shall use best efforts to avoid and limit imbalances at all times, including hourly imbalances. The Shipper shall correct the Daily Imbalance set out in the daily service operations report provided to Shipper in accordance with Section 8.1 (Daily Operations Report) in a manner acceptable to FortisBC Energy as soon as reasonably practicable.

8.3 **Inventory Account.** FortisBC Energy will maintain an inventory account for the Shipper. The balance in the inventory account will be deemed to be zero as of the Commencement Date or, if a Pre-Commissioning Period is provided for in the Transportation Agreement, as of the commencement date of the Pre-Commissioning Period. For each Day during the Service Period and the Pre-Commissioning Period, if any, FortisBC Energy will adjust the balance in the inventory account as follows:

- (a) if the Receipt Quantity (less the quantity of Gas delivered to the Receipt Point by the Shipper as System Gas or for inventory imbalances) is greater than the Delivered Quantity, then FortisBC Energy will increase the inventory account by the amount of the Daily Imbalance; and
- (b) if the Receipt Quantity (less the quantity of Gas delivered to the Receipt Point by the Shipper as System Gas or for inventory imbalances) is less than the Delivered Quantity, then FortisBC Energy will decrease the balance in the inventory account by the amount of the Daily Imbalance.

- 8.4 **No Relief.** Nothing in this Section 8 shall relieve the Shipper from its obligation to provide accurate nominations pursuant to Section 4.1 (Requested Quantity).
- 8.5 **FortisBC Energy May Correct Imbalances.** If the Shipper fails to correct a shortfall in the Daily Imbalance as required pursuant to Section 8.2 (Daily Imbalance), or fails to maintain an appropriate balance in the Shipper's inventory account in accordance with Section 8.3 (Inventory Account), then FortisBC Energy may correct that Daily Imbalance or take such actions as may be needed to restore the balance in the Shipper's inventory account balance to an appropriate amount. In addition, at any time, FortisBC Energy may charge the Shipper for any negative shortfalls in the Shipper's inventory account at the rates set out in the Table of Charges for Unauthorized Overrun Gas.
- 8.6 **Final Gas Balance.** As soon as reasonably practicable after the expiration or termination of the Transportation Agreement, FortisBC Energy will determine, acting reasonably, the sum of any positive or negative balance maintained in the Shipper's inventory account as of the Expiry Date or date of termination (the "Final Gas Balance"). If the Final Gas Balance is positive, FortisBC Energy may at its option, either return an amount of Gas equal to the Final Gas Balance to the Shipper at the Receipt Point or may purchase such Gas from the Shipper at an amount determined by FortisBC Energy, acting reasonably, to be reflective of current market conditions, as of the Expiry Date or the date of termination (the "Final Gas Balance Payment") and FortisBC Energy will set-off the amount of the Final Gas Balance Payment against the aggregate amounts payable by the Shipper to FortisBC Energy on the Expiry Date or date of termination of the Transportation Agreement. If the Final Gas Balance is negative then the Shipper will pay an amount equal to the Final Gas Balance Payment to FortisBC Energy as soon as reasonably practicable after the Expiry Date or date of termination.

## **9. Effective Date and Term of Transportation Agreement**

9.1 **Effective Date.** The Transportation Agreement shall become effective upon the date ("Effective Date") that:

- (a) FortisBC Energy obtains all certificates, licenses, permits and authorizations necessary for the receipt, transportation and delivery of Gas pursuant to this Rate Schedule and the Transportation Agreement; and
- (b) the Shipper obtains all necessary authorizations, permits, licenses, certificates and agreements required by it to obtain and deliver Gas to FortisBC Energy at the Receipt Point and to take delivery of Gas at the Delivery Point in accordance with this Rate Schedule and the Transportation Agreement.

9.2 **Term.** The initial term of the Transportation Agreement will begin at 0700 PST or DST, as the case may be, on the Effective Date and will expire on the Expiry Date.

9.3 **Early Termination.** The Transportation Agreement is subject to early termination by FortisBC Energy in accordance with Section 22 (Default or Bankruptcy).

## 10. Charges

10.1 **Charges.** In respect of all Gas transportation services provided by FortisBC Energy pursuant to this Rate Schedule and the Transportation Agreement in each Month of the Service Period, and in respect of Interruptible Transportation Service, during the Pre-Commissioning Period (if any), the Shipper will pay to FortisBC Energy all of the charges set out in the Table of Charges, including:

- (a) in respect of the Firm Transportation Service, an amount equal to the Firm Demand Toll multiplied by the Contract Demand multiplied by the number of Days in that Month, irrespective of the actual amount of Gas delivered by FortisBC Energy to the Delivery Point in aggregate, or on any given Day, during that Month;
- (b) in respect of the Interruptible Transportation Service, an amount equal to the Interruptible Demand Toll multiplied by the sum of amounts by which the quantity of Gas delivered by FortisBC Energy to the Delivery Point exceeded the Contract Demand on each Day during the Month that Interruptible Transportation Service was provided;
- (c) any Unauthorized Overrun Charges payable pursuant to Section 8.5 (FortisBC Energy May Correct Imbalances); and
- (d) if applicable, Shipper Specific Charges.

10.2 **System Gas.** In addition to the charges payable pursuant to Section 10.1 (Charges), the Shipper shall in respect of each Day deliver to FortisBC Energy at the Receipt Point an allowance for System Gas equal to that quantity of Gas, which is the sum of:

- (a) the allocated quantity of System Gas, other than fuel for line heaters at meter stations, required to transport and deliver to the Delivery Point the Receipt Quantity of Gas (less the quantity of Gas delivered to the Receipt Point by the Shipper as System Gas or for inventory imbalances), which allocation will be determined by FortisBC Energy acting reasonably; plus
- (b) if applicable, the quantity of Gas incurred in the operation of line heaters at the meter stations at the Delivery Point where Gas is delivered to the Shipper in accordance with the Transportation Agreement.

10.3 **Other Charges.** In addition to the charges payable pursuant to Section 10.1 (Charges), the Shipper is responsible for Commodity Tolls.

## 11. Demand Toll Credits

11.1 **Demand Toll Credits.** Subject to Section 11.3 (Limitations on Demand Toll Credits), if on any Day the Delivered Quantity is less than the lesser of the Contract Demand and the Authorized Quantity and the shortfall results from:

- (a) any Maintenance on the System that is undertaken by FortisBC Energy on less than 3 Days' notice to the Shipper; or
- (b) an event of Force Majeure which prevents FortisBC Energy from delivering to the Shipper at the Delivery Point all or any portion of the gas delivered by the Shipper to the Receipt Point on that Day,

then the Shipper will be entitled to a Demand Toll Credit for that Day which FortisBC Energy will apply to a following monthly bill rendered pursuant to Section 12 (Statements and Payments).

11.2 **Amount of Demand Toll Credit.** The Demand Toll Credit applied by FortisBC Energy in respect of any Day pursuant to Section 11.1 (Demand Toll Credits) will be in an amount equal to the product of the Firm Demand Toll multiplied by the difference between the Delivered Quantity and the lesser of the Contract Demand, an average of the Authorized Quantity for the three Days immediately preceding any Day for which FortisBC Energy issues Demand Toll Credits, and the Authorized Quantity.

11.3 **Limitations on Demand Toll Credits.** For greater certainty, the Shipper will not be entitled to a Demand Toll Credit if the shortfall in the Delivered Quantity results directly or indirectly from:

- (a) any act or omission of the Shipper; or
- (b) the occurrence of one or more of the following, for any reason, including Force Majeure:
  - (i) the Shipper fails to deliver any portion of the Receipt Quantity to FortisBC Energy at the Receipt Point;
  - (ii) all or any portion of the gas delivered by the Shipper to FortisBC Energy at the Receipt Point fails to conform to the quality specifications set out in Section 14.1 (Quality at the Receipt Point); or
  - (iii) the Shipper fails to take delivery of Gas at any Delivery Point.

## 12. Statements and Payments

- 12.1 **Statements to be Provided.** FortisBC Energy shall, within 15 Days following the end of each Month, deliver to Shipper a statement setting out the quantities of Gas delivered to the Shipper at the Delivery Point during such Month and the amount payable by the Shipper for all services provided by FortisBC Energy to the Shipper during the Month. Where actual quantities of Gas are not available, FortisBC Energy may base the statement on a reasonable estimate of the amount of Gas, to be adjusted in a subsequent Month when actual quantities become available. Any statement delivered pursuant to this Section 12.1 (Statements to be Provided) shall be deemed to have been delivered on the Day on which it is received by the Shipper.
- 12.2 **Payment and Interest.** The Shipper shall, within 10 Days of the receipt of the statement for any Month pursuant to Section 12.1 (Statements to be Provided) or within 25 Days following the end of such Month, whichever is the later, pay the full amount of the statement, including federal, provincial and municipal taxes or fees applicable, in Canadian funds to FortisBC Energy at its Vancouver, British Columbia head office, or such other place in Canada as it may designate by written notice to the Shipper. If the Shipper fails or neglects to make any payment required under this Rate Schedule, or any portion thereof, to FortisBC Energy when due, interest on the outstanding amount will accrue, at the Prime Rate plus:
- (a) 2% from the date when such payment was due for the first 30 Days that such payment remains unpaid, and 5% thereafter until the same is paid where the Shipper has not, during the immediately preceding six Month period, failed to make any payment when due hereunder; or
  - (b) 5% from the date when such payment was due until the same is paid where the Shipper has, during the immediately preceding six Month period, failed to make any payment when due hereunder.

### 13. Security and Credit

13.1 **Determination of Creditworthy and Security.** At least 30 Business Days prior to the Commencement Date and from time to time thereafter FortisBC Energy will deliver a written notice to the Shipper advising the Shipper whether or not FortisBC Energy has determined the Shipper to be Creditworthy, the nature, type and form of the Security required by FortisBC and the Required Security Amount FortisBC has determined is required in accordance with Section 13.2 (Required Security Amount).

13.2 **Required Security Amount.** FortisBC Energy shall determine, and from time to time may adjust, the Required Security Amount, as follows:

(a) If the Shipper is Creditworthy, then the Required Security Amount shall be:

(i) an amount equal to the product of Contract Demand x Firm Demand Toll x 90 Days; or

(ii) if FortisBC Energy applies to the BCUC for approval of an amount other than that specified in (i), the amount set by the BCUC.

(b) If the Shipper is not Creditworthy but has provided Security by way of a guarantee acceptable to FortisBC Energy guaranteeing payment of the Termination Payment and all other payment obligations of the Shipper under this Rate Schedule and the Transportation Agreement, then the Required Security Amount shall be the amount specified in Section 13.2(a) above.

(c) If the Shipper is not Creditworthy and has not provided the guarantee referred to in Section 13.2(b) above, then the Required Security Amount shall be set by the BCUC.

13.3 **Obligation to Deliver Security.** No less than one Business Day before the Commencement Date, the Shipper will deliver the Security to FortisBC Energy in an amount not less than the Required Security Amount.

13.4 **Obligation to Deliver Supplemental Security.** Shipper will maintain, amend or supplement the Security as required from time to time to ensure that the aggregate amount of the Security is not less than the Required Security Amount. If for any reason the Security, if by way of a guarantee, is no longer acceptable to FortisBC Energy, or if the aggregate amount of the Security falls below the Required Security Amount, including as a result of:

(a) a draw-down on the Security in accordance with Section 13.5 (Enforcing the Security);

- (b) a change in the creditworthiness of the Shipper, such that the Shipper is no longer Creditworthy;
- (c) a change in long-term debt rating or other change in the creditworthiness of a Person providing a guarantee in accordance with Section 13.3 (Obligation to Deliver Security) such that the Person providing a guarantee is no longer acceptable to FortisBC Energy;
- (d) a financial institution which issued or confirmed one or more letters of credit comprising all or part of the Security:
  - (i) has disclaimed, disaffirmed, repudiated, terminated, rejected, has challenged the validity of, or otherwise invalidated, in whole or in part, such letters of credit; or
  - (ii) is no longer acceptable to FortisBC Energy; or
- (e) FortisBC Energy has adjusted the Required Security Amount in accordance with Section 13.2 (Required Security Amount) and delivered a notice in writing to the Shipper specifying the adjusted amount,

then the Shipper will, within 15 Business Days of the requirement to do so arising under this Section 13.4 (Obligation to Deliver Supplemental Security), provide additional Security sufficient to supplement, replenish or replace the existing Security such that the aggregate amount of the Security is not less than the Required Security Amount.

**13.5 Enforcing the Security.** Without limiting any other remedy available to it under this Rate Schedule or the Transportation Agreement, at law or in equity, FortisBC Energy may enforce and immediately draw down or realize upon the Security as follows:

- (a) all or any portion of the Security, if and to the extent of any amount that is owed by the Shipper to FortisBC Energy under this Rate Schedule or the Transportation Agreement remains unpaid for a period of 5 Days following the date that such amounts are due and apply the proceeds of the Security to such unpaid amounts; or
- (b) all or any portion of the Security, immediately upon FortisBC Energy terminating the Transportation Agreement in accordance with Section 22.1 (Default) or Section 22.2 (Bankruptcy or Insolvency), and apply the proceeds of the Security as partial payment of the Termination Payment.

**13.6 Non-Interference.** The Shipper agrees that if FortisBC Energy elects to draw down or realize upon the Security, the Shipper will not pursue any legal, commercial or other steps, including by way of an injunction or otherwise, to prevent FortisBC Energy from drawing down or realizing upon the Security. Any and all disputes as to whether FortisBC Energy is entitled to draw down or realize upon the Security will be resolved pursuant to Section 20 (Arbitration) after FortisBC Energy has drawn down or realized upon the

Security and applied the proceeds in accordance with Section 13.5 (Enforcing the Security).

- 13.7 **Return of Security.** If at any time the actual amount of the letters of credit or other cash security delivered by the Shipper exceeds the Required Security Amount, then FortisBC Energy will return and release to the Shipper the excess amount of such letters of credit or other cash security. Following the Expiry Date, FortisBC Energy will return and release to the Shipper the remaining Security to the Shipper within 30 days of the date upon which all amounts owing to FortisBC Energy under this Rate Schedule and the Transportation Agreement have been paid and settled by the Shipper.

## 14. Gas Quality

- 14.1 **Quality at Receipt Point.** The gas delivered by the Shipper to FortisBC Energy at the Receipt Point shall meet or exceed the minimum, and not exceed the maximum quality specifications specified by the applicable Transporter. Whenever the gas offered for delivery to FortisBC Energy at the Receipt Point fails to conform with the quality specifications set out in the applicable Transporter's general terms and conditions, FortisBC Energy may, without prejudice to any other rights it may have, refuse to take delivery of such gas in which case:
- (a) FortisBC Energy shall give notice of such refusal to the Shipper setting forth the reasons therefor; and
  - (b) FortisBC Energy shall, as soon as practicable, accept deliveries of gas at the Receipt Point after the failure to conform has been remedied and the Shipper has given FortisBC Energy notice thereof.
- 14.2 **Quality at Delivery Point.** Gas delivered by FortisBC Energy to the Shipper at the Delivery Point shall conform to the quality standards specified by the applicable Transporter. Whenever the Gas delivered by FortisBC Energy to the Shipper at the Delivery Point fails to conform with any of the specifications referred to in this Section 14.2 (Quality at Delivery Point), the Shipper may, without prejudice to any other rights it may have, refuse to take delivery of such Gas, in which case:
- (a) The Shipper shall give notice of such refusal to FortisBC Energy setting forth the reasons therefor; and
  - (b) The Shipper shall, as soon as practicable, accept deliveries of Gas at the Delivery Point after the failure to conform has been remedied and FortisBC Energy has given the Shipper notice thereof.

## 15. Measurement

- 15.1 **Volume.** The unit of volume of Gas for all purposes hereunder shall be one cubic metre at an absolute pressure of 101.325 kilopascals and at a temperature of 15 degrees centigrade.
- 15.2 **Measurement at the Delivery Point.** The following provisions shall apply to the measurement of all Gas delivered by FortisBC Energy to the Shipper at the Delivery Point.
- (a) the volume of Gas delivered by FortisBC Energy to the Shipper at the Delivery Point shall be measured and computed on a daily basis by FortisBC Energy in accordance with the requirements established under the *Gas Inspection Act* with respect to orifice, positive displacement, turbine rotary and ultrasonic meters;
  - (b) corrections shall be made on each Day of the Service Period for the deviation from Boyle's Law at the pressure and temperature at which the Gas is metered. To determine the factors for such corrections, a quantitative analysis of the Gas will be made by FortisBC Energy at reasonable intervals and such factors will be obtained from data contained in the American Gas Association Manual for Determination of Supercompressibility Factors for Natural Gas – Par Research Project NX19 of December 1962, as published by the American Gas Association and the American Gas Association Report No. 8, or any subsequent revisions thereto acceptable to both the Shipper and FortisBC Energy or directed for use pursuant to the *Gas Inspection Act*. If positive displacement or turbine meters are used, the supercompressibility factor shall be squared;
  - (c) the relative density of the Gas shall be determined by FortisBC Energy from time to time utilizing the method prescribed in the American Gas Association Publication 2529 and samples of Gas taken from points on the System where the sample or samples of Gas taken are representative of the Gas delivered through the System;
  - (d) the flowing temperature of Gas in the meters installed and operated by FortisBC Energy shall be determined by means of temperature devices installed and operated in accordance with the requirements established under the *Gas Inspection Act*; and
  - (e) the atmospheric pressure at the actual altitude of each of the Delivery Point shall be calculated in accordance with the requirements established under the *Gas Inspection Act*.

- 15.3 **Conversion of Units.** The volumes of Gas delivered by the Shipper to FortisBC Energy at the Receipt Point on each Day of the Service Period and the Pre-Commissioning Period (if any), and the volumes of Gas delivered by FortisBC Energy to the Shipper at the Delivery Point on each Day of the Service Period and the Pre-Commissioning Period (if any), shall be converted to energy units by multiplying the volume of Gas so delivered by the heat content of each cubic metre of Gas in accordance with then procedures established under the *Gas Inspection Act*. The heat content of the Gas delivered at the Delivery Point shall be measured by FortisBC Energy.

## 16. Measuring Equipment

- 16.1 **FortisBC Energy Measuring Equipment.** FortisBC Energy shall install, maintain and operate suitable metering and other equipment complying with the requirements established under the *Gas Inspection Act* and necessary to measure the volume, temperature and pressure of all Gas delivered at the Delivery Point, and shall calibrate and adjust such meters and other equipment and change the charts as required.
- 16.2 **Access to Measuring Equipment.** The Shipper shall have access to such meters and other equipment during reasonable hours, and shall be entitled to be present at the time of any installing, testing, cleaning, changing, repairing, inspecting, calibrating or adjusting done to or in connection with the meters and other measuring equipment installed and maintained by FortisBC Energy at the Delivery Point, and FortisBC Energy shall give the Shipper reasonable advance notice of such activities in order that the Shipper or its representatives can be present.
- 16.3 **Shipper-Installed Measuring Equipment.** The Shipper may install, maintain and operate at its own expense check measuring equipment at the Delivery Point, for the purpose of verifying the measurements obtained by FortisBC Energy from FortisBC Energy's meters and other measuring equipment.
- 16.4 **Verification of Measurements.** Each of the Shipper and FortisBC Energy shall conduct regular testing to verify the accuracy of its respective meters and other measuring equipment at the Delivery Point at least once every two Months or at such other intervals as may be agreed to by the Shipper and FortisBC Energy. At any time during the intervening period between regular testing, the Shipper and FortisBC Energy shall conduct exceptional testing to verify the accuracy of their respective meters and other measuring equipment at the Delivery Point if requested to do so by the other Party. If, upon undertaking exceptional testing for a requested verification, a meter or other measuring equipment is found to be registering correctly, subject to an inaccuracy not exceeding two percent, the cost of such exceptional testing shall be charged to and be borne by the Party requesting the verification, otherwise, the cost of all such requested verifications shall be borne by the Party whose meters and other measuring equipment at the Delivery Point is being tested. If, upon any test, a meter or other measuring equipment is found to be inaccurate by not more than two percent, previous readings of such equipment shall be considered correct in computing deliveries of Gas at the Delivery Point, but such equipment shall be adjusted at once to record accurately. If, upon any test, any meter or other measuring equipment is found to be inaccurate by more than two percent, then any previous readings of such equipment shall be corrected to zero error for any period which is known or can be agreed upon, but if the period is not known or cannot be agreed upon, such correction shall be for a period covering the last half of the time elapsed since the date of the previous test of that meter or measuring equipment.

- 16.5 **Procedures if Measuring Equipment Out of Service.** If for any period FortisBC Energy's meter or other measuring equipment is out of service or out of repair so that the quantity of Gas delivered cannot be correctly determined by the reading thereof, then FortisBC Energy, acting reasonably, shall estimate the quantity of Gas delivered during such period on the basis of the best available data, using the first of the following methods which is feasible:
- (a) by using the registration of any check measuring equipment installed and operated by the Shipper, provided such equipment is registering accurately;
  - (b) by correcting the error if the percentage of error can be ascertained by calibration, test or mathematical calculations; or
  - (c) by estimating the quantities of Gas delivered to the Shipper utilizing deliveries during prior periods of similar conditions when the meter or other measuring equipment was registering accurately.

## **17. Possession and Control of Gas**

17.1 **Possession and Control.** FortisBC Energy shall be deemed to be in possession and control of, and responsible for all Gas received by it at the Receipt Point until such Gas is delivered by it to the Shipper at the Delivery Point as if it were the owner thereof, and shall have the right at all times to commingle such Gas with other Gas in the System. Nothing in this Rate Schedule shall be interpreted as:

- (a) effecting the transfer of any right, title or interest; or
- (b) a contract of bailment between FortisBC Energy and the Shipper,

in respect of any Gas delivered by the Shipper to FortisBC Energy at the Receipt Point while such Gas is in FortisBC Energy's possession and control.

## **18. Representations and Acknowledgments**

- 18.1 **Representations of FortisBC Energy.** FortisBC Energy represents and warrants to the Shipper that it has full right, power and authority to enter into a Transportation Agreement with the Shipper.
- 18.2 **Representations of Shipper.** The Shipper represents and warrants to FortisBC Energy that:
- (a) it has full right, power and authority to enter into a Transportation Agreement with FortisBC Energy, and that all Gas delivered to FortisBC Energy thereunder at the Receipt Point shall be free from all liens and encumbrances of any nature;
  - (b) the Shipper is or will be the sole legal and beneficial owner and user of the facility to which Gas is to be delivered under this Rate Schedule and the Transportation Agreement or, with the knowledge and consent of FortisBC Energy, the Shipper has entered into a long-term agreement with a third party with respect to the sale of Gas from the Shipper to such third party in an amount not less than the Contract Demand for a period of not less than the Service Period (as outlined in the Transportation Agreement), and the Shipper will fully comply with all the terms and conditions of such agreement and not undertake any actions that could cause Shipper to breach, become in default of or terminate such agreement; and
  - (c) the Shipper acknowledges that, as between the Shipper and FortisBC Energy, the Shipper is solely responsible for acquiring under contract sufficient Gas supplies or reserves, and sufficient gathering, processing and transportation capacity required to deliver to the Receipt Point the quantities of Gas to be transported and delivered by FortisBC Energy pursuant to the Transportation Agreement, and for obtaining all governmental authorizations and approvals required in connection therewith.

## 19. Force Majeure

- 19.1 **Force Majeure.** Subject to Section 19.5 (No Relief for Payment Obligations), neither FortisBC Energy nor the Shipper shall be considered in default of any of its obligations under this Rate Schedule or the Transportation Agreement to the extent that it is prevented or delayed in performing such obligations by Force Majeure, provided that it has delivered a Force Majeure Notice in accordance with Section 19.2 (Force Majeure Notice). The Party claiming Force Majeure shall use all commercially reasonable efforts to diligently attempt to resume the performance of its obligations and to mitigate the effect of the Force Majeure on the other Party. Where a time or period of time is stipulated for the performance of any obligation and Force Majeure has been relied upon as delaying such performance, the time or period of time for such performance shall be extended by the length of time the condition of Force Majeure operates to delay or prevent such performance.
- 19.2 **Force Majeure Notice.** The Party relying upon Force Majeure shall provide the other Party with notice of such Force Majeure which shall describe in reasonable detail the following:
- (a) the Force Majeure event that has occurred;
  - (b) the extent to which the affected Party is or will be affected by the Force Majeure, the steps that the affected Party has taken, using commercially reasonable efforts to remedy the cause of the Force Majeure event and an estimate, if practicable, of the anticipated duration of the Force Majeure event; and
  - (c) if the Party claiming Force Majeure is FortisBC Energy and FortisBC Energy has elected to curtail Gas transportation service in lieu of suspending it in its entirety, the Force Majeure Notice shall specify the quantity of Gas to which the Shipper is curtailed and when such curtailment commenced or will commence.
- 19.3 **Notice to Resume.** As soon as reasonably practicable after the Force Majeure event has been remedied the Party claiming Force Majeure will notify the other Party that the Force Majeure event has been remedied and the date and time the Party has resumed, or will be in a position to resume, the performance of its obligations under this Rate Schedule and the Transportation Agreement.

- 19.4 **Settlement of Labour Disputes.** Notwithstanding any of the provisions of this Section 19 (Force Majeure), the settlement of labour disputes or industrial disturbances will be entirely within the discretion of the particular Party involved and the Party may make such settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the Party claiming Force Majeure of the benefit of Section 19.1 (Force Majeure).
- 19.5 **No Relief for Payment Obligations.** Notwithstanding any of the provisions of this Section 19 (Force Majeure), Force Majeure will not operate to relieve any Party from any of its payment obligations under this Rate Schedule or the Transportation Agreement.
- 19.6 **Extension of Term.** Where FortisBC Energy has claimed Force Majeure, the Expiry Date shall be automatically extended by the number of Days, to a maximum of 60 Days, during which FortisBC Energy failed to deliver any Gas to the Shipper at the Delivery Point. FortisBC Energy shall provide a notice to the Shipper of such new Expiry Date. Notwithstanding the foregoing, the Transportation Agreement may further limit the number of Days by which the Expiry Date may be extended in the event that such new Expiry Date (s) could occur after the expiry of permits required for commercial operation of the Shipper's facility.

## 20. Arbitration

- 20.1 **Arbitration.** All disputes arising out of, in relation to or as a consequence of this Rate Schedule or the Transportation Agreement (including the validity or interpretation of this Rate Schedule, the Transportation Agreement or any provision therein), except for disputes concerning matters falling within the exclusive jurisdiction of the BCUC, which cannot be settled amicably through negotiations between the Parties shall be referred to and finally resolved by binding arbitration under the International Commercial Arbitration Rules of Procedure of the British Columbia International Commercial Arbitration Centre ("BCICAC") then in effect. The place of arbitration shall be Vancouver, British Columbia and the language of arbitration shall be English. The arbitration shall be conducted before a sole arbitrator (the "Arbiter"). The Appointing Authority shall be the BCICAC. FortisBC Energy and the Shipper agree to execute, if requested by the Arbiter, a reasonable engagement letter with the Arbiter.
- 20.2 **Arbitration Binding.** Subject to applicable statutory remedies of judicial review or appeal, the arbitration award shall be final and binding on FortisBC Energy and the Shipper, and judgment on the award may be entered by any court of competent jurisdiction. If the Parties settle the dispute in the course of the arbitration, the settlement shall be approved by the Arbiter on request of either Party and shall become the award.
- 20.3 **Concurrent Proceedings.** If a dispute arises under another agreement between the Parties and is pending concurrently with a dispute pending under this Rate Schedule or the Transportation Agreement, based on the same or similar facts and circumstances, then, upon mutual consent, the Parties may consolidate those disputes in a single arbitration proceeding with the intent of avoiding any unnecessary multiplicity of proceedings.
- 20.4 **Obligations Continue.** The Parties will continue to fulfill their respective obligations pursuant to this Rate Schedule and the Transportation Agreement during the resolution of any dispute in accordance with this Section 20 (Arbitration).

## 21. Notices

- 21.1 **Notice.** Subject to Section 21.2 (Designated Persons), Section 21.3 (Electronic Communications) and Section 21.5 (Notice of Force Majeure), any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule or under the Transportation Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered, sent by fax, or other method approved by FortisBC Energy to the other Party in accordance with the following:

|                              |                                                                                                            |
|------------------------------|------------------------------------------------------------------------------------------------------------|
| <u>If to FortisBC Energy</u> | FORTISBC ENERGY INC.                                                                                       |
| MAILING ADDRESS:             | 16705 Fraser Highway<br>Surrey, B.C.<br>V4N 0E8                                                            |
| BILLING AND PAYMENT:         | Attention: Industrial Billing<br>Telephone: 1-855-873-8773<br>Fax: (604) 293-2920                          |
| CUSTOMER RELATIONS:          | Attention: Commercial & Industrial Energy<br>Solutions<br>Telephone: (604) 592-7843<br>Fax: (604) 592-7894 |
| LEGAL AND OTHER:             | Attention: General Counsel<br>Telephone: (604) 443-6538<br>Fax: (604) 443-6540                             |

If to the Shipper, then as set out in the Transportation Agreement.

- 21.2 **Designated Persons.** The Shipper shall give written notice to FortisBC Energy from time to time setting out the name, title, telephone and fax numbers of the Person designated by the Shipper to receive: any notices in respect of adjustments to Contract Demand, notices of adjustment pursuant to Section 4.3 (Adjustment by FortisBC Energy), notices of Authorized Quantity pursuant to Section 4.5 (Notice of Authorized Quantity), notices of Planned Maintenance pursuant to Section 6.1 (Planned Maintenance), Curtailment Notices pursuant to Section 6.2 (Curtailment for Planned Maintenance) and Section 6.3 (Curtailment of Interruptible Transportation Service), daily service operations reports pursuant to Section 8.1 (Daily Operations Report), notices pursuant to Section 14.1 (Quality at Receipt Point), notices of installation and other activities pursuant to Section 16.2 (Access to Measuring Equipment), notices of Force Majeure pursuant to Section 19.2 (Force Majeure Notice), notices of remedy of Force Majeure condition pursuant to Section 19.3 (Notice to Resume) and notices of default or of suspension or termination pursuant to Section 22.1 (Default). FortisBC Energy shall give written notice to the Shipper from time to time setting out the name, title, telephone and fax numbers of the Person designated by FortisBC Energy to receive: Requested Quantity notices pursuant to Section 4.1 (Requested Quantity), notices of adjustments to Requested Quantity notices pursuant to Section 4.2 (Adjustment to Requested Quantity), Shipper Planned Maintenance notices pursuant to Section 6.1 (Planned Maintenance), notices pursuant to Section 14.2 (Quality at Delivery Point), notices of Force Majeure pursuant to Section 19.2 (Force Majeure Notice), notices of remedy of Force Majeure condition pursuant to Section 19.3 (Notice to Resume).
- 21.3 **Electronic Communication.** Where the Shipper and FortisBC Energy agree to do so, the notices and other schedules to be provided by the Shipper and FortisBC Energy in respect of adjustments to Contract Demand and pursuant to Section 4.1 (Requested Quantity), Section 4.2 (Adjustment to Requested Quantity), Section 4.3 (Adjustment by FortisBC Energy), Section 4.5 (Notice of Authorized Quantity), Section 6.1 (Planned Maintenance), Section 6.2 (Curtailment for Planned Maintenance), Section 6.3 (Curtailment of Interruptible Transportation Service) and the daily service operations reports to be provided by FortisBC Energy in accordance with Section 8.1 (Daily Operations Reports) may be delivered by one Party to the other by means of a computerized system of communication rather than by fax, as approved by FortisBC Energy.
- 21.4 **Changes in Nomination Procedures.** If the Transporter or any other Person operating a pipeline which transports Gas for delivery through the System changes its Gas nomination and authorization procedures, FortisBC Energy may make any changes to its Gas nomination and authorization procedures, including changes that conflict with these processes set out in this Rate Schedule as FortisBC Energy reasonably requires to reflect such changed procedures.

21.5 **Notice of Force Majeure.** Notwithstanding Section 21.1 (Notice), notices pursuant to Section 19 (Force Majeure) will be sufficient if:

- (a) given by FortisBC Energy in writing by fax, orally in person, by telephone, or other method approved by FortisBC Energy (to be confirmed in writing) to the Person designated from time to time by the Shipper pursuant to Section 21.2 (Designated Persons); or
- (b) given by the Shipper by telephone (to be confirmed by fax) to the Person designated from time to time by FortisBC Energy pursuant to Section 21.2 (Designated Persons) in the following manner:

To claim Force Majeure..."Please be advised that (name of company and location of plant) has (reason for claiming Force Majeure as provided in Section 19 of Rate Schedule 50) and hereby claims suspension by reason of Force Majeure in accordance with the terms of Rate Schedule 50 effective 0700 PST or DST, as the case may be (date Force Majeure suspension to become effective)."

To resume after Force Majeure..."Please be advised that (name of company and location of plant) requests a return to normal natural gas service in accordance with Rate Schedule 50 and the Transportation Agreement effective 0700 PST or DST, as the case may be, (date Force Majeure suspension to end, but not to be retroactive) whereby the suspension by reason of Force Majeure currently in force will be terminated."

## 22. Default or Bankruptcy

### 22.1 **Default.** If the Shipper at any time:

- (a) fails or neglects to make any payment due to FortisBC Energy under this Rate Schedule or the Transportation Agreement within 5 Days after payment is due;
- (b) fails or neglects to deliver, maintain, amend, replace or supplement the Security as required under Section 13 (Security and Credit); or
- (c) fails or neglects to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Rate Schedule or the Transportation Agreement, within 5 Days after FortisBC Energy gives to the Shipper notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 5 Days, fails to correct the default with all due diligence; or
- (d) purports to terminate its obligations under the Transportation Agreement,

then, FortisBC Energy may, in addition to any other remedy that it has at law or in equity, at its option and without liability:

- (e) suspend Firm Transportation Service and Interruptible Transportation Service by giving notice in writing to the Shipper, which suspension notice shall be effective as of 07:00 PST or DST, as the case may be, on the Day immediately after the suspension notice is delivered, until the default has been fully remedied, and no such suspension or refusal will relieve the Shipper from any obligation under this Rate Schedule or the Transportation Agreement; and
- (f) if:
  - (i) the Shipper has defaulted under Section 22.1(a), (c) or (d) and failed to remedy the default within 15 Days of FortisBC Energy delivering a suspension notice pursuant to Section 22.1(e) (Default), or if one or more of the other defaults set out in Sections 22.1(a), (b), (c) or (d) has occurred within such suspension period;
  - (ii) the Shipper fails or neglects to deliver, maintain, amend, replace or supplement the Security as required under Section 13 (Security and Credit); or

- (iii) the Shipper (or any receiver or third party on behalf of the Shipper) has failed to affirm the Transportation Agreement within the time required under Section 22.2 (Bankruptcy or Insolvency) or the Shipper (or any receiver or third party on behalf of the Shipper) fails at any time to continue to fully comply with all of the terms, covenants, agreement, conditions or obligations imposed upon the Shipper under this Rate Schedule and the Transportation Agreement following an event of bankruptcy or insolvency set out in Section 22.2 (Bankruptcy or Insolvency),

then FortisBC Energy may immediately terminate the Transportation Agreement, by giving notice in writing to the Shipper, which termination notice shall be effective as of 07:00 PST or DST, as the case may be, on the Day immediately after the termination notice is delivered to the Shipper.

- 22.2 Bankruptcy or Insolvency.** If the Shipper becomes bankrupt or insolvent or commits or suffers an act of bankruptcy or insolvency or a receiver is appointed pursuant to a statute or under a debt instrument over all or substantially all the assets of the Shipper or the Shipper seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose, then FortisBC Energy will have the right, at its sole discretion, to immediately terminate the Transportation Agreement by giving notice in writing to the Shipper and thereupon FortisBC Energy may cease further delivery of Gas to the Shipper. However, if the Shipper (or any receiver or other third party acting on behalf of the Shipper) affirms the Transportation Agreement within 2 Business Days of the occurrence of any such events of bankruptcy or insolvency, FortisBC Energy shall not have the right to immediately terminate the Transportation Agreement for so long as the Shipper (or any receiver or other third party on behalf of the Shipper) continues to fully comply with all of the terms, covenants, agreements, conditions or obligations imposed upon the Shipper under this Rate Schedule and the Transportation Agreement.
- 22.3 Termination Payment.** If FortisBC Energy terminates this Agreement in accordance with Section 22.1 (Default) or Section 22.2 (Bankruptcy or Insolvency), then the Shipper shall pay to FortisBC Energy a payment ("Termination Payment") equal to the Net Present Value of the product of  $90\% \times \text{Contract Demand} \times \text{Firm Demand Toll} \times 365 \text{ days per year} \times \text{the number of months from the termination date until the Expiry Date}$  divided by 12.
- 22.4 Liquidated Damages.** FortisBC Energy and the Shipper acknowledge that the Termination Payment is a genuine pre-estimate of the damages to be incurred by FortisBC Energy from early termination of the Transportation Agreement and is not a penalty. The Shipper irrevocably waives any right it may have to raise as a defense that the Termination Payment is excessive, punitive, or not a genuine pre-estimate of damages. The Shipper acknowledges that the Termination Payment is reasonable in light of the following costs and risks to FortisBC Energy from such early termination:
- (a) the construction costs assumed by FortisBC Energy prior to the commencement of the Service Period;

- (b) FortisBC Energy may be unable to materially reduce the expenses associated with the operation and maintenance of the System Upgrades;
- (c) this Rate Schedule is a common rate, with the full cost of constructing the System Upgrades not allocated to the Shipper but embedded in FortisBC Energy's overall rate base;
- (d) the cost of the System Upgrades may remain in FortisBC Energy's overall rate base to be borne by the other customers of FortisBC Energy through increased rates, resulting in the risk of other customers discontinuing service, stranded assets elsewhere in the System, and additional direct and indirect costs and lost profits;
- (e) if the whole or any part of the System Upgrades are removed from FortisBC Energy's overall rate base, FortisBC Energy may bear the costs of that portion of the System Upgrades; and
- (f) the costs of abandonment and/or removal of the System Upgrades may not be fully recovered through rates paid by the Shipper.

22.5 **Other Remedies.** For greater certainty, FortisBC Energy and the Shipper agree that, upon any termination of the Transportation Agreement under circumstances where FortisBC Energy is entitled to the Termination Payment and such Termination Payment is paid in full, FortisBC Energy shall be precluded from any other remedy against the Shipper at law or in equity or otherwise (including an order for specific performance) and shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against the Shipper or any of its Affiliates, or against any of their respective directors, officers, employees, partners, managers, members, shareholders or Affiliates in respect of the early termination of the Transportation Agreement.

## **23. Indemnity and Limitation on Liability**

- 23.1 **Liability of FortisBC Energy.** In no event shall FortisBC Energy be liable to the Shipper under this Rate Schedule or the Transportation Agreement, in any circumstances, for any amount other than any Demand Toll Credits credited to the Shipper pursuant to Section 11 (Demand Toll Credits). For greater certainty, FortisBC Energy shall in no circumstances be liable to the Shipper for the Shipper's direct, indirect, special or consequential loss, damage, cost or expense whatsoever, whether based on breach of contract, negligence, strict liability or otherwise, including capital costs, business interruption losses, lost profits or revenues, cost of lost, purchased or replacement Gas, or lost permits, certificate or contracts.
- 23.2 **Indemnity.** The Shipper will indemnify and hold harmless each of FortisBC Energy, its Affiliates and their respective employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of each of the following:
- (a) any defect in title to any Gas delivered to FortisBC Energy at the Receipt Point on behalf of the Shipper from Suppliers other than FortisBC Energy, or arising from any Person's security interest in the Gas delivered to FortisBC Energy;
  - (b) any Gas delivered by the Transporter or the Shipper to FortisBC Energy at the Receipt Point failing to meet the quality specifications set out in Section 14.1 (Quality at Receipt Point);
  - (c) any act, accident, event or omission in connection with the construction, installation, presence, maintenance and operation of the property, facilities and equipment of the Shipper;
  - (d) any breach of this Rate Schedule or the Transportation Agreement by the Shipper; and
  - (e) all federal, provincial, and municipal taxes (or payments made in lieu thereof), whether payable on the delivery of Gas to FortisBC Energy at the Receipt Point by the Shipper or on the delivery of Gas to the Shipper by FortisBC Energy at the Delivery Point, or on any other service provided by FortisBC Energy to the Shipper.

## 24. Interpretation

24.1 **Interpretation.** Except where the context requires otherwise or except as otherwise expressly provided, in this Rate Schedule or in the Transportation Agreement

- (a) all references to a designated section are to the designated section of this Rate Schedule unless otherwise specifically stated;
- (b) the singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate;
- (c) the words “include”, “includes” and “including” shall be read as if followed by the words “without limitation”;
- (d) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor by merger, amalgamation, consolidation or otherwise to such entity;
- (e) any reference to an act or regulation includes a reference to that act or regulation as amended or replaced from time to time;
- (f) all words, phrases and expressions used in this Rate Schedule or in the Transportation Agreement that have a common usage in the gas industry and that are not defined the Definitions or in the Transportation Agreement have the meanings commonly ascribed to such words, phrases and expressions in the gas industry;
- (g) the headings of the sections set out in this Rate Schedule or in the Transportation Agreement are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule or the Transportation Agreement; and
- (h) any decision, election, authorization, determination, acceptance, waiver, consent or other discretion to be granted, made or exercised by FortisBC Energy or the Shipper hereunder shall be at that Party’s sole discretion unless otherwise expressly stated.

## **25. Miscellaneous**

- 25.1 **Waiver.** No waiver by either Party of any default by the other in the performance of any of the provisions of the Transportation Agreement shall operate or be construed as a waiver of any other or future default or defaults, whether of a like or a different character.
- 25.2 **Amendment of Rate Schedule.** From time to time FortisBC Energy may amend the terms and conditions of this Rate Schedule and the Table of Charges by filing an amendment to the Rate Schedule and obtaining the approval of the BCUC.
- 25.3 **Enurement.** The Transportation Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.
- 25.4 **Assignment.** The Transportation Agreement may not be assigned in whole or in part by the Shipper unless the Shipper has first obtained the prior written consent of FortisBC Energy. Nothing herein contained shall prevent either of the Parties from pledging, charging or mortgaging its rights under this Rate Schedule or the Transportation Agreement as security for its indebtedness or obligations without the consent of the other Party. Any Person who has acquired a security interest under this Rate Schedule or in the Transportation Agreement as security for the indebtedness or obligations of either Party may, without the consent of the other Party, assign the Transportation Agreement to another Person in connection with the enforcement of the security interest.
- 25.5 **Entire Agreement.** This Rate Schedule and the Transportation Agreement constitute the entire agreement between the Parties and supersede all previous agreements, understandings, negotiations and representations between the Parties in respect of the subject matter of this Rate Schedule and the Transportation Agreement.
- 25.6 **Amendment.** No amendments or variation of the Transportation Agreement shall be effective and binding upon the Parties unless such amendment or variation is set forth in writing and duly executed by the Parties. Amendments requiring approval of the BCUC shall become effective and binding upon the Parties only upon the effective date of the BCUC approval.
- 25.7 **Time of the Essence.** Time is of the essence of this Rate Schedule and the Transportation Agreement and of the terms and conditions thereof.

- 25.8 **Relationship.** Nothing in this Rate Schedule or the Transportation Agreement shall be construed as creating any partnership, joint venture, agency or other fiduciary relationship between FortisBC Energy and the Shipper.
- 25.9 **Survival.** Notwithstanding the termination of the Transportation Agreement, the provisions of Section 8.6 (Final Gas Balance), Section 12 (Statements and Payments), Section 13.5 (Enforcing the Security), Section 13.6 (Non-Interference), Section 13.7 (Return of Security), Section 17 (Possession and Control of Gas), Section 20 (Arbitration), Section 22.3 (Termination Payment), Section 22.4 (Liquidated Damages), Section 22.5 (Other Remedies), Section 23 (Indemnity and Limitation of Liability), Section 24 (Interpretation), Section 25.8 (Relationship), Section 25.9 (Survival), Section 25.11 (Choice of Law) and Section 25.12 (Payments) shall survive the termination of the Transportation Agreement. The Parties shall use reasonable efforts to make all adjustments and to settle all accounts which are outstanding between the Parties as of the Expiry Date within the payment periods specified in this Rate Schedule or, if no payment period is specified, as soon as reasonably practicable.
- 25.10 **Further Assurances.** Each of FortisBC Energy and the Shipper will execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other may reasonably require to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Rate Schedule and the Transportation Agreement and to assure the completion of the transactions contemplated hereby.
- 25.11 **Choice of Law.** The Transportation Agreement and this Rate Schedule shall be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the Transportation Agreement shall be treated in all respects as contracts made, entered into and to be wholly performed in British Columbia by parties domiciled and resident therein.
- 25.12 **Payments.** All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule or the Transportation Agreement will be made by wire transfer to, or certified cheque or bank draft drawn on a Canadian chartered bank or trust company, payable in lawful money of Canada in immediately available funds in Vancouver, British Columbia.

## TABLE OF CHARGES (ToC)

### 1. ToC - DEFINITIONS

- (a) **AFUDC** - means a return earned on FortisBC Energy's capital and development costs of constructing utility assets until such assets are included in FortisBC Energy's rate base equal to FortisBC Energy's after tax weighted average cost of capital, determined annually based on the return on equity and capital structure approved by the BCUC for FortisBC Energy from time to time and FortisBC Energy's embedded cost of debt.
- (b) **Cost Model** - means the cost model used by FortisBC Energy to determine the Initial Firm Demand Toll, variables of which include the Forecast Rate Schedule 50 Annual Demand, Cost of Service of System Upgrades, capital investment in System Upgrades and a System Contribution.
- (c) **Cost of Service** - means the total costs to be used in determining any rate or any rate adjustment pursuant to the ToC, which costs shall be determined by FortisBC Energy acting reasonably, including:
  - (i) the actual capital investment in the System Upgrades including, without limitation, any associated labour, equipment, material, and any other costs necessary to serve Shippers under this Rate Schedule including a reasonable allocation of FortisBC Energy's overhead associated with the construction of the System Upgrades, net of any grants, or tax credits offsetting the full costs of the System Upgrades;
  - (ii) depreciation and net negative salvage rates and expenses related to the net amount described in (i);
  - (iii) incremental operating and maintenance expenses needed to serve Shippers under this Rate Schedule;
  - (iv) applicable property and income taxes;
  - (v) the Return on Rate Base; and

- (vi) if any Shipper was an existing customer of FortisBC Energy at any time prior to its Commencement Date for service under this Rate Schedule, an amount equal to the allocated cost of service attributable to that Shipper taking service under another rate schedule as set out in the cost of service allocation study most recently approved by the BCUC at the time of entering into the Transportation Agreement;

less, as set out in Section 6.3 (Shipper Specific Charges), the cost of service of any contributions in aid of construction and additional tolls or rate riders multiplied by applicable Shipper Contract Demand.

For clarity, Cost of Service does not include any costs, expenses, taxes or other applicable amounts that are included in the Commodity Toll.

- (d) **Existing Rate Schedule 50 Annual Demand** - means the sum of the Contract Demand of all existing Rate Schedule 50 Shippers that FortisBC Energy is obligated to transport and deliver to on December 31 of the year prior to any year for which an annual rate is being calculated as contemplated in the Table of Charges, multiplied by 365. Existing Rate Schedule 50 Annual Demand does not include the Contract Demand of a Shipper whose Transportation Agreement will be terminated during the year for which an annual rate is being calculated.
- (e) **Forecast Rate Schedule 50 Annual Demand** - means the sum of the Contract Demand of all Rate Schedule 50 Shippers with a Transportation Agreement the Service Period of which is included in any year for which the annual rate is being calculated as contemplated in the Table of Charges, multiplied by 365. Forecast Rate Schedule 50 Annual Demand does not include the Contract Demand of a Shipper whose Transportation Agreement will be terminated during the year for which an annual rate is being calculated.
- (f) **General Rate Change** - means, in any year, a rate change approved by the BCUC, (including an interim rate change), applicable in a uniform manner to all non-bypass customers, and for greater certainty excludes rate changes related to rate design. In any year where there is no rate change applicable in a uniform manner to all non-bypass customers, the General Rate Change is deemed to be zero.
- (g) **Initial Demand Toll** - means the Firm Demand Toll and Interruptible Toll(s) effective during the Initial Service Period.
- (h) **Initial Service Period** - means the period commencing on 0700 PST or DST, as the case may be, on the earlier of the Commencement Date or the first Day of any Pre-Commissioning Period, as set out in the first Transportation Agreement entered into under this Rate Schedule 50 and ending immediately prior to 0700 DST on January 1st following the anniversary of the Commencement Date in that Transportation Agreement.

- (i) **Notional Calculated Toll** – means:
  - (i) in the year following the Initial Service Period, the Firm Demand Toll determined for the Initial Service Period under Sections 2.2 and 2.3, but without accounting for the Rate Floor; and
  - (ii) in all other years, the toll amount determined under Section 4.1(a) for the prior year (and for greater certainty, without accounting for the Rate Floor).
- (j) **Presumptive Initial Firm Demand Toll** - means the Initial Demand Toll for Firm Transportation Service as set out in ToC Section 2.2 (Presumptive Initial Firm Demand Toll) of this Table of Charges unless adjustments are required under ToC Section 2.3 (Adjustments) of this Table of Charges.
- (k) **Rate Floor** – means the minimum Demand Toll for Firm Transportation Service despite any other provision in this Table of Charges, and is deemed to be:
  - (i) \$0.55 per GJ if the Forecast Rate Schedule 50 Annual Demand is equal to or less than 200 PJ per year;
  - (ii) \$0.50 per GJ if the Forecast Rate Schedule 50 Annual Demand is greater than 200 PJ per year and equal to or less than 400 PJ per year; and
  - (iii) \$0.45 per GJ if the Forecast Rate Schedule 50 Annual Demand is greater than 400 PJ per year.
- (l) **Return on Rate Base** - means the regulated rate of return earned by FortisBC Energy on rate base assets equal to FortisBC Energy's weighted average cost of capital, determined based on the return on equity and capital structure approved by the BCUC for FortisBC Energy from time to time and FortisBC Energy's embedded cost of debt.
- (m) **Sumas Daily Price** – means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada, one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to gigajoule by application of a conversion factor equal to 1.055056 gigajoule per MMBtu.

## **2. TOC - DETERMINATION OF INITIAL DEMAND TOLL FOR FIRM TRANSPORTATION SERVICE**

- 2.1 Initial Demand Toll for Firm Transportation Service.** The Initial Demand Toll for Firm Transportation Service during the Initial Service Period shall be the Presumptive Initial Firm Demand Toll specified in Section 2.2 unless adjustments are required under Section 2.3, in which case the adjusted amount determined under Section 2.3(a) and (b), shall be the Initial Demand Toll for Firm Transportation Service.
- 2.2 Presumptive Initial Firm Demand Toll.** The Presumptive Initial Firm Demand Toll is \$0.897 per GJ and includes a \$0.100 per GJ System Contribution. FortisBC Energy determined the Presumptive Initial Firm Demand Toll using the Cost Model calculated on the basis of information available as of April 1, 2022.
- 2.3 Adjustments.** In determining the Initial Demand Toll for Firm Transportation Service, the Presumptive Initial Firm Demand Toll is subject to adjustment as follows:
- (a) If the updated inputs in the Cost Model as determined in Section 2.3(b) yield a toll that differs from the Presumptive Initial Firm Demand Toll, then, unless the Shipper has requested otherwise and such request has been expressly agreed to by FortisBC Energy, the first Shipper shall make a contribution in aid of construction such that the Cost Model, as determined in Section 2.3(b), yields an Initial Demand Toll for Firm Transportation Service that is no greater than the Presumptive Initial Firm Demand Toll. If the updated inputs in the Cost Model yield a number that equals the Presumptive Initial Firm Demand Toll, then the Initial Demand Toll for Firm Transportation Service shall be the Presumptive Initial Firm Demand Toll, subject to the Rate Floor.
  - (b) For the purposes of the calculation under Section 2.3(a):
    - i. the inputs in the Cost Model will be updated as of the date that is 45 Days prior to the first Commencement Date set out in any Transportation Agreement entered into under this Rate Schedule 50, using the applicable rates and quantities as of that date, actual capital costs incurred, and otherwise FortisBC Energy's best estimates of such capital costs.

- ii. The inputs in the Cost Model that will be updated are:

|                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forecast Rate Schedule 50 Annual Demand                                                                                                                                                                    |
| The capital costs (and associated AFUDC) of the System Upgrades expected to be in service at the first Commencement Date set out in any Transportation Agreement entered into under this Rate Schedule 50. |
| FortisBC Energy's Return on Rate Base                                                                                                                                                                      |
| Depreciation rates for asset classes associated with the System Upgrades                                                                                                                                   |
| Tax changes (including income taxes and property taxes), plus or minus                                                                                                                                     |

### 3. TOC - TOLLS FOR INTERRUPTIBLE TRANSPORTATION SERVICE

- 3.1 **Initial Interruptible Demand Toll April to October** - The Interruptible Demand Toll applicable on the Days April 1 through October 31 during the Initial Service Period is equal to 90% of the Initial Demand Toll for Firm Transportation Service.
- 3.2 **Initial Interruptible Demand Toll November to March** - The Interruptible Demand Toll applicable on the Days November 1 through March 31 inclusive during the Initial Service Period is equal to 115% of the Initial Demand Toll for Firm Transportation Service.
- 3.3 **Initial Pre-Commissioning Period Interruptible Demand Toll** - The Interruptible Demand Toll applicable during the Pre-Commissioning Period (if any) during the Initial Service Period is equal to the 115% of the Initial Demand Toll for Firm Transportation Service.

### 4. TOC - DETERMINATION OF DEMAND TOLL FOR FIRM TRANSPORTATION SERVICE AFTER INITIAL SERVICE PERIOD

- 4.1 The Firm Demand Toll is subject to adjustment annually, on each January 1<sup>st</sup> following the Initial Service Period as follows:

The Firm Demand Toll in effect in any year shall be the greater of the amount determined under (a) and (b):

(a) The sum of (i) and (ii):

$$(i) \quad B \times \left( 100\% + \text{MAXIMUM}((\text{MINIMUM}(C \text{ AND } 3\%) \text{ AND } 0\%)) \right)$$

where:

1. B equals the existing System Contribution
2. C equals the General Rate Change

$$(ii) \quad \frac{\left( \left( (A - B) \times \left( 100\% + \text{MAXIMUM}((\text{MINIMUM}(C \text{ AND } 3\%) \text{ AND } 0\%)) \right) \right) \times D \right) + E }{F}$$

where:

1. A equals the Notional Calculated Toll
2. B equals the existing System Contribution
3. C equals the General Rate Change
4. D equals the Existing Rate Schedule 50 Annual Demand
5. E equals the forecast incremental Cost of Service associated with the Forecast Rate Schedule 50 Annual Demand
6. F equals the Forecast Rate Schedule 50 Annual Demand

(b) The Rate Floor.

## 5. TOC - DETERMINATION OF DEMAND TOLL FOR INTERRUPTIBLE TRANSPORTATION SERVICE AFTER INITIAL SERVICE PERIOD

- 5.1 **Interruptible Demand Toll April to October** - The Interruptible Demand Toll applicable on the Days April 1 through October 31 inclusive of each is equal to 90% of the Firm Demand Toll on that Day.

- 5.2 **Interruptible Demand Toll November to March** - The Interruptible Demand Toll applicable on the Days November 1 through March 31 inclusive of each is 115% of the Firm Demand Toll on that Day.
- 5.3 **Pre-Commissioning Period Interruptible Demand Toll** - The Interruptible Demand Toll applicable to Interruptible Transportation Service in the Pre-Commissioning Period is the Firm Demand Toll. If the Firm Demand Toll is not in place at time of the Pre-Commissioning Period of the first Shipper, the applicable toll shall be the Presumptive Initial Firm Demand Toll. .

## **6. TOC - OTHER APPLICABLE CHARGES**

- 6.1 **Commodity Toll** – the applicable Commodity Toll for the Month, as set out in Section 1.1(g) (Definitions), and Section 10.3 (Other Charges).
- 6.2 **Unauthorized Overrun Gas Charges** - Unauthorized Overrun Gas Charges, for each Day on which there is Unauthorized Overrun Gas, are:
- |                                                                                                                                                                         |                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| (a) Per GJ charge on the first 1,000 GJs in excess of the amount set out in the Curtailment Notice or in the case of imbalances, in the inventory imbalance account.    | Sumas Daily Price X 1.5                                  |
| (b) Per GJ charge on all Gas over 1,000 GJs in excess of the amount set out in the Curtailment Notice or in the case of imbalances, in the inventory imbalance account. | The greater of \$20.00/GJ or the Sumas Daily Price x 1.5 |
- 6.3 **Shipper Specific Charges** – If, at the time a Shipper enters into a Transportation Agreement, the forecast incremental Cost of Service associated with providing Transportation Service to such Shipper causes the Firm Demand Toll to increase by more than 5% above the Firm Demand Toll that would have applied if the Shipper had not entered into a Transportation Agreement under this Rate Schedule, then FortisBC Energy shall require such Shipper to:
- |                                                       |
|-------------------------------------------------------|
| (a) provide a contribution in aid of construction; or |
| (b) pay an additional toll or rate rider,             |

that has the effect of limiting the increase in the Firm Demand Toll to 5% above the Firm Demand Toll that would have applied if the Shipper had not entered into a Transportation Agreement under this Rate Schedule. FortisBC Energy may elect (a) or (b) in its sole discretion.

## 7. TOC - CHANGES TO TOLLS AND CHARGES APPROVED BY THE BCUC

- 7.1 FortisBC Energy may, in its sole discretion, bring forward applications to the BCUC to change any tolls or charges, or the formulae by which the tolls and charges and adjustments to them are determined, and Rate Schedule 50 will be amended consistent with any BCUC orders.

### ILLUSTRATIVE EXAMPLE: ANNUAL RATE CHANGE MECHANISM CALCULATION

#### 1. Rate Change Variables

##### (a) Toll Components

|                                                                   |                 |        |
|-------------------------------------------------------------------|-----------------|--------|
| (i) Existing Notional Calculated Toll<br>less System Contribution | \$ 0.670        | per GJ |
| (ii) System Contribution                                          | <u>\$ 0.100</u> | per GJ |

|                                   |                        |        |
|-----------------------------------|------------------------|--------|
| Existing Notional Calculated Toll | <u><b>\$ 0.770</b></u> | per GJ |
|-----------------------------------|------------------------|--------|

##### (b) Annual Demand

|                                             |               |    |
|---------------------------------------------|---------------|----|
| (i) Existing Rate Schedule 50 Annual Demand | 110,000       | TJ |
| (ii) Forecast year incremental demand       | <u>30,000</u> | TJ |

|                                                |                       |    |
|------------------------------------------------|-----------------------|----|
| <b>Forecast Rate Schedule 50 Annual Demand</b> | <u><b>140,000</b></u> | TJ |
|------------------------------------------------|-----------------------|----|

##### (c) FortisBC Energy's Forecast incremental Cost of Service

|                                          |          |           |
|------------------------------------------|----------|-----------|
| (i) Forecast incremental Cost of Service | \$ 2,000 | Thousand' |
|------------------------------------------|----------|-----------|

##### (d) Applicable General Rate Change percent

- (i) Percent increase to all FortisBC Energy non-bypass delivery rates is equal to 2.30%,
- (ii) 2.30% is less than maximum increase of 3%; and greater than the minimum of 0%; therefore the applicable increase is 2.30%

## 2. Rate Change Calculation

### (a) System Contribution

|                                                      |              |               |
|------------------------------------------------------|--------------|---------------|
| (i) Existing System Contribution                     | \$ 0.100     | <i>per GJ</i> |
| (ii) Multiplied by (1 + General Rate Change percent) | <u>1.023</u> |               |
| (iii) Revised System Contribution                    | \$ 0.102     | <i>per GJ</i> |

### (b) Existing Notional Calculated Toll Less System Contribution

|                                                                   |                 |                 |
|-------------------------------------------------------------------|-----------------|-----------------|
| (i) Existing Notional Calculated Toll<br>less System Contribution | \$ 0.670        | <i>per GJ</i>   |
| (ii) Multiplied by (1 + General Rate Change percent)              | <u>1.023</u>    |                 |
| (iii)                                                             | \$ 0.685        | <i>per GJ</i>   |
| (iv) Multiplied by Existing Rate Schedule 50<br>Annual Demand     | <u>110,000</u>  | <i>TJ</i>       |
| (v)                                                               | \$ 75,350       | <i>Thousand</i> |
| (vi) Plus Forecast incremental Cost of Service                    | \$ <u>2,000</u> | <i>Thousand</i> |
| (vii)                                                             | \$ 77,350       | <i>Thousand</i> |
| (viii) Divided by Forecast Rate Schedule 50<br>Annual Demand      | <u>140,000</u>  | <i>TJ</i>       |
| (ix) Revised Notional Calculated Toll<br>less System Contribution | \$ 0.553        | <i>per GJ</i>   |

### (c) Firm Demand Toll

|                                                                             |                 |               |
|-----------------------------------------------------------------------------|-----------------|---------------|
| (i) System Contribution (a, (iii))                                          | \$ 0.102        | <i>per GJ</i> |
| (ii) Revised Notional Calculated Toll<br>less System Contribution (b, (ix)) | \$ <u>0.553</u> | <i>per GJ</i> |
| (iii) New Notional Calculated Toll<br>(sum of (i) and (ii))                 | \$ 0.655        | <i>per GJ</i> |
| (iv) Rate Floor                                                             | \$ 0.550        | <i>per GJ</i> |
| (v) Firm Demand Toll applied<br>(greater of (iii) and (iv))                 | \$ 0.655        | <i>per GJ</i> |

All applicable taxes will apply to the total bill as calculated above.

#### <sup>1</sup>Notes:

Example Determination of the forecast incremental Cost of Service

| <b>Line</b> | <b>Inputs &amp; Rates</b>                          | <b>\$ thousands</b>                 |
|-------------|----------------------------------------------------|-------------------------------------|
| 1           | Incremental Capital Investment                     | 20,000 (including AFUDC)            |
| 2           | Incremental Shipper Specific CIAC                  | -                                   |
| 3           | Incremental O&M                                    | 200                                 |
| 4           | Incremental Property Tax                           | 78                                  |
| 5           | Incremental Shipper Specific Recoveries            | -                                   |
| 6           |                                                    |                                     |
| 7           | Depreciation Rate                                  | 1.55%                               |
| 8           | Amortization Rate for CIAC                         | n/a                                 |
| 9           | CCA Rate                                           | 6.00%                               |
| 10          | Annual Salvage Rate                                | 0.14%                               |
| 11          | Tax Rate                                           | 26.00%                              |
| 12          | Return on Equity                                   | 8.75%                               |
| 13          | Equity Ratio                                       | 38.50%                              |
| 14          | Weighted Average Cost of Debt                      | 6.43%                               |
| 15          | Debt Ratio                                         | 61.50%                              |
| 16          |                                                    |                                     |
| 17          | <b>Cost of Service Calculations (\$ thousands)</b> |                                     |
| 18          |                                                    |                                     |
| 19          | Rate Base                                          |                                     |
| 20          | Opening Plant in Service                           | -                                   |
| 21          | Additions (Opening Adjustment)                     | 20,000 Line 1                       |
| 22          | Closing Plant in Service                           | 20,000                              |
| 23          |                                                    |                                     |
| 24          | Opening Accumulated Depreciation                   | -                                   |
| 25          | Depreciation Expense                               | (310) -(Line 20 + Line 21) x Line 7 |
| 26          | Closing Accumulated Depreciation                   | (310)                               |
| 27          |                                                    |                                     |
| 28          | Opening CIAC                                       | -                                   |
| 29          | Additions (Opening Adjustment)                     | - Line 2                            |
| 30          | Closing CIAC                                       | -                                   |
| 31          |                                                    |                                     |
| 32          | Opening Accumulated Amortization                   | -                                   |
| 33          | Amortization Expense                               | -(Line 28 + Line 29) x Line 8       |
| 34          | Closing Accumulated Amortization                   | -                                   |
| 35          |                                                    |                                     |
| 36          | Mid Year Net Plant In Service                      | 19,845                              |
| 37          |                                                    |                                     |
| 38          | Deferred Charges                                   |                                     |
| 39          | Opening Neg. Salvage                               | -                                   |
| 40          | Amortization Expense (Removal Provision)           | (28) Line 21 x Line 10              |
| 41          | Closing Neg. Salvage                               | (28)                                |
| 42          |                                                    |                                     |
| 43          | Mid Year Deferred Charges                          | (14)                                |
| 44          |                                                    |                                     |
| 45          | Rate Base                                          | 19,831 Line 36 + Line 43            |

|    |                                                            |                |                                    |
|----|------------------------------------------------------------|----------------|------------------------------------|
| 46 |                                                            |                |                                    |
| 47 | Income Tax Expense                                         |                |                                    |
| 48 | CCA Deduction                                              |                |                                    |
| 49 | Opening UCC                                                | -              |                                    |
| 50 | Additions                                                  | 20,000         | Line 21 + Line 29                  |
| 51 | CCA                                                        | <u>(1,200)</u> | (Line 49 + Line 50) x Line 9       |
| 52 | Closing UCC                                                | 18,800         |                                    |
| 53 |                                                            |                |                                    |
| 54 | Equity Return                                              | 668            | Line 45 x Line 12 x Line 13        |
| 55 | Add: Depreciation Expense                                  | 310            | Line 25                            |
| 56 | Add: Amortization Expense                                  | 28             | Line 33 + Line 40                  |
| 57 | Deduct: CCA                                                | <u>(1,200)</u> | Line 51                            |
| 58 | Taxable Income After Tax                                   | (194)          |                                    |
| 59 |                                                            |                |                                    |
| 60 | Tax Expense                                                | (68)           | (Line 58 / (1 - Line 11) x Line 11 |
| 61 |                                                            |                |                                    |
| 62 | <b>Forecast Incremental Cost of Service (\$ thousands)</b> |                |                                    |
| 63 |                                                            |                |                                    |
| 64 | O&M                                                        | 200            | Line 3                             |
| 65 | Property Taxes                                             | 78             | Line 4                             |
| 66 | Depreciation Expense                                       | 310            | Line 25                            |
| 67 | Amortization Expense                                       | 28             | Line 33 + Line 40                  |
| 68 | Shipper Specific Recoveries                                | -              | Line 5                             |
| 69 | Income Tax Expense                                         | (68)           | Line 60                            |
| 70 | Equity Return                                              | 668            | Line 45 x Line 12 x Line 13        |
| 71 | Debt Expense                                               | <u>785</u>     | Line 45 x Line 14 x Line 15        |
| 72 | Total                                                      | <u>2,000</u>   |                                    |

## TRANSPORTATION AGREEMENT FOR RATE SCHEDULE 50

This Agreement is dated \_\_\_\_\_, 20\_\_ between FortisBC Energy Inc. ("FortisBC Energy") and \_\_\_\_\_ (the "Shipper").

### WHEREAS:

- A. FortisBC Energy owns and operates the System; and
- B. The Shipper has requested that FortisBC Energy arrange for the transportation of Gas on a firm and interruptible basis through the System from the specified Receipt Point(s) to the specified Delivery Point(s) in accordance with Rate Schedule 50 as set out below and the terms set out herein.

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the terms, conditions and limitations contained herein, the Parties agree as follows:

### 1. Specific Information

The Parties agree to the following terms and that the following information shall be applicable to each reference in either this Transportation Agreement or Rate Schedule 50.

|                                                     |                                                                                                                              |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Firm Contract Demand:                               | _____ Gigajoules per day                                                                                                     |
| Conditions upon Firm Contract Demand (Section 3.2): |                                                                                                                              |
| Volumetric Equivalent:                              | _____ 10 <sup>3</sup> m <sup>3</sup> per day                                                                                 |
| Pre-Commissioning Period:                           | _____                                                                                                                        |
| Commencement Date:                                  | _____                                                                                                                        |
| Expiry Date:                                        | November 1, 20____ (Insert Date not less than 15 years following the Commencement Date)                                      |
| Form of Security:                                   | _____                                                                                                                        |
| Receipt Point(s):                                   | The point at (_____ km-post _____) where the Transporter's pipeline system in British Columbia interconnects with the System |

Delivery Point(s): \_\_\_\_\_

Pressure at the Delivery Point(s): \_\_\_\_\_  
(only specify where applicable as set out in  
Section 7.2 of Rate Schedule 50)

Shipper's service address: \_\_\_\_\_

Account Number: \_\_\_\_\_

Address of Shipper for receiving  
notices:

\_\_\_\_\_  
(name of Shipper)

Attention: \_\_\_\_\_

\_\_\_\_\_  
(address of Shipper)

Telephone: \_\_\_\_\_

\_\_\_\_\_

Fax: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_

The information set out above is hereby approved by the Parties and each reference in either this Transportation Agreement or Rate Schedule 50 to any such information is to the information set out above.

## 2. Rate Schedule 50

- 2.1 **Defined Terms** – Capitalized terms not otherwise defined herein shall have the meanings as set out in the FortisBC Energy Inc. Rate Schedule 50 Large Volume Industrial Transportation effective January 1, 2015, as approved from time to time by the BCUC (“Rate Schedule 50”).
- 2.2 **Additional Terms** - All rates, terms and conditions set out in Rate Schedule 50, as may be amended by FortisBC Energy and approved from time to time by the BCUC, are hereby incorporated by reference in this Transportation Agreement and are in addition to the terms and conditions contained in this Transportation Agreement and bind FortisBC Energy and the Shipper as if set out in this Transportation Agreement.
- 2.3 **Payment of Amounts** - Without limiting the generality of the foregoing, the Shipper will pay to FortisBC Energy all of the amounts set out in Rate Schedule 50 for the services provided by FortisBC Energy to Shipper under Rate Schedule 50 and this Transportation Agreement.
- 2.4 **Conflict** - Where anything in Rate Schedule 50 conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement governs. The General Terms and Conditions of FortisBC Energy do not apply to the services provided by FortisBC Energy to Shipper under Rate Schedule 50 and this Transportation Agreement
- 2.5 **Acknowledgement** - The Shipper acknowledges receiving and reading a copy of Rate Schedule 50 and agrees to comply with and be bound by all terms and conditions set out therein. Without limiting the generality of the foregoing, where the transportation service provided by FortisBC Energy to Shipper hereunder is Interruptible Transportation Service or is otherwise subject to curtailment as set out in Rate Schedule 50, the Shipper acknowledges that it is able to accommodate such interruption or curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such interruption or curtailment of transportation service.
- 2.6 **Independent Legal Advice** - Shipper represents and warrants to FortisBC Energy that it has received independent legal advice regarding the terms of this Transportation Agreement and Rate Schedule 50.
- 2.7 **Counterparts** - This Transportation Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed in original, faxed or e-mail form and the Parties adopt any signatures received by fax or e-mail as original signatures of the Parties.

**IN WITNESS WHEREOF** the Parties hereto have executed this Transportation Agreement.

**FORTISBC ENERGY INC.**

\_\_\_\_\_  
(here insert name of Shipper)

BY: \_\_\_\_\_  
(Signature)

BY: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name – Please Print)

\_\_\_\_\_  
(Name – Please Print)

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_