

FORTISBC ENERGY INC.

TRANSPORTATION AGREEMENT

TRANSPORTATION AGREEMENT FOR

RATE SCHEDULE 50

This Agreement is dated September 13, 2021 between FortisBC Energy Inc. ("**FortisBC Energy**") and Pacific Energy Corp. ("**PEC**") and Woodfibre LNG Limited ("**WLNG**") (collectively PEC and WLNG, 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 in this Transportation Agreement.

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.

Contract Demand for each Day	Base Contract Demand	+	Seasonal Firm Contract Demand for that Day

Base Contract Demand	Has the meaning given in Section 2.1(e)
Seasonal Firm Contract Demand	Has the meaning given in Section 2.1(ttt)
Conditions upon Firm Contract Demand (Section 3.2 of Rate Schedule 50):	None
Pre-Commissioning Period:	Has the meaning given in Section 2.1(ggg)
Commencement Date:	Has the meaning given in Section 2.1(i)
Expiry Date:	Has the meaning given in Section 2.1(t)

Form of Security:	As determined from time to time in accordance with this Transportation Agreement
Receipt Point(s):	The point at 835.9 km-post 917.6 where the Transporter's pipeline system in British Columbia interconnects with the System
Delivery Point(s):	The outlet flange of the Custody Transfer & Metering Station at the LNG Facility
Shipper's service address:	Woodfibre LNG Limited Pacific Energy Corp. 1185 W Georgia St, Ninth Floor Vancouver, BC, V6E 4E6
Account Number:	As notified by FortisBC Energy to the Shipper on or before the Commencement Date
Address of Shipper for receiving notices:	Woodfibre LNG Limited Pacific Energy Corp. 1185 W Georgia St, Ninth Floor Vancouver, BC, V6E 4E6 Attention: Vice President Commercial Telephone: 604 620 7883 Fax: 604-620-8860 Email: commercial@WLNG.ca

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 defined below or otherwise defined in this Transportation Agreement will have the meanings 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**"):

(a) "**Adjustment Period**" has the meaning given in Section 3.1(a);

(b) "**Affiliate**" means any Person which directly or indirectly Controls, is Controlled by, or is under common Control with a Person;

(c) "**Assignee**" has the meaning given in Section 7.2(b);

(d) "**Assignment Date**" has the meaning given in Section 7.2(d)(iii);

(e) "**Base Contract Demand**", subject to Section 6.1, means:

(i) in the case where the Loop has been approved and completed, 260,000 GJ; or

(ii) in the case where the Loop has not been approved or completed, 240,000 GJ;

(f) "**BCOGC**" means the BC Oil & Gas Commission or any entity which replaces it or which substantially succeeds to its powers or functions;

(g) "**BTA Termination Payment**" means the undepreciated net book value of the compression station in Langley, British Columbia which is equal to sixteen million, two hundred and seventy seven thousand dollars ($16,277,000);

(h) "**CIAC**" has the meaning given in the Construction Security Agreement;

(i) "**Commencement Date**" has the meaning given in, and will be determined in accordance with, Section 2.9(b);

(j) "**Commencement Date Notice**" has the meaning given in Section 2.9(b);

(k) "**Commitment Fees**" has the meaning given in the Interim Agreement;

(l) "**Completion Date**" means the date on which the work performed to construct and install the Incremental System Upgrades has achieved mechanical completion (as defined in the relevant contracts for the development and construction of the Incremental System Upgrades) and, subject to commissioning, the Incremental System Upgrades, are, subject to Section 2.8, capable of providing the Firm Transportation Service;

(m) "**Construction Security Agreement**" or "**CSA**" means the construction security agreement entered into between, among others, FortisBC Energy and the Shipper dated November 24, 2020;

(n) "**Contract Demand**" has the meaning given in Section 6.1;

(o) "**Control**" and inflexions of "**Control**" means, in relation to any Person, possession, directly or indirectly, of the power to direct or cause direction of management and policies of that Person through ownership of voting securities, contract, voting trust or otherwise;

(p) "**Custody Transfer & Metering Station**" means FortisBC Energy's metering facility, located on or adjacent to the site of the LNG Facility, immediately upstream of the Delivery Point;

(q) "**Demand Toll Credit**" has the meaning given in, and will be calculated in accordance with, Section 6.7;

(r) "**Effective Date**" has the meaning given in, and will be determined in accordance with, Section 2.9(a);

(s) "**Effective Date Notice**" has the meaning given in Section 2.9(a);

(t) "**Expiry Date**" means, subject to any earlier termination in accordance with Rate Schedule 50, the 40th anniversary of the Commencement Date;

(u) "**Exposure**" means from time to time:

(i) the net book value of the Final Gross Rate Base, inclusive of Incremental System Upgrades, net of any subsequent applicable accumulated depreciation thereon as determined in accordance with accepted regulatory accounting practices for depreciating capital project costs; less

(ii) the net book value of the Final CIAC Amount, net of any subsequent applicable accumulated depreciation thereon as determined in accordance with accepted regulatory practices for depreciating CIACs;

(v) "**Final CIAC Amount**" has the meaning given in the Construction Security Agreement;

(w) "**Final Gross Rate Base**" has the meaning given in the Construction Security Agreement;

(x) "**Financing Entities**" has the meaning given in Section 8.2;

(y) "**Firm Demand Toll**" means:

(i) prior to the date on which Sections 3.2(b) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), the Firm Demand Toll applicable to the Shipper determined in accordance with Section 3.2(c);

(ii) on and after the date on which Sections 3.2(b) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), the Firm Demand Toll applicable to the Shipper determined in accordance with Section 3.2(e);

(z) "**First RC Satisfaction Notice**" has the meaning given in Section 4.6(b);

(aa) "**First RC Satisfaction Date**" has the meaning given in Section 4.6(c);

(bb) "**First Reduced Required Security Amount**" has the meaning given in Section 4.6(a);

(cc) "**First Reduction Conditions**" has the meaning given in Section 4.6(a);

(dd) "**First Required Security Amount Reduction**" means a reduction of the Required Security Amount in accordance with Section 4.6(a) to Section 4.6(d) (inclusive);

(ee) "**FortisBC Energy Rating Downgrade**" means if at any time prior to the fifteenth anniversary of the Commencement Date:

(i) the form and amount of the Security to be delivered or delivered by the Shipper under this Transportation Agreement; or

(ii) the Required Security Amount Reduction; or

(iii) the delivery of one (1) or more Surety Bonds in accordance with Section 4.7; or

(iv) the assignment of this Transportation Agreement by the Shipper in accordance with Section 7.2,

(or any combination of the foregoing, as the case may be) is confirmed in writing or published by a Rating Agency as being a primary cause of, or which is likely to be a primary cause of, a downgrade in the credit rating of FortisBC Energy by any Rating Agency;

(ff) "**Fourth Reduction Conditions**" has the meaning given in Section 4.6(m);

(gg) "**Fourth Required Security Amount Reduction**" means a reduction of the Required Security Amount in accordance with Section 4.6(m) to Section 4.6(p) (inclusive);

(hh) "**Fourth RC Failure Date**" has the meaning given in Section 4.8(m)(i);

(ii) "**Fourth RC Satisfaction Date**" has the meaning given in Section 4.6(o);

(jj) "**Fourth RC Satisfaction Notice**" has the meaning given in Section 4.6(n);

(kk) "**Fourth Reduced Required Security Amount**" means the Firm Demand Toll multiplied by the Contract Demand multiplied by the number of Days in that Month multiplied by eighteen (18) months determined by reference to any eighteen (18) month period in the estimate of the Seasonal Firm Contract Demand most recently provided (as at the relevant determination date) by FortisBC Energy to the Shipper pursuant to Section 6.4;

(ll) "**FRC Failure Date**" has the meaning given in Section 4.8(d)(i);

(mm) "**Future Reimbursements**" has the meaning given in Section 3.1(b);

(nn) "**Governmental Authority**" means any federal, provincial, territorial, regional, municipal or local government or authority, quasi government authority, fiscal or judicial body, government or self-regulatory organization, commission, board,

tribunal, organization, or any regulatory, administrative or other agency, or any political or other subdivision, department, or branch of any of the foregoing;

(oo) "**Gross Negligence**" means such wanton and reckless conduct (which was not an error of judgment, mistake or other act or omission (negligent or not)) as constitutes an utter disregard for the harmful, foreseeable and avoidable consequences which result from that conduct but Gross Negligence does not include any conduct insofar as it was done or omitted in accordance with the express consent or approval of all Parties;

(pp) "**Heat Content**" means the quantity of energy per unit volume of Gas measured under standardized conditions and expressed in megajoules per cubic metre (MJ/m3);

(qq) "**Incremental System Upgrades**" means the assets that FortisBC Energy constructs, acquires, contracts or secures in connection with the Project (including, for certainty, the Loop and the Custody Transfer & Metering Station) to expand the transmission facilities of FortisBC Energy at and between the Eagle Mountain Compressor Station in Coquitlam and the LNG Facility/V2 Compressor Station;

(rr) "**Interim Agreement**" means the Interim Agreement between the Parties dated January 9, 2018, as amended June 26, 2018, September 27, 2018, November 23, 2018, December 7, 2018 and December 28, 2018;

(ss) "**Interruptible Demand Toll**" means the Interruptible Demand Toll April to October or the Interruptible Demand Toll November to March, as the context requires;

(tt) "**Interruptible Demand Toll April to October**":

(i) prior to the date on which Sections 3.2(b) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), 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 (referred to in Section 2.1(y)(i)) on that Day;

(ii) on and after the date on which Sections 3.2(b) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), 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 (referred to in Section 2.1(y)(ii)) on that Day;

(uu) "**Interruptible Demand Toll November to March**":

(i) prior to the date on which Sections 3.2(b) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), the Interruptible Demand Toll applicable on the Days November 1 through March 31 inclusive of each is equal to 115% of the Firm Demand Toll (referred to in Section 2.1(y)(i)) on that Day;

(ii) on and after the date on which Sections 3.2(a) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d), the Interruptible Demand Toll applicable on the Days November 1 through March 31

inclusive of each is equal to 115% of the Firm Demand Toll (referred to in Section 2.1(y)(ii)) on that Day;

(vv) "**Letter of Credit**" means an irrevocable, unconditional and self-renewing standby letter of credit in favour of FortisBC Energy:

(i) which is in the form and on the terms and conditions specified in Schedule C or any other form agreed and approved in writing by FortisBC Energy (in its sole discretion); and

(ii) which is issued by a bank or financial institution in Canada approved by FortisBC Energy (in its sole discretion) which meets the Minimum Credit Rating (and for the purposes of this Section 2.1(vv)(ii) each of the Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia or Royal Bank of Canada are approved by FortisBC Energy as long as such institution meets the Minimum Credit Rating); and

(iii) which is capable of being drawn down on at the issuing bank or financial institution's counters in the City of Vancouver, British Columbia or such other city or municipality within the Province of British Columbia as may be acceptable to FortisBC Energy (in its sole discretion),

and for certainty, a reference to a Letter of Credit includes and means the Letter of Credit as modified, replaced or renewed or supplemented by any additional letter of credit at any time during the Term;

(ww) "**LNG**" means liquefied natural gas;

(xx) "**LNG Agreement**" means an LNG Capacity Agreement, or an LNG Offtake Agreement, and "**LNG Agreements**" means LNG Capacity Agreements or LNG Offtake Agreements, or any combination of them;

(yy) "**LNG Capacity Agreement**" means an agreement between one or more members of the Shipper Group and a Third Party (who, for certainty, is not a member of the Shipper Group) by which, among other things, the Third Party acquires Gas liquefaction capacity or Gas liquefaction services at the LNG Facility;

(zz) "**LNG Facility**" means the proposed natural gas liquefaction and export facility, including all facilities comprising a part of or which are adjacent to such liquefaction and export facility which are used for the storage, lifting and loading of LNG produced by such liquefaction and export facility, to be located south of Squamish in Howe Sound, British Columbia;

(aaa) "**LNG Offtake Agreement**" means an agreement between one or more members of the Shipper Group and a Third Party (who, for certainty, is not a member of the Shipper Group) by which, among other things, the Third Party agrees to offtake LNG from the LNG Facility;

(bbb) "**Loop**" means a proposed pipeline loop of FortisBC Energy's existing NPS 12 Vancouver Mainland 323 pipeline (for approximately 3 kilometres) with a new NPS 24 pipeline to be constructed by FortisBC Energy in order to increase capacity and reliability of Gas transmission to the Shipper. The proposed pipeline loop will

originate at the Eagle Mountain compressor station, and parallel the existing FortisBC Energy NPS 12 gas pipeline;

(ccc) "**Minimum Credit Rating**" means on the relevant date of determination:

(i) in the case of a Letter of Credit, the following minimum measures of creditworthiness assigned to a bank or financial institution in Canada issuing a Letter of Credit which are to be assigned by not less than two of the following independent credit rating agencies:

(A) DBRS (A-high);

(B) Standard and Poor's Ratings Services (A+); and

(C) Moody's Investors Services (A1);

(ii) in the case of a Surety Bond, the following minimum measures of creditworthiness assigned to a financial institution or insurance company in Canada licensed to conduct the business of an insurer in the Province of British Columbia issuing a Surety Bond which are to be assigned by not less than two of the following independent credit rating agencies:

(A) DBRS (AA);

(B) Standard and Poor's Ratings Services (AA); and

(C) Moody's Investors Services (Aa2);

(ddd) "**New Exposure**" is equivalent to the amount of CIAC that is reimbursed to the Shipper, at the time the reimbursement is made, in accordance with Section 3.1 or the mechanism described in Section 3.1(b)(ii) (as the case may be), net of any applicable accumulated depreciation determined in accordance with accepted regulatory accounting practices for depreciating CIACs;

(eee) "**OFAC**" means The Office of Foreign Assets Control of the US Department of the Treasury or any Person which replaces it or which substantially succeeds to its powers or functions;

(fff) "**PCP Notice**" has the meaning given in Section 2.10(a)(ii);

(ggg) "**Pre-Commissioning Period**" has the meaning given in Section 2.10(a)(i);

(hhh) "**Project**" has the meaning given in the Construction Security Agreement;

(iii) "**Project Costs**" has the meaning given in the Construction Security Agreement;

(jjj) "**Rating Agencies**" means the independent credit rating agencies (including any successor to any of those agencies) specified in Section 2.1(ccc);

(kkk) "**Recoverable Costs**" has the meaning given in the Construction Security Agreement;

(lll) "**Reimbursement Amount**" has the meaning given in Section 3.1(a)(iv);

(mmm) "**Remaining CIAC Amount**" for the period from the Commencement Date until the True Up Date, means the Target CIAC Amount and, for the period after the True Up Date, means the Final CIAC Amount, in either case less the value of any reimbursements of the Shipper's CIAC made pursuant to Section 3.1 prior to the end of the Adjustment Period or other applicable period, less the value of any amortization accrued by FortisBC Energy in respect of Shipper's CIAC as of that date;

(nnn) "**Required Security Amount**" means, at any determination or adjustment date, the amount of the Security required to be delivered and maintained by the Shipper under this Transportation Agreement and Rate Schedule 50, as determined or adjusted by FortisBC Energy in accordance with Section 4 and for the purposes of Section 4.8(b) includes the Fourth Reduced Required Security Amount, as the context dictates, but for certainty, the Required Security Amount does not include the amount of the Security required to be delivered and maintained by the Shipper under this Transportation Agreement on account of any New Exposure;

(ooo) "**Required Security Amount Reduction**" means any one or more of the First Required Security Amount Reduction, the Second Required Security Amount Reduction, the Third Required Security Amount Reduction or the Fourth Required Security Amount Reduction;

(ppp) "**Sanctioned Entity**" means:

(i) a country or a government of a country;

(ii) an agency of the government of a country;

(iii) an organization directly or indirectly controlled by a country or its government; or

(iv) a Person resident in or determined to be resident in a country,

in each case, that is subject to a country Sanctions program administered and enforced by OFAC or by any Canadian Governmental Authority;

(qqq) "**Sanctioned Person**" means:

(i) any Person listed in any sanctions-related list of designated persons maintained by any Canadian Governmental Authority; or

(ii) a Person named on the list of Specially Designated Nationals and Blocked Persons maintained by OFAC;

(rrr) "**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC or any Canadian Governmental Authority;

(sss) "**Satisfaction Certificate**" means a certificate in the form set out in Schedule B - Satisfaction Certificate;

(ttt) "**Seasonal Firm Contract Demand**" has the meaning given in Section 6.2;

(uuu) "**Seasonal Firm Delivery Notice**" means any written notice delivered by FortisBC Energy to Shipper in respect of the amount of the Seasonal Firm Contract Demand in accordance with Section 6.4;

(vvv) "**Second Reduced Required Security Amount**" has the meaning given in Section 4.6(e);

(www) "**Second Reduction Conditions**" has the meaning given in Section 4.6(e);

(xxx) "**Second Required Security Amount Reduction**" means a reduction of the Required Security Amount in accordance with Section 4.6(e) to Section 4.6(h) (inclusive);

(yyy) "**Second RC Satisfaction Date**" has the meaning given in Section 4.6(g);

(zzz) "**Second RC Satisfaction Notice**" has the meaning given in Section 4.6(f);

(aaaa) "**Security**" means a Letter of Credit or other cash form of security and, where permitted by Section 4.7, a Surety Bond;

(bbbb) "**Security Default**" means the occurrence of any of the following events:

(i) the issuer of the Security fails to maintain the Minimum Credit Rating;

(ii) the issuer of the Security fails to comply with or perform its obligations under such Security;

(iii) the issuer of the Security disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Security;

(iv) the Security expires or terminates, or fails or ceases to be in full force and effect at any time during the Term, in any such case without replacement; or

(v) the issuer of the Security 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 issuer of the Security or the issuer of the Security seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose;

(cccc) "**Service Period**" means, in respect of the initial Service Period, the period commencing at 0700 DST on the Commencement Date and ending immediately prior to 0700 DST on the next occurring January 1st ("**Initial Service Period**") and in respect of each successive Service Period thereafter, means the period commencing at 0700 DST on each succeeding January 1st and ending immediately prior to 0700 DST on the earlier of:

(i) the next occurring January 1st in the Term; or

(ii) the Expiry Date;

(dddd) "**Shipper Group**" means the Shipper, and any Affiliate of the Shipper from time to time and references to "any member of the Shipper Group" will be construed accordingly;

(eeee) "**SRC Failure Date**" has the meaning given in Section 4.8(g)(i);

(ffff) "**Surety Bond**" means an irrevocable and self-renewing surety bond, security bond or similar security instrument in favour of FortisBC Energy:

(i) which is in the form and on the terms and conditions agreed and approved in writing by FortisBC Energy (in its sole discretion); and

(ii) which is issued by an institution in Canada licensed to conduct the business of an insurer in the Province of British Columbia which is approved by FortisBC Energy (in its sole discretion) and which meets the Minimum Credit Rating (and for the purposes of this Section 2.1(ffff)(ii) Euler Hermes Canada is approved by FortisBC Energy as long as such institution meets the Minimum Credit Rating); and

(iii) which is capable of being drawn on or called upon at the issuing institution's offices in the City of Vancouver, British Columbia or such other city or municipality within the Province of British Columbia as may be acceptable to FortisBC Energy (in its sole discretion),

and for certainty, a reference to a Surety Bond includes and means the Surety Bond as modified, replaced or renewed or supplemented by any additional surety bond at any time during the Term;

(gggg) "**Target CIAC Amount**" has the meaning given in the Construction Security Agreement;

(hhhh) "**Term**" means the term of this Transportation Agreement which commences on the Commencement Date and subject to any earlier termination of this Transportation Agreement in accordance with Rate Schedule 50 or extension or renewal pursuant to Section 7.1, expires on the Expiry Date;

(iiii) "**Termination Payment**" has the meaning given in Section 5.1;

(jjjj) "**Third Party**" means any Person other than a Party or any of its Affiliates;

(kkkk) "**Third Required Security Amount Reduction**" means a reduction of the Required Security Amount in accordance with Section 4.6(i) to Section 4.6(l) (inclusive);

(llll) "**Third RC Satisfaction Date**" has the meaning given in Section 4.6(k);

(mmmm) "**Third RC Satisfaction Notice**" has the meaning given in Section 4.6(j);

(nnnn) "**Third Reduction Conditions**" has the meaning given in Section 4.6(i);

(oooo) "**Toll Credit**" means the Demand Toll Credit or the Toll Credit (IT), as the context requires;

(pppp) "**Toll Credit (IT)**" has the meaning given in, and will be calculated in accordance with, Section 6.8;

(qqqq) "**TRC Failure Date**" has the meaning given in Section 4.8(j)(i);

(rrrr) "**Third Reduced Required Security Amount**" means:

(i) in the case where the Shipper has satisfied each Third Reduction Condition other than the Third Reduction Condition set out in 4.6(i)(i):

(A) forty two point five (42.5%) of the then Required Security Amount; or

(B) one hundred percent (100%) of the then Required Security Amount less two hundred and four million dollars ($204,000,000),

whichever is the greater;

(ii) in the case where the Shipper has satisfied each Third Reduction Condition:

(A) thirty five (35%) of the then Required Security Amount or such lesser percentage of the then Required Security Amount as determined by FortisBC Energy, in its sole and absolute discretion; or

(B) one hundred percent (100%) of the then Required Security Amount less two hundred and thirty one million dollars ($231,000,000),

whichever is the greater;

(ssss) "**TSA Rate Floor**" means the Rate Floor as defined in the Table of Charges to Rate Schedule 50 as applicable to the Shipper pursuant to this Transportation Agreement which will, subject to Section 3.2, initially be equal, as at the Commencement Date, to the rate set out in Section 1(k) of the Table of Charges to Rate Schedule 50;

(tttt) "**True Up Date**" has the meaning given in the Construction Security Agreement;

(uuuu) "**Wilful Misconduct**" means any act or failure to act that was intentional and intended to cause or which was in reckless disregard of or wanton indifference to, the foreseeable consequences of such action or failure to act; and

(vvvv) "**Woodfibre Party**" means PEC or WLNG, as the context requires.

2.2 Interpretation. Unless the context otherwise requires, in this Transportation Agreement:

(a) the singular includes the plural and conversely and a gender includes all genders;

(b) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(c) a reference to a person, corporation, trust, partnership, joint venture, unincorporated body or other entity includes any of them;

(d) a reference to a Section or Schedule is a reference to a Section of or a Schedule to this Transportation Agreement;

(e) a reference to an agreement or document (including a reference to this Transportation Agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced except to the extent prohibited by this Transportation Agreement or that other agreement or document;

(f) a reference to a party to this Transportation Agreement or another agreement or document includes the party's successors and permitted substitutes (including persons taking by novation) or assigns (and, where applicable, the party's legal personal representatives);

(g) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation, code, by-law, ordinance or statutory instrument issued under it;

(h) a reference to *dollars* and *$* is to the currency of Canada;

(i) the word "including" means "including without limitation" and "include" and, "includes" will be construed similarly;

(j) headings and any table of contents or index are for convenience only and do not form part of this Transportation Agreement or affect its interpretation;

(k) a provision of this Transportation Agreement must not be construed to the disadvantage of a Party merely because that Party was responsible for the preparation of this Transportation Agreement or the inclusion of the provision in this Transportation Agreement;

(l) a reference to any thing (including a right, obligation or concept) includes a part of that thing, but nothing in this Section 2.2(l) implies that performance of part of an obligation constitutes performance of the obligation;

(m) if an act is prescribed to be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.

2.3 Additional Terms. Subject to Section 2.5, 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.

2.4 Payment of Amounts. The Parties acknowledge and agree that, as of the Commencement Date, the work for the Project will have been substantially completed as contemplated by the Construction Security Agreement and that, as of the True Up Date all Project Costs:

(a) will have been paid to FortisBC Energy; or

(b) are Recoverable Costs to be recovered through rates for purposes of this Transportation Agreement; or

(c) will have been reasonably estimated, and reserved for by FortisBC Energy (and communicated to the Shipper), subject to a final reconciliation to actual costs and designation as being payable to or by the Shipper or as Recoverable Costs, not later than twenty-four (24) months following the True Up Date.

Without limiting the generality of Section 2.3, 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 the Shipper under Rate Schedule 50 and this Transportation Agreement.

2.5 Conflict. Where anything in Rate Schedule 50 conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement prevails to the extent of the inconsistency. The General Terms and Conditions of FortisBC Energy do not apply to the services provided by FortisBC Energy to the Shipper under Rate Schedule 50 and this Transportation Agreement.

2.6 Acknowledgement. Subject to the terms of this Transportation Agreement, the Shipper agrees to comply with and be bound by all terms and conditions set out in Rate Schedule 50. Without limiting the generality of the foregoing, where the transportation service provided by FortisBC Energy to Shipper under this Transportation Agreement 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.

2.7 Volume Weighted Average Term.

(a) For the purposes of Sections 4.6(a)(iii)(B) and 4.6(i)(i)(B):

(i) "**Volume Weighted Average Term**", as at any relevant determination date, is the sum of each Volume Adjusted Term for all LNG Agreements; and

(ii) "**Volume Adjusted Term**" means, for each LNG Agreement, the product obtained by the application of the following formula:

$$\frac{V}{AV} \times RAT$$

Where,

V is (i) the aggregate volume of Gas (measured at the Receipt Point, net of System Gas and net of fuel and losses at the LNG Facility) which the party to an LNG Offtake Agreement (other than a member of the Shipper Group) is obliged to offtake, or pay in lieu of offtaking, from the LNG Facility in the form and equivalent volume of LNG; or (ii) the aggregate volume of Gas (measured at the Receipt Point, net of System Gas and net of fuel and losses at the LNG Facility) for which the party to an LNG Capacity Agreement (other than a member of the Shipper Group) has committed to pay for liquefaction capacity or services at the LNG Facility; as applicable

AV is the aggregate of V for all LNG Agreements

RAT is, as of the date of determination, the number of years remaining in the term of that LNG Agreement.

(b) Without limiting Section 4.6(b) or Section 4.6(j), the Shipper shall ensure that each of the First RC Satisfaction Notice and the Third RC Satisfaction Notice contain or are accompanied by documents which contain in reasonable detail the Shipper's calculations of the Volume Weighted Average Term including details of any measurements, amounts or other information used or applied for the purposes of the formula set out in Section 2.7(a).

2.8 Firm Transportation Service. The Shipper acknowledges and agrees that notwithstanding anything in this Transportation Agreement or Rate Schedule 50 to the contrary, the Incremental System Upgrades will be taken to be capable of providing the Firm Transportation Service on the date on which the Incremental System Upgrades are able to transport and deliver to the Shipper Gas in accordance with Section 5.1 of Rate Schedule 50 irrespective of whether or not the Shipper has as at such date delivered the relevant quantity of Gas to FortisBC Energy at the Receipt Point or is able as at such date to take delivery of the relevant quantity of Gas from FortisBC Energy at the Delivery Point.

2.9 Effective Date.

(a) On or within two (2) Days after the date on which:

(i) the Incremental System Upgrades are completed and are, subject to Section 2.8, capable of providing the Firm Transportation Service; and

(ii) FortisBC Energy obtains all certificates, licenses, permits and authorizations necessary for the receipt, transportation and delivery of Gas pursuant to this Transportation Agreement and Rate Schedule 50,

FortisBC Energy shall provide written notice to the Shipper of the same ("**Effective Date Notice**"). The date on which the Shipper receives the Effective Date Notice shall constitute the Effective Date for the purposes of this Transportation Agreement and Rate Schedule 50.

(b) Within five (5) Days after receipt of the Effective Date Notice the Shipper shall give notice to FortisBC Energy specifying the date which shall constitute the Commencement Date for the purposes of this Transportation Agreement and Rate Schedule 50, which date shall not be more than (90) Days after the Effective Date ("**Commencement Date Notice**"). If the Shipper fails for any reason to give FortisBC Energy the Commencement Date Notice in accordance with this Section 2.9(b), then notwithstanding anything in this Transportation Agreement or Rate Schedule 50 to the contrary, the Commencement Date for the purposes of this Transportation Agreement and Rate Schedule 50 shall be that date which is ninety (90) Days after the Effective Date.

2.10 Pre-Commissioning Period.

(a) Subject to Section 2.10(b), FortisBC Energy and the Shipper acknowledge and agree that:

(i) for the purposes of this Transportation Agreement the "**Pre-Commissioning Period**" means the period of time prior to the Commencement Date during which FortisBC Energy shall provide Interruptible Transportation Service to the Shipper for the purposes of commissioning the LNG Facility;

(ii) the Pre-Commissioning Period shall commence on the date specified in a notice from the Shipper to FortisBC Energy ("**PCP Notice**");

(iii) the specified date in the PCP Notice may be during October 2025 or such other subsequent date agreed in writing by the Parties but such specified date shall not be earlier than thirty (30) days following the date the PCP Notice is given by the Shipper to FortisBC Energy; and

(iv) the PCP Notice shall also specify the Requested Quantity and Day(s) for such Interruptible Transportation Service.

(b) The Shipper acknowledges and agrees that:

(i) the Gas delivered by FortisBC Energy for the purposes of commissioning the LNG Facility will be delivered by a part of the System which may or may not include some or all of the Incremental System Upgrades;

(ii) the obligation of FortisBC Energy to deliver Gas for the purposes of the commissioning of the LNG Facility will be conditional upon FortisBC Energy, by October 2025 (or such other subsequent date agreed in writing by the Parties pursuant to Section 2.10(a)(iii)):

(A) having received (on terms and conditions satisfactory to FortisBC Energy) all permits and approvals necessary for the construction and installation of an offtake pipe which will deliver Gas from the part of the System referred to in Section 2.10(b)(i) to the Delivery Point or other place adjacent to the LNG Facility designated for the receipt of such Gas; and

(B) having constructed and installed such offtake pipe;

(iii) the cost and expense of the construction and installation and, if applicable, the demolition and removal, of the offtake pipe referred to in Section 2.10(b)(ii) (including the interconnection of that offtake pipe to the Delivery Point or other place adjacent to the LNG Facility designated for the receipt of commissioning Gas) will constitute Project Costs for the purposes of the Construction Security Agreement, and such construction and installation will be undertaken pursuant to, and will be governed exclusively by, the terms and conditions of the Construction Security Agreement; and

(iv) nothing in this Section 2.10 constitutes a warranty, representation, guarantee, commitment, undertaking or covenant (whether express, implied or otherwise) that by October 2025 (or such other subsequent date agreed in writing by the Parties pursuant to Section 2.10(a)(iii)) the Incremental System Upgrades will be capable of providing the Firm Transportation Service.

2.11 Commitment Fees. FortisBC Energy acknowledges and agrees that the Commitment Fees shall be credited against any charges to be paid by the Shipper to FortisBC Energy pursuant to Section 10 of Rate Schedule 50.

3. REIMBURSEMENT OF SHIPPER'S CONTRIBUTION IN AID OF CONSTRUCTION AND FIRM DEMAND TOLL APPLICABLE TO THE SHIPPER

3.1 Reimbursement of CIAC.

(a) During the period from the Commencement Date until the end of the fifteenth (15th) Service Period ("**Adjustment Period**"), if:

(i) FortisBC Energy proposes to make an adjustment to the Firm Demand Toll applicable to the Shipper, in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50 and Section 3.2, as a result of one or more new customers or shippers being added under Rate Schedule 50; and

(ii) an adjustment to the Firm Demand Toll applicable to the Shipper under Rate Schedule 50 is required as a result of the addition of such new customers or shippers; and

(iii) the result of calculating such adjustment solely on the basis of Section 4.1(a) of the Table of Charges to Rate Schedule 50 (taking into account the Remaining CIAC Amount at the time the calculation is made) would be a Notional Calculated Toll calculated in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50 that is less than the Firm Demand Toll for all other Rate Schedule 50 shippers for the then current Service Period;

then,

(iv) FortisBC Energy will determine the portion of the Shipper's CIAC made pursuant to the Construction Security Agreement and Rate Schedule 50 to be reimbursed to the Shipper. The reimbursable portion of the Shipper's CIAC ("**Reimbursement Amount**") will be determined by FortisBC Energy, acting reasonably, as that amount by which the Cost of Service caused by the Reimbursement Amount will equal the difference between the Notional Calculated Toll and the Firm Demand Toll applicable to the Shipper for the then current Service Period multiplied by the Base Contract Demand multiplied by the number of days in the Service Period. Upon the Reimbursement Amount being determined by FortisBC Energy, FortisBC Energy will notify the Shipper in writing of the Reimbursement Amount;

(v) FortisBC Energy will pay to the Shipper the lesser of:

(A) the Reimbursement Amount; and

(B) the Remaining CIAC Amount,

and for all purposes shall determine any other adjustments under Section 4.1 of the Table of Charges to Rate Schedule 50 accordingly; and

(vi) the amount payable by FortisBC Energy to Shipper in accordance with Section 3.1(a)(v) (if any) shall be due and payable on the date that is thirty (30) Days after the date that Shipper delivers any supplemental Security

required in accordance with Section 4.4(b) as a result of the adjustment to Shipper's CIAC (if any).

(b) FortisBC Energy may, at any time during the Adjustment Period or after the expiration of the Adjustment Period, apply to the BCUC for approval of a mechanism to effect further reimbursements of the Shipper's CIAC after the end of the Adjustment Period as a result of one or more customers being added under Rate Schedule 50 ("**Future Reimbursements**"). For greater certainty:

(i) if the BCUC does not approve FortisBC Energy's application to the BCUC in respect of a mechanism for Future Reimbursements, or if FortisBC Energy concludes, in its sole discretion, acting reasonably, that the terms of a BCUC order approving such a mechanism are unacceptable to FortisBC Energy, then FortisBC Energy shall be under no obligation to make such Future Reimbursements to Shipper after the expiry of the Adjustment Period; or

(ii) if the BCUC does approve FortisBC Energy's application to the BCUC in respect of a mechanism for Future Reimbursements and the terms of the BCUC order approving such mechanism do not impose any terms, conditions or undertakings in addition to those (if any) as expressly set out by FortisBC Energy in its application (as determined by FortisBC Energy in its sole discretion), then FortisBC Energy will be taken to have agreed to make Future Reimbursements subject to, and in accordance with, such mechanism and the relevant BCUC order.

(c) For the avoidance of doubt, the Shipper acknowledges and agrees that all Future Reimbursements will constitute New Exposure for the purposes of this Transportation Agreement.

3.2 Firm Demand Toll applicable to the Shipper

(a) For the purposes of determining the tolls in accordance with Section 2.3 (b) and 4.1 (a) (ii) E of the Table of Charges to Rate Schedule 50, the Cost of Service of the CTS Expansion projects at and between the Cape Horn Valve Assembly and the Coquitlam Gate Station, at and between the Nichol Valve Assembly and the Port Mann Crossover Station and at and between the Nichol Valve Assembly and the Roebuck Valve Assembly as defined in Section 1.1 (eee) of the Rate Schedule 50 tariff plus the Cost of Service of the BTA Termination Payment, will be six million six hundred and twenty seven thousand five hundred dollars ($6,627,500).

(b) Subject to Section 3.2(d), the Firm Demand Toll applicable to the Shipper will be adjusted in accordance with Section 3.2(c).

(c) The Firm Demand Toll which will be applicable to the Shipper in any Service Period (other than the Initial Service Period) will be the greater of the amount determined under Section 3.2(c)(i) by the application of one of the formulas set out in Section 3.2(c)(i) (as applicable) or Section 3.2(c)(iii).

(i) In the case where Section 3.1(a) applies and *A ÷ B is less than 1 then FDT = 1 x C*

In the case where Section 3.1(a) applies and *A ÷ B is greater than or equal to 1 then FDT = A ÷ B x C*

(ii) In the case where Section 3.1(a) does not apply then *FDT = A ÷ B x C*

Where,

FDT is the Firm Demand Toll applicable to the Shipper for the next Service Period

A is the Firm Demand Toll for the next Service Period (applicable to shippers or customers other than the Shipper) as determined in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50

B is the Firm Demand Toll for the then current Service Period (applicable to shippers or customers other than the Shipper) as determined in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50

C is the Firm Demand Toll applicable to the Shipper for the then current Service Period

(iii) the TSA Rate Floor.

(d) Sections 3.2(a) and 3.2(c) will cease to apply and be operative upon the expiration of the Adjustment Period or if before the expiration of the Adjustment Period, all of the Shipper's CIAC is reimbursed to the Shipper in accordance with Section 3.1.

(e) If Sections 3.2(a) and 3.2(c) cease to apply and be operative in accordance with Section 3.2(d) then the Firm Demand Toll applicable to the Shipper for the balance, if any, of the then current Service Period and the next and any subsequent Service Period during the Term will be determined in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50.

4. SECURITY AND CREDIT

4.1 Determination of Security. Without limiting Section 2.5 and notwithstanding Sections 13.1, 13.2, 13.3, 13.4, of Rate Schedule 50, the Parties acknowledge and agree that for all purposes under Rate Schedule 50 and this Transportation Agreement, the nature, type and form of Security required by FortisBC Energy and the Required Security Amount will be determined in accordance with this Section 4.

4.2 Form and Amount of Security. Subject to Sections 4.4, 4.5, 4.6, 4.7 and 4.8 and unless expressly agreed otherwise by FortisBC Energy, during the Term:

(a) the nature, type and form of the Security required by FortisBC Energy will be one (1) or more Letters of Credit;

(b) on and after the First RC Satisfaction Date the Security required by FortisBC Energy may consist of one (1) or more Letters of Credit and one (1) or more Surety Bonds; and

(c) the Security shall be in an amount not less than one hundred percent (100%) of the Required Security Amount.

Notwithstanding the foregoing, FortisBC Energy may, at any time, in its sole discretion, elect to accept a guarantee (on terms and conditions, and in an amount of the Required Security Amount, satisfactory to FortisBC Energy) from a Third Party as Security.

4.3 Notices.

(a) Project Completion: Not later than twenty (20) Business Days prior to its expected occurrence, FortisBC Energy shall provide written notice to the Shipper of the expected Completion Date, and if delays are expected periodic and regular updates until the Completion Date is finally confirmed.

(b) Security Amount: Within twenty (20) Business Days prior to the Completion Date and from time to time thereafter, FortisBC Energy will deliver a written notice to the Shipper advising the Shipper of the Required Security Amount FortisBC Energy has determined is required in accordance with Section 4.4.

4.4 Required Security Amount.

(a) Subject to Section 4.4(b), the Required Security Amount shall be determined as follows:

(i) an amount determined by FortisBC Energy taking into account the current or expected net book value of the Incremental System Upgrades (including accumulated depreciation, as applicable), the net book value of the Target CIAC Amount or the net book value of the Remaining CIAC Amount (including accumulated depreciation, as applicable), the Contract Demand (including the Seasonal Firm Contract Demand, if any), the Term and any other matter FortisBC Energy reasonably considers relevant including the Creditworthiness of the Shipper, provided that such amount may not exceed:

(A) in connection with the first such determination, an amount equal to the net book value, as of June 30th in the year of such determination, of the Incremental System Upgrades, less the net book value of the Target CIAC Amount; and

(B) in respect any subsequent determination or adjustment, the current net book value, as of June 30th in the year of such determination, of the Incremental System Upgrades, less the net book value of the Remaining CIAC Amount; and

(ii) an amount determined by FortisBC Energy, acting reasonably, and sent by written notice to Shipper not later than twenty (20) Business Days prior to the date required, which would be required to prevent or remedy a FortisBC Energy Rating Downgrade; or

(iii) any greater amount required by the BCUC.

For greater certainty, if FortisBC Energy applies to the BCUC under Section 4.4(a)(iii) then subject to Section 4.4(b), FortisBC Energy will not seek a security amount greater than the Required Security Amount as adjusted pursuant to this Transportation Agreement.

(b) Notwithstanding anything else in this Transportation Agreement to the contrary, the Shipper acknowledges and agrees that:

(i) subject to Section 4.4(b)(ii) and Section 4.4(c), if any New Exposure arises before the fifth anniversary of the Commencement Date then the Shipper shall deliver to FortisBC additional Security in an amount equal to one hundred percent (100%) of that New Exposure;

(ii) the Shipper shall promptly (and in any event within ten (10) Business Days after notification from FortisBC Energy of the New Exposure referred to in Section 4.4(b)(i)), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case and without limiting and in addition to the obligations of the Shipper under this Agreement to deliver Security in an amount equal to the Required Security Amount, such additional Security comprises Security in an amount equal to one hundred percent (100%) of that New Exposure; and

(iii) subject to Section 4.4(b)(iv), if any New Exposure arises on or after the fifth anniversary of the Commencement Date then as long as the Shipper has satisfied the Second Reduction Conditions the Shipper shall only be required to deliver to FortisBC additional Security in an amount equal to eighty percent (80%) of that New Exposure but, for certainty, if as at the fifth anniversary of the Commencement Date the Shipper has not satisfied the Second Reduction Conditions then the Shipper shall deliver to FortisBC additional Security in an amount equal to one hundred percent (100%) of that New Exposure; and

(iv) the Shipper shall promptly (and in any event within ten (10) Business Days after notification from FortisBC Energy of the New Exposure referred to in Section 4.4(b)(iii)), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case and without limiting and in addition to the obligations of the Shipper under this Agreement to deliver Security in an amount equal to the Required Security Amount, such additional Security comprises Security in an amount equal to eighty percent (80%) of that New Exposure.

(c) If at any time after the Shipper has delivered Security to FortisBC Energy pursuant to Section 4.4(b)(i) or 4.4(b)(iii) the Shipper satisfies the Second Reduction Conditions in accordance with Section 4.6(g) then on or within twelve (12) Business Days after the Second RC Satisfaction Date, FortisBC Energy shall return and release to the Shipper an amount of such Security so that upon the return and release of such amount, the amount of that Security is equal to eighty percent (80%) of the New Exposure referred to in Section 4.4(b)(i).

(d) For certainty, the Shipper acknowledges and agrees that Section 4.6 does not apply to any New Exposure or any Security delivered in respect of New Exposure.

(e) FortisBC Energy and the Shipper agree that for the purposes of this Agreement the amount of the Exposure and, if applicable the amount of any New Exposure, will be determined by FortisBC Energy on June 30 during each year of the Term.

4.5 Obligation to Deliver Initial Security. If FortisBC Energy delivers written notice to the Shipper in respect of the Required Security Amount in accordance with Section 4.3, then the Shipper shall:

(a) on or before the Completion Date, deliver to FortisBC Energy the Security in an amount not less than eighty percent (80%) of the Required Security Amount;

(b) without limiting Section 4.4(b), on or within twenty (20) Business Days after the True Up Date, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of the existing Security referred to in Section 4.5(a) or delivering new instruments of Security), such that, in either case the Shipper has delivered Security in an amount equal to one hundred percent (100%) of the Required Security Amount.

4.6 Reduction of Required Security Amount.

(a) Subject to Section 4.4(a)(ii) and Section 4.8, at any time after the second anniversary of the Commencement Date the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 may be reduced to:

(i) sixty five percent (65%) of the then Required Security Amount; or

(ii) one hundred percent (100%) of the then Required Security Amount less one hundred and fifty two million dollars ($152,000,000),

whichever is the greater amount ("**First Reduced Required Security Amount**"), subject to satisfaction of all of the following conditions by the Shipper ("**First Reduction Conditions**"):

(iii) the execution by one or more of members of the Shipper Group (as the case may be) of one or more LNG Agreements:

(A) by which the counterparty or counterparties (as the case may be) to such LNG Agreements agree to offtake, or pay in lieu of offtaking, LNG from the LNG Facility, or utilize Gas liquefaction capacity, or pay in lieu of utilizing Gas liquefaction capacity at the LNG Facility, (either alone or in aggregate) based on an annual volume of feed Gas which is not less than an average of ninety percent (90%) of the aggregate Base Contract Demand in the corresponding Service Period; and

(B) for which the Volume Weighted Average Term for the LNG Agreement or all LNG Agreements (as the case may be) is equal to or exceeds twelve (12) years from the Commencement Date; and

(C) pursuant to which the counterparty or counterparties to such LNG Agreements have paid, and are not in default of payment of, tolls or other compensation payable by them under such LNG Agreements;

(iv) all of the obligations of each party to the LNG Agreements are not subject to the satisfaction of any outstanding conditions precedent;

(v) the Shipper or a member of the Shipper Group (as the case may be) has for the benefit of each other member of the Shipper Group effected and

maintained in full force and effect from the Commencement Date to the second anniversary of the Commencement Date (or where there has within such period been any failure to effect and maintain such failure has been remedied within forty (40) Business Days of such failure) policies of insurance with reputable insurance companies that are licensed to conduct the business of an insurer in the Province of British Columbia and in such amounts and covering such risks as are usually effected and maintained by reasonably prudent participants engaged in similar businesses and owning and operating facilities the same as or similar to the LNG Facility;

(vi) in the eighteen (18) months prior to the date on which the First RC Satisfaction Notice is given to FortisBC Energy there has been no material default (which has not been remedied) under any LNG Agreement;

(vii) in the eighteen (18) months prior to the date on which the First RC Satisfaction Notice is given to FortisBC Energy the Shipper has not materially breached, or failed to perform, any covenant or obligation of the Shipper under this Transportation Agreement, which has not been remedied in accordance with this Transportation Agreement; and

(viii) without limiting Section 4.6(a)(vii), in the eighteen (18) months prior to the date on which the First RC Satisfaction Notice is given to FortisBC Energy the Shipper has, in accordance with this Transportation Agreement, paid in full all amounts payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement which were due and payable before or as at the First RC Satisfaction Notice. Notwithstanding the foregoing, the Shipper will not be taken to have failed to satisfy the First Reduction Condition set out in this Section 4.6(a)(viii) if in the eighteen (18) months immediately preceding the date on which the First RC Satisfaction Notice is given to FortisBC Energy the Shipper has failed on no more than two (2) occasions to pay any amount payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement by the due date for payment and on each such occasion the Shipper made payment of such unpaid amount within five (5) Business Days after the due date for payment.

(b) If on or at any time after the second anniversary of the Commencement Date the Shipper has satisfied the First Reduction Conditions and the Shipper desires that the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 be reduced in accordance with Section 4.6(a) then the Shipper shall give to FortisBC Energy a notice which is accompanied by a Satisfaction Certificate signed by a senior officer of the Shipper by which the Shipper certifies that the First Reduction Conditions have been satisfied ("**First RC Satisfaction Notice**"). The First RC Satisfaction Notice shall contain or be accompanied by documents which record or which are reasonable evidence of satisfaction of the First Reduction Conditions. FortisBC Energy acknowledges and agrees that the Shipper may, acting reasonably, redact such documents to remove commercially sensitive or proprietary information of the Shipper or of any Third Party which is not required to demonstrate satisfaction by the Shipper of the First Reduction Conditions.

(c) If within twenty (20) Business Days of the receipt by FortisBC Energy of the First RC Satisfaction Notice and the documents which record or which are reasonable

evidence of satisfaction of the First Reduction Conditions, FortisBC Energy does not give to the Shipper a notice specifying in reasonable detail why the First Reduction Conditions have not been satisfied, then the First Reduction Conditions will be taken to have been satisfied on the expiration of that twenty (20) Business Day period ("**First RC Satisfaction Date**").

(d) On or within twelve (12) Business Days after the First RC Satisfaction Date, FortisBC Energy shall return and release to the Shipper an amount of the Security so that upon the return and release of such amount, the amount of the Security is equal to the First Reduced Required Security Amount.

(e) Subject to Section 4.4(a)(ii) and Section 4.8, at any time after the fifth anniversary of the Commencement Date the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 may be reduced to:

(i) fifty percent (50%) of the then Required Security Amount; or

(ii) one hundred percent (100%) of the then Required Security Amount less two hundred million dollars ($200,000,000),

whichever is the greater amount ("**Second Reduced Required Security Amount**"),subject to satisfaction of all of the following conditions by the Shipper ("**Second Reduction Conditions**"):

(iii) in the eighteen (18) months prior to the date on which the Second RC Satisfaction Notice is given to FortisBC Energy there has been no material default (which has not been remedied) under any LNG Agreement;

(iv) the Shipper or a member of the Shipper Group (as the case may be) has for the benefit of each other member of the Shipper Group effected and maintained in full force and effect from the second anniversary of the Commencement Date to the fifth anniversary of the Commencement Date (or where there has within such period been any failure to effect and maintain such failure has been remedied within forty (40) Business Days of such failure) policies of insurance with reputable insurance companies that are licensed to conduct the business of an insurer in the Province of British Columbia and in such amounts and covering such risks as are usually effected and maintained by reasonably prudent participants engaged in similar businesses and owning and operating facilities the same as or similar to the LNG Facility;

(v) in the eighteen (18) months prior to the date on which the Second RC Satisfaction Notice is given to FortisBC Energy the Shipper has not materially breached, or failed to perform, any covenant or obligation of the Shipper under this Transportation Agreement which has not been remedied in accordance with this Transportation Agreement;

(vi) without limiting Section 4.6(e)(v), in the eighteen (18) months prior to the date on which the Second RC Satisfaction Notice is given to FortisBC Energy the Shipper has, in accordance with this Transportation Agreement, paid in full all amounts payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement which were due and payable before or as at the date of the Second RC Satisfaction Notice.

Notwithstanding the foregoing, the Shipper will not be taken to have failed to satisfy the Second Reduction Condition set out in this Section 4.6(e)(vi) if in the eighteen (18) months immediately preceding the date on which the Second RC Satisfaction Notice is given to FortisBC Energy the Shipper has failed on no more than two (2) occasions to pay any amount payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement by the due date for payment and on each such occasion the Shipper made payment of such unpaid amount within five (5) Business Days after the due date for payment; and

(vii) the Shipper has satisfied the First Reduction Conditions.

(f) If on or at any time after the fifth anniversary of the Commencement Date the Shipper has satisfied the Second Reduction Conditions and the Shipper desires that the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 be reduced in accordance with Section 4.6(e) then the Shipper shall give to FortisBC Energy a notice which is accompanied by a Satisfaction Certificate signed by a senior officer of the Shipper by which the Shipper certifies that the Second Reduction Conditions have been satisfied ("**Second RC Satisfaction Notice**"). The Second RC Satisfaction Notice shall contain or be accompanied by documents which record or which are reasonable evidence of satisfaction of the Second Reduction Conditions. FortisBC Energy acknowledges and agrees that the Shipper may redact such documents to remove commercially sensitive or proprietary information of the Shipper or any Third Party which is not required to demonstrate satisfaction by the Shipper of the Second Reduction Conditions.

(g) If within twenty (20) Business Days of the receipt by FortisBC Energy of the Second RC Satisfaction Notice and the documents which record or which are reasonable evidence of satisfaction of the Second Reduction Conditions, FortisBC Energy does not give to the Shipper a notice specifying in reasonable detail why the Second Reduction Conditions have not been satisfied, then the Second Reduction Conditions will be taken to have been satisfied on the expiration of that twenty (20) Business Day period ("**Second RC Satisfaction Date**").

(h) On or within twelve (12) Business Days after the Second RC Satisfaction Date, FortisBC Energy shall return and release to the Shipper an amount of the Security so that upon the return and release of such amount, the amount of the Security is equal to the Second Reduced Required Security Amount.

(i) Subject to Section 4.4(a)(ii) and Section 4.8, at any time after the tenth anniversary of the Commencement Date the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 may be reduced to be that amount which is equal to the Third Reduced Required Security Amount subject to satisfaction of all of the following conditions by the Shipper ("**Third Reduction Conditions**"):

(i) the execution by one or more of members of the Shipper Group (as the case may be) of extensions or renewals of the LNG Agreements (referred to in Section 4.6(a)(iii)), or any of them, or the execution of any new or replacement LNG Agreements:

(A) by which the counterparty or counterparties (as the case may be) to such LNG Agreements agree to offtake, or pay in lieu of offtaking, LNG from the LNG Facility, or utilize Gas liquefaction capacity, or pay in lieu of utilizing Gas liquefaction capacity at the LNG Facility (either alone or in aggregate) based on an annual volume of feed Gas which is not less than an average of fifty percent (50%) of the aggregate Base Contract Demand in the corresponding Service Period; and

(B) for which the Volume Weighted Average Term for the LNG Agreement or all LNG Agreements (as the case may be) is equal to or exceeds twenty (20) years from the Commencement Date; and

(C) pursuant to which the counterparty or counterparties to such LNG Agreements have paid, and are not in default of payment of, tolls or other compensation payable by them under such LNG Agreements;

(ii) all of the obligations of each party to the extended or renewed LNG Agreements are not subject to the satisfaction of any outstanding conditions precedent;

(iii) in the eighteen (18) months prior to the date on which the Third RC Satisfaction Notice is given to FortisBC Energy there has been no material default (which has not been remedied) under, or termination or cancellation of, any LNG Agreement;

(iv) the Shipper or a member of the Shipper Group (as the case may be) has for the benefit of each other member of the Shipper Group effected and maintained in full force and effect from the fifth anniversary of the Commencement Date to the tenth anniversary of the Commencement Date (or where there has within such period been any failure to effect and maintain such failure has been remedied within forty (40) Business Days of such failure) policies of insurance with reputable insurance companies that are licensed to conduct the business of an insurer in the Province of British Columbia and in such amounts and covering such risks as are usually effected and maintained by reasonably prudent participants engaged in similar businesses and owning and operating facilities the same as or similar to the LNG Facility;

(v) in the eighteen (18) months prior to the date on which the Third RC Satisfaction Notice is given to FortisBC Energy the Shipper has not materially breached, or failed to perform, any covenant or obligation of the Shipper under this Transportation Agreement which has not been remedied in accordance with this Transportation Agreement; and

(vi) without limiting Section 4.6(i)(v), in the eighteen (18) months prior to date on which the Third RC Satisfaction Notice is given to FortisBC Energy the Shipper has, in accordance with this Transportation Agreement, paid in full all amounts payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement which were due and payable before or as at the date of the Third RC Satisfaction Notice. Notwithstanding the foregoing, the Shipper will not be taken to have failed to satisfy the Third Reduction Condition set out in this Section 4.6(i)(vi) if in

the eighteen (18) months immediately preceding the date on which the Third RC Satisfaction Notice is given to FortisBC Energy the Shipper has failed on no more than two (2) occasions to pay any amount payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement by the due date for payment and on each such occasion the Shipper made payment of such unpaid amount within five (5) Business Days after the due date for payment.

(j) If on or at any time after the tenth anniversary of the Commencement Date the Shipper has satisfied the Third Reduction Conditions and the Shipper desires that the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 be reduced in accordance with Section 4.6(i) then the Shipper shall give to FortisBC Energy a notice which is accompanied by a Satisfaction Certificate signed by a senior officer of the Shipper by which the Shipper certifies that the Third Reduction Conditions have been satisfied ("**Third RC Satisfaction Notice**"). The Third RC Satisfaction Notice shall contain or be accompanied by documents which record or which are reasonable evidence of satisfaction of the Third Reduction Conditions. FortisBC Energy acknowledges and agrees that the Shipper may redact such documents to remove commercially sensitive or proprietary information of the Shipper or any Third Party which is not required to demonstrate satisfaction by the Shipper of the Third Reduction Conditions.

(k) If within twenty (20) Business Days of the receipt by FortisBC Energy of the Third RC Satisfaction Notice and the documents which record or which are reasonable evidence of satisfaction of the Third Reduction Conditions, FortisBC Energy does not give to the Shipper a notice specifying in reasonable detail why the Third Reduction Conditions have not been satisfied, then the Third Reduction Conditions will be taken to have been satisfied on the expiration of that twenty (20) Business Day period ("**Third RC Satisfaction Date**"). For the purposes of Section 4.6(i) and 4.6(j) only, the Shipper will be taken to have satisfied the Third Reduction Conditions if the Shipper has satisfied each Third Reduction Condition other than the Third Reduction Condition set out in 4.6(i)(i).

(l) On or within twelve (12) Business Days after the Third RC Satisfaction Date, FortisBC Energy shall return and release to the Shipper an amount of the Security so that upon the return and release of such amount, the amount of the Security is equal to the Third Reduced Required Security Amount.

(m) Subject to Section 4.4(a)(ii) and Section 4.8, at any time after the fifteenth anniversary of the Commencement Date the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 may be reduced to be that amount which is equal to the Fourth Reduced Required Security Amount subject to satisfaction of all of the following conditions by the Shipper ("**Fourth Reduction Conditions**"):

(i) in the eighteen (18) months prior to the date on which the Fourth RC Satisfaction Notice is given to FortisBC Energy there has been no material default (which has not been remedied) under, or termination or cancellation of, any LNG Agreement;

(ii) in the eighteen (18) months prior to the date on which the Fourth RC Satisfaction Notice is given to FortisBC Energy the Shipper has not materially breached, or failed to perform, any covenant or obligation of the

Shipper under this Transportation Agreement which has not been remedied in accordance with this Transportation Agreement;

(iii) without limiting Section 4.6(m)(ii), in the eighteen (18) months prior to the date on which the Fourth RC Satisfaction Notice is given to FortisBC Energy the Shipper has, in accordance with this Transportation Agreement, paid in full all amounts payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement which were due and payable before or as at the date of the Fourth RC Satisfaction Notice. Notwithstanding the foregoing, the Shipper will not be taken to have failed to satisfy the Fourth Reduction Condition set out in this Section 4.6(m)(iii) if in the eighteen (18) months immediately preceding the date on which the Fourth RC Satisfaction Notice is given to FortisBC Energy the Shipper has failed on no more than two (2) occasions to pay any amount payable by the Shipper to FortisBC Energy under Rate Schedule 50 and this Transportation Agreement by the due date for payment and on each such occasion the Shipper made payment of such unpaid amount within five (5) Business Days after the due date for payment; and

(iv) the Shipper has satisfied the Third Reduction Conditions.

(n) If on or at any time after the fifteenth anniversary of the Commencement Date the Shipper has satisfied the Fourth Reduction Conditions and the Shipper desires that the amount of the Security that the Shipper is required to deliver in accordance with this Section 4 be reduced in accordance with Section 4.6(m) then the Shipper shall give to FortisBC Energy a notice which is accompanied by a Satisfaction Certificate signed by a senior officer of the Shipper by which the Shipper certifies that the Fourth Reduction Conditions have been satisfied ("**Fourth RC Satisfaction Notice**"). The Fourth RC Satisfaction Notice shall contain or be accompanied by documents which record or which are reasonable evidence of satisfaction of the Fourth Reduction Conditions. FortisBC Energy acknowledges and agrees that the Shipper may redact such documents to remove commercially sensitive or proprietary information of the Shipper or any Third Party which is not required to demonstrate satisfaction by the Shipper of the Fourth Reduction Conditions.

(o) If within twenty (20) Business Days of the receipt by FortisBC Energy of the Fourth RC Satisfaction Notice and the documents which record or which are reasonable evidence of satisfaction of the Fourth Reduction Conditions, FortisBC Energy does not give to the Shipper a notice specifying in reasonable detail why the Fourth Reduction Conditions have not been satisfied, then the Fourth Reduction Conditions will be taken to have been satisfied on the expiration of that twenty (20) Business Day period ("**Fourth RC Satisfaction Date**").

(p) On or within twelve (12) Business Days after the Fourth RC Satisfaction Date, FortisBC Energy shall return and release to the Shipper an amount of the Security so that upon the return and release of such amount, the amount of the Security is equal to the Fourth Reduced Required Security Amount.

4.7 Surety Bonds.

(a) Subject to Section 4.8, Sections 4.7(b) and 4.7(c) will apply on and after the First RC Satisfaction Date.

(b) Subject to Section 4.7(c), the Shipper, at its cost and expense, may, in partial satisfaction of its obligations under this Section 4 to deliver to FortisBC Energy Security in an amount equal to the Required Security Amount, deliver to FortisBC Energy one (1) or more Surety Bonds.

(c) If the Shipper delivers to FortisBC Energy Security one (1) or more Surety Bonds in accordance with Section 4.7(b) then:

(i) the amount of the Surety Bond or Surety Bonds (as the case may be) shall not exceed (either alone or in aggregate) thirty three percent (33%) of the then Required Security Amount (which, for certainty, will be the Required Security Amount prior to adjustment in accordance with Section 4.7(c)(ii)) but in no event may the amount of the Surety Bond or Surety Bonds (as the case may be) exceed (either alone or in aggregate) fifty million dollars ($50,000,000);

(ii) notwithstanding any other provision of this Agreement to the contrary, the amount of the then Required Security Amount will be increased by an amount that is equal to fifty percent (50%) of the amount of the Surety Bond or Surety Bonds delivered in accordance with Section 4.7(b); and

(iii) concurrently with the delivery of one (1) or more Surety Bonds in accordance with Section 4.7(b) the Shipper shall, at its cost and expense, either:

(A) increase the face value of any existing Letter of Credit; or

(B) deliver to FortisBC Energy one (1) or more Letters of Credit,

such that, in either case, the Letter of Credit of Letters of Credit and the Surety Bond or Surety Bonds delivered to FortisBC Energy together comprise Security in an amount equal to the Required Security Amount as determined in accordance with Section 4.7(c)(ii).

For illustrative purposes only, if as at the date the Shipper is entitled to deliver a Surety Bond pursuant to Section 4.7(b) the then Required Security Amount is three hundred million dollars ($300,000,000) then the maximum permissible amount of the Surety Bond will be fifty million dollars ($50,000,000) and the Required Security Amount will be increased to three hundred and twenty five million dollars ($325,000,000).

(d) Subject to Section 4.8, Sections 4.7(e) and 4.7(f) will apply on and after the Second RC Satisfaction Date.

(e) Subject to Section 4.7(f), the Shipper, at its cost and expense, may, in partial satisfaction of its obligations under this Section 4 to deliver to FortisBC Energy Security in an amount equal to the Required Security Amount, deliver to FortisBC Energy one (1) or more Surety Bonds.

(f) If the Shipper delivers to FortisBC Energy Security one (1) or more Surety Bonds in accordance with Section 4.7(e) then:

(i) the amount of the Surety Bond or Surety Bonds (as the case may be) shall not exceed (either alone or in aggregate) thirty three percent (33%) of the

then Required Security Amount (which, for certainty, will be the Required Security Amount prior to adjustment in accordance with Section 4.7(f)(ii)) but in no event may the amount of the Surety Bond or Surety Bonds (as the case may be) exceed (either alone or in aggregate) one hundred million dollars ($100,000,000);

(ii) notwithstanding any other provision of this Agreement to the contrary, the amount of the then Required Security Amount will be increased by an amount that is equal to fifty percent (50%) of the amount of the Surety Bond or Surety Bonds delivered in accordance with Section 4.7(e); and

(iii) concurrently with the delivery of one (1) or more Surety Bonds in accordance with Section 4.7(e) the Shipper shall, at its cost and expense, either:

(A) increase the face value of any existing Letter of Credit; or

(B) deliver to FortisBC Energy one (1) or more Letters of Credit,

such that, in either case, the Letter of Credit of Letters of Credit and the Surety Bond or Surety Bonds delivered to FortisBC Energy together comprise Security in an amount equal to the Required Security Amount as determined in accordance with Section 4.7(f)(ii).

For illustrative purposes only, if as at the date the Shipper is entitled to deliver a Surety Bond pursuant to Section 4.7(e) the then Required Security Amount is three hundred million dollars ($300,000,000) then the maximum permissible amount of the Surety Bond will be one hundred million dollars ($100,000,000) and the Required Security Amount will be increased to three hundred and fifty million dollars ($350,000,000).

4.8 Re-Determination of Security and Required Security Amount.

(a) Notwithstanding anything in Section 4.6 to the contrary, Section 4.8(b) will apply if:

(i) at any time during the Term, a Security Default occurs and the Shipper fails to comply with Section 4.9; or

(ii) prior to the fifteenth anniversary of the Commencement Date a FortisBC Energy Rating Downgrade occurs and is not remedied by the Shipper within five (5) Business Days after the date on which the FortisBC Energy Rating Downgrade occurs; or

(iii) prior to the Fourth RC Satisfaction Date, an assignment, sale or transfer of the whole or any part of the LNG Facility occurs without the concurrent assignment of this Transportation Agreement to the assignee or purchaser of the LNG Facility pursuant to Section 7.

(b) Subject to Section 4.4(a)(i)(B) and this Section 4.8(b), FortisBC Energy may, at its sole discretion, alter the nature, type and form of Security required by FortisBC Energy or adjust the Required Security Amount taking into account any change in the then-current book value of the Incremental System Upgrades, the Remaining CIAC Amount and any other matter FortisBC Energy considers relevant (acting reasonably), including a FortisBC Energy Rating Downgrade and the

Creditworthiness of the Shipper but if the event in Section 4.8(a)(ii) occurs, FortisBC Energy shall, to the extent it is available and is in the possession of FortisBC Energy, provide any evidence of such to the Shipper and such alteration of the nature, type and form of Security or the Required Security Amount shall be limited to the extent necessary to avoid the FortisBC Energy Rating Downgrade. If FortisBC Energy alters the nature, type and form of Security required by FortisBC Energy or adjusts the Required Security Amount, then FortisBC Energy will promptly deliver a written notice to the Shipper setting out the nature, type and form of the Security required by FortisBC Energy or the adjusted Required Security Amount, or both, as the case may be. At any time that FortisBC Energy determines that a reimbursement of the Shipper's CIAC is required in accordance with Section 3.1, FortisBC Energy will consider, in accordance with this Section 4.8(b), any corresponding alteration to the Required Security Amount that may be required. In exercising its discretion under this Section 4.8(b) to alter the nature, type or form of Security FortisBC Energy shall:

(i) not alter nature, type or form of Security so as to be security of a nature, type or form not contemplated by Section 2.1(aaaa); and

(ii) not alter nature, type or form of Security provided by the Shipper under Section 4.2 or Section 4.7 (or both, as the case may be) to another form of Security contemplated by Section 2.1(aaaa) unless FortisBC Energy considers that circumstances have arisen or events have occurred which will or which are likely to adversely affect the availability, renewability, validity or enforceability of the Security provided by the Shipper under Section 4.2 or Section 4.7 (or both, as the case may be).

(c) If at any relevant time during the Term the Shipper fails to continue to satisfy, following satisfaction thereof, the First Reduction Conditions, the Second Reduction Conditions, the Third Reduction Conditions or the Fourth Reduction Conditions, as the case may be, then the Shipper shall immediately notify FortisBC Energy of that failure identifying the condition or conditions that the Shipper has failed to satisfy together with a description in reasonable detail of the circumstances and events that gave rise to that failure or which constitute that failure.

(d) Notwithstanding any other provision of this Transportation Agreement to the contrary, if after the First RC Satisfaction Date the Shipper fails to continue to satisfy the First Reduction Conditions (and for this purpose any reference in the First Reduction Conditions to "in the eighteen (18) months prior to the date on which the First RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded), then:

(i) if such failure has not been remedied within the relevant cure period (if any) stated or referred to in the First Reduction Conditions or elsewhere in this Transportation Agreement, with effect from the date of the expiration of such cure period or where there is no relevant cure period, with effect from the date of such failure (the later of such dates, the "**FRC Failure Date**") and irrespective of whether or not the Shipper has given notice of such failure to FortisBC Energy pursuant to Section 4.8(c), the Required Security Amount shall immediately be adjusted to again be that amount of Security that the Shipper was required to deliver and maintain under this Transportation Agreement prior to the First RC Satisfaction Date; and

(ii) if as at the FRC Failure Date FortisBC Energy has complied with Section 4.6(d), then the Shipper shall promptly (and in any event within ten (10) Business Days after the FRC Failure Date), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case, the Shipper delivers Security to FortisBC Energy in an amount equal to the Required Security Amount prior to the First RC Satisfaction Date.

(e) Notwithstanding any other provision of this Transportation Agreement to the contrary, if the Shipper complies with Section 4.8(d)(ii) and the Shipper again satisfies, and, for a period of eighteen (18) months after the FRC Failure Date, continues to satisfy, the First Reduction Conditions (and for this purpose any reference in the First Reduction Conditions to "in the eighteen (18) months prior to the date on which the First RC Satisfaction is given to Fortis BC Energy" or similar phrases shall be disregarded) then the Shipper shall again be entitled to reduce the Required Security Amount in accordance with Section 4.6(a) and Sections 4.6(b) to 4.6(d) (inclusive) shall again apply *mutatis mutandis*.

(f) With effect from the Second RC Satisfaction Date, Sections 4.8(d) and 4.8(e) shall cease to be operative and of any force and effect.

(g) Notwithstanding any other provision of this Transportation Agreement to the contrary, if after the Second RC Satisfaction Date the Shipper fails to continue to satisfy the Second Reduction Conditions (and for this purpose any reference in the Second Reduction Conditions to "in the eighteen (18) months prior to the date on which the Second RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded), then:

(i) if such failure has not been remedied within the relevant cure period (if any) stated or referred to in the Second Reduction Conditions or elsewhere in this Transportation Agreement, with effect from the date of the expiration of such cure period or where there is no relevant cure period, with effect from the date of such failure (the later of such dates, the "**SRC Failure Date**") and irrespective of whether or not the Shipper has given notice of such failure to FortisBC Energy pursuant to Section 4.8(c), the Required Security Amount shall immediately be adjusted to again be that amount of Security that the Shipper was required to deliver and maintain under this Transportation Agreement prior to the Second RC Satisfaction Date; and

(ii) if as at the SRC Failure Date FortisBC Energy has complied with Section 4.6(h), then the Shipper shall promptly (and in any event within ten (10) Business Days after the SRC Failure Date), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case, the Shipper delivers Security to FortisBC Energy in an amount equal to the Required Security Amount prior to the Second RC Satisfaction Date.

(h) Notwithstanding any other provision of this Transportation Agreement to the contrary, if the Shipper complies with Section 4.8(g)(ii) and the Shipper again satisfies, and, for a period of eighteen (18) months after the SRC Failure Date, continues to satisfy, the Second Reduction Conditions (and for this purpose any

reference in the Second Reduction Conditions to "in the eighteen (18) months prior to the date on which the Second RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded) then the Shipper shall again be entitled to reduce the Required Security Amount in accordance with Section 4.6(i) and Sections 4.6(f) to 4.6(h) (inclusive) shall again apply *mutatis mutandis*.

(i) With effect from the Third RC Satisfaction Date, Sections 4.8(g) and 4.8(h) shall cease to be operative and of any force and effect.

(j) Notwithstanding any other provision of this Transportation Agreement to the contrary, if after the Third RC Satisfaction Date the Shipper fails to continue to satisfy the Third Reduction Conditions (and for this purpose any reference in the Third Reduction Conditions to "in the eighteen (18) months prior to the date on which the Third RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded), then:

(i) if such failure has not been remedied within the relevant cure period (if any) stated or referred to in the Third Reduction Conditions or elsewhere in this Transportation Agreement, with effect from the date of the expiration of such cure period or where there is no relevant cure period, with effect from the date of such failure (the later of such dates, the "**TRC Failure Date**") and irrespective of whether or not the Shipper has given notice of such failure to FortisBC Energy pursuant to Section 4.8(c), the Required Security Amount shall immediately be adjusted to again be that amount of Security that the Shipper was required to deliver and maintain under this Transportation Agreement prior to the Third RC Satisfaction Date; and

(ii) if as at the TRC Failure Date FortisBC Energy has complied with Section 4.6(l), then the Shipper shall promptly (and in any event within ten (10) Business Days after the TRC Failure Date), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case, the Shipper delivers Security to FortisBC Energy in an amount equal to the Required Security Amount prior to the Third RC Satisfaction Date.

(k) Notwithstanding any other provision of this Transportation Agreement to the contrary, if the Shipper complies with Section 4.8(j)(ii) and the Shipper again satisfies, and, for a period of eighteen (18) months after the TRC Failure Date, continues to satisfy, the Third Reduction Conditions (and for this purpose any reference in the Third Reduction Conditions to "in the eighteen (18) months prior to the date on which the Fourth RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded) then the Shipper shall again be entitled to reduce the Required Security Amount in accordance with Section 4.6(i) and Sections 4.6(j) to 4.6(l) (inclusive) shall again apply *mutatis mutandis*.

(l) With effect from the Fourth RC Satisfaction Date, Sections 4.8(j) and 4.8(k) shall cease to be operative and of any force and effect.

(m) Notwithstanding any other provision of this Transportation Agreement to the contrary, if after the Fourth RC Satisfaction Date the Shipper fails to continue to satisfy the Fourth Reduction Conditions (and for this purpose any reference in the Fourth Reduction Conditions to "in the eighteen (18) months prior to the date on

which the Fourth RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded), then:

(i) if such failure has not been remedied within the relevant cure period (if any) stated or referred to in the Fourth Reduction Conditions or elsewhere in this Transportation Agreement, with effect from the date of the expiration of such cure period or where there is no relevant cure period, with effect from the date of such failure (the later of such dates, the "**Fourth RC Failure Date**") and irrespective of whether or not the Shipper has given notice of such failure to FortisBC Energy pursuant to Section 4.8(c), the Required Security Amount shall immediately be adjusted to again be that amount of Security that the Shipper was required to deliver and maintain under this Transportation Agreement prior to the Fourth RC Satisfaction Date; and

(ii) if as at the Fourth RC Failure Date FortisBC Energy has complied with Section 4.6(p), then the Shipper shall promptly (and in any event within ten (10) Business Days after the Fourth RC Failure Date), at its cost and expense, deliver to FortisBC Energy additional Security (whether by way of increasing the face value of any existing Security or delivering new instruments of Security), such that, in either case, the Shipper delivers Security to FortisBC Energy in an amount equal to the Required Security Amount prior to the Fourth RC Satisfaction Date.

(n) Notwithstanding any other provision of this Transportation Agreement to the contrary, if the Shipper complies with Section 4.8(m)(ii) and the Shipper again satisfies, and, for a period of eighteen (18) months after the TRC Failure Date, continues to satisfy, the Fourth Reduction Conditions (and for this purpose any reference in the Fourth Reduction Conditions to "in the eighteen (18) months prior to the date on which the Fourth RC Satisfaction Notice is given to Fortis BC Energy" or similar phrases shall be disregarded) then the Shipper shall again be entitled to reduce the Required Security Amount in accordance with Section 4.6(m) and Sections 4.6(n) to 4.6(p) (inclusive) shall again apply *mutatis mutandis*.

4.9 Replacement of Security. Without limiting any other right or remedy of FortisBC Energy under this Transportation Agreement, Rate Schedule 50, at law or in equity, if a Security Default occurs then the Shipper shall, at its cost and expense, within fifteen (15) Business Days of the date on which the Security Default occurs, deliver additional Security to FortisBC Energy sufficient to supplement, replenish or replace (as the case may be) the existing Security such that the aggregate amount of the Security held by FortisBC Energy which conforms with the requirements of this Transportation Agreement and, as applicable, Rate Schedule 50, is not less than the then Required Security Amount.

4.10 No Limitation. Nothing in this Section 4 shall affect the right of FortisBC Energy to recover from the Shipper the whole of any debt, money or damages, or any balance that remains, after recourse to the Security. Nothing in this Section 4 shall affect the obligation of FortisBC Energy to return and release to the Shipper Security in excess of the Required Security Amount pursuant to Section 13.7 of Rate Schedule 50.

5. TERMINATION PAYMENT

5.1 Termination Payment. Notwithstanding Section 22.3 of Rate Schedule 50 if FortisBC Energy terminates this Transportation Agreement in accordance with Section 22.1 (Default) or Section 22.2 (Bankruptcy or Insolvency) of Rate Schedule 50, then Shipper

shall pay to FortisBC Energy a payment ("**Termination Payment**"), payable within ten (10) Business Days after the date such termination is effective, equal to any outstanding amounts due and payable by Shipper to FortisBC Energy under this Transportation Agreement and Rate Schedule 50 that remain unpaid as of the termination date plus the greater of:

(a) the current net book value of the Incremental System Upgrades, less the Remaining CIAC Amount; or

(b) the amount equal to the Net Present Value of the product of 75% x Contract Demand x Firm Demand Toll x 365 days per year x the number of months from the termination date until the Expiry Date divided by 12.

6. CONTRACT DEMAND, SEASONAL FIRM CONTRACT DEMAND AND DEMAND TOLL CREDITS

6.1 **Contract Demand.** For the purposes of this Transportation Agreement "**Contract Demand**" means the quantity of Gas in respect of which FortisBC Energy is obligated to provide Firm Transportation Service, provided that the volume weighted average Heat Content of the Gas received at the Receipt Point is not less than 38.9 MJ/m^3. If FortisBC Energy reasonably determines in respect of any Day or future period that the volume-weighted average Heat Content for all Gas received at the Receipt Point during that Day or future period is or is reasonably likely to be less than 38.9 MJ/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 adjustment will allow FortisBC Energy to deliver to the Shipper the volumetric equivalent in 10^3 m^3 per Day of the Contract Demand. Without limiting the foregoing, at the expiration of every six (6) months during the first thirty six (36) months of the Term, FortisBC Energy will review the operation of the Incremental System Upgrades to determine whether FortisBC Energy can provide to the Shipper an increase in the Base Contract Demand. If it is determined by FortisBC Energy (in its sole discretion, acting reasonably) that the operations of the Incremental System Upgrades can accommodate an increase in the Base Contract Demand, then the Parties shall amend this Transportation Agreement to increase the Base Contract Demand by such volume.

6.2 **Seasonal Firm Contract Demand.** FortisBC Energy agrees to transport and deliver in respect of the Firm Transportation Service a daily incremental quantity of Gas in excess of the Base Contract Demand determined in accordance with Section 6.4, ("**Seasonal Firm Contract Demand**"), it being acknowledged and agreed by the Shipper that when FortisBC exercises its discretion in accordance with Section 6.4 to establish or adjust the Seasonal Firm Contract Demand under this Section 6, the quantity represented by the Seasonal Firm Contract Demand may equal zero in certain periods.

6.3 **Delivery Obligation**. For each Day of the Term, the Contract Demand, for all purposes under Rate Schedule 50 and this Transportation Agreement, shall be deemed to be equal to the Base Contract Demand plus the Seasonal Firm Contract Demand for the applicable month, but if no Seasonal Firm Contract Demand is specified for the applicable month in Schedule A, then the Seasonal Firm Contract Demand for that Day is deemed to be equal to zero. For greater certainty, on each Day of the Term, the quantity of Gas which FortisBC Energy is obligated to transport and deliver pursuant to Section 5.1 of Rate Schedule 50 will be the lesser of:

(a) the Base Contract Demand + the Seasonal Firm Contract Demand; and

(b) the Authorized Quantity.

6.4 Determination of Seasonal Firm Contract Demand. FortisBC Energy will provide an estimate of the Seasonal Firm Contract Demand two (2) years in advance of a calendar year for each year of the Term and will deliver a written notice to the Shipper no later than one (1) year in advance of a calendar year, setting out the daily incremental quantity of Gas which FortisBC Energy, acting reasonably, determines it is able to transport and deliver in respect of Firm Transportation Service in excess of the Base Contract Demand (if any) for each month of that year. The amount for each year may be more or less than the amounts indicated in a prior Seasonal Firm Delivery Notice, as FortisBC Energy will determine (acting reasonably). For clarity, the notice in writing to be given under this Section 6.4 shall be in the form of Schedule A attached to this Transportation Agreement as of the Effective Date, and, upon delivery of such notice to the Shipper, this Transportation Agreement shall be deemed to be amended automatically by replacing the information contained in the current Schedule A with information contained in that notice, without requiring any further action by either Party.

6.5 Acknowledgment. The Shipper acknowledges and agrees that FortisBC Energy's agreement to deliver a daily incremental quantity of Gas as part of its Firm Transportation Service under Rate Schedule 50 and this Transportation Agreement, in the amount of the Seasonal Firm Contract Demand, together with any subsequent change in the amount of that Seasonal Firm Contract Demand made in accordance with the terms of this Transportation Agreement, may result in either an increase or a decrease to the Shipper's Firm Demand Toll, and certain other amounts, determined or calculated in accordance with Rate Schedule 50 or this Transportation Agreement (including, for certainty, any Reimbursement Amount calculated in accordance with Section 3.1).

6.6 Demand Toll Credits. Subject to Section 6.10, 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 three (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 of Rate Schedule 50.

6.7 Amount of Demand Toll Credit. The Demand Toll Credit applied by FortisBC Energy in respect of any Day pursuant to Section 6.6 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 and the Authorized Quantity.

6.8 Interruptible Demand Toll Credits. Subject to Section 6.10, 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 the Gross Negligence or Wilful Misconduct of FortisBC Energy then the Shipper will be entitled to a toll credit ("**Toll Credit (IT)**") for that Day which FortisBC Energy will apply to the Interruptible Demand Toll (if any) invoiced in a following monthly bill and in each next following monthly bill, rendered pursuant to Section 12 of

Rate Schedule 50 until the Toll Credit (IT) is reduced to zero. Notwithstanding the foregoing, any Toll Credit (IT) which is not applied in the manner described above within thirty (30) months after the date on the Shipper first became entitled to the Toll Credit (IT) pursuant to this Section 6.8 shall automatically cease and be extinguished. For certainty:

(a) the thirty (30) month period referred to above will apply separately to each Toll Credit (IT) to which the Shipper becomes entitled pursuant to this Section 6.8;

(b) the thirty (30) month period for each Toll Credit (IT) will commence on the date on which the Shipper first became entitled to the Toll Credit (IT) pursuant to this Section 6.8;

(c) subject to Section 6.8(d), any Toll Credit (IT) which has not been applied as at the expiration of the Term (including, for certainty, the Term as extended or renewed pursuant to Section 7.1) shall automatically cease and be extinguished; and

(d) if the Term is extended or renewed pursuant to Section 7.1 then any Toll Credit (IT) which has not been applied or extinguished in accordance with this Section 6.8 as at the date of such extension or renewal, shall continue in full force and effect until subsequently applied by FortisBC Energy or extinguished in accordance with this Section 6.8.

6.9 Amount of Toll Credit (IT). The Toll Credit (IT) to which the Shipper is entitled in respect of any Day pursuant to Section 6.8 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 and the Authorized Quantity.

6.10 Limitations on Toll Credits. For greater certainty, the Shipper will not be entitled to a 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 of Rate Schedule 50; or

(iii) the Shipper fails to take delivery of Gas at any Delivery Point.

7. RENEWAL AND ASSIGNMENT

7.1 Renewal of TSA. If the Shipper delivers to FortisBC Energy a written notice, two (2) years prior to the Expiry Date, indicating its desire to extend or renew this Transportation Agreement, then as soon as reasonably practicable FortisBC Energy and the Shipper shall use commercially reasonable efforts to agree upon terms on which this Transportation Agreement will be extended or renewed for an additional term not exceeding twenty (20) years. The Firm Demand Toll and Interruptible Demand Toll applicable during such additional term will be based on, among other factors, the then-current book value of the Incremental System Upgrades. Any extension or renewal of the

Term will result in a revised Expiry Date that will supersede the Expiry Date referred to in Section 1.

7.2 Assignment.

(a) For the purposes of this Section 7.2 "**assign**" and inflexions of "**assign**" means to sell, assign, transfer, licence, or otherwise dispose or part with possession of either directly or indirectly.

(b) Subject to the Shipper's compliance with Sections 7.2(d) and 7.2(e), the Shipper may assign all (but not less than all) of its rights and obligations under this Transportation Agreement to any third party ("**Assignee**") with the prior written approval of FortisBC Energy, which approval will not be unreasonably withheld.

(c) For the purposes of Section 7.2(b), FortisBC Energy will not be considered to be acting unreasonably in withholding its approval if, among other things, FortisBC Energy requires or must be satisfied (as the case may be) that:

(i) the Assignee first execute a written agreement (to be prepared by FortisBC Energy's counsel at the cost of the Assignee on terms satisfactory to the Parties) by which the Assignee agrees to assume the obligations of the Shipper under this Transportation Agreement;

(ii) the Shipper pay all reasonable expenses (including legal costs on a full indemnity basis) incurred by FortisBC Energy in investigating the proposed Assignee and the proposed assignment;

(iii) the Assignee to demonstrate prior to the Assignment Date to the satisfaction of FortisBC Energy, acting reasonably, that it is able to perform the obligations of the Shipper under this Transportation Agreement;

(iv) all outstanding amounts (on any account whatsoever) due and owing by the Shipper to FortisBC Energy under this Transportation Agreement and Rate Schedule 50 up to and including the Assignment Date be paid in full by the Shipper;

(v) if prior to or upon completion of the assignment the Assignee will not provide replacement Security and the Security previously provided by the Shipper will continue to constitute the required Security for the purposes of this Transportation Agreement, FortisBC Energy being satisfied that the proposed assignment will not have an adverse effect on the validity or enforceability of the Security previously delivered by or on behalf of the Shipper to FortisBC Energy under this Transportation Agreement;

(vi) if Section 7.2(c)(iv) does not apply, that on or before the Assignment Date the Assignee shall deliver to FortisBC Energy Security in the amount and of the nature, type and form required to be delivered and maintained by the Shipper under this Transportation Agreement as at the Assignment Date (which will be determined solely by FortisBC Energy);

(vii) as at the Assignment Date the Assignee and its Affiliates are not subject to Sanctions or are Sanctioned Persons or Sanctioned Entities and are not Controlled by a Sanctioned Person or a Sanctioned Entity and at all times

in the twelve (12) month period prior to the Assignment Date the Assignee and its Affiliates were not subject to Sanctions or were Sanctioned Persons or Sanctioned Entities and were not Controlled by a Sanctioned Person or a Sanctioned Entity; and

(viii) if the CSA is extant as at the Assignment Date, concurrently with the assignment of this Transportation Agreement, the Woodfibre Parties (as defined in the CSA) assign their right, title and interest in and to the CSA to the Assignee in accordance with the CSA to the same extent as the rights and interests of the Shipper under this Transportation Agreement being assigned by the Shipper to the Assignee in connection with the assignment.

(d) Any request by the Shipper for FortisBC Energy's consent under Section 7.2(b) shall:

(i) be made by the Shipper to FortisBC Energy in writing;

(ii) be made not less than thirty (30) Days prior to the commencement of the proposed third party assignment; and

(iii) specify in reasonable detail the nature of the assignment to the Assignee including the period or date in or on which the proposed assignment to the Assignee will commence and complete ("**Assignment Date**").

(e) At the request of FortisBC Energy, the Shipper shall promptly provide to FortisBC Energy further information in connection with the proposed assignment of this Transportation Agreement to the Assignee in such form (including, for certainty, documents) and in such detail as FortisBC Energy, acting reasonably, may require.

7.3 Assignment by way of Security. Notwithstanding Section 7.2, nothing in this Transportation Agreement or in Rate Schedule 50 shall prevent either Party from pledging, charging or mortgaging its rights under this Transportation Agreement or Rate Schedule 50 as security for its indebtedness or obligations without the consent of the other Party. Any Person who has acquired a security interest under this 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.

7.4 Assignment to Affiliate.

(a) The Shipper may, without complying with the provisions of Section 7.2, assign all of its rights and obligations under this Transportation Agreement to an Affiliate of the Shipper as long as:

(i) notice of such assignment is provided to FortisBC Energy no later than thirty (30) Days prior to the date of such proposed assignment;

(ii) the Affiliate of the Shipper first executes and delivers to FortisBC Energy an agreement on terms satisfactory to FortisBC Energy and the Affiliate, by which the Affiliate agrees to be bound by and to perform and observe all of the terms and conditions of this Transportation Agreement binding upon

and to be performed and observed by the Shipper and specifying an address for service, including the address and email address for the Affiliate; and

(iii) the Affiliate of the Shipper agrees that before ceasing to be an Affiliate of the Shipper it shall, at its option, either:

(A) comply with the change of Control provisions applicable to the Shipper as set out in Section 7.5; or

(B) promptly assign all of the rights and obligations under this Transportation Agreement previously assigned to it by the Shipper back to the Shipper or to another Person who is an Affiliate of the Shipper as long as prior to such assignment such Person and the Shipper first comply with Section 7.4(a)(ii).

(b) The Shipper acknowledges and agrees that no assignment to its Affiliate in accordance with Section 7.4(a) in any way releases or discharges any Security provided by or on behalf of the Shipper or relieves the Shipper from the performance of any of its obligations under this Transportation Agreement and Rate Schedule 50 and:

(i) the Shipper will then remain jointly and severally liable with its Affiliate for all obligations and liabilities of the Shipper under this Transportation Agreement and Rate Schedule 50; and

(ii) FortisBC Energy may at its sole option have recourse against either or both the Shipper and its Affiliate for any and all obligations or liabilities of the Shipper under this Transportation Agreement and Rate Schedule 50.

7.5 Exception. Nothing in this Section 7 or elsewhere in this Transportation Agreement applies to or restricts in any manner a change of Control of the Shipper (whether through merger, amalgamation, business combination, reorganization, plan of arrangement, public listing, sale of shares or other equity interests, sale of all or substantially all of the assets or otherwise) as long as:

(a) notice of such intended change of Control is provided to FortisBC Energy no later than thirty (30) Days prior to the date of completion of the transaction by which such change of Control will be effected;

(b) in the case of a merger, amalgamation, business combination, reorganization, plan of arrangement or other merger transaction, the merger, amalgamation, business combination, reorganization, plan of arrangement or other merger transaction has the effect in law of the amalgamated, resulting or surviving corporation possessing substantially all the property, rights and interests and being subject to substantially all the debts, liabilities and obligations of each amalgamating or predecessor corporation;

(c) in the case of a merger, amalgamation, business combination, reorganization, plan of arrangement or other merger transaction, the amalgamated, resulting or surviving corporation is not subject to Sanctions or is a Sanctioned Person or a Sanctioned Entity and is not Controlled by a Sanctioned Person or a Sanctioned Entity; and

(d) without limiting Section 7.5(b), such change of Control shall not relieve the Shipper of any of its liabilities or obligations under this Transportation Agreement or Rate Schedule 50 or release or discharge or adversely affect the validity or enforceability of any Security provided by or on behalf of the Shipper.

8. GENERAL

8.1 Independent Legal Advice. The 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.

8.2 Direct Agreement. FortisBC Energy agrees that it will, if requested by the Shipper, enter into a direct agreement with the Shipper's debt financiers ("**Financing Entities**"), in a form acceptable to FortisBC Energy, acting reasonably, acknowledging the Shipper's assignment of its rights under this Transportation Agreement by way of security and providing for customary step-in and cure rights upon any default of the Shipper under this Transportation Agreement. For certainty, FortisBC Energy will be taken to have acted reasonably if it does not accept a form of direct agreement proposed by the Financing Entities if FortisBC Energy considers that the proposed form of direct agreement would increase or enlarge the liability of FortisBC Energy under this Transportation Agreement or would prejudice or otherwise affect the rights, remedies and powers of FortisBC Energy under this Transportation Agreement.

8.3 Condition Precedent. All obligations of the Parties to this Transportation Agreement are subject to the approval by the BCUC (on terms satisfactory to FortisBC Energy and the Shipper) of the rates, terms and conditions set out this Transportation Agreement as a supplemental tariff to Rate Schedule 50, and will come into force and effect when approved by the BCUC.

8.4 Acknowledgement.

(a) Subject to Section 8.4(b) and notwithstanding Section 18.2(b) and Section 18.2(c) of Rate Schedule 50, FortisBC Energy acknowledges and consents to the fact that:

(i) the Shipper may not be the sole legal and beneficial owner and user of the LNG Facility to which Gas is to be delivered under this Rate Schedule 50 and the Transportation Agreement;

(ii) the Shipper may enter into agreements with Third Parties with respect to the sale of Gas or LNG from the Shipper to such Third Parties in amounts less than the Contract Demand, and for periods less than the Service Period; and

(iii) the Shipper may not be responsible for acquiring under contract sufficient Gas supplies or reserves, nor 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 this Transportation Agreement, nor for obtaining all governmental authorizations and approvals in connection therewith but if either FortisBC Energy or the Shipper is or at any time during the Term becomes responsible for acquiring or obtaining any of the foregoing items and things, then as between FortisBC Energy and the Shipper, the Shipper

shall be solely responsible for acquiring or obtaining any such items and things.

(b) The Shipper acknowledges and agrees that except to the extent specified in Section 8.4(a) in respect of Section 18.2(b) and Section 18.2(c) of Rate Schedule 50, nothing in Section 8.4(a) lessens or otherwise affects the obligations or liabilities of the Shipper under this Transportation Agreement, Rate Schedule 50, or at law or in equity.

8.5 Shipper More than one Person. Each Woodfibre Party is, to the extent permitted by applicable law, jointly and severally liable for the obligations and liabilities of the Shipper set out in, created by or arising under or in connection with this Transportation Agreement and Rate Schedule 50.

8.6 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 have executed this Transportation Agreement.

FORTISBC ENERGY INC.

BY: _____
(Signature)

PRESIDENT & CEO
(Title)

ROGER DALL'ANTONIA
(Name – Please Print)

DATE: SEP 13, 2021

PACIFIC ENERGY CORP.

BY: _____
(Signature)

DIRECTOR
(Title)

RON W. BAILEY
(Name – Please Print)

DATE: SEPT 13, 2021

WOODFIBRE LNG LIMITED.

BY: _____
(Signature)

DIRECTOR
(Title)

RON W. BAILEY
(Name – Please Print)

DATE: SEPT 13, 2021

Schedule A
Seasonal Firm Contract Demand

Month	Days per Month	Firm Contract Demand for Month (Gigajoules per day)	Annualized Firm Contract Demand(1) (Gigajoules per day)
April	30	0	0
May	31	5,000	425
June	30	10,000	822
July	31	10,000	849
August	31	10,000	849
September	30	5,000	411
October	31	0	0
	Seasonal Firm Contract Demand for Toll Calculations		3,356

Notes: (1) Annualized Firm Contract Demand = Firm Contract Demand x Days in Month/365

Schedule B
Satisfaction Certificate

FortisBC Energy Inc.
16705 Fraser Highway
Surrey, British Columbia
Canada V3S 2X7

Dear Sirs

SATISFACTION CERTIFICATE

Reference is made to the Transportation Agreement dated September 13, 2021 ("**Agreement**") between FortisBC Energy Inc. ("**FortisBC Energy**") and Pacific Energy Corp. ("**PEC**") and Woodfibre LNG Limited ("**WLNG**") (collectively PEC and WLNG, the "**Shipper**").

Words and expressions defined in the Agreement, but not defined in this Satisfaction Certificate, will have the same meaning when used in this Satisfaction Certificate.

I, the undersigned, hereby certify that I am <*insert title of senior officer*> of the Shipper. I further certify for and on behalf of the Shipper and not in my personal capacity and without personal liability, intending that the same may be relied upon by FortisBC Energy without further enquiry, that:

1. The <*First Reduction Conditions/Second Reduction Conditions/Third Reduction Conditions/Fourth Reduction Conditions*> were satisfied by the Shipper in accordance with the terms of the Agreement as of [•] [•], 20[•];

2. The documents enclosed under cover of this Satisfaction Certificate record or are reasonable evidence of the satisfaction of the <*First Reduction Conditions/Second Reduction Conditions/Third Reduction Conditions/Fourth Reduction Conditions*>.

This certificate is issued subject to the terms and conditions contained in the Agreement.

DATED as of this _____ day of [•] 20[•].

[•]<*insert title of entity*>

_____
Name:
Title: <*insert title of senior officer*>

Schedule C
Form of Letter of Credit

TO: FortisBC Energy Inc.
16705 Fraser Highway
Surrey, British Columbia, Canada
V3S 2X7

("**Beneficiary**")

DATE: _____

TRANSPORTATION AGREEMENT DATED SEPTEMBER 13, 2021 BETWEEN AND PACIFIC ENERGY CORP. AND WOODFIBRE LNG LIMITED ("APPLICANT") AND FORTISBC ENERGY INC. ("AGREEMENT")

Irrevocable Standby Letter of Credit No: _____

At the request of the Applicant, we hereby issue in your favour our irrevocable standby letter of credit No. _____ ("**Letter of Credit**") for a sum not exceeding in the aggregate CDN $[•] (_____Canadian Dollars) effective immediately.

Subject to compliance with the drawing conditions set out in this Letter of Credit, this Bank hereby agrees to immediately pay to you under this Letter of Credit any amount or amounts claimed, not exceeding in the aggregate the sum of CDN $_____, upon your written demand(s) for payment being made upon us at our counter during normal business hours, upon [•] (Vancouver office), [•], Suite [•], Vancouver, British Columbia, [•] [•], Canada referencing this Letter of Credit No. _____ dated _____.

Partial drawings are permitted.

This Letter of Credit is issued subject to the Uniform Customs and Practice for Documentary Credits, 1993 revision, ICC publication no. 500 and the laws of the Province of British Columbia. In case of conflict between the rules of the ICC publication no. 500 and the laws of the Province of British Columbia, the laws of the Province of British Columbia will prevail.

Drawings up to the full amount of this Letter of Credit may be made where the drawing is accompanied by a certificate executed by an officer or director of the Beneficiary stating that:

(a) the person signing the certificate is an officer or director of the Beneficiary; and

(b) the Beneficiary is entitled to call down upon this Letter of Credit.

Any drawings made under this Letter of Credit must be accompanied by the original of this Letter of Credit, together with an original certificate complying with the conditions set out above.

We will honour your written demand(s) for payment on presentation without enquiring whether you have a legitimate claim between yourself and the Applicant.

All banking charges are for the account of the Applicant.

This Letter of Credit will expire at the counters of our Vancouver office at the close of business on _____. It is a condition of this Letter of Credit that it

will be automatically extended for an additional period(s) of one year from the present, or any future, expiry date, unless not less than one hundred twenty (120) days prior to such date we notify the Beneficiary in writing by registered mail or by hand-delivered courier that we elect not to extend this Letter of Credit for such additional period(s).

_____ Authorized Signatory

_____ Authorized Signatory



FORTISBC ENERGY INC.

TRANSPORTATION AGREEMENT

TRANSPORTATION AGREEMENT FOR

RATE SCHEDULE 50

This Agreement is dated as of May 1, 2022 between FortisBC Energy Inc. ("**FortisBC Energy**") and Pacific Energy Corp**.** ("**PEC**") and Woodfibre LNG Limited ("**WLNG**") (collectively PEC and WLNG, the "**Shipper**").

WHEREAS:

A. FortisBC Energy owns and operates the System;

B. The Shipper and FortisBC Energy have entered into a Transportation Agreement dated September 13, 2021 with, subject to certain adjustment, a Contract Demand of 260,000 GJ per day ("**Primary Transportation Agreement**");

C. BCHydro and FortisBC Energy were parties to a transportation agreement dated September 19, 2007 ("**BCHydro Transportation Agreement**") pursuant to which FortisBC Energy was, among other things, obliged to provide a firm transportation service in respect of 40,000 GJ per day;

D. Pursuant to its terms the BC Hydro Transportation Agreement terminated as of April 12, 2022, and as a consequence of the termination of the BCHydro Transportation Agreement the Shipper desires that FortisBC Energy, among other things, in addition to the firm transportation service to be provided under the Primary Transportation Agreement, provide the Shipper with a firm transportation service in respect of 40,000 GJ per day; and

E. FortisBC Energy will arrange for the transportation of Gas on a firm 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 in this Transportation Agreement.

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.

Contract Demand	Has the meaning given in Section 2.1(h)
Commencement Date:	Has the meaning given in Section 2.1(e)
Expiry Date:	Has the meaning given in Section 2.1(n)

Form of Security:	As determined from time to time in accordance with this Transportation Agreement
Receipt Point(s):	The point at 835.9 km-post 917.6 where the Transporter's pipeline system in British Columbia interconnects with the System
Delivery Point(s):	The outlet flange of the Custody Transfer & Metering Station at the LNG Facility
Shipper's service address:	Woodfibre LNG Limited Pacific Energy Corp. 1185 W Georgia St, Ninth Floor Vancouver, BC, V6E 4E6
Account Number:	As notified by FortisBC Energy to the Shipper on or before the Commencement Date
Address of Shipper for receiving notices:	Woodfibre LNG Limited Pacific Energy Corp. 1185 W Georgia St, Ninth Floor Vancouver, BC, V6E 4E6 Attention: Vice President Commercial Telephone: 604 620 7883 Fax: 604-620-8860 Email: commercial@WLNG.ca

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 defined below or otherwise defined in this Transportation Agreement will have the meanings 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**"):

(a) "**Affiliate**" means any Person which directly or indirectly Controls, is Controlled by, or is under common Control with a Person;

(b) "**Assignee**" has the meaning given in the Primary Transportation Agreement;

(c) "**BC Hydro Transportation Agreement**" has the meaning given Recital C;

(d) "**Capacity Termination Payment**" has the meaning given in Section 3.3(a)(ii);

(e) "**Commencement Date**" has the meaning given in the Primary Transportation Agreement;

(f) "**Completion Date**" has the meaning given in the Primary Transportation Agreement;

(g) "**Construction Security Agreement**" or "**CSA**" has the meaning given in the Primary Transportation Agreement;

(h) "**Contract Demand**" has the meaning given in Section 7.1;

(i) "**Control**" and inflexions of "**Control**" means, in relation to any Person, possession, directly or indirectly, of the power to direct or cause direction of management and policies of that Person through ownership of voting securities, contract, voting trust or otherwise;

(j) "**CSA Termination Date**" means the date on which, prior to the Commencement Date, the CSA is terminated for any reason other than in the circumstances set out in Section 13.5(1) of the CSA;

(k) "**Custody Transfer & Metering Station**" means FortisBC Energy's metering facility, located on or adjacent to the site of the LNG Facility, immediately upstream of the Delivery Point;

(l) "**Demand Toll Credit**" has the meaning given in, and will be calculated in accordance with, Section 7.5;

(m) "**Encumbrance**" means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), charge, trust or other encumbrance of any nature whether registerable or not or any agreement to give or create any of the foregoing;

(n) "**Expiry Date**" means, subject to any earlier termination in accordance with Rate Schedule 50, the 40th anniversary of the Commencement Date;

(o) "**Financing Entities**" has the meaning given in Section 10.2;

(p) "**Firm Demand Toll**" has the meaning given in Section 4.1;

(q) "**Gross Negligence**" means such wanton and reckless conduct (which was not an error of judgment, mistake or other act or omission (negligent or not)) as constitutes an utter disregard for the harmful, foreseeable and avoidable consequences which result from that conduct but Gross Negligence does not include any conduct insofar as it was done or omitted in accordance with the express consent or approval of all Parties;

(r) "**Heat Content**" means the quantity of energy per unit volume of Gas measured under standardized conditions and expressed in megajoules per cubic metre (MJ/m3);

(s) "**Letter of Credit**" means an irrevocable, unconditional and self-renewing standby letter of credit in favour of FortisBC Energy:

(i) which is in the form and on the terms and conditions specified in Schedule A or any other form agreed and approved in writing by FortisBC Energy (in its sole discretion); and

(ii) which is issued by a bank or financial institution in Canada approved by FortisBC Energy (in its sole discretion) which meets the Minimum Credit Rating (and for the purposes of this Section 2.1(s)(ii) each of the Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia or Royal Bank of Canada are approved by FortisBC Energy as long as such institution meets the Minimum Credit Rating); and

(iii) which is capable of being drawn down on at the issuing bank or financial institution's counters in the City of Vancouver, British Columbia or such other city or municipality within the Province of British Columbia as may be acceptable to FortisBC Energy (in its sole discretion),

and for certainty, a reference to a Letter of Credit includes and means the Letter of Credit as modified, replaced or renewed or supplemented by any additional letter of credit at any time during the Term;

(t) "**LNG**" means liquefied natural gas;

(u) "**LNG Facility**" means the proposed natural gas liquefaction and export facility, including all facilities comprising a part of or which are adjacent to such liquefaction and export facility which are used for the storage, lifting and loading of LNG produced by such liquefaction and export facility, to be located south of Squamish in Howe Sound, British Columbia;

(v) "**Minimum Credit Rating**" means on the relevant date of determination:

(i) in the case of a Letter of Credit, the following minimum measures of creditworthiness assigned to a bank or financial institution in Canada issuing a Letter of Credit which are to be assigned by not less than two of the following independent credit rating agencies:

(A) DBRS (A-high);

(B) Standard and Poor's Ratings Services (A+); and

(C) Moody's Investors Services (A1);

(ii) in the case of a Surety Bond, the following minimum measures of creditworthiness assigned to a financial institution or insurance company in Canada licensed to conduct the business of an insurer in the Province of British Columbia issuing a Surety Bond which are to be assigned by not less than two of the following independent credit rating agencies:

(A) DBRS (AA);

(B) Standard and Poor's Ratings Services (AA); and

(C) Moody's Investors Services (Aa2);

(w) "**Primary Transportation Agreement**" has the meaning given in Recital B;

(x) "**Recallable Curtailment Notice**" has the meaning given in Section 7.2(a);

(y) "**Required Security Amount**" means, at any determination or adjustment date, the amount of the Security required to be delivered and maintained by the Shipper under this Transportation Agreement and Rate Schedule 50, as determined or adjusted by FortisBC Energy in accordance with Section 5;

(z) "**Reservation Period**" means the period that commences on the Reservation Security Commencement Date and expires on the earlier of:

(i) the Commencement Date; and

(ii) the CSA Termination Date;

(aa) "**Reservation Security**" has the meaning given in Section 3.1(a);

(bb) "**Reservation Security Amount**" means, on the Reservation Security Commencement Date or on each subsequent anniversary of the Reservation Security Commencement Date during the Reservation Period (as the case may be) the amount of the Reservation Security required to be delivered and maintained by the Shipper under this Transportation Agreement as determined in accordance with Section 3.2;

(cc) "**Reservation Security Commencement Date**" means that date which is the later of:

(i) the date on which this Transportation Agreement and its subject matter is approved by the BCUC; and

(ii) June 1, 2022;

(dd) "**Security**" means a Letter of Credit or a Surety Bond or other cash form of security;

(ee) "**Security Default**" means the occurrence of any of the following events:

(i) the issuer of the Security fails to maintain the Minimum Credit Rating;

(ii) the issuer of the Security fails to comply with or perform its obligations under such Security;

(iii) the issuer of the Security disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Security;

(iv) the Security expires or terminates, or fails or ceases to be in full force and effect at any time during the Term, in any such case without replacement; or

(v) the issuer of the Security 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 issuer of the Security or the issuer of the Security seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose;

(ff) "**Service Period**" means, in respect of the initial Service Period, the period commencing at 0700 DST on the Commencement Date and ending immediately prior to 0700 DST on the next occurring January 1st and in respect of each successive Service Period thereafter, means the period commencing at 0700 DST on each succeeding January 1st and ending immediately prior to 0700 DST on the earlier of:

(i) the next occurring January 1st in the Term; or

(ii) the Expiry Date;

(gg) "**Surety Bond**" means an irrevocable and self-renewing surety bond, security bond or similar security instrument in favour of FortisBC Energy:

(i) which is in the form and on the terms and conditions agreed and approved in writing by FortisBC Energy (in its sole discretion); and

(ii) which is issued by an institution in Canada licensed to conduct the business of an insurer in the Province of British Columbia which is approved by FortisBC Energy (in its sole discretion) and which meets the Minimum Credit Rating (and for the purposes of this Section 2.1(ff) Euler Hermes Canada is approved by FortisBC Energy as long as such institution meets the Minimum Credit Rating); and

(iii) which is capable of being drawn on or called upon at the issuing institution's offices in the City of Vancouver, British Columbia or such other city or municipality within the Province of British Columbia as may be acceptable to FortisBC Energy (in its sole discretion),

and for certainty, a reference to a Surety Bond includes and means the Surety Bond as modified, replaced or renewed or supplemented by any additional surety bond at any time during the Term;

(hh) "**Term**" means the term of this Transportation Agreement which commences on the Commencement Date and subject to any earlier termination of this Transportation Agreement in accordance with Rate Schedule 50 or extension or renewal pursuant to Section 8.1, expires on the Expiry Date;

(ii) "**Termination Payment**" has the meaning given in Section 6.1;

(jj) "**Toll Credit**" means the Demand Toll Credit or the Toll Credit (IT), as the context requires;

(kk) "**Toll Credit (IT)**" has the meaning given in, and will be calculated in accordance with, Section 7.6;

(ll) "**Third Party**" means any Person other than a Party or any of its Affiliates;

(mm) "**Wilful Misconduct**" means any act or failure to act that was intentional and intended to cause or which was in reckless disregard of or wanton indifference to, the foreseeable consequences of such action or failure to act; and

(nn) "**Woodfibre Party**" means PEC or WLNG, as the context requires.

2.2 Interpretation. Unless the context otherwise requires, in this Transportation Agreement:

(a) the singular includes the plural and conversely and a gender includes all genders;

(b) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(c) a reference to a person, corporation, trust, partnership, joint venture, unincorporated body or other entity includes any of them;

(d) a reference to a Section or Schedule is a reference to a Section of or a Schedule to this Transportation Agreement;

(e) a reference to an agreement or document (including a reference to this Transportation Agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced except to the extent prohibited by this Transportation Agreement or that other agreement or document;

(f) a reference to a party to this Transportation Agreement or another agreement or document includes the party's successors and permitted substitutes (including persons taking by novation) or assigns (and, where applicable, the party's legal personal representatives);

(g) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation, code, by-law, ordinance or statutory instrument issued under it;

(h) a reference to *dollars* and *$* is to the currency of Canada;

(i) the word "including" means "including without limitation" and "include" and, "includes" will be construed similarly;

(j) headings and any table of contents or index are for convenience only and do not form part of this Transportation Agreement or affect its interpretation;

(k) a provision of this Transportation Agreement must not be construed to the disadvantage of a Party merely because that Party was responsible for the

preparation of this Transportation Agreement or the inclusion of the provision in this Transportation Agreement;

(l) a reference to any thing (including a right, obligation or concept) includes a part of that thing, but nothing in this Section 2.2(l) implies that performance of part of an obligation constitutes performance of the obligation; and

(m) if an act is prescribed to be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.

2.3 Additional Terms. Subject to Section 2.5, 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.

2.4 Payment of Amounts. Without limiting the generality of Section 2.3, 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 the Shipper under Rate Schedule 50 and this Transportation Agreement.

2.5 Conflict. Where anything in Rate Schedule 50 conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement prevails to the extent of the inconsistency. The General Terms and Conditions of FortisBC Energy do not apply to the services provided by FortisBC Energy to the Shipper under Rate Schedule 50 and this Transportation Agreement.

2.6 Acknowledgement. Subject to the terms of this Transportation Agreement, the Shipper agrees to comply with and be bound by all terms and conditions set out in Rate Schedule 50. Without limiting the generality of the foregoing, where the transportation service provided by FortisBC Energy to Shipper under this Transportation Agreement is subject to curtailment as set out in Rate Schedule 50, the Shipper acknowledges that it is able to accommodate such curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such curtailment of transportation service.

3. RESERVATION OF CAPACITY AND RESERVATION SECURITY

3.1 Reservation Security and Reservation Period.

(a) To reserve the capacity represented by the Contract Demand for the Shipper's exclusive future use during the Term, the Shipper shall, at its cost and expense, deliver to FortisBC Energy on the Reservation Security Commencement Date and on each anniversary of the Reservation Security Commencement Date during the Reservation Period, security in an amount equal to the Reservation Security Amount ("**Reservation Security**").

(b) Subject to Section 3.1(c), all Reservation Security provided by the Shipper to FortisBC Energy pursuant to this Section 3.1 shall be in the form of a Letter of Credit.

(c) FortisBC Energy may, at any time, in its sole discretion, elect to accept a guarantee (on terms and conditions satisfactory to FortisBC Energy) from a Third Party as Reservation Security.

3.2 Reservation Security Amount

(a) The amount of the Reservation Security that the Shipper shall provide to FortisBC Energy during the Reservation Period is:

(i) on the Reservation Security Commencement Date, the sum of eight million dollars ($8,000,000);

(ii) in the case of each subsequent year during the Reservation Period, an additional sum of eight million dollars ($8,000,000).

(b) On each anniversary of the Reservation Security Commencement Date during the Reservation Period, the Reservation Security Amount shall increase by an amount equal to eight million dollars ($8,000,000). For the avoidance of doubt and for illustrative purposes:

(i) on the second anniversary of the Reservation Security Commencement Date, the Reservation Security Amount shall increase by eight million dollars ($8,000,000) to be sixteen million dollars ($16,000,000);

(ii) on the third anniversary of the Reservation Security Commencement Date, the Reservation Security Amount shall increase by eight million dollars ($8,000,000) to be twenty four million dollars ($24,000,000); and

(iii) on the fourth anniversary of the Reservation Security Commencement Date, the Reservation Security Amount shall increase by eight million dollars ($8,000,000) to be thirty two million dollars ($32,000,000).

(c) The Shipper shall (at its cost and expense) amend, replace, provide or supplement (as the case may be) the Reservation Security to ensure that at all times during the Reservation Period the amount of the Reservation Security is not less than the then current Reservation Security Amount.

(d) The Shipper shall ensure that all Reservation Security remains valid and in full force and effect during the Reservation Period until released to the Shipper in accordance with this Transportation Agreement. At all times during the Reservation Period the Shipper shall not create, incur, suffer or permit to be created or incurred or to exist any Encumbrance on any Reservation Security.

(e) The Shipper acknowledges and agrees that Sections 5.7 and 5.8 shall apply to the Reservation Security as if:

(i) a reference in the definition of Security Default to *"Security"* was to *"Reservation Security"*;

(ii) a reference in Sections 5.7 and 5.8 to *"Security"* was to *"Reservation Security"*; and

(iii) a reference in Sections 5.7 and 5.8 to *"Required Security Amount"* was to *"Reservation Security Amount"*.

Notwithstanding the foregoing, the last sentence of Section 5.8 shall not apply to the Reservation Security.

3.3 Termination of Reservation of Capacity.

(a) The Shipper acknowledges and agrees that:

(i) with effect from the CSA Termination Date, the capacity represented by the Contract Demand shall immediately cease to be reserved for the Shipper's exclusive future use and FortisBC Energy shall, at its option and without any liability whatsoever, be entitled to allocate that Contract Demand or any part of it to parties other than the Shipper; and

(ii) subject to Section 3.3(b) and Section 3.3(c), the Shipper, on or within 10 Days after the CSA Termination Date, shall pay FortisBC Energy an amount equal to the then current Reservation Security Amount as at the CSA Termination Date ("**Capacity Termination Payment**").

(b) If the CSA Termination Date does not coincide with an anniversary of the first Day of the Reservation Period then for the purposes of calculating the Capacity Termination Payment that part of the Reservation Security Amount attributable to the year of the Reservation Period that commenced on the immediately preceding anniversary of the first Day of the Reservation Period shall be prorated (on a daily basis).

(c) Unless and until this Transportation Agreement is approved by the BCUC (as contemplated by Section 10.3) or an Order in Council, the Shipper shall not be liable to pay FortisBC Energy the Capacity Termination Payment.

3.4 Recourse to or Return of Reservation Security.

(a) FortisBC Energy may enforce and immediately draw down, realize or call upon the Reservation Security if and to the extent of any amount that is owed by the Shipper to FortisBC Energy under this Transportation Agreement on account of the Capacity Termination Payment which remains unpaid for a period of 5 Days following the date that such amount was due under Section 3.3(a)(i) and apply the proceeds of the Reservation Security to such unpaid amount.

(b) The Shipper acknowledges and agrees that Section 13.6 of Rate Schedule 50 shall apply to the Reservation Security as if a reference in Section 13.6 of Rate Schedule 50 to *"Security"* was to *"Reservation Security"*.

(c) To the extent that FortisBC Energy has not previously had recourse to the Reservation Security FortisBC Energy shall return the Reservation Security to the Shipper on that date which is 14 Days after the earlier of:

(i) the Commencement Date; and

(ii) the date on which the Shipper has paid the Capacity Termination Payment in full to FortisBC Energy.

(d) FortisBC Energy and the Shipper agree that:

(i) the Capacity Termination Payment is a genuine pre-estimate of the damages incurred by FortisBC Energy from the early termination of this Transportation Agreement and is not a penalty; and

(ii) upon payment of the Capacity Termination Payment in full this Transportation Agreement shall automatically terminate and 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 this Transportation Agreement.

4. FIRM DEMAND TOLL APPLICABLE TO THE SHIPPER

4.1 Firm Demand Toll applicable to the Shipper. The Firm Demand Toll applicable to the Shipper under this Transportation Agreement shall be determined in accordance with Section 4.1 of the Table of Charges to Rate Schedule 50.

5. SECURITY AND CREDIT

5.1 Determination of Security. Without limiting Section 2.5 and notwithstanding Sections 13.1, 13.2, 13.3, 13.4, of Rate Schedule 50, the Parties acknowledge and agree that for all purposes under Rate Schedule 50 and this Transportation Agreement, the nature, type and form of Security required by FortisBC Energy and the Required Security Amount will be determined in accordance with this Section 5.

5.2 Form and Amount of Security. Unless expressly agreed otherwise by FortisBC Energy, during the Term:

(a) the nature, type and form of the Security required by FortisBC Energy will be one (1) or more Letters of Credit or one (1) or more Surety Bonds; and

(b) the Security shall be in an amount not less than one hundred percent (100%) of the Required Security Amount.

Notwithstanding the foregoing, FortisBC Energy may, at any time, in its sole discretion, elect to accept a guarantee (on terms and conditions, and in an amount of the Required Security Amount, satisfactory to FortisBC Energy) from a Third Party as Security.

5.3 Notices.

(a) Project Completion: Not later than twenty (20) Business Days prior to its expected occurrence, FortisBC Energy shall provide written notice to the Shipper of the expected Completion Date, and if delays are expected periodic and regular updates until the Completion Date is finally confirmed.

(b) Security Amount: Within twenty (20) Business Days prior to the Completion Date and from time to time thereafter, FortisBC Energy will deliver a written notice to the Shipper advising the Shipper of the Required Security Amount FortisBC Energy has determined is required in accordance with Section 5.4.

5.4 Required Security Amount. The Required Security Amount shall be :

(a) an amount equal to Firm Demand Toll multiplied by the Contract Demand multiplied by 90; or

(b) any greater amount required by the BCUC.

For greater certainty, if FortisBC Energy applies to the BCUC under Section 5.4(b), then FortisBC Energy will not seek a security amount greater than the Required Security Amount as adjusted pursuant to this Transportation Agreement.

5.5 Obligation to Deliver Security. If FortisBC Energy delivers written notice to the Shipper in respect of the Required Security Amount in accordance with Section 5.3(b), then the Shipper shall on or before the Completion Date, deliver to FortisBC Energy Security in an amount not less than the Required Security Amount.

5.6 Re-Determination of Required Security Amount. On or within twelve (12) Business Days:

(a) following receipt by the Shipper of notice of an increase to the Required Security Amount, the Shipper shall deliver to FortisBC Energy additional Security (whether by way of increasing the face value of the existing Security referred to in Section 5.5 or delivering new instruments of Security), such that, in either case the Shipper has delivered Security in an amount equal to the Required Security Amount;

(b) following receipt by the Shipper of notice of a reduction to the Required Security Amount, FortisBC Energy shall return and release to the Shipper an amount of the Security so that upon the return and release of such amount, the amount of the Security is equal to the Required Security Amount.

5.7 Replacement of Security. Without limiting any other right or remedy of FortisBC Energy under this Transportation Agreement, Rate Schedule 50, at law or in equity, if a Security Default occurs then the Shipper shall, at its cost and expense, within fifteen (15) Business Days of the date on which the Security Default occurs, deliver additional Security to FortisBC Energy sufficient to supplement, replenish or replace (as the case may be) the existing Security such that the aggregate amount of the Security held by FortisBC Energy which conforms with the requirements of this Transportation Agreement and, as applicable, Rate Schedule 50, is not less than the then Required Security Amount.

5.8 No Limitation. Nothing in this Section 5 shall affect the right of FortisBC Energy to recover from the Shipper the whole of any debt, money or damages, or any balance that remains, after recourse to the Security. Nothing in this Section 5 shall affect the obligation of FortisBC Energy to return and release to the Shipper Security in excess of the Required Security Amount pursuant to Section 13.7 of Rate Schedule 50.

6. TERMINATION PAYMENT

6.1 Termination Payment. Notwithstanding Section 22.3 of Rate Schedule 50, if FortisBC Energy terminates this Transportation Agreement in accordance with Section 22.1 (Default) or Section 22.2 (Bankruptcy or Insolvency) of Rate Schedule 50, then the Shipper shall pay to FortisBC Energy a payment, payable within ten (10) Business Days after the date such termination is effective, equal to any outstanding amounts due and payable by Shipper to

FortisBC Energy under this Transportation Agreement and Rate Schedule 50 that remain unpaid as of the termination date plus an amount equal to the Net Present Value of the product of 75% x (Contract Demand x Firm Demand Toll x 365 days per year x the number of months from the termination date until the Expiry Date divided by 12) ("**Termination Payment**"). For the purposes of the preceding sentence and notwithstanding the foregoing, the number of months from the termination date until the Expiry Date shall in no circumstances exceed 24 months.

7. CONTRACT DEMAND, CURTAILMENT RIGHTS AND DEMAND TOLL CREDITS

7.1 Contract Demand. For the purposes of this Transportation Agreement "**Contract Demand**" means 40,000 GJ, subject to temporary adjustment under Section 7.2, in respect of which FortisBC Energy is obligated to provide Firm Transportation Service, provided that the volume weighted average Heat Content of the Gas received at the Receipt Point is not less than 38.9 MJ/m3. If FortisBC Energy reasonably determines in respect of any Day or future period that the volume-weighted average Heat Content for all Gas received at the Receipt Point during that Day or future period is or is reasonably likely to be less than 38.9 MJ/m3, 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 adjustment will allow FortisBC Energy to deliver to the Shipper the volumetric equivalent in 10^3 m^3 per Day of the Contract Demand.

7.2 Curtailment Rights.

(a) Subject to Section 7.2(b), FortisBC Energy may, during the Service Period and upon having given twenty-four (24) hours prior written notice to the Shipper ("**Recallable Curtailment Notice**"), temporarily adjust the Authorized Quantity to a quantity specified in the Recallable Curtailment Notice which is less than that required by the Shipper as specified in its nomination schedule given by the Shipper to FortisBC Energy pursuant to Section 4.1 or Section 4.2 of Rate Schedule 50 (as the case may be). Each such Recallable Curtailment Notice will be in effect for the period specified in the notice, to a maximum of twenty-four (24) hours. FortisBC Energy may issue Recallable Curtailment Notices consecutively and as often as required for the purpose described in this Section 7.2.

(b) FortisBC Energy shall not, in each Service Period, adjust the Authorized Quantity pursuant to Section 7.2(a) by more than 200,000 GJs in the aggregate, which quantity shall be pro-rated if the Service Period is less than twelve (12) months.

7.3 Delivery Obligation. Subject to Section 7.2, on each Day of the Term, the quantity of Gas which FortisBC Energy is obliged to transport and deliver pursuant to Section 5.1 of Rate Schedule 50 will be the lesser of:

(a) the Contract Demand; and

(b) the Authorized Quantity.

7.4 Demand Toll Credits. Subject to Section 7.8, 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 three (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; or

(c) the issue of a Recallable Curtailment Notice,

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 of Rate Schedule 50.

7.5 Amount of Demand Toll Credit. The Demand Toll Credit applied by FortisBC Energy in respect of any Day pursuant to Section 7.4 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 and the Authorized Quantity.

7.6 Interruptible Demand Toll Credits. Subject to Section 7.8, 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 the Gross Negligence or Wilful Misconduct of FortisBC Energy then the Shipper will be entitled to a toll credit ("**Toll Credit (IT)**") for that Day which FortisBC Energy will apply to the Interruptible Demand Toll of the Primary Transportation Agreement (if any) invoiced in a following monthly bill and in each next following monthly bill, rendered pursuant to Section 12 of Rate Schedule 50 under the Primary Transportation Agreement until the Toll Credit (IT) is reduced to zero. Notwithstanding the foregoing, any Toll Credit (IT) which is not applied in the manner described above within thirty (30) months after the date on the Shipper first became entitled to the Toll Credit (IT) pursuant to this Section 7.6 shall automatically cease and be extinguished. For certainty:

(a) the thirty (30) month period referred to above will apply separately to each Toll Credit (IT) to which the Shipper becomes entitled pursuant to this Section 7.6;

(b) the thirty (30) month period for each Toll Credit (IT) will commence on the date on which the Shipper first became entitled to the Toll Credit (IT) pursuant to this Section 7.6;

(c) subject to Section 7.6(d), any Toll Credit (IT) which has not been applied as at the expiration of the Term (including, for certainty, the Term as extended or renewed pursuant to Section 8.1) shall automatically cease and be extinguished; and

(d) if the Term is extended or renewed pursuant to Section 8.1, then any Toll Credit (IT) which has not been applied or extinguished in accordance with this Section 7.6 as at the date of such extension or renewal, shall continue in full force and effect until subsequently applied by FortisBC Energy or extinguished in accordance with this Section 7.6.

7.7 Amount of Toll Credit (IT). The Toll Credit (IT) to which the Shipper is entitled in respect of any Day pursuant to Section 7.6 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 and the Authorized Quantity.

7.8 Limitations on Toll Credits. For greater certainty, the Shipper will not be entitled to a 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 of Rate Schedule 50; or

(iii) the Shipper fails to take delivery of Gas at any Delivery Point.

8. RENEWAL AND ASSIGNMENT

8.1 Renewal of TSA. If the Shipper delivers to FortisBC Energy a written notice, two (2) years prior to the Expiry Date, indicating its desire to extend or renew this Transportation Agreement, then as soon as reasonably practicable FortisBC Energy and the Shipper shall use commercially reasonable efforts to agree upon terms on which this Transportation Agreement will be extended or renewed. Any renewal or extension of this Transportation Agreement will:

(a) be for the same term as the Primary Transportation Agreement is extended or renewed; and

(b) such extension or renewal will commence concurrently with commencement of any extension or renewal of the term of the Primary Transportation Agreement.

For certainty and unless FortisBC Energy in its sole discretion expressly agrees otherwise, this Transportation Agreement cannot be extended or renewed unless the term of the Primary Transportation Agreement is concurrently extended or renewed. Any extension or renewal of the Term will result in a revised Expiry Date that will supersede the Expiry Date referred to in Section 1. The Demand Toll applicable during such additional term will be based on, among other factors, the then current book value of the Vancouver Island Transmission System.

8.2 Assignment.

(a) For the purposes of this Section 8.2 “assign” and inflexions of “assign” means to sell, assign, transfer, licence, or otherwise dispose or part with possession of either directly or indirectly.

(b) The Shipper may only assign all (but not less than all) of its rights and obligations under this Transportation Agreement to:

(i) the Assignee to whom FortisBC Energy has approved an assignment of the Primary Transportation Agreement under Section 7.2 of the Primary Transportation Agreement as long as such assignment is completed in accordance with Section 7.2 of the Primary Transportation Agreement; or

(ii) an Affiliate of the Shipper (being, for certainty, the Affiliate of the Shipper referred to in Section 7.4 of the Primary Transportation Agreement) as long

as such assignment is completed in accordance with Section 7.4 of the Primary Transportation Agreement.

(c) Any assignment by the Shipper of all of its rights and obligations under this Transportation Agreement permitted by Section 8.2(b):

(i) shall be undertaken and completed concurrently with any assignment by the Shipper of its rights and obligations under the Primary Transportation Agreement in accordance with Section 7 of the Primary Transportation Agreement;

(ii) in the case of an assignment to the Assignee, is subject to and conditional upon the Assignee first executing a written agreement (to be prepared by FortisBC Energy's counsel at the cost of the Assignee on terms satisfactory to the Parties) by which the Assignee agrees to assume the obligations of the Shipper under this Transportation Agreement; and

(iii) in the case of an assignment to an Affiliate of the Shipper, is subject to and conditional upon the Affiliate of the Shipper first executing and delivering to FortisBC Energy an agreement on terms satisfactory to FortisBC Energy and the Affiliate, by which the Affiliate agrees to be bound by and to perform and observe all of the terms and conditions of this Transportation Agreement binding upon and to be performed and observed by the Shipper and specifying an address for service, including the address and email address for the Affiliate.

(d) The Shipper acknowledges and agrees that Section 7.3, 7.4(a)(iii), Section 7.4(b) and Section 7.5 of the Primary Transportation are incorporated by reference into this Transportation Agreement and shall apply *mutatis mutandis*.

9. DEFAULT

9.1 Primary Transportation Agreement. For the purposes of this Transportation Agreement and without limiting anything in Section 22 of Rate Schedule 50:

(a) the Shipper will be deemed to be in default under this Transportation Agreement if under the Primary Transportation Agreement the Shipper has committed any of the acts of default described in Section 22.1 of Rate Schedule 50 and has failed to correct or rectify any such default within the applicable cure period (if any) set out in Section 22.1 of Rate Schedule 50; and

(b) for certainty, if at any time under the Primary Transportation Agreement FortisBC Energy becomes entitled to terminate the Primary Transportation Agreement under the Section 22 of Rate Schedule 50 on account of the default of the Shipper or the bankruptcy or insolvency of the Shipper (as described in Section 22.2 of Rate Schedule 50) then notwithstanding anything to the contrary in this Transportation Agreement or Rate Schedule 50) FortisBC Energy shall be entitled to concurrently terminate this Transportation Agreement.

10. GENERAL

10.1 Independent Legal Advice. The 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.

10.2 Direct Agreement. FortisBC Energy agrees that it will, if requested by the Shipper, enter into a direct agreement with the Shipper's debt financiers ("**Financing Entities**"), in a form acceptable to FortisBC Energy, acting reasonably, acknowledging the Shipper's assignment of its rights under this Transportation Agreement by way of security and providing for customary step-in and cure rights upon any default of the Shipper under this Transportation Agreement. For certainty, FortisBC Energy will be taken to have acted reasonably if it does not accept a form of direct agreement proposed by the Financing Entities if FortisBC Energy considers that the proposed form of direct agreement would increase or enlarge the liability of FortisBC Energy under this Transportation Agreement or would prejudice or otherwise affect the rights, remedies and powers of FortisBC Energy under this Transportation Agreement.

10.3 Condition Precedent. All obligations of the Parties to this Transportation Agreement are subject to the approval by the BCUC (on terms satisfactory to FortisBC Energy and the Shipper) of the rates, terms and conditions set out this Transportation Agreement as a supplemental tariff to Rate Schedule 50, and will come into force and effect when approved by the BCUC.

10.4 Acknowledgement.

(a) Subject to Section 10.4(b) and notwithstanding Section 18.2(b) and Section 18.2(c) of Rate Schedule 50, FortisBC Energy acknowledges and consents to the fact that:

(i) the Shipper may not be the sole legal and beneficial owner and user of the LNG Facility to which Gas is to be delivered under this Rate Schedule 50 and the Transportation Agreement;

(ii) the Shipper may enter into agreements with Third Parties with respect to the sale of Gas or LNG from the Shipper to such Third Parties in amounts less than the Contract Demand, and for periods less than the Service Period; and

(iii) the Shipper may not be responsible for acquiring under contract sufficient Gas supplies or reserves, nor 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 this Transportation Agreement, nor for obtaining all governmental authorizations and approvals in connection therewith but if either FortisBC Energy or the Shipper is or at any time during the Term becomes responsible for acquiring or obtaining any of the foregoing items and things, then as between FortisBC Energy and the Shipper, the Shipper shall be solely responsible for acquiring or obtaining any such items and things.

(b) The Shipper acknowledges and agrees that except to the extent specified in Section 10.4(a) in respect of Section 18.2(b) and Section 18.2(c) of Rate Schedule 50, nothing in Section 10.4(a) lessens or otherwise affects the obligations or liabilities

of the Shipper under this Transportation Agreement, Rate Schedule 50, or at law or in equity.

10.5 First Shipper. The Parties acknowledge and agree that the Shipper under this Transportation Agreement will not be the first shipper for the purposes of the Table of Charges to Rate Schedule 50.

10.6 Shipper More than one Person. Each Woodfibre Party is, to the extent permitted by applicable law, jointly and severally liable for the obligations and liabilities of the Shipper set out in, created by or arising under or in connection with this Transportation Agreement and Rate Schedule 50.

10.7 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 have executed this Transportation Agreement.

FORTISBC ENERGY INC.

BY: 
(Signature)

President and CEO
(Title)

Roger Dall'Antonia
(Name – Please Print)

DATE: 3 May 2022

PACIFIC ENERGY CORP.

BY: 
(Signature)

EVP
(Title)

Ron Bailey
(Name – Please Print)

DATE: May 6, 2022

WOODFIBRE LNG LIMITED.

BY: 
(Signature)

EVP
(Title)

Ron Bailey
(Name – Please Print)

DATE: May 6, 2022

Schedule A
Form of Letter of Credit

TO: FortisBC Energy Inc. DATE: _____
16705 Fraser Highway
Surrey, British Columbia, Canada
V3S 2X7

("**Beneficiary**")

TRANSPORTATION AGREEMENT DATED MAY 1, 2022 BETWEEN AND PACIFIC ENERGY CORP. AND WOODFIBRE LNG LIMITED ("APPLICANT") AND FORTISBC ENERGY INC. ("AGREEMENT")

Irrevocable Standby Letter of Credit No: _____

At the request of the Applicant, we hereby issue in your favour our irrevocable standby letter of credit No. _____ ("**Letter of Credit**") for a sum not exceeding in the aggregate CDN $[●] (_____Canadian Dollars) effective immediately.

Subject to compliance with the drawing conditions set out in this Letter of Credit, this Bank hereby agrees to immediately pay to you under this Letter of Credit any amount or amounts claimed, not exceeding in the aggregate the sum of CDN $_____, upon your written demand(s) for payment being made upon us at our counter during normal business hours, upon [●] (Vancouver office), [●], Suite [●], Vancouver, British Columbia, [●] [●], Canada referencing this Letter of Credit No. _____ dated _____.

Partial drawings are permitted.

This Letter of Credit is issued subject to the Uniform Customs and Practice for Documentary Credits, 1993 revision, ICC publication no. 500 and the laws of the Province of British Columbia. In case of conflict between the rules of the ICC publication no. 500 and the laws of the Province of British Columbia, the laws of the Province of British Columbia will prevail.

Drawings up to the full amount of this Letter of Credit may be made where the drawing is accompanied by a certificate executed by an officer or director of the Beneficiary stating that:

(a) the person signing the certificate is an officer or director of the Beneficiary; and

(b) the Beneficiary is entitled to call down upon this Letter of Credit.

Any drawings made under this Letter of Credit must be accompanied by the original of this Letter of Credit, together with an original certificate complying with the conditions set out above.

We will honour your written demand(s) for payment on presentation without enquiring whether you have a legitimate claim between yourself and the Applicant.

All banking charges are for the account of the Applicant.

This Letter of Credit will expire at the counters of our Vancouver office at the close of business on _____. It is a condition of this Letter of Credit that it will be automatically extended for an additional period(s) of one year from the present, or any future, expiry date, unless not less than one hundred twenty (120) days prior to such date we notify the Beneficiary in writing by registered mail or by hand-delivered courier that we elect not to extend this Letter of Credit for such additional period(s).

_____ Authorized Signatory

_____ Authorized Signatory