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February 25, 2011

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: Terasen Gas Inc. ("Terasen Gas")
Application for Approval of a Service Agreement for Compressed Natural Gas ("CNG") Service and for Approval of General Terms and Conditions ("GT&Cs") for CNG and Liquified Natural Gas ("LNG") Service (the "Application")

British Columbia Utilities Commission ("BCUC" or the "Commission") Order No. G-6-11 Compliance Filing

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On January 14, 2011, the Commission issued Order No. G-6-11 and its Decision on the agreement between Terasen Gas and Waste Management of Canada Corporation (the "WM Agreement") in the Application referenced above.

In paragraph number 1 of Order No. G-6-11, the Commission directed Terasen Gas to:

1. *The Commission approves on an interim basis the WM Agreement as a Tariff Supplement, providing that all references to EEC funding and Vehicle Reimbursement are removed and Terasen files the amended agreement and the financial schedules that support the rates in it on a non-confidential basis.*

In accordance with Commission Order No. G-6-11, attached please find the following:

- Appendix E – Financial Schedules on a non-confidential basis for the public record of this proceeding;
- Responses to Information Requests related to Appendix E on a non-confidential basis for the public record of this proceeding, including BCUC IRs 1.10.1 to 1.10.7, 1.15.1 to 1.15.3, 1.16.1, 1.17.1, 1.17.2, 1.18.1 to 1.18.4, 1.19.1 to 1.19.2, 1.20.1, 1.21.1 to 1.21.4, 1.23.1 to 1.23.4, 1.24.1 and 1.24.1.1; and
- Two original copies of Tariff Supplement J-1 for Commission endorsement. TGI respectfully requests return of one endorsed copy for TGI's records.

If you have any questions or require further information related to this Application, please do not hesitate to contact Shawn Hill at (604) 592-7840.

Yours very truly,

TERASEN GAS INC.

Original signed:

Diane Roy

Attachment

cc (e-mail only): Registered Parties

Appendix E

FINANCIAL SCHEDULES

Financial Schedules

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Revenue Requirement
Appendix E - Schedule 1
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Revenue Requirement**																					
2	Cost of Energy Sold		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Operation and Maintenance	Schedule 2, Line 19	18	19	19	20	20	20	21	21	22	22	22	23	23	24	24	25	25	26	26	27
4	Property Taxes	Schedule 2, Line 29	5	5	6	6	7	7	7	7	7	7	7	8	8	8	8	8	8	8	8	8
5	Depreciation Expense	Schedule 8, Line 17 + Line 38	38	38	38	38	38	38	38	38	38	38	38	39	39	39	39	39	39	39	39	39
6	Removal Cost Provision	Schedule 8, Line 48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Amortization Expense	Schedule 9, Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Revenue	Schedule 2, Line 24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Income Taxes	Schedule 3, Line 19	(1)	(18)	(11)	(6)	(1)	2	5	7	8	10	11	11	12	12	12	12	12	12	12	11
10	Earned Return	Schedule 5, Line 24	57	55	53	50	47	44	42	39	36	33	31	28	25	22	19	17	14	11	8	6
11																						
12	**Annual Revenue Requirement**	Sum of Lines 2 through 10	**117**	**99**	**104**	**108**	**110**	**111**	**112**	**112**	**111**	**110**	**109**	**108**	**106**	**104**	**102**	**100**	**98**	**96**	**94**	**92**

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: O&M, Other Revenue and Property Tax
Appendix E - Schedule 2
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Gross O&M**																					
2	Labour Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3																						
4	Vehicle Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Employee Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Materials & Supplies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Computer Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Fees & Administrations Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Contractor Costs		21	22	22	23	23	24	24	25	25	26	26	27	27	28	28	29	29	30	31	31
10	Facilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Recoveries & Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12																						
13	Non-Labour Costs		21	22	22	23	23	24	24	25	25	26	26	27	27	28	28	29	29	30	31	31
14																						
15	Total Gross O&M Expenses		21	22	22	23	23	24	24	25	25	26	26	27	27	28	28	29	29	30	31	31
16																						
17	(Less): Capitalized Overhead	Overhead rate of 14%	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
18	Add (Less): Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Net O&M		18	19	19	20	20	20	21	21	22	22	22	23	23	24	24	25	25	26	26	27
20																						
21	**Other Revenue**																					
22	Environmental Credits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Total Other Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25																						
26	**Property Taxes**																					
27	General, School and Other		5	5	5	5	5	6	6	6	6	6	6	6	6	7	7	7	7	7	7	7
28	1% in Lieu of General Municipal Tax[1]	Schedule 11, Line 7/1000 x 1%	-	-	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
29	Total Property Taxes		5	5	6	6	7	7	7	7	7	7	7	8	8	8	8	8	8	8	8	8
30																						
31	1- Calculation is based on the second preceeding year; ex., 2012 is based on 2010 revenue																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Income Tax Expense
Appendix E - Schedule 3
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Income Tax Expense**																					
2																						
3	Earned Return	Schedule 5, Line 24	56.6	55.3	52.5	49.8	47.0	44.3	41.5	38.8	36.0	33.3	30.5	27.7	25.0	22.2	19.4	16.7	13.9	11.1	8.3	5.6
4	Deduct: Interest on debt	Schedule 5, Line 23	(29.5)	(28.8)	(27.3)	(25.9)	(24.5)	(23.1)	(21.6)	(20.2)	(18.8)	(17.3)	(15.9)	(14.4)	(13.0)	(11.6)	(10.1)	(8.7)	(7.2)	(5.8)	(4.3)	(2.9)
5	Add (Deduct): Amortization Expense	Schedule 9, Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Add: Depreciation Expense	Schedule 8, Line 17 + Line 38	37.6	37.7	37.7	37.8	37.9	38.0	38.1	38.2	38.3	38.4	38.5	38.6	38.7	38.8	38.9	39.0	39.1	39.2	39.3	39.4
7	Add: Removal Cost Provision	Schedule 8, Line 48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Deduct: Overhead Capitalized Expensed for Tax Purposes	Schedule 2 , Line 17 x 6 / 14	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.9)
9	Deduct: Capital Cost Allowance	Schedule 4, Line 34	(64.9)	(117.5)	(95.1)	(77.2)	(62.9)	(51.3)	(42.1)	(34.6)	(28.6)	(23.8)	(19.9)	(16.8)	(14.2)	(12.2)	(10.5)	(9.2)	(8.1)	(7.2)	(6.5)	(5.9)
10	Taxable Income After Tax	Sum of Lines 3 through 9	(1.5)	(54.6)	(33.6)	(16.9)	(3.8)	6.5	14.5	20.7	25.4	29.0	31.6	33.5	34.8	35.6	36.0	36.0	35.9	35.5	35.0	34.3
11																						
12	Income Tax Rate		26.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
13	1 - Current Income Tax Rate	1 - Line 12	73.50%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
14																						
15	Taxable Income	Line 10 / Line 13	(2.0)	(72.8)	(44.7)	(22.5)	(5.1)	8.7	19.3	27.6	33.9	38.7	42.2	44.7	46.4	47.4	47.9	48.1	47.8	47.4	46.6	45.8
16																						
17	Total Income Tax Expense	Line 15 x Line 12	(0.5)	(18.2)	(11.2)	(5.6)	(1.3)	2.2	4.8	6.9	8.5	9.7	10.5	11.2	11.6	11.9	12.0	12.0	12.0	11.8	11.7	11.4
18	Adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Net Tax Expense	Line 17 + Line 18	(0.5)	(18.2)	(11.2)	(5.6)	(1.3)	2.2	4.8	6.9	8.5	9.7	10.5	11.2	11.6	11.9	12.0	12.0	12.0	11.8	11.7	11.4
20																						

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Capital Cost Allowance
Appendix E - Schedule 4
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**CNG Dispensing Equipment- Class 8 @ 20%**																					
2	Opening Balance	Preceeding Year, Line 5	-	510	408	327	261	209	167	134	107	86	68	55	44	35	28	22	18	14	11	9
3	Additions	Schedule 7 , Line 12 - AFUDC	567	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	CCA	[Line 2 + (Line 3 x 1/2)] x CCA Rate	(57)	(102)	(82)	(65)	(52)	(42)	(33)	(27)	(21)	(17)	(14)	(11)	(9)	(7)	(6)	(4)	(4)	(3)	(2)	(2)
5	Closing Balance	Sum of Lines 2 through 4	510	408	327	261	209	167	134	107	86	68	55	44	35	28	22	18	14	11	9	7
6																						
7	**Foundation- Class 1.3 @ 6%**																					
8	Opening Balance	Preceeding Year, Line 11	-	124	116	109	103	97	91	85	80	75	71	67	63	59	55	52	49	46	43	41
9	Additions	Schedule 7 , Line 13 - AFUDC	127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	CCA	[Line 8 + (Line 9 x 1/2)] x CCA Rate	(4)	(7)	(7)	(7)	(6)	(6)	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(2)
11	Closing Balance	Sum of Lines 8 through 10	124	116	109	103	97	91	85	80	75	71	67	63	59	55	52	49	46	43	41	38
12																						
13	**Pumps- Class 8 @ 20%**																					
14	Opening Balance	Preceeding Year, Line 17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Additions	Schedule 7 , Line 14 - AFUDC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	CCA	[Line 14 + (Line 15 x 1/2)] x CCA Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Closing Balance	Sum of Lines 14 through 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18																						
19	**NG Dehydrator- Class 8 @ 20%**																					
20	Opening Balance	Preceeding Year, Line 23	-	39	31	25	20	16	13	10	8	7	5	4	3	3	2	2	1	1	1	1
21	Additions	Schedule 7 , Line 15 - AFUDC	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	CCA	[Line 20 + (Line 21 x 1/2)] x CCA Rate	(4)	(8)	(6)	(5)	(4)	(3)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	(0)
23	Closing Balance	Sum of Lines 20 through 22	39	31	25	20	16	13	10	8	7	5	4	3	3	2	2	1	1	1	1	1
24																						
25	**Capitalized Overhead- Class TGI Avg @ 6%**																					
26	Opening Balance	Preceeding Year, Line 29	-	2	3	5	6	8	9	10	12	13	14	15	16	18	19	20	21	22	23	24
27	Additions	Schedule 2 , Line 17 x 8 / 14	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
28	CCA	[Line 26 + (Line 27 x 1/2)] x CCA Rate	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
29	Closing Balance	Sum of Lines 26 through 28	2	3	5	6	8	9	10	12	13	14	15	16	18	19	20	21	22	23	24	25
30																						
31	**Total CCA**																					
32	Opening Balance	Preceeding Year, Line 35	-	675	559	466	390	329	280	240	207	180	159	141	126	114	104	96	89	83	78	74
33	Additions	[1]	740	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
34	CCA		(65)	(117)	(95)	(77)	(63)	(51)	(42)	(35)	(29)	(24)	(20)	(17)	(14)	(12)	(11)	(9)	(8)	(7)	(7)	(6)
35	Closing Balance	Sum of Lines 32 through 34	675	559	466	390	329	280	240	207	180	159	141	126	114	104	96	89	83	78	74	71
36	1- Schedule 7 , Line 17 - Line 16, + Line 27 above - AFUDC																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Rate Base
Appendix E - Schedule 5
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Rate Base**																					
2	Gross Plant In Service- Beginning	Schedule 7, Line 9	-	754	757	760	763	766	770	773	776	780	783	787	791	795	798	802	806	811	815	819
3	Gross Plant In Service- Ending	Schedule 7, Line 33	754	757	760	763	766	770	773	776	780	783	787	791	795	798	802	806	811	815	819	823
4																						
5	Accumulated Depreciation- Beginning	Schedule 8, Line 9	-	(38)	(75)	(113)	(151)	(189)	(227)	(265)	(303)	(341)	(380)	(418)	(457)	(495)	(534)	(573)	(612)	(651)	(690)	(730)
6	Accumulated Depreciation- Ending	Schedule 8, Line 33	(38)	(75)	(113)	(151)	(189)	(227)	(265)	(303)	(341)	(380)	(418)	(457)	(495)	(534)	(573)	(612)	(651)	(690)	(730)	(769)
7																						
8	Contributions in Aid of Construction- Beginning	Schedule 7, Line 37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Contributions in Aid of Construction- Ending	Schedule 7, Line 40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10																						
11	Accumulated Amortization- Beginning	Schedule 8, Line 37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Accumulated Amortization- Ending	Schedule 8, Line 40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13																						
14	Net Plant in Service, Mid-Year	Sum (Lines 2 through 12)/2	358	699	664	630	595	560	525	491	456	421	386	352	317	282	247	212	177	142	107	72
15																						
16	Adjustment to 13-month average	[1]	358	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Unamortized Deferred Charges, Mid-Year	Schedule 9, Line 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Cash Working Capital	[2]	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
19	**Total Rate Base**	**Sum of Lines 14 - 18**	**715**	**697**	**663**	**628**	**593**	**559**	**524**	**489**	**454**	**420**	**385**	**350**	**315**	**280**	**245**	**210**	**175**	**140**	**105**	**70**
20																						
21	**Return on Rate Base**																					
22	Equity Return	Line 19 x ROE x Equity %	27	26	25	24	23	21	20	19	17	16	15	13	12	11	9	8	7	5	4	3
23	Debt Component	[3]	29	29	27	26	24	23	22	20	19	17	16	14	13	12	10	9	7	6	4	3
24	Total Earned Return	Line 22 + Line 23	**57**	**55**	**53**	**50**	**47**	**44**	**42**	**39**	**36**	**33**	**31**	**28**	**25**	**22**	**19**	**17**	**14**	**11**	**8**	**6**
25	Return on Rate Base %	Line 24 / Line 19	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%
26																						
27	1- [Schedule 7, (Line 17 + Line 38) + Schedule 8, (Line 17+ Line 38)] x (Days In-service/365-1/2)																					
28	2- Schedule 7, Line 33 x TGI CWC/Closing GPIS %																					
29	3- Line 19 x (LTD Rate x LTD% + STD Rate x STD %)																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Capital Spending
Appendix E - Schedule 6

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	Capital Spending Prior to 2011																					
2	CNG Dispensing Equipment		567.1																			
3	Foundation		127.5																			
4	Pumps		-																			
5	NG Dehydrator		43.5																			
6																						
7	Total Capital Spending Prior to 2011	Sum of Lines 2 through 6	738.0																			
8																						
9	AFUDC Prior to 2011																					
10	CNG Dispensing Equipment		9.7																			
11	Foundation		2.2																			
12	Pumps		-																			
13	NG Dehydrator		0.7																			
14																						
15	Total AFUDC Prior to 2011	Sum of Lines 10 through 14	12.7																			
16																						
17	Capital Spending 2011 Onwards																					
18	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Pumps		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22																						
23	Total Capital Spending 2011 Onwards	Sum of Lines 18 through 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24																						
25	AFUDC 2011 Onwards																					
26	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Pumps		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30																						
31	Total AFUDC 2011 Onwards	Sum of Lines 26 through 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32																						
33	Total Capital Spending[1]	Line 23	738.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Total AFUDC	Line 31	12.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Total Annual Capital Spending and AFUDC	Line 33 + Line 34	750.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36																						
37	Contributions in Aid of Construction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Removal Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Net Annual Project Costs- Capital	Line 35 + 37 + 38	750.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40																						
41	Total Project Costs- Capital Spending and AFUDC	Sum of Line 35	**750.7**																			
42	Total Net Project Costs- including CIAC & Removal Costs	Sum of Line 39	**750.7**																			
43																						
44	1- Excluding capitalized overhead; First year of analysis includes all prior year spending																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Gross Plant in Service & Contributions in Aid of Construction
Appendix E - Schedule 7
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Gross Plant in Service**																					
2																						
3	Gross Plant in Service, Beginning																					
4	CNG Dispensing Equipment	Preceeding Year, Line 28	-	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577
5	Foundation	Preceeding Year, Line 29	-	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
6	Pumps	Preceeding Year, Line 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	NG Dehydrator	Preceeding Year, Line 31	-	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
8	Capitalized Overhead	Preceeding Year, Line 32	-	3	6	9	12	16	19	22	26	29	33	36	40	44	48	52	56	60	64	68
9	Total Gross Plant in Service, Beginning	Sum of Lines 4 through 8	-	754	757	760	763	766	770	773	776	780	783	787	791	795	798	802	806	811	815	819
10																						
11	Gross Plant in Service, Additions																					
12	CNG Dispensing Equipment	Schedule 6, Lines 2 + 10 + 18 + 26	577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Foundation	Schedule 6, Lines 3 + 11 + 19 + 27	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Pumps	Schedule 6, Lines 4 + 12 + 20 + 28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	NG Dehydrator	Schedule 6, Lines 5 + 13 + 21 + 29	44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Capitalized Overhead	Schedule 2, Line 17	3	3	3	3	3	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4
17	Total Gross Plant in Service, Additions	Sum of Lines 12 through 16	754	3	3	3	3	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4
18																						
19	Gross Plant in Service, Retirements																					
20	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Pumps		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Total Gross Plant in Service, Retirements	Sum of Lines 20 through 24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																						
27	Gross Plant in Service, Ending																					
28	CNG Dispensing Equipment	Line 4 + Line 12 + Line 20	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577	577
29	Foundation	Line 5 + Line 13 + Line 21	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130	130
30	Pumps	Line 6 + Line 14 + Line 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	NG Dehydrator	Line 7 + Line 15 + Line 23	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
32	Capitalized Overhead	Line 8 + Line 16 + Line 24	3	6	9	12	16	19	22	26	29	33	36	40	44	48	52	56	60	64	68	73
33	Total Gross Plant in Service, Ending	Sum of Lines 28 through 32	754	757	760	763	766	770	773	776	780	783	787	791	795	798	802	806	811	815	819	823
34																						
35																						
36	**Contributions in Aid of Construction (CIAC)**																					
37	CIAC, Beginning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Retirements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	CIAC, Ending	Sum of Lines 37 through 39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Accumulated Depreciation & Amortization
Appendix E - Schedule 8
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Accumulated Depreciation**																					
2																						
3	Accumulated Depreciation, Beginning																					
4	CNG Dispensing Equipment	Preceeding Year, Line 28	-	(29)	(58)	(87)	(115)	(144)	(173)	(202)	(231)	(260)	(288)	(317)	(346)	(375)	(404)	(433)	(461)	(490)	(519)	(548)
5	Foundation	Preceeding Year, Line 29	-	(6)	(13)	(19)	(26)	(32)	(39)	(45)	(52)	(58)	(65)	(71)	(78)	(84)	(91)	(97)	(104)	(110)	(117)	(123)
6	Pumps	Preceeding Year, Line 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	NG Dehydrator	Preceeding Year, Line 31	-	(2)	(4)	(7)	(9)	(11)	(13)	(15)	(18)	(20)	(22)	(24)	(27)	(29)	(31)	(33)	(35)	(38)	(40)	(42)
8	Capitalized Overhead	Preceeding Year, Line 32	-	(0)	(0)	(0)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)	(9)	(10)	(11)	(13)	(15)	(17)
9	Total Accumulated Depreciation, Beginning	Sum of Lines 4 through 8	-	(38)	(75)	(113)	(151)	(189)	(227)	(265)	(303)	(341)	(380)	(418)	(457)	(495)	(534)	(573)	(612)	(651)	(690)	(730)
10																						
11	Accumulated Depreciation, Depreciation Expense[1]																					
12	CNG Dispensing Equipment@ 5%	Schedule 7, Line 4 & Line 12	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)
13	Foundation@ 5%	Schedule 7, Line 5 & Line 13	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
14	Pumps@ 5%	Schedule 7, Line 6 & Line 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	NG Dehydrator@ 5%	Schedule 7, Line 7 & Line 15	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
16	Capitalized Overhead@ 2.7%	Schedule 7, Line 8 & Line 16	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)
17	Total Accumulated Depreciation, Depreciation Exp	Sum of Lines 12 through 16	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)
18																						
19	Accumulated Depreciation, Retirements																					
20	CNG Dispensing Equipment	Schedule 7, Line 20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Foundation	Schedule 7, Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Pumps	Schedule 7, Line 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	NG Dehydrator	Schedule 7, Line 23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Capitalized Overhead	Schedule 7, Line 24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Total Accumulated Depreciation, Retirements	Sum of Lines 20 through 24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																						
27	Accumulated Depreciation, Ending																					
28	CNG Dispensing Equipment	Line 4 + Line 12 + Line 20	(29)	(58)	(87)	(115)	(144)	(173)	(202)	(231)	(260)	(288)	(317)	(346)	(375)	(404)	(433)	(461)	(490)	(519)	(548)	(577)
29	Foundation	Line 5 + Line 13 + Line 21	(6)	(13)	(19)	(26)	(32)	(39)	(45)	(52)	(58)	(65)	(71)	(78)	(84)	(91)	(97)	(104)	(110)	(117)	(123)	(130)
30	Pumps	Line 6 + Line 14 + Line 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	NG Dehydrator	Line 7 + Line 15 + Line 23	(2)	(4)	(7)	(9)	(11)	(13)	(15)	(18)	(20)	(22)	(24)	(27)	(29)	(31)	(33)	(35)	(38)	(40)	(42)	(44)
32	Capitalized Overhead	Line 8 + Line 16 + Line 24	(0)	(0)	(0)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)	(9)	(10)	(11)	(13)	(15)	(17)	(18)
33	Total Accumulated Depreciation, Ending	Sum of Lines 28 through 32	(38)	(75)	(113)	(151)	(189)	(227)	(265)	(303)	(341)	(380)	(418)	(457)	(495)	(534)	(573)	(612)	(651)	(690)	(730)	(769)
34																						
35																						
36	**Accumulated Amortization of Contributions in Aid of Construction (CIAC)**																					
37	Accumulated Amortization CIAC, Beginning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Amortization	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Retirements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	Accumulated Amortization CIAC, Ending	Sum of Lines 37 through 39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41																						
42	**Removal Cost Provision**																					
43	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	Pumps		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47																						
48	Total Removal Cost Provision	Sum of Lines 43 through 47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49																						
50	1- Depreciation & Amortization Expense calculation is based on opening balance + (additions x in-service days/365 if it is the in-service year for project/; otherwise, additions x 1/2)																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Deferred Charges & Deficiency / Surplus [Tracker]
Appendix E - Schedule 9
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1																						
2	**Deficiency / Surplus [Tracker]**																					
3	Opening Balance	Previous Year, Line 11	-	16	13	14	15	17	18	18	15	9	-	-	-	-	-	-	-	-	-	-
4	Gross Addition	Schedule 11, Line 15	16	(4)	(0)	1	1	0	(2)	(4)	(7)	(10)	-	-	-	-	-	-	-	-	-	-
5	Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Net Addition	Line 4 + Line 5	16	(4)	(0)	1	1	0	(2)	(4)	(7)	(10)	-	-	-	-	-	-	-	-	-	-
7	AFUDC																					
8	Equity	(Line 3) x (Schedule 10, Lines 7 x 8)	-	1	0	1	1	1	1	1	1	0	-	-	-	-	-	-	-	-	-	-
9	Debt	[1]	-	1	0	0	0	1	1	1	0	0	-	-	-	-	-	-	-	-	-	-
10	Interest Adjustment	[2]	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-
11	Closing Balance	Sum of Lines 6 through 10	16	13	14	15	17	18	18	15	9	-	-	-	-	-	-	-	-	-	-	-
12																						
13	**Deferred Charge- Rate Base**																					
14	Opening Balance	Previous Year, Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Opening Balance, Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Net Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Amortization Expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Closing Balance	Lines 14 + 18 + 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21																						
22	Deferred Charge, Mid-Year	(Line 14+ Line 15 + Line 20) / 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23																						
24	1- (Line 3) x [Schedule 10 , (Lines 10 x 11+ Lines 12 x 13) x (1- Tax Rate)]																					
25	2- Adjustment to net account to zero in final year; result of varying WACC rates throughout contract																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Present Value of Revenue Requirement & Levelized Tariff Analysis
Appendix E - Schedule 10
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1																						
2	Annual Revenue Requirement (Excluding Cost of Energy)	Schedule 1, Line 13	117.2	98.6	104.5	107.9	110.1	111.4	112.0	111.9	111.4	110.5	109.3	107.8	106.1	104.3	102.3	100.3	98.2	96.0	93.8	91.6
3	Annual Number of Customers		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
4																						
5	**Annual Discount Rate**																					
6	Equity Component																					
7	ROE %		9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
8	Equity Portion		40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
9	Debt Component																					
10	Long Term Debt Rate		6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%
11	Long Term Debt Portion		58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%
12	Short Term Debt Rate		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
13	Short Term Debt Portion		1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
14																						
15	Tax Rate		26.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
16	Pre- Tax Weighted Average Cost of Capital (WACC)[1]		9.30%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
17	After- Tax Weighted Average Cost of Capital (WACC)[2]		6.83%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
18																						
19	**Present Value of Revenue Requirement**																					
20	PV of Annual Revenue Requirement	Line 2 / (1 + Line 17)^Yr	109.7	86.3	85.5	82.6	78.9	74.7	70.2	65.6	61.1	56.7	52.5	48.4	44.6	41.0	37.6	34.5	31.6	28.9	26.4	24.1
21	PV of Annual Revenue Requirement ($/Mnth)		9	7	7	7	7	6	6	5	5	5	4	4	4	3	3	3	3	2	2	2
22	Total PV of Revenue Requirement	Sum of Line 20	1,141.1																			
23	Total PV of Revenue Requirement, $000s/Yr	Line 22 / Yrs	57.1																			
24	Total PV of Revenue Requirement over contract term		771.4																			
25																						
26	PV of Annual Customers	Line 3 / (1 + Line 17)^Yr	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0
27	Total PV of Customers	Sum of Line 25	11																			
28																						
29	**Tariff Analysis**																					
30	Annual Volume (TJ)		19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
31																						
32	Annual Cost of Service per Customer ($/Yr)	Line 2 x 1000 / Line 3	117,184	98,642	104,490	107,887	110,115	111,409	111,957	111,909	111,387	110,487	109,282	107,840	106,073	104,254	102,313	100,280	98,174	96,012	93,807	91,570
33	Monthly Cost of Service per Customer ($/Mnth)	Line 32 / 12	9,765	8,220	8,708	8,991	9,176	9,284	9,330	9,326	9,282	9,207	9,107	8,987	8,839	8,688	8,526	8,357	8,181	8,001	7,817	7,631
34	Annual Volumetric Cost of Service ($/GJ)	Line 2 / Line 30	6.168	5.192	5.499	5.678	5.796	5.864	5.892	5.890	5.862	5.815	5.752	5.676	5.583	5.487	5.385	5.278	5.167	5.053	4.937	4.819
35																						
36	**Levelized Tariff Analysis**																					
37	PV of Annual Volume (TJ)	Line 30 / (1 + Line 17)^Yr	17.785	16.628	15.555	14.552	13.613	12.735	11.914	11.145	10.426	9.754	9.124	8.536	7.985	7.470	6.988	6.538	6.116	5.721	5.352	5.007
38	Total PV of Volume (TJ)	Sum of Line 37	202.944																			
39																						
40	Levelized Annual Delivery Charge per Customer ($/Yr)	Line 22 x 1000 / Line 27	**107,198**																			
41	Levelized Monthly Delivery Charge per Customer ($/Mnt	Line 40 / 12	**8,933**																			
42	Levelized Volumetric Delivery Rate ($/GJ)	Line 22 / Line 38	**5.623**																			
43																						
44	1- (Line 7 x Line 8) / 1- Line 15 + (Line 10 x Line 11 + Line 12 x Line 13)																					
45	2- Line 8 x Line 9 + [(Line 11 x Line 12 + Line 13 x Line 14) x 1- Line 16]																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Contract Rate Design
Appendix E - Schedule 11
($000's), unless otherwise stated

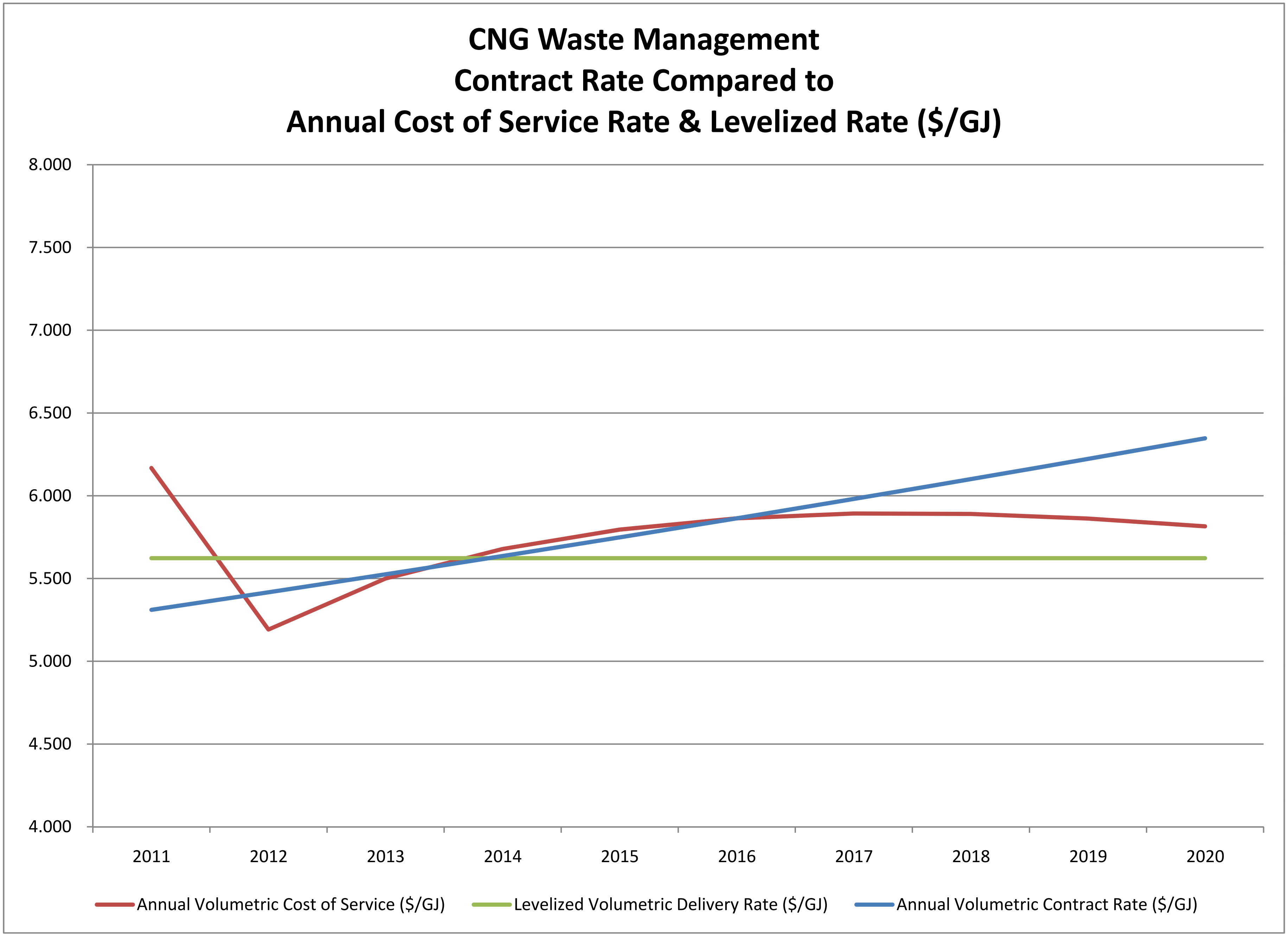
Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	Required Delivery Revenue ($) (discounted) - 20 years	Schedule 10, Line 22 x 1000	1,141,146																			
2	Required Delivery Revenue ($) (discounted, contract term) - 10 yrs	Schedule 10, Line 24 x 1000	771,445																			
3	Year 1 Contract Rate, Escalated at 2% Annually	[1]	100,906																			
4	Annual Contract Rate Escalation		2.00%																			
5																						
6	Annual Discount Rate (After- Tax WACC)		6.83%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
7	Annual Contract Rate	[2]	100,906	102,924	104,983	107,082	109,224	111,409	113,637	115,909	118,228	120,592	109,282	107,840	106,073	104,254	102,313	100,280	98,174	96,012	93,807	91,570
8	PV of Annual Contract Rate	Line 7 / (1 + Line 6)^Yr	94,452	90,074	85,949	82,013	78,257	74,673	71,254	67,990	64,877	61,906	52,481	48,448	44,580	40,989	37,631	34,504	31,601	28,911	26,425	24,131
9	PV of Total Revenue Collected	Sum of Line 8	1,141,146																			
10																						
11	**Monthly Rate, Escalated at 2% annually and then COS based beyond Contract Term**		**8,409**	**8,577**	**8,749**	**8,924**	**9,102**	**9,284**	**9,470**	**9,659**	**9,852**	**10,049**	**9,107**	**8,987**	**8,839**	**8,688**	**8,526**	**8,357**	**8,181**	**8,001**	**7,817**	**7,631**
12	**Annual Volumetric Contract Rate ($/GJ)**		5.311	5.417	5.525	5.636	5.749	5.864	5.981	6.100	6.223	6.347	5.752	5.676	5.583	5.487	5.385	5.278	5.167	5.053	4.937	4.819
13																						
14	Annual Cost of Service	Schedule 1, Line 13 x 1000	117,184	98,642	104,490	107,887	110,115	111,409	111,957	111,909	111,387	110,487	109,282	107,840	106,073	104,254	102,313	100,280	98,174	96,012	93,807	91,570
15	Annual Difference (Cost of Service - Contract Rate)	Line 14 - Line 7	16,278	(4,282)	(492)	805	891	0	(1,680)	(4,000)	(6,840)	(10,105)	-	-	-	-	-	-	-	-	-	-
16																						
17	**Early Contract Termination[3]**																					
18																						
19	Deferral Account Repayment	Schedule 9, Line 11	16,278	13,118	13,531	15,268	17,212	18,399	17,987	15,227	9,437	-	-	-	-	-	-	-	-	-	-	-
20	Residual Asset Value	Schedule 5, (Line 3 + Line 6) x 1000	716,066	681,461	646,834	612,184	577,511	542,815	508,094	473,348	438,578	403,781	368,959	334,110	299,233	264,329	229,396	194,435	159,444	124,423	89,371	54,288
21	Approximate Early Termination Fee ($)	Line 19 + Line 20	732,344	694,579	660,365	627,453	594,723	561,213	526,081	488,576	448,015	403,781	368,959	334,110	299,233	264,329	229,396	194,435	159,444	124,423	89,371	54,288
22																						
23	1- Line 2 /sum of [(1+inflation) ^ year / (1+WACC) ^ year] for each year of the contract																					
24	2- Previous Year x (1+ 2%); in 2021+, Line 14																					
25	3- The forecast early termination fee has been calculated on a year end basis. The actual fee would be determined at the time of contract termination and may be different than the amount shown on Line 21																					

Terasen Gas Inc.
CNG Waste Management Financial Analysis
December 1, 2010

CNG Waste Management Financial Analysis: Discounted Cash Flow Analysis
Appendix E - Schedule 12
($000's), unless otherwise stated

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	**Cash Flow**																					
2	Add: Revenue	Schedule 11, Line 7	100.9	102.9	105.0	107.1	109.2	111.4	113.6	115.9	118.2	120.6	109.3	107.8	106.1	104.3	102.3	100.3	98.2	96.0	93.8	91.6
3	Less: O&M, Property Tax Expense	Schedule 10, - (Line 3 + Line 4 + Line 6)	(26.4)	(27.0)	(28.5)	(29.1)	(29.7)	(30.3)	(30.9)	(31.5)	(32.1)	(32.8)	(33.4)	(34.1)	(34.6)	(35.3)	(36.0)	(36.6)	(37.3)	(38.0)	(38.7)	(39.5)
4	EBITDA[1]	Line 2 + Line 3	74.5	76.0	76.5	78.0	79.6	81.1	82.8	84.4	86.1	87.8	75.9	73.8	71.4	69.0	66.4	63.6	60.9	58.0	55.1	52.1
5	Capital Expenditures[2]	Schedule 6, Line 39	(738.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Pre-Tax Cash Flow	Line 4 + Line 5	(663.5)	76.0	76.5	78.0	79.6	81.1	82.8	84.4	86.1	87.8	75.9	73.8	71.4	69.0	66.4	63.6	60.9	58.0	55.1	52.1
7	Income Tax Expense	Line 4 x (- Schedule 3, Line 12)	(19.7)	(19.0)	(19.1)	(19.5)	(19.9)	(20.3)	(20.7)	(21.1)	(21.5)	(22.0)	(19.0)	(18.4)	(17.9)	(17.2)	(16.6)	(15.9)	(15.2)	(14.5)	(13.8)	(13.0)
8	Overhead Capitalized Tax Shield	Schedule 3, -Line 8 x Line 12	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
9	CCA Tax Shield	Schedule 3, -Line 9 x Line 12	17.2	29.4	23.8	19.3	15.7	12.8	10.5	8.7	7.2	5.9	5.0	4.2	3.6	3.1	2.6	2.3	2.0	1.8	1.6	1.5
10	Terminal Value of CCA Tax Shield	[4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.8
11	Terminal Value	[4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12																						
13	Free Cash Flow	Line 6 + Line 7	(665.7)	86.7	81.5	78.1	75.7	74.0	72.9	72.3	72.1	72.2	62.3	59.9	57.6	55.2	52.8	50.5	48.1	45.7	43.4	49.8
14																						
15	After Tax WACC %	Schedule 10, Line 17	6.83%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
16	Present Value of Free Cash Flow [3]	Line 13 / (1 + Line 15)^Yr	(670.4)	75.8	66.7	59.8	54.3	49.6	45.7	42.4	39.6	37.1	29.9	26.9	24.2	21.7	19.4	17.4	15.5	13.8	12.2	13.1
17	Total Present Value of Free Cash Flow	Sum of Line 16	**(5.2)**																			
18																						

19 1- Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)
20 2- Net of CIAC and removal costs (if applicable) and excludes capitalized overhead
21 3- 2011 present value calculates capital expenditure to occur at time zero
22 4- Evaluation period reflects the useful life of the assets, therefore it is assumed that the terminal value is zero


CNG Waste Management
Contract Rate Compared to
Annual Cost of Service Rate & Levelized Rate ($/GJ)
8.000
7.500
7.000
6.500
6.000
5.500
5.000
4.500
4.000
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Annual Volumetric Cost of Service ($/GJ)
Levelized Volumetric Delivery Rate ($/GJ)
Annual Volumetric Contract Rate ($/GJ)

10.0 WM AGREEMENT – OPERATING COST OF FACILITIES

Reference: Exhibit B-1, Section 4 pp. 46-53; Appendix D-1; Appendix E, Schedule 2

10.1 On page 50 of the Application, TGI estimates annual maintenance costs at $21,000/year. Please show the calculation and breakdown of this number.

Response:

The detailed O&M budget that has been developed using input from the supplier ("IMW") and historical experience is as follows:

Waste Management Anual Operations Budget							
Project: Waste Management		**Compressor Annual Operation**					
		260	days/year				
Doc#: TG-0049-00		3	hrs/day				
		780	hrs/year				
Assumptions and comments							
1. Compressor A & B operates 260 days/year.							
2. Each Compressor operates for 780 hours a year.							
3. Equipment is under warranty for first year of operation. As such, any major failures will be recoverable.							
4. 6 years of operation is required before a heavier elements of preventative maintenance kick in.							
5. In year 7 of operation, top-end and bottom-end inspections will be required and are included.							
6. A 1.02% yearly inflation adjustment is included in the budget and is averaged across all numbers for side by side comparison.							
Item	Description	Interval	Annual Occurrences	Cost	Annual Average	10 Year Budget	Notes
1	Change Inlet & Discharge Filter Elements	Annually	1.00	$ 373.00	$ 373.00	$ 3,730.00	
2	Replace Gaskets/O-Rings	Annually	1.00	$ 1,000.00	$ 1,000.00	$ 10,000.00	
3	Relief Valve and Alarm Setpoint check	Annually	1.00	$ 500.00	$ 500.00	$ 5,000.00	includes item 4,5,6
4	Check Instrumentation Set Points	Annually	1.00	$ -	$ -	$ -	
5	Check Recovery Tank time to drain to inlet pressure at startup	Annually	1.00	$ -	$ -	$ -	
6	Lubricate Main Drive Motor Bearings	Annually	1.00	$ -	$ -	$ -	
7	Remove & clean compressor valves; perform leak test	Annually	1.00	$ 2,170.00	$ 2,170.00	$ 21,700.00	
8	Perform Vibration Test	Annually	1.00	$ 200.00	$ 200.00	$ 2,000.00	
9	Winter/Summer Oil Change	Annually	2.00	$ 1,900.00	$ 3,800.00	$ 38,000.00	
10	Inspect Rod packings/rings/valves, replace if necessary	5000 hr.	0.10	$ 4,250.00	$ 425.00	$ 4,250.00	not req'd until year 7
11	Inspect Pistons/Rods, replace if necessary	5000 hr.	0.10	$ 2,000.00	$ 200.00	$ 2,000.00	not req'd until year 7
12	Monthly Equipment Service - 6 hrs	Monthly	12	$ 600.00	$ 7,200.00	$ 72,000.00	
13	Emergency Callout - 6 hrs	Monthly	12	$ 600.00	$ 7,200.00	$ 72,000.00	
14	Relief valve Recertification	5 years	0.10	$ 3,350.00	$ 335.00	$ 3,350.00	not req'd until year 6
					$ 23,403.00		Inflation adjustment included
						$ 234,030.00	Inflation adjustment included

Actual maintenance costs will vary over time and will depend on the operating strategy used. For example TGI may elect to concentrate operating hours on a single compressor. For the purposes of the COS model the overall expenditures have been averaged over the 10 year terms as follows:

10 year Annual Average Waste Management Operations Budget											
1	2	3	4	5	6	7	8	9	10	10 year	Annual Average
	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02		
21,373	21,800	22,236	22,681	23,135	23,598	24,069	24,551	25,042	25,543	**234,028**	**23,403**

10.2 Please identify all other annual expenses like operating cost, overhead, administration, etc. that TGI will or may allocate to this facility.

Response:

Asset management activities and associated overhead costs related to this station will be managed and administered as part of TGI's general business under the Distribution department. These activities are provided for under existing O&M budgets for 2010 and 2011 as approved in TGI's recent Revenue Requirement decisions. Other than the $21k estimate for direct O&M costs, no other incremental expenses are forecast.

10.3 How many hours will the compressors run each year? What is the manufacturer's recommended number of hours between overhauls?

Response:

The compressors will operate about 780 hours per year to service the 20 truck fleet. At this operating rate overhauls would not be required until year 7 (additional maintenance inspections and repairs if required are recommended at 5000 hrs). As shown in the response to BCUC Confidential IR 1.10.1, the O&M provision is increased to cover this expenditure.

10.4 How often will the compressors require overhaul? What is the cost per compressor unit of such an overhaul?

Response:

Additional maintenance inspections that require partial disassembly and rebuild of the compressors are recommended after 5,000 hours service (7 years).

Costs are budgeted to do this as outlined in the response to BCUC Confidential IR 1.10.1.

10.5 Please identify where the cost of periodic compressor overhauls is shown in Schedule 2 of Appendix E.

Response:

The cost of periodic compressor overhauls is embedded within the forecast O&M expense as identified in the response to BCUC Confidential IR 1.10.1 and correspondingly is included in Line 9, Schedule 2 of Appendix E.

10.6 The foregoing Schedule 2 shows operating costs being reduced by Overhead being capitalized at a rate of 14 percent. Please explain how these amounts are recovered in the rate paid by WM. If not, please explain how TGI recovers these amounts.

Response:

The capitalized overhead identified on Line 17 of Schedule 2 is accounted for as a capital addition in the same year and is shown on Line 16 of Schedule 7 (Gross Plant in Service & Contributions in Aid of Construction).

The average TGI rate for depreciation expense is applied to the sum of the opening gross plant in service balance and one half of the current year additions of capitalized overhead to determine the annual depreciation expense embedded in the contract rate paid by WM. The earned return and income tax implications of the annual capitalized overhead additions and net plant in service balance are also included in the contract rate paid by WM.

As a result of a depreciation period for capitalized overhead that is greater than the contract term, the capitalized overhead net plant in service balance will not be fully recovered through the contract rate and any remaining balance will be recovered from WM through a contract extension or by TGI customers through the TGI delivery rate.

10.7 Considering that WM can reopen the WM Agreement if actual deliveries are higher than forecast, why does the agreement not provide TGI with a reopener clause in the event that costs are significantly higher than projected?

Response:

Given that WM expects to add more vehicles to the station, the probability of increased throughput is very high. Hence it is reasonable for the agreement to contemplate a re-basing of the rate in the event of large changes in consumption.

The situation with respect to installed station equipment costs and maintenance costs is quite different. These costs can generally be predicted with a relatively high degree of accuracy – e.g. +/- 10% or less.

During negotiations, WM expressed a desire for a fixed price rate so that they could have a degree of certainty with respect to the cost of fuelling services. TGI was and remains confident that this approach does not introduce undue risk to customers as there are other factors that mitigate this risk including the following:

- The capital equipment budget was based on fixed price proposals from vendors leading to a high level of confidence in the estimates;
- Site upgrades necessary for the fuelling service, such as the electrical supply to the site, installation of video monitoring equipment, upgrades to area lighting and general improvements to the parking area for the trucks, will be carried out by Terasen Gas' contractors. Terasen Gas is managing this work on a cost-plus basis under a separate agreement; and
- Actual projected volumes for the 20 trucks are estimated at 21,141 GJ versus the contractual minimum of 18,996. This is an additional 11% that provides expected additional revenues to the benefit of TGI customers.

Collectively, these measures made TGI confident in accepting the fixed price approach.

15.0 WM AGREEMENT – BASE PRICE

Reference: Exhibit B-1, Appendix D-1, Section 7, p. 6; Appendix E, Schedule 10

15.1 The Base Price in the WM Agreement is $5.31/GJ, while the Levelized Rate in Schedule 10 is $5.623/GJ. Please provide the calculation of $5.31/GJ.

Response:

Please refer to Section 5.1.3, CNG and LNG Service Rate Design for a description of the derivation of the contract rate as well as Appendix E, Schedule 11.

Line	Particulars	Reference	Calculation
1	Discounted Revenue Requirement, $ (contract term - 10 yrs)	Appendix E, Schedule 11, Line 2	771,445
2	Disount Factor	sum of [(1+inflation) ^ year / (1+WACC) ^ year] for each year of the contract	8
3	Annual Contract Rate, Year 1, $	Line 1 / Line 2	100,906
4	Annual Contract Rate, Year 1, $/GJ	Line 3 / Minimum Contract Demand (19,000 GJs)	5.31

15.2 Please provide a schedule showing that the Base Price plus escalation will fully recover the cost of the Fueling Facility over the 20 year life of the contract.

Response:

Please refer to Appendix E, Schedules 10 and 11.

The contract term is 10 years.

The present value of the revenue requirement over the contract term is $771,445 as shown on Line 2, Schedule 11. The base price plus escalation recovers the present value of the revenue requirement over the contract term as detailed in the Schedule 11 and shown in the table below.

Line	Particulars	Reference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Discount Rate	Appendix E, Schedule 10, Line 17	6.83%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
2	Discount Year		1	2	3	4	5	6	7	8	9	10
3												
4	Base Contract Rate ($/GJ)	Previous Year Contract Rate	5.31	5.31	5.42	5.53	5.64	5.75	5.86	5.98	6.10	6.22
5	Annual Rate Escalation	2%	-	0.11	0.11	0.11	0.11	0.11	0.12	0.12	0.12	0.12
6	Annual Contract Rate	Line 4 + Line 5	5.31	5.42	5.53	5.64	5.75	5.86	5.98	6.10	6.22	6.35
7	Minimum Contract Demand (GJ)	WM Agreement	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
8	Revenue	Line 6 x Line 7	100,906	102,924	104,983	107,082	109,224	111,409	113,637	115,909	118,228	120,592
9												
10	PV of Revenue	Line 8 / (1+Line 1) ^ Line2	94,452	90,074	85,949	82,013	78,257	74,673	71,254	67,990	64,877	61,906
11	Cumulative PV of Revenue		94,452	184,526	270,475	352,488	430,745	505,419	576,672	644,663	709,540	771,445

Over an evaluation period of 20 years, which represents the full depreciation of the fuelling facility assets (excluding capitalized overhead), the present value of the revenue requirement is $1,141,146 and is shown on Line 1, Schedule 11 and Line 22, Schedule 10. The present value of the revenue collected over the 20 year period is $1,141,146 and is shown on Line 9, Schedule 11. For purposes of this analysis, the contract rate is assumed to revert to an annual cost of service rate for years 11-20.

15.3 Please confirm that all adjustments to the Base Price will require Commission approval.

Response:

Except for the circumstances contemplated in section 7(b)(ii) and (iii), adjustments to the Base Price are subject to Commission approval as noted in Section 7(d) of the WM Agreement.

16.0 WM AGREEMENT - FINANCIAL ANALYSIS

Reference: Exhibit B-1, Appendix E Financial Schedules; TGI 2010-2011 RRA, BCUC 2.8.0

16.1 In the same format as the response to BCUC 2.8.0 in the TGI 2010-2011 Revenue Requirements Application, provide the parameters used in the Appendix E Financial Schedules.

Response:

The parameters identified in the response to BCUC IR 2.8.0 in the TGI 2010-2011 Revenue Requirements Application reflected a twenty year discounted cash flow analysis. The financial evaluation of the WM agreement was completed on a cost of service basis.

An alternate table, identifying the key parameters of the cost of service analysis, has been provided below.

Item	Parameter	
Capitalized Overhead Rate	14%	
O&M Inflation Rate	2%	
Contract Term	10 Years	
Depreciation Rates		
CNG Dispensing Equipment	5.0%	
Foundation	5.0%	
NG Dehydrator	5.0%	
Capitalized Overhead	2.7%	
CCA Class		
CNG Dispensing Equipment	8	
Foundation	1.3	
NG Dehydrator	8	
Capitalized Overhead	51	
CCA Rate		
CNG Dispensing Equipment	20.0%	
Foundation	6.0%	
NG Dehydrator	20.0%	
Capitalized Overhead	6.0%	
Income Tax Rate	25.0%	*
Property Tax Rate (Foundations)	3.91%	
Property Tax in Lieu of Rate	1%	
Return on Rate Base	7.93%	
AFUDC Rates & After Tax WACC	6.90%	**

*The income tax rate is 26.5% for 2011 only

**The AFUDC rate is 6.83% for 2011 only

17.0 WM AGREEMENT - FINANCIAL ANALYSIS

Reference: Exhibit B-1, Section 4.3.2, p. 48 and Appendix E Financial Schedules

17.1 Please perform a sensitivity analysis of the discount period assumption by rerunning the financial analysis in Appendix E using a 10 year discount period. Also provide the revised analysis.

Response:

Please refer to Attachment 17.1.

The 20 year financial analysis was provided to demonstrate that depreciation was based on the useful life of the assets and not the contract term. The present value of the revenue requirement over the contract term of 10 years is used as the basis for the determination of the contract rate. Therefore, adjusting the discount period to 10 years does not impact the present value of the revenue requirement over the contract term or the contract rate.

17.2 In the format below, provide a summary table comparing the results of the 10 year discount period to the 20 year discount period.

	10 Year Discount Period	**20 Year Discount Period**
Total Present Value Revenue Requirement ($)		
Present Value Revenue Requirement over Contract Term ($)		
Required Delivery Revenue ($) (discounted) – 20 years		
Required Delivery Revenue ($) (discounted contract term) – 10 years		
Levelized Annual Delivery Charge per Customer ($/year)		
Levelized Monthly Delivery Charge per Customer ($/Month)		
Levelized Volumetric Delivery Rate ($/GJ)		

Response:

Please refer to the response to BCUC Confidential IR 1.17.1.

	10 Year Discount Period	20 Year Discount Period
Total Present Value Revenue Requirement ($)	771,445	1,141,146
Present Value Revenue Requirement over Contract Term ($)	771,445	771,445
Required Delivery Revenue ($) (discounted) – 20 years	n/a	1,141,146
Required Delivery Revenue ($) (discounted contract term) – 10 years	771,445	771,445
Levelized Annual Delivery Charge per Customer ($/year)	109,858	107,198
Levelized Monthly Delivery Charge per Customer ($/Month)	9,155	8,933
Levelized Volumetric Delivery Rate ($/GJ)	5.752	5.623

18.0 WM AGREEMENT - FINANCIAL ANALYSIS

Reference: Exhibit B-1, Section 4.8.1, pp. 51-52; Appendix E Financial Schedules; Commission Order G-143-99 and TGI 2010-2011 RRA, BCUC 2.68.7

"The costs related to the design and installation of the fuelling station are relatively modest, and the risk of stranded assets is small in this case.

Second, TGI may be able to sell fuelling station assets into other jurisdictions, such as California, if general market conditions are favourable. Such conditions would include a wide price differential between natural gas and conventional fuels, continued availability of OEM vehicle options, and government policy favouring NGV development." (Exhibit B-1, pp. 51-52)

"In 1999 the Commission approved the disposal of TGI's NGV assets comprising of compression and dispensing equipment (BCUC Order No. G-143-99, dated December 23, 1999). In the Order the Commission approved a recovery of losses for $2,130,000 in a deferred charge account which was to be amortized over ten years." (TGI 2010-2011 RRA BCUC 2.68.7)

18.1 Given that the disposal of TGI's NGV assets comprising of compression and dispensing equipment (Commission Order G-143-99, dated December 23, 1999) resulted in a loss of $2,130,000 that was recovered from customers, please explain why TGI considers the risk of stranded assets small.

Response:

As discussed in the response to BCUC Confidential IR 1.2.1, the proposed fuelling station on the WM premise, where the assets are tied contractually to WM, is fundamentally different from the Company's prior line of NGV refuelling business, where the assets were available to the public without term contracts for the use and cost recovery of the assets. The referenced amount is not reasonably comparable to the approval of the WM project which costs one third that amount in capital investment and carries with it a contract to recover all of the costs of service incurred over the life of the contract.

18.2 Please provide an estimate of the costs associated with selling and relocating fueling station assets into other jurisdictions.

Response:

It is not possible to estimate the costs or revenues associated with selling or relocating fuelling station assets into other jurisdictions at this time with any degree of accuracy. The economics will be influenced by various factors such as the level of market adoption of NGVs both locally and in other markets, the jurisdiction to which the assets are relocated, and the supply of used equipment and the cost of new assets.

18.3 Please perform a sensitivity analysis of the removal costs by rerunning the financial analysis in Appendix E using and including the costs associated with selling and relocating fueling station assets into other jurisdictions. Also provide the revised analysis.

Response:

Please refer to the response to BCUC Confidential IR 1.18.2.

18.4 If the WM Agreement is terminated after 10 years and the selling and relocation of the fueling station assets into other jurisdictions results in a loss, should the TGI shareholder be at risk for the loss?

Response:

Clause 9(c) of the WM Agreement requires WM to assume the risk associated with the undepreciated value of assets at the end of the initial 10 year term of the WM Agreement. As articulated in the third paragraph of the cover letter which accompanied the executed agreement when TGI filed it with the Commission on December 3rd, 2010:

> *"To the further benefit of our customers, and while not discussed in the Application due to confidentiality, Terasen Gas notes that this contract contains a clause which requires Waste Management to purchase the related assets from Terasen Gas at their remaining book value in the event that the contract is not renewed at the conclusion of its pre-defined term. Terasen Gas is of the opinion that this confidentially negotiated clause, while it may not be able to be*

negotiated in all future customer contracts, effectively eliminates almost any financial risk to existing Terasen Gas customers that could result from the TGI's investment in the assets required to meet the obligations stipulated in this contract. This means that existing Terasen Gas customers will enjoy the direct financial benefit of the additional throughput on the Company's distribution system without taking any material financial risk."

The risk of a loss being borne by TGI or customers at the conclusion of the 10 year term in light of this clause is thus small.

TGI's shareholder should not be at risk for any loss associated with prudently incurred expenditures. TGI is seeking approval to invest in the refuelling station contemplated under the WM Agreement because it is in the best interests of TGI's customers, and because the potential rewards to all customers substantially outweigh the risks to all customers. TGI believes that the investment is thus prudent and it would not be appropriate to require the shareholder to bear potential losses, small as they may be.

19.0 WM AGREEMENT - FINANCIAL ANALYSIS – CAPITAL COST

Reference: Exhibit B-1, Section 5.1.2.1, p. 56; Appendix E Financial Schedules

"The forecast capital costs also include capitalized overhead. The cost of service model applies the currently approved capitalized overhead rate to the annual gross operating and maintenance expense to determine capitalized overhead for each contract.[67]

[67] The TGI rate is applied as per item 27 of the TGI, 2010-2011 Revenue Requirements Application, Negotiated Settlement Agreement prescribes a 14 percent capitalized overhead rate to be applied to gross O&M".

19.1 Given that the 14 percent capitalized overhead rate only applies to 2010-2011, please explain why 14 percent capitalized overhead rate is appropriate for the 20 year project life.

Response:

The 14 percent capitalized overhead rate is appropriate for the 20 year analysis period for several reasons:

1. 14% is the current approved rate
2. Any change in the capitalized overhead rate requires Commission approval and will be determined as a part of future Revenue Requirement proceedings
3. An estimate of future approved capitalized overhead rate changes will not likely result in a more accurate cost of service analysis. For example, in the 2010-2011 TGI Revenue Requirement Application, an 8% capitalized overhead rate was recommended and a 14% rate was approved through the Negotiated Settlement Agreement

Any cost or revenue variance that occurs as a result of a change in the capitalized overhead rate will flow through TGI delivery rates.

19.1.1 Please discuss the impact of International Financial Reporting Standards on TGI's capitalized overhead rate after 2011.

Response:

The impact of International Financial Reporting Standards, or other applicable accounting standards, on TGI's capitalized overhead rate will be determined as a part of future Revenue Requirement proceedings.

Consistent with TGI's recommendations in its 2010-2011 Revenue Requirement Application and previous Applications, it is likely that TGI will request approval to adjust the capitalized overhead rate to remain compliant with the appropriate accounting standards.

19.2 Please perform a sensitivity analysis of the overhead capitalization assumption by rerunning the financial analysis in Appendix E using overhead capitalization rates of 7.0 percent and 4.67 percent. Also provide the revised analysis.

Response:

Please refer to Attachment 19.2a and Attachment 19.2b.

A change in the capitalized overhead rate does not materially impact the financial analysis or the contract rate as shown in the following summary of the sensitivity analysis:

		Capitalized Overhead Rate		
		14%	7%	4.67%
Line	Particulars	Filed	Attach 19.2a	Attach 19.2b
1	Total Present Value Revenue Requirement ($)	1,141,146	1,149,491	1,151,078
2	Present Value Revenue Requirement over Contract Term ($)	771,445	780,335	782,433
3	Levelized Annual Delivery Charge per Customer ($/year)	107,198	107,982	108,131
4	Levelized Monthly Delivery Charge per Customer ($/Month)	8,933	8,998	9,011
5	Levelized Volumetric Delivery Rate ($/GJ)	5.623	5.664	5.672
6	Contract Rate ($/GJ)	5.311	5.372	5.386

20.0 WM AGREEMENT - FINANCIAL ANALYSIS – OPERATING AND MAINTENANCE EXPENSE

Reference: Exhibit B-1, Section 5.1.2.2, Operating and Maintenance Expense, p. 57; Appendix E Financial Schedules

"The operating and maintenance expense is inflated by two percent over the previous year, for each year subsequent to the first year of the forecast. The gross operating and maintenance expense embedded in the cost of service is reduced by the capitalized overhead."

20.1 Please perform a sensitivity analysis of the inflation assumption by rerunning the financial analysis in Appendix E using inflation rates of 1 percent and 3 percent. Also provide the revised analysis.

Response:

Please refer to Attachment 20.1a and Attachment 20.1b.

A change in the O&M inflation assumption of 1% impacts the present value of the revenue requirement over a 20 year period by approximately $25,000 or 2%, as shown in the following summary of the sensitivity analysis:

		O&M Inflation		
Line	Particulars	2% Filed	1% Attach 20.1a	3% Attach 20.1b
1	Total Present Value Revenue Requirement ($)	1,141,146	1,118,147	1,166,711
2	Present Value Revenue Requirement over Contract Term ($)	771,445	764,171	779,088
3	Levelized Annual Delivery Charge per Customer ($/year)	107,198	105,037	109,599
4	Levelized Monthly Delivery Charge per Customer ($/Month)	8,933	8,753	9,133
5	Levelized Volumetric Delivery Rate ($/GJ)	5.623	5.510	5.749
6	Contract Rate ($/GJ)	5.311	5.261	5.363

21.0 WM AGREEMENT – DEPRECIATION

Reference: Exhibit B-1, Appendix E, Schedule 8

21.1 Schedule 8 shows all equipment being depreciated at 5 percent per year, except for Capitalized Overload which is depreciated at 2.7 percent per year. Please explain why this treatment of Capitalized Overload is appropriate for this project.

Response:

The capitalized overhead from the O&M associated with the refuelling station under the WM Agreement will be treated like all other TGI capitalized overhead and allocated to gross plant in service additions, excluding general plant additions, and depreciated at an average rate of 2.7% (which excludes general plant depreciation).

Therefore, it is appropriate to apply a depreciation rate of 2.7% to the capitalized overhead.

21.2 Please confirm that "CNG Dispensing Equipment" refers mainly to the two compressors.

Response:

Confirmed.

21.3 Please explain why 20 years is an appropriate depreciation period for these compressors. How many hours are likely to be recorded for the units over 20 years? What service life warranty or guidelines does the manufacturer provide?

Response:

According to information supplied by the compression equipment vendor, a period of 20 years is the expected life of the compression and dispensing station assets, provided recommended maintenance schedules are followed. For 20 trucks as contemplated under the WM Agreement, the compressors will operate approximately 780 hours per year. The warranty provided by the vendor on major equipment is for 1 year.

21.4 How long has this model of compressor been in service? What is the longest service life for this model of compressor that TGI has first-hand knowledge of, either because it has a unit in service or because it has been in contact with a party who does have a unit in service?

Response:

This model of compressor has been in service over 25 years and has experienced incremental improvement upgrades throughout this time period. TGI knows that some IMW compressors have been in service within TGI's service territory for over 20-25 years at several public and private refuelling stations in BC. TGI in the past had owned and maintained compressors as BC Gas or through the Company's former non-regulated subsidiary and maintained its knowledge of compressors via its involvement in NGVs with Clean Energy during this time period.

23.0 WM AGREEMENT - FINANCIAL ANALYSIS

Reference: Exhibit B-1-1 Confidential Appendices, Appendix E Financial Schedules, Schedule 6

23.1 Please provide a breakdown of the $750,700 capital cost by resource and account.

Response:

Please refer to the response to BCUC Confidential IR 1.9.4 for the detailed project cost estimate.

The project cost estimate by resource is as follows:

Resource		2010
Station Project Management	$	24,300
Compression Stn-Instl & Mat'ls		521,100
Utilities -Instl & Mat'ls		50,800
Station-Install & Materials		125,500
Station-External Engineering		16,300
AFUDC		12,700
Total Project Costs	$	750,700

The project cost estimate by account is as follows:

Account	Description	2010
65202	Contractors-Misc.	$ 713,700
80000	Salaries M&E-REG	17,700
80002	Salaries COPE-Reg	1,200
80004	Wages IBEW-REG	5,400
69200	AFUDC	12,700
Total Project Costs		$ 750,700

23.2 Provide a list of all project direct and indirect costs using a work breakdown structure by year until completion.

Response:

Please refer to the response to BCUC Confidential IR 1.9.4 and the response to BCUC Confidential IR 1.23.1.

23.3 Identify any cost items not included in the estimate, including transportation costs, and the reason for the exclusion.

Response:

To the best of TGI's knowledge, there are no cost items that are not included in the estimate or covered by existing O&M budgets.

24.0 WM AGREEMENT - FINANCIAL ANALYSIS

Reference: Exhibit B-1-1 Confidential Appendices, Appendix E Financial Schedules, Schedule 12

24.1 The Total Present Value of Free Cash Flow is -$5,200. Please explain why Terasen is investing is a project with a negative net present value.

Response:

Terasen Gas evaluates projects on several factors, including, but not limited to, incremental cost of service, cash flow, rate impacts and macro economic factors.

In the case of the WM Agreement, the total present value of the free cash flow is negative because the depreciation period of the capitalized overhead is longer than the 20 year analysis period. That is, the full recovery of the capitalized overhead does not occur within the 20 year period. Please refer to the response to BCUC Confidential IR 1.10.6 for a discussion on the recovery of capitalized overhead.

The negative value of the discounted cash flow of approximately $5,000 does not offset the positive benefits associated with this contract. Please refer to Section 3 of the Application for a comprehensive discussion on the benefits of the service offering to all customers.

24.1.1 Please discuss the rate impact of Terasen investing in projects with negative net present values.

Response:

Terasen Gas evaluates projects using several factors, including, but not limited to, incremental cost of service, cash flow, rate impacts and macro economic factors.

All else equal, a project with a negative net present value will increase delivery rates for all TGI non-bypass customers. However, on its own, a net present value analysis does not provide the overall impact of the benefit or cost of investing in a certain project and should be considered in the context of other evaluation methods. As such, the rate impact of investing in projects with a negative net present value must be determined in light of other variables that may also impact the rate.

Terasen Gas considers all applicable factors and impacts to determine if the investment is in the best interest of Terasen and its customers.

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TARIFF SUPPLEMENT NO. J-1

COMPRESSED NATURAL GAS
SERVICE AGREEMENT

BETWEEN

WASTE MANAGEMENT OF CANADA CORPORATION

AND

TERASEN GAS INC.

Effective January 14, 2011

AMENDED AND RESTATED

CNG FUELING STATION INSTALLATION AND OPERATING AGREEMENT

This amended and restated Agreement (this "Agreement") is dated as of the 17th day of February 2011 (the "Effective Date") by and between Waste Management of Canada Corporation ("WM"), and Terasen Gas Inc. ("Terasen"). WM and Terasen may be referred to herein as a "Party" individually and the "Parties" collectively.

RECITALS

WHEREAS, the Parties entered into a CNG Fueling Station Installation and Operating Agreement dated December 3, 2010 (the "Original Agreement").

WHEREAS, pursuant to the Original Agreement, WM currently owns property located at 2330 United Boulevard, Coquitlam, British Columbia (the "Property") and from which WM shall operate a fleet of compressed natural gas ("CNG")-fueled refuse trucks (each a "Vehicle" and together the "Vehicles");

WHEREAS, pursuant to the Original Agreement, Terasen shall install, operate and maintain a Fueling Station (as defined in Exhibit B therein) utilizing CNG at the Property, and WM has granted Terasen an irrevocable license to access and use that portion of the Property identified on Exhibit A attached thereto (the "Operating Area") in order for Terasen to install and maintain the Fueling Station within the Operating Area, upon the terms set forth therein;

WHEREAS, pursuant to the Original Agreement, WM has granted Terasen the exclusive right to provide the CNG to be dispensed at the Fueling Station, upon the terms and subject to the conditions set forth therein; and

WHEREAS, pursuant to Order G-6-11 of the British Columbia Utilities Commission, dated January 14, 2001, the Parties wish to amend and restate the Original Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the respective covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. Term of Agreement. The term of this Agreement shall commence on the Effective Date and shall terminate on the date that is ten (10) years after the Effective Date (the "Initial Term") unless earlier terminated as set forth herein. Upon the completion of the Initial Term, Terasen shall have the right to renew this Agreement, for an additional ten (10) years by notifying WM of its intent to renew not less than ninety (90) days prior to the end of the Initial Term, and subject to WM's purchase right as described in Section 9(b).

2. Access to Fueling Station.

(a) **Grant of License**. WM hereby grants to Terasen, its employees, contractors, agents, invitees and licensees, during the term of this Agreement (including any renewal periods or extensions), an irrevocable license to install the Fueling Station upon the Operating Area and to enter upon and use the Operating Area and to have continued access to the Operating Area over the Property, with or without vehicles, supplies, machinery or equipment for the purposes of installing and maintaining the Fueling Station in accordance with this Agreement. WM agrees not to do or knowingly permit to be done anything which may, in the reasonable opinion of Terasen, interfere with Terasen's license rights hereunder or injure the Fueling Station or damage the operating efficiency of the Fueling Station or create any hazard. There are no implied licenses under this Agreement, and any rights not expressly granted are reserved. Neither Party shall exceed the scope of the licenses granted hereunder.

(b) **Change to Ownership of Operating Area**. WM shall be free to sell or otherwise transfer title of the Property and/or the Operating Area during the term of this Agreement (including any renewal periods or extensions) so long as:

(i) WM causes the purchaser or transferee to enter into an assumption agreement with Terasen, in a form satisfactory to Terasen, acting reasonably, causing such purchaser or transferee to assume all of WM's obligations under this Agreement;

(ii) such purchaser or transferee continues to grant Terasen the license set forth in Section 2(a) of this Agreement; and

(iii) WM obtains the prior written consent of Terasen to such sale or transfer, which consent shall not be unreasonably withheld.

Notwithstanding the above, nothing in this Agreement shall preclude or prevent WM from selling or disposing of its any business assets, which sale or disposal does not include a change in ownership of the Property and/or the Operating Area and does not interfere with the operation of Fueling Station or impede Terasen's access to the Fueling Station. The minimum purchase requirements set forth in Section 7(c) of this Agreement shall survive any change in ownership of the Property and/or Operating Area.

3. Installation of Fueling Station.

(a) **Design Documents**. Terasen shall work cooperatively with WM to develop the design of the Fueling Station. Terasen shall draft and propose design documents (the "Initial Design Documents") for WM's approval, which shall, in sufficient detail, describe and document the Fueling Station along with a timeline for completing the Fueling Station. The Initial Design Documents shall describe and document a Fueling Station that meets the minimum specifications set forth in Exhibit B (the "Specifications"). Terasen is responsible for the review of the Initial Design Documents with WM and for providing information to WM so that the Initial Design Documents contain all of WM's reasonable requirements for the Fueling Station. WM shall have the right to request changes to the

Initial Design Documents if and only if the Initial Design Documents do not meet the Specifications and any other reasonable WM requirements. The Initial Design Documents that have been approved by WM are attached to this Agreement as Exhibit D (the "Final Design Documents") shall adhere in all respects to all requirements related to any necessary permits and all existing WM permits as disclosed by WM to Terasen.

(b) Permits and Approvals. Except as otherwise specified herein, all construction-related permits and other Approvals, if any, relating to the Fueling Station shall be applied for and obtained by Terasen, at Terasen's sole expense. For purposes of this Agreement, "Approvals" shall mean all consents, permits, rights of way, filings, orders, or other approvals necessary in connection with the ownership, operation, maintenance, repair, improvement, or construction of the Fueling Station. The term Approval is intended to be broad and not restrictive and sufficient to cover all governmental consents and approvals, building and construction permits, environmental permits, zoning changes or variances, affecting or necessary for the operation, maintenance, or repair of the Fueling Station contemplated herein.

(c) Construction. Construction of the Fueling Station, in accordance with the Final Design Documents, shall commence within ten (10) days of WM's approval of the Final Design Documents, provided however that Terasen will endeavour to complete the construction of the Fueling Station within the scheduled dates set forth in the in the Final Design Documents, as may be adjusted by the mutual agreement of the Parties. Construction shall be completed by Terasen, and Terasen shall perform its obligations hereunder in compliance with all Approvals and all applicable laws and regulations, utilizing such sub-contractors as are required to complete the construction.

(d) WM's Responsibilities. WM shall provide the necessary electrical supply and shall be responsible for the ongoing costs of such electrical supply, to operate the Fueling Station (including any necessary permits specifically related to the electrical supply), which supply shall be brought to the battery limits of the Fueling Station. In addition, WM shall be responsible for certain other site improvements, as specifically set forth in Exhibit C (the "WM Site Improvements").

(e) Cost of Fueling Station. All costs associated with the design, construction, permitting, and maintenance of the Fueling Station shall be borne exclusively by Terasen, except for the electrical supply costs set forth in Section 3(d) and the WM Site Improvements specifically identified in Exhibit C.

(f) Inspection of Fueling Station. WM shall have the right, during normal business hours, to inspect the Fueling Station construction and installation to ensure compliance with the approved Final Design Documents and this Agreement.

(g) Progress Reports. Terasen shall provide WM with periodic written reports regarding the progress of the construction and installation of the Fueling Station in such detail and frequency as is reasonably required by WM.

(h) **Notice of Delays.** Terasen shall promptly notify WM of any delays in the progress of the construction and installation of the Fueling Station that would delay the schedule set forth in the Final Design Documents.

(i) **Upgrades.** Terasen shall be solely responsible for any upgrades to the Fueling Station due to the expansion of WM's fleet of Vehicles beyond twenty (20) Vehicles and/or increases in capacity required to meet the demands of Other Users (as defined herein). Upgrades required by WM shall be carried out by Terasen in accordance with this Section 3 and shall be performed within a reasonable timeframe that provides WM with no interruption in its ability to fuel WM's own Vehicles. The impact of requested upgrades upon pricing and other terms of this Agreement is addressed in Section 7(d) below.

4. Ownership, Maintenance, Operation, Security, and Safety.

(a) **Ownership of Fueling Station.** With the exception of the WM Site Improvements set forth in Exhibit C, in which WM shall retain all right, title and interest in and to, Terasen will retain all right, title and interest in and to the Fueling Station and all equipment supplied by Terasen whether or not the Fueling Station or the equipment (or any part thereof) is affixed to the Property and WM acknowledges and agrees that notwithstanding any rule of law or equity to the contrary, the Fueling Station shall not be considered a fixture. With the exception of the WM Site Improvements, WM shall have no right, title or interest in the Fueling Station and equipment supplied by Terasen other than the right to operate the Fueling Station in accordance with the terms and conditions of this Agreement, unless or until such time as WM acquires ownership of the Fueling Station and related equipment as contemplated in this Agreement.

(b) **Maintenance of Fueling Station.** Terasen shall, at its sole expense, repair and maintain in good working order, the Fueling Station and related equipment, in accordance with the manufacturers' recommended maintenance schedules for the Fueling Station and related equipment, the Specifications, all applicable laws and regulations, all Approvals and the reasonable requirements of WM, subject to the following:

(i) all labour required to fuel the Vehicles at the Fueling Station and all electrical costs related to the operation of the Fueling Station shall be the responsibility of WM, at WM's sole cost; and

(ii) Terasen shall use commercially reasonable efforts to provide maintenance to the Fueling Station and related equipment and complete repairs of the Fueling Station and related equipment within twenty-four (24) hours of notice of need for such repair from WM, provided however that Terasen is not responsible for any loss or damages arising from delay or loss of services hereunder.

Notwithstanding the foregoing, WM shall be responsible for costs and expenses incurred by Terasen to repair any damage to the Fueling Station and related equipment resulting from:

(iii) the negligent operation of the Fueling Station by WM or its agents; or

(iv) any and all damage to the Fueling Station arising directly or indirectly from the acts or omissions of WM or its agents or other persons for whom at law WM is responsible.

(c) **<u>Review of Maintenance Records</u>.** Upon reasonable notice, WM shall have the right to review all maintenance records in respect of the Fueling Station.

(d) **<u>Operation of the Fueling Station</u>.** WM shall be responsible for providing all labour with respect to the fueling operations of the Fueling Station and shall dispense CNG in accordance with the dispensing information provided by the equipment manufacturer, all Approvals, all applicable laws and regulations, and any reasonable requirements of Terasen with respect to the Fueling Station.

(e) **<u>Operating Permits and Approvals</u>.** Terasen shall, at Terasen's cost, be responsible for obtaining and maintaining any licenses, permits, or Approvals required to be obtained by Terasen for the operation of the Fueling Station.

(f) **<u>Security</u>.** WM shall be responsible for ensuring adequate security for the Fueling Station. WM shall comply with reasonable requests by Terasen with respect to security, which may include, without limitation, locked perimeter fencing and periodic patrol by security personnel. Notwithstanding the foregoing, security measures related to the Fueling Station shall not interfere with WM's normal operations.

(g) **<u>Safety</u>.**

WM and each of its employees, contractors and agents shall:

(i) be responsible for the protection and security of individuals operating the Vehicles and individuals fueling the Vehicles; and

(ii) permit only its employees and agents who have received the designated safety training from Terasen to fuel vehicles at the Fueling Station; and

Terasen and each of its employees, contractors and agents shall:

(i) comply with all WM site safety procedures and operational rules with respect to the Operating Area and WM's adjacent operations and complete all related training reasonably required by WM respecting same; and

(ii) Terasen shall provide safety training to WM with respect to fueling vehicles at the Fueling Station and shall provide such additional training as reasonably required by WM.

5. **<u>Use of the Fueling Station By Other Users</u>.** Terasen and WM intend to make the Fueling Station available to third party commercial users who shall be mutually agreed to by the Parties ("<u>Other Users</u>"). The terms and conditions for providing service to Other Users and the related revenue sharing arrangements will be defined in a separate agreement to be established by the Parties, the terms and conditions of which shall be negotiated in good faith and subject to the necessary BCUC approvals.

6. **WM's Right to Purchase Fueling Station.** WM shall have the right to purchase the Fueling Station from Terasen for an amount not greater than the un-depreciated book value of the then–existing Fueling Station upon the occurrence of any of the following events:

(a) Terasen is unable or unwilling to expand the Fueling Station to meet the increased demand from WM and or Other Users beyond a capacity to service at least 50 CNG vehicles; or

(b) Terasen does not renew this Agreement at the end of the Initial Term.

In the event WM wishes to exercise its purchase option under this Section 6, it shall provide Terasen with written notice and the parties shall work in good faith to complete a transfer of ownership within forty-five (45) days of such notice, and upon consummation of such transfer, this Agreement shall terminate.

7. **Supply of Natural Gas and Fueling Charges.**

(a) **Supply of Natural Gas.** WM shall have the right to purchase natural gas ("NG") either from Terasen or from a natural gas marketer at WM's discretion, subject to the terms and conditions of Terasen's then-existing rates and tariffs, as approved by the British Columbia Utilities Commission (the "BCUC"). During the Initial Term and any renewal periods or extensions, Terasen shall have the exclusive right and obligation to deliver NG dispensed at the Fueling Station.

(b) **Fueling Charges.** In addition to any fees or charges related to the supply of NG as contemplated in Section 7(a), in exchange for the compression, dispensing, maintenance, and repair services provided by Terasen at the Fueling Station, WM agrees to pay the following charges (the "Fueling Charges") as follows:

(i) $5.31 per gigajoule (GJ) for all NG compressed and delivered via the Fueling Station to WM ("Fueling Station NG") during the first year after the Fueling Station becomes operational (the "Base Price");

(ii) the Base Price plus an increase of 2% per year for each operating year thereafter during the Initial Term;

(iii) in the event that WM purchases more than 1,583 GJ of Fueling Station NG in any month, the price for such NG in excess of 1,583 GJ of Fueling Station NG shall be 25% of the price determined by Section (b)(i) and/or (b)(ii) above;

(iv) in the event this Agreement is renewed beyond the Initial Term, then the Base Price for Fueling Station NG in subsection (b)(i) above shall be $5.37 per GJ and shall not be escalated during the extension term as contemplated in Section (b)(ii) above. This Base Price of $5.37 per GJ assumes a volume of 19,000 GJ per year.

If additional capital is required to expand the station or there are material changes to annual volume of Fueling Station NG, then the parties will negotiate in good faith as adjustment to the Base Price during the extension period.

The Fueling Charges shall be based on the NG meter reading for NG compressed and delivered via the Fueling Station, which meter reading shall be conducted by Terasen.

(c) **Minimum Quantity of CNG**. Beginning on the first month after the Fueling Station becomes operational, WM agrees to purchase from Terasen a minimum of 1,583 GJ of Fueling Station NG per month at the price set forth in Section 7(b). Such requirement shall be waived during periods in which (i) the Fueling Station is inoperable or does not meet the Specifications (provided that such failure is not the fault of WM), or (ii) WM is unable to use the Fueling Station or otherwise operate its CNG Vehicles due to a Force Majeure Event (defined below). For purposes of this Agreement "Force Majeure Event" shall mean any one or more of the following events: war or hostilities; riot or civil commotion; earthquake, major flood not foreseeable in the area of the Fueling Station, forest fire or suspensions of work ordered by the Ministry of Forests (or other such governmental agency), or other natural physical disaster preventing or impairing the use of the Fueling Station; strike, slowdown, lock-out or other industrial action. An event shall only be considered a Force Majeure Event if such event is a major disabling event or circumstance in relation to the normal operations of the Party concerned as a whole which is beyond the reasonable control of the Party directly affected and results in a material delay, interruption, or failure by such Party in carrying out its duties, covenants, or obligations under this Agreement. Lack of money, financing, or credit to resolve such contingencies shall not be deemed a Force Majeure Event. A Party whose performance is prevented by Force Majeure must provide notification to the other Party. Initial notification may be given orally; however, written notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible.

(d) **Other Adjustments to Price of CNG**. In the event that WM purchases more than an average of 2,000 GJ of Fueling Station NG per month over a six (6)-month period, WM may renegotiate the Base Price of CNG in Section 7(b) going forward, and each Party hereby agrees to negotiate such price in good faith, such price to be subject to the necessary BCUC approvals. In the event that WM requests an expansion and Terasen, at its cost, expands the Fueling Station to meet increased demand from WM or Other Users beyond a capacity to service at least 50 CNG vehicles, then Terasen may renegotiate the Base Price of Fueling Station NG going forward, and each Party hereby agrees to negotiate such price in good faith. Each of the Parties acknowledge and agree that the Base Price and all increases pursuant to Section 7(b) are intended to estimate the cost of service of the Fueling Station over twenty (20) years and any adjustments to the Base Price of NG pursuant to this Section 7(d) shall be consistent with such cost of service.

(e) **Invoicing and Payment Terms**. On or about the 15th day of each month, Terasen shall deliver to WM a statement showing the amounts due from WM pursuant to this Section 7. WM shall review each statement and promptly report any errors. All statements shall be final and binding unless questioned within one (1) year of the date of the statement, unless such errors are determined to be intentional. Payment of all amounts shall be due within thirty (30) days of the date the statement is received by WM. Balances which remain unpaid for more than thirty (30) days from such date shall be subject to interest at the rate of one and one half percent (1.5%) per month (19.5% per annum), or the maximum rate allowable by law, whichever is lower. All prices and dollar figures set forth in this Agreement are in Canadian dollars, unless specified otherwise. All payments are to be made in Canadian Dollars.

(f) **Right to Review**. WM shall have the right to review the meter reading and dispensing records in respect of NG delivered to the Fueling Station and CNG dispensed from the Fueling Station, and any other records directly related to performance of this Agreement in order to verify invoices and compliance with this Agreement. Such review shall be conducted at WM's expense, unless such review shows errors in either amounts invoiced to WM or quantities of CNG used by WM which exceed two percent (2%).

8. [this section intentionally deleted]

9. Termination.

(a) Termination by WM for Cause: Terasen shall be in default of this Agreement if Terasen: (a) becomes insolvent; (b) files any proceeding in bankruptcy, or acquires the status of a bankrupt; (c) has a receiver or receiver manager appointed with respect to it or any of its assets; or (d) seeks the benefit of any statute providing protection from creditors. Terasen shall also be in default of this Agreement if Terasen breaches any material provision of this Agreement, which shall include, without limitation, failure to comply with applicable laws and regulations and the Approvals as provided in this Agreement, provided: (i) WM provides Terasen with written notice of breach and a thirty (30) day period within which to cure such breach ("Cure Period"); and (ii) Terasen fails to cure each such breach by the expiry of the Cure Period. Except with regard to Terasen's obligation to make payment due under the Agreement, if Terasen is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set forth in this Agreement, such inability or failure shall be deemed not to be a breach of such obligation or covenant and the obligations of both parties under this Agreement shall be suspended to the extent necessary during the continuation of any inability or failure so caused by such Force Majeure.

If Terasen is in default of this Agreement, WM may, at its option and without liability therefore or prejudice to any other right or remedy it may have, suspend or refuse to make any payments due hereunder until the default has been fully remedied, and no such suspension or refusal shall relieve Terasen from any of its obligations under this Agreement and WM may undertake the necessary steps to remedy Terasen's default at Terasen's sole expense, which reasonable costs shall be deducted from the Fueling Charges, and such actions shall not relieve Terasen from any of its obligations under this Agreement or, at WM's option, and without any liability, WM may terminate this Agreement and purchase the Fueling Station for a price equivalent to the un-depreciated capital cost of the Fueling Station at the expiry of the Initial Term, which the Parties agree is $421,127 CDN, without prejudice to any other right WM may have hereunder or at law or otherwise.

(b) Termination by Terasen for Cause. WM shall be in default of this Agreement if WM: (a) becomes insolvent; (b) files any proceeding in bankruptcy, or acquires the status of a bankrupt; (c) has a receiver or receiver manager appointed with respect to it or any of its assets; or (d) seeks the benefit of any statute providing protection from creditors. WM shall also be in default of this Agreement if WM breaches any material provision of this Agreement, which shall include, without limitation, (a) failure to provide access to and use of the Operating Area in accordance with section 2(a), (b) sale of the Property and/or Operating Area except in accordance with section 2(b), (c) failure to purchase the minimum quantity of CNG as provided in section 7(c), (d) failure to make payment to Terasen when due and (e) failure to comply with applicable laws and regulations and the Approvals as provided in this Agreement, provided: (i) Terasen provides WM with written notice of breach and a Cure Period; and (ii) WM fails to cure each such breach by the expiry of the Cure Period. Except with regard to WM's obligation to make payment due under the Agreement, if WM is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set forth in this Agreement, such inability or failure shall be deemed not to be a breach of such obligation or covenant and the obligations of both parties under this Agreement shall be suspended to the extent necessary during the continuation of any inability or failure so caused by such Force Majeure.

If WM is in default of this Agreement, Terasen may, at its option and without liability therefore or prejudice to any other right or remedy Terasen may have hereunder or at law or otherwise, (1) cease performing its obligations under this Agreement and no such actions shall relieve WM from any of its obligations under this Agreement and Terasen may undertake the necessary steps to remedy WM's default at WM's sole expense and such action shall not relieve WM from any of its obligations under this Agreement or, (2) remove the Fueling Station in whole or in part and, subject to sections 12 and 13 of this Agreement, restore that portion of the Operating Area directly impacted by such removal to as close to its original condition immediately prior to removal as is commercially reasonable at Terasen's expense, and terminate this Agreement, or (3) require WM to purchase the Fueling Station and terminate this Agreement and WM shall pay to Terasen a purchase price to be calculated as follows, which purchase price shall be payable to Terasen within 30 days of Terasen providing WM written notice of its intention to terminate this Agreement:

(i) the un-depreciated book value of the then-existing Fueling Station; plus

(ii) the present value of the earnings foregone by Terasen during the remainder of the Initial Term and the ten (10) year renewal period contemplated in section 1 of this Agreement, to be calculated by the parties in good faith, acting reasonably, based upon Terasen's regulated return on invested capital.

(c) Termination at the Completion of the Initial Term. If, at the expiry of the Initial Term, Terasen provides notice to WM that it wishes to exercise its right to renew this Agreement, but WM wishes to terminate this Agreement, WM may terminate this Agreement provided it purchases the Fueling Station from Terasen at a price to be calculated as follows, which purchase price shall be payable to Terasen within 30 days of WM providing Terasen written notice of its intention to terminate this Agreement:

i. the un-depreciated capital cost of the Fueling Station at the completion of the Initial Term, which the Parties agree is $421,127 CDN; plus

ii. the present value of the earnings foregone by Terasen during the ten (10) year renewal period contemplated in section 1 of this Agreement, to be calculated by the parties in good faith, acting reasonably, based upon Terasen's regulated return on invested capital.

10. **Representations and Warranties of Terasen.** Terasen represents, warrants and covenants as follows:

(a) **Authority to enter Agreement.** Subject to the necessary approvals of this Agreement by the BCUC, Terasen has the full right, power and authority to enter into this Agreement.

(b) **Corporate Action.** All necessary corporate action on the part of Terasen has been taken to authorize and approve the execution and delivery of this Agreement and the performance by Terasen of its obligations hereunder.

(c) **Breach of Law.** To the best of Terasen's knowledge and subject to section 15(b), this Agreement and the performance of Terasen's obligations under this Agreement do not breach any provisions of any other agreement or law that is binding on or applicable to Terasen as of the date of this Agreement.

(d) **Claims.** As of the date of this Agreement, there are no outstanding claims, suits, or proceedings or other service projects that would in any way conflict with Terasen's or its employees' performance of Terasen's obligations set forth herein. Terasen shall promptly notify WM if any such claim, suit, or proceeding is instituted against Terasen.

(e) **Performance.** Terasen has expertise in the construction of CNG fueling stations and CNG fueling station operations and shall perform its obligations hereunder in compliance with all applicable laws.

(f) **Compliance with Laws.** Terasen and its employees, agents, representatives, and subcontractors are and shall at all times remain in compliance with all rules and regulations, if any, applicable to the Fueling Station and all applicable laws.

(g) **Errors or Omissions:** Terasen is responsible for any negligent errors or omissions committed by itself and any of its employees, or subcontractors, and Terasen shall be responsible for and shall bear all reasonable costs and expenditures of any corrective action required to be taken by WM as a result of any such errors or omissions.

11. **Representations and Warranties of WM.** WM represents, warrants and covenants as follows:

(a) **Authority to enter Agreement.** WM has the full right, power and authority to enter into this Agreement.

(b) **Corporate Action**. All necessary corporate action on the part of WM has been taken to authorize and approve the execution and delivery of this Agreement and the performance by WM of its obligations hereunder.

(c) **Breach of Law**. To the best of WM's knowledge, this Agreement and the performance of WM's obligations under this Agreement do not and shall not breach any provisions of any other agreement or law that is binding on or applicable to WM as of the date of this Agreement.

(d) **Claims**. As of the date of this Agreement, there are no outstanding claims, suits, or proceedings or other service projects that would in any way conflict with WM's or its employees' performance of WM's obligations set forth herein. WM shall promptly notify Terasen if any such claim, suit, or proceeding is instituted against WM.

(e) **Ownership of the Property**. WM is the owner of the Property and has the power, capacity and authority to grant the license rights to Terasen as set forth in Section 2(a).

(f) **Compliance with Laws.** WM and its employees, agents, representatives, and subcontractors are and shall at all times remain in compliance with all rules and regulations, if any, applicable to the Fueling Station and all applicable laws.

(g) **Errors or Omissions**. WM is responsible for any negligent errors or omissions committed by itself and any of its employees, or subcontractors, and WM shall be responsible for and shall bear all reasonable costs and expenditures of any corrective action required to be taken by Terasen as a result of any such errors or omissions.

12. Environmental Indemnity.

(a) "Contaminants" shall be defined as meaning collectively, any contaminant, toxic substances, dangerous goods, or pollutant or any other substance which when released to the natural environment is likely to cause, at some immediate or future time, material harm or degradation to the natural environment or material risk to human health, and includes any radioactive materials, asbestos materials, urea formaldehyde, underground or aboveground tanks, pollutants, contaminants, deleterious substances, dangerous substances or goods, hazardous, corrosive or toxic substances, hazardous waste or waste of any kind, pesticides, defoliants, or any other solid, liquid, gas, vapour, odour or any other substance the storage, manufacture, disposal, handling, treatment, generation, use, transport, remediation or release into the environment of which is now or hereafter prohibited, controlled or regulated under environmental laws.

(b) Notwithstanding any other provision of this Agreement, Terasen shall release and indemnify WM and its directors, officers, employees, agents, successors, and permitted assigns from any and all liabilities, actions, damages, claims (including remediation cost recovery claims), losses, costs, orders, fines, penalties, and expenses whatsoever (including all consulting and legal fees and expenses on a solicitor-client basis and the cost of remediation of the Operating Area) arising from or in connection with any release or alleged release of any Contaminants related to any act or omission of Terasen, or any person for whom it is in law responsible, in constructing, installing, or maintaining the Fueling Station. WM, its affiliates, officers, directors, and employees do not hereby waive or surrender any other indemnity available to it under any applicable law.

(c) Notwithstanding any other provision in this Agreement, WM shall release and indemnify Terasen and its directors, officers, employees, agents, successors, and permitted assigns from any and all liabilities, actions, damages, claims (including remediation cost recovery claims), losses, costs, orders, fines, penalties, and expenses whatsoever (including all consulting and legal fees on a solicitor-client basis and the cost of remediation of the Operating Area) arising from or in connection with:

i. any release or alleged release of any Contaminants at or from the Property including without limitation the Operating Area except to the extent that such release was a direct result of the acts or omissions of Terasen or any person for whom it is in law responsible in carrying out its obligations under this Agreement; or

ii. the presence of any Contaminants on or off the Property before or after the Effective Date of this Agreement except to the extent that the presence of such Contaminants is a direct result of the acts or omissions of Terasen or any person for whom it is in law responsible in carrying out its obligations under this Agreement.

Terasen, its affiliates, officers, directors, and employees do not hereby waive or surrender any other indemnity available to it under any applicable law.

13. <u>Environmental Representations and Warranties</u>. WM represents and warrants to Terasen that to the best of its knowledge there are no actions, proceedings, investigations, claims (including remediation cost recovery claims) pending, or threatened, that would interfere with Terasen's use of or access to the Fueling Station or the Operating Area or that relate to the presence of Contaminants in, under or migrating to or from the Operating Area or the Property. WM acknowledges and agrees that Terasen is not responsible and shall not be responsible for any Contaminants now present, or present in the future, in, on or under the Property, or that may or may have migrated on or off the Property except to the extent that the presence of such Contaminants is a direct result of the acts or omissions of Terasen or person for whom it is in law responsible in carrying out its obligations under this Agreement.

14. <u>Indemnification</u>.

(a) Each Party agrees to indemnify, defend, and hold harmless the other Party, its officials, officers, and employees, from and against any and all losses, costs, expenses, claims, liabilities, actions, or damages, including liability for injuries to persons or damage to property of third persons, arising out of or in any way connected with the negligent acts or omissions, willful misconduct or the misrepresentations of the indemnifying Party or its employees, officials, and contractors in constructing, improving, maintaining, repairing, and operating the Fueling Station or the equipment, or with respect to any material breach of this Agreement. Such indemnification shall not apply to claims, liabilities, actions, or other damages to the extent caused by any negligent act or omission or misrepresentation on the part of the other Party or its employees, officials, agents, contractors, or subcontractors.

(b) Each Party's liability to the other Party pursuant to Section 14(a) shall be limited to direct damages not to exceed $700,000 over the term of this Agreement (including any renewal periods or extensions). Each Party has a duty to mitigate the damages that would otherwise be recoverable from the other Party pursuant to this Agreement by taking appropriate and commercially reasonable actions to reduce or limit the amount of such damages or amounts.

(c) Notwithstanding the foregoing, in no event shall either Party be responsible or liable under Section 12 or this Section 14 for any indirect, consequential, punitive, exemplary, or incidental damages of the other or any third party arising out of or related to this Agreement, including but not limited to loss of profit, loss of revenue, or other special damages, even if such loss is directly attributable to the gross negligence or willful misconduct of such Party, its employees, or contractors.

15. **Conditions Precedent**. Terasen's obligation to carry out the transactions contemplated by this Agreement is subject to fulfillment of each of the following conditions on or before such date as may be specified, which conditions are for the sole benefit of Terasen, and which may be waived by Terasen in accordance with this Section 15:

(a) Terasen, within six (6) months of executing this Agreement, obtaining all consents, permits and approvals from regulatory or other applicable governmental authorities required to construct and operate the Fueling Station on terms and conditions which are satisfactory to Terasen acting reasonably having regard to its bona fide business interests.

If a condition set out in this Section 15 has not been satisfied on or before the date as may be specified for its fulfillment, Terasen may waive compliance with the condition in whole or in part, in its sole discretion, by written notice to WM, failing which delivery of written notice of satisfaction or waiver of such condition, this Agreement will be null and void, without liability between the parties hereto, and, neither party will be under any further obligation to the other to complete the transactions contemplated by this Agreement.

16. **Insurance Requirements of Terasen**. As of the Effective Date, Terasen shall maintain the following minimum insurance coverage with respect to its activities at the Fueling Station:

(a) Comprehensive General Liability Insurance, including contractor's contingent coverage, with limits of not less than $2,000,000 per occurrence of bodily injury and $2,000,000 per occurrence of property damage.

(b) Contractual Bodily Injury Liability and Contractual Property Damage Liability

Insurance covering liability assumed under this Agreement with limits the same as that provided for Comprehensive General Liability Insurance, which coverage may be umbrella coverage.

(c) Pollution Liability Insurance with a $5,000,000 combined single limit per occurrence for bodily injury, personal injury, property damage, cleanup costs, and legal defense expense.

(d) All deductibles in the above- described insurance policies shall be at Terasen's sole risk.

(e) Terasen shall furnish WM with certificate(s) of insurance evidencing compliance with this Section 16, which certificate(s) shall provide that no material change in or cancellation or nonrenewal of the policies referred to herein shall occur without thirty (30) days' prior written notice to WM. Terasen shall cause WM to be named as an additional insured on all policies required under this Section 16. During the Initial Term of the Agreement and any renewals thereof, WM may, by written notice, require Terasen to obtain additional insurance or to alter or amend the insurance policies required under this Section 16 at WM's expense. Where Terasen fails to comply with the requirements of this Section 16, WM may take all necessary steps to affect and maintain the required insurance coverage at Terasen's expense.

17. **Insurance Requirements of WM.** As of the Effective Date, WM shall maintain the following minimum insurance coverage with respect to its activities at the Fueling Station:

(a) Comprehensive General Liability Insurance for bodily injury, death and property damage with limits of not less than $5,000,000 per occurrence.

(b) With respect to the Vehicles, Automobile Liability Insurance with a limit of not less than $5,000,000 per occurrence in respect of bodily injury, death and property damage, which policy shall extend to damage caused to the Fueling Station by the Vehicles.

(c) All deductibles in the above- described insurance policies shall be at WM's sole risk.

(d) WM shall furnish Terasen with certificate(s) of insurance evidencing compliance with this Section 17, which certificate(s) shall provide that no material change in or cancellation or nonrenewal of the policies referred to herein shall occur without thirty (30) days' prior written notice to Terasen. WM shall cause Terasen to be named as an additional insured on all policies required under this Section 17. During the Initial Term of the Agreement and any renewals thereof, Terasen may, by written notice, require WM to obtain additional insurance or to alter or amend the insurance policies required under this Section 17 at Terasen's expense. Where WM fails to comply with the requirements of this Section 17, Terasen may take all necessary steps to affect and maintain the required insurance coverage at WM's expense.

18. **Workers' Compensation Insurance.** Both Parties agree to maintain, at their respective expense, during the Initial Term and any renewals thereof, Workers' Compensation Insurance in accordance with the statutory requirements of British Columbia for all respective employees and engaged in any of the work or services under this Agreement and shall ensure that their respective contractors maintain the same.

19. **BCUC Approval**. WM acknowledges that Terasen is a public utility as defined in the Utilities Commission Act (British Columbia) and that this Agreement and the terms and conditions contained herein are subject to approval by the BCUC. In the event that this Agreement and/or the terms and conditions contained herein do not receive the necessary approvals of the BCUC on terms and conditions which are satisfactory to Terasen acting reasonably having regard to its bona fide business interests, the Parties agree to negotiate in good faith to mitigate each other's costs.

20. **Assignment**. Neither Party may assign its rights or obligations under this Agreement without the prior written consent of the other Party, acting reasonably. Without limiting the foregoing, the Parties agree that either Party may assign this Agreement to any of its respective affiliated entities.

21. **No Liens**. Terasen shall not create, permit, or suffer to exist any liens on the Fueling Station or any equipment used therein, and should any such lien be filed, Terasen shall promptly bond or otherwise discharge the same.

22. **Relationship of Parties**. Terasen and the agents and employees of Terasen in the performance of this Agreement shall act in an independent capacity as independent contractors and not as officers or partners or employees or agents of WM. Nothing contained in this Agreement shall be construed to place the Parties in the role of partners or joint venturers and no Party shall have the power to obligate or bind any other Party in any manner whatsoever.

23. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada.

24. **Dispute Resolution**.

(a) Where any dispute arises out of or in connection with this Agreement, including failure of the parties to reach agreement hereunder, the parties agree to try to resolve the dispute by participating in a structured mediation conference with a mediator under the National Arbitration Rules of the ADR Institute of Canada Inc. for Dispute Resolution.

(b) If the parties fail to resolve the dispute through mediation within thirty (30) days of the dispute arising, the unresolved dispute shall be referred to, and finally resolved or determined by arbitration under the National Arbitration Rules of the ADR Institute of Canada Inc. for Dispute Resolution. Unless the parties agree otherwise the arbitration shall be conducted by a single arbitrator.

(c) The arbitrator shall issue a written award that sets forth the essential findings and conclusions on which the award is based.

(d) If the arbitrator fails to render a decision within thirty (30) days following the final hearing of the arbitration, any Party to the arbitration may terminate the appointment of the arbitrator and a new arbitrator shall be appointed in accordance with these provisions. If the parties are unable to agree on an arbitrator or the appointment of an arbitrator is terminated the matter provided for above, then any Party shall be entitled to apply to a judge of the British Columbia Supreme Court to appoint an arbitrator and the arbitrator so appointed shall proceed to determine the matter mutatis mutandis in accordance with the provisions of this section.

(e) The arbitrator shall have the authority to award

(i) money damages;

(ii) interest on unpaid amounts from the date due;

(iii) specific performance; and permanent relief.

(f) The costs and expenses of the arbitration, but not those incurred by the parties, shall be shared equally, unless the arbitrator determines that a specific Party prevailed. In such a case, the non-prevailing Party shall pay all costs and expenses of the arbitration, but not those of the prevailing Party.

(g) The parties shall continue to fulfill their respective obligations pursuant to this Agreement during the resolution of any dispute in accordance with this section.

25. **<u>Attorneys' Fees</u>**. In the event of any mediation or litigation between the Parties concerning any provision of this Agreement or the rights and obligations of any Party in relation thereto, the prevailing Party shall be entitled to an award for all costs incurred by reason of such mediation or litigation, including but not limited to reasonable attorneys' fees, payments owed to mediators, and fees and expenses of witnesses. The mediator or the trier of fact shall designate the prevailing Party.

26. **<u>Notices</u>**. Any notice, demand, offer, or other written instrument required or permitted to be given pursuant to this Agreement shall be in writing signed by the Party giving such notice and shall be hand delivered or sent by certified mail, return receipt requested, or overnight courier to the other Party at such address as set forth below:

If delivered to WM:

Waste Management of Canada Corporation
2330 United Boulevard
Coquitlam, BC V3K 6S1
Attn: Area Manager

With a copy to:

Don Wright
General Counsel/Canada
Waste Management of Canada Corporation
117 Wentworth Court

Brampton, ON L6T 5L4
Canada

If delivered to the Terasen:

Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N E08
Attention: Vito Triggiano

Each Party shall have the right to change the place to which notice shall be sent or delivered or the person to whose attention the notice is addressed, by similar notice sent in like manner to the other Party. Without limiting any other means by which a Party may be able to prove that a notice has been received by the other Party, a notice shall be deemed to be duly received:

(a) if sent by hand, the date when left at the address of the recipient;

(b) If sent by registered mail, the date of the return receipt; or

(c) if sent by overnight courier, the date when receipt is acknowledged at the address of the recipient.

27. **Survival**. The following provisions shall survive the termination or expiration of this Agreement: Sections 12 through 14, 21, and 23 through 30.

28. **No Third Party Beneficiaries**. This Agreement is intended solely for the benefit of the Parties, and is not intended to create any benefits to any third parties.

29. **Confidentiality**.

(a) All information or documentation received by a Party (the "Receiving Party") which has been specifically identified by other party (the "Disclosing Party") as confidential shall be deemed to be confidential and proprietary to the Disclosing Party. Except as otherwise provided herein, the Receiving Party shall not directly or indirectly disclose any such confidential information or documentation to any third party without the prior written consent of the Disclosing Party. Such consent is not required where the third party is another contractor or consultant retained by the Receiving Party for the purposes of a project and to the extent that such disclosure is necessary for the proper performance of this Agreement or to the extent that such disclosure is required by law.

(b) Notwithstanding the foregoing, the Receiving Party may use such confidential information in the preparation of and submissions to regulatory agencies.

(c) The obligation of confidentiality set out above shall not apply to material, data or information which is known to either Party prior to their receipt thereof, which is generally available to the public or which has been obtained from a third party which has the right to disclose the same. The confidentiality covenants of the Parties herein shall survive the termination of this Agreement.

(d) Without limiting the generality of the foregoing, neither Party shall issue a press release or public announcement respecting any aspect of this Agreement contemplated herein without the consent of the other Party, acting reasonably.

30. **Miscellaneous**. This Agreement, along with the exhibits attached hereto, constitutes the complete and exclusive agreement and understanding between the Parties and supersedes all prior communications and agreements, whether oral or written. The Parties expressly agree that there are no other agreements, understandings, restrictions, warranties, and/or representations by, between and among the Parties relating to the subject matter of this Agreement other than those expressly set forth herein or herein provided for. This Agreement may only be modified by an instrument that is executed by each Party's duly authorized representative. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which collectively constitute one (1) and the same instrument. Fax copies shall be given the full force and effect as an original. Every provision in this Agreement is intended to be severable such that if any term or provision hereof is found to be illegal or invalid for any reason whatsoever, such provision shall be severed from this Agreement and shall not affect the validity of the remainder of this Agreement; *provided, however*, that in such event the Parties shall negotiate in good faith an amendment to this Agreement which shall as nearly as legally permissible achieve the result intended by the Parties in the term or provision which was determined to be illegal or invalid.

(signature page follows)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the Effective Date.

"WM" WASTE MANAGEMENT OF CANADA CORPORATION	"TERASEN" TERASEN GAS INC.
By:	By:
Name: Ronald Pope	Name: Doug Stout
Title: Vice President	Title: Vice President, Energy Solutions & External Relations

EXHIBIT A

OPERATING AREA

[see attached]

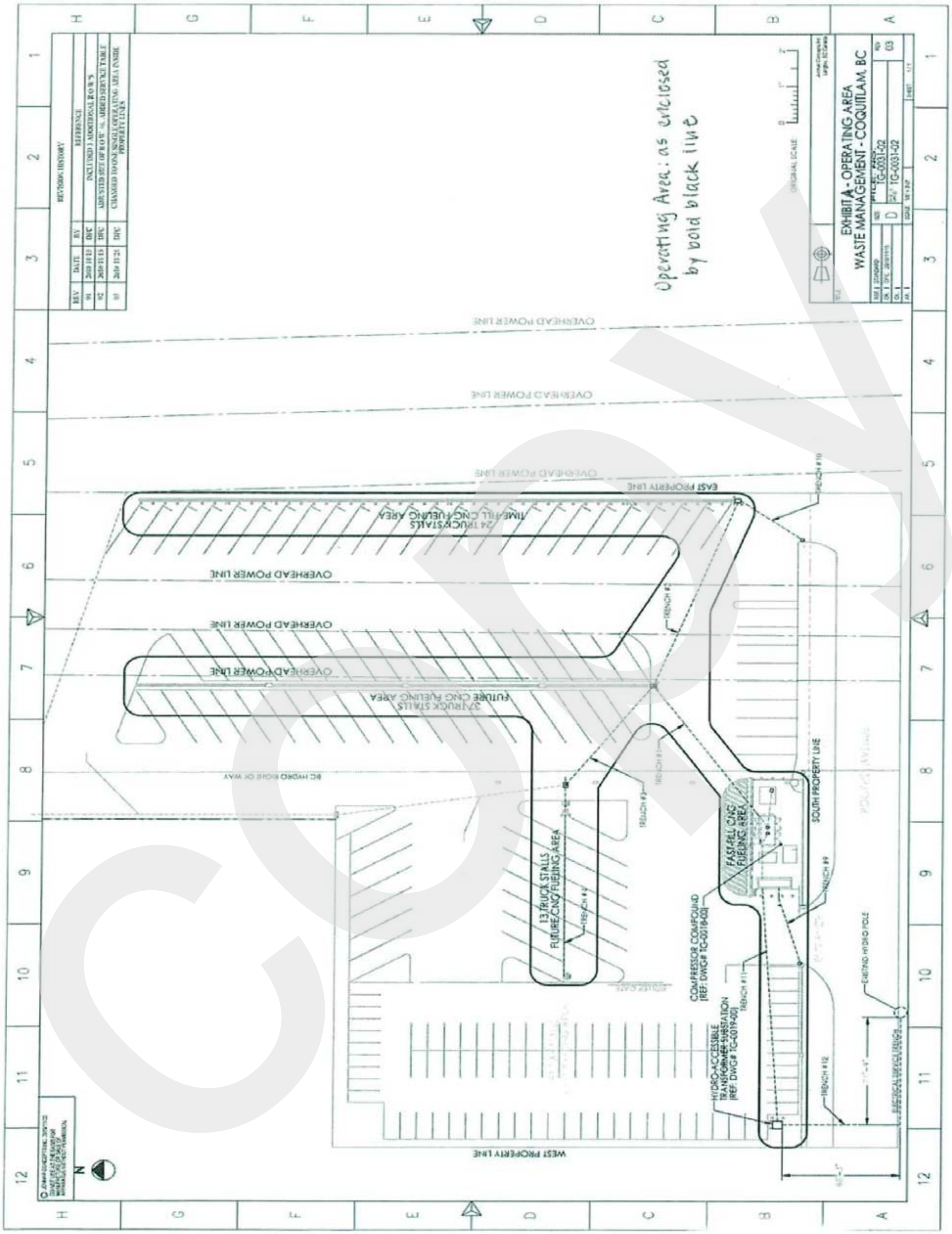

Operating Area: as enclosed by bold black line
EXHIBIT A - OPERATING AREA
WASTE MANAGEMENT - COQUITLAM, BC
OVERHEAD POWER LINE
EAST PROPERTY LINE
TIME-FILL CNG FUELING AREA
24 TRUCK STALLS
FUTURE CNG FUELING AREA
37 TRUCK STALLS
BC HYDRO RIGHT OF WAY
13 TRUCK STALLS
FUTURE CNG FUELING AREA
FAST-FILL CNG FUELING AREA
SOUTH PROPERTY LINE
COMPRESSOR COMPOUND
HYDRO-ACCESSIBLE TRANSFORMER SUBSTATION
WEST PROPERTY LINE
REVISION HISTORY

EXHIBIT B

SPECIFICATIONS

"Fueling Station" means a fueling station for the compression and dispensing of CNG, which shall include:

- Two compressors;
- High pressure storage, consisting of tanks, cylinders or spheres;
- A means of dispensing CNG into the Vehicles (slow fill);
- A means of providing (unattended) fast fill dispensing to a minimum of one truck fueling position, subject to agreement of the Parties; and such
- Other equipment and components as set forth in the Final Design Documents attached at Exhibit D.

The Fueling Station shall be designed and shall have compressor and dryer capacity sufficient to service at least 50 WM CNG-powered refuse vehicles, and with K-Rail sufficient to service 50 vehicles. The initial build out shall include posts/hoses to fuel at least 22 WM refuse vehicles (with the ability to add at least 40 additional posts/hoses in the future).

The Fueling Station shall have sufficient capacity to slow-fill a minimum of 50 WM CNG-powered refuse vehicles, provide a complete fill in 8 hours or less, and provide a minimum capability of delivering 3,600 psi to a Vehicle at each slow fill location.

All slow fill connectors shall conform to the fueling requirements of WM's vehicles.

The design of the Fueling Station shall contemplate and allow for the expansion of the Fueling Station to accommodate the expansions of WM's fleet of CNG vehicles and/or the increased needs of Other Users.

EXHIBIT C

WM SITE IMPROVEMENTS

WM shall be responsible for the costs associated with the following site improvements at the Property (the "WM Site Improvements"). Construction and/or installation of these WM Site Improvements may be performed directly by WM itself, or at WM's request, may be performed and provided by Terasen, who shall separately invoice WM for such work on a cost plus basis (with mark-up to be mutually negotiated and agreed upon by the parties prior to the commencement of any work).

The WM Site Improvements include the following specific items:

Electrical Service
power supply - 500 KVA transformer substation
civil work/trenching, backfilling, compacting, asphalt patch on street/to kiosk for elec service
electrical distribution system and transfer switch
transfer switch and cam loc for emergency generator
electrical kiosk - 9' high x 16' long x 5' wide
distribution wire feeders to MCC, lightling panel metering, BCH conduits to PL, secondary feeders to load center, BCH approval manual transfer switch, 30 KVA lighting transformer, and future loads panel
electrical permit
other costs including freight, tool rental, design layout
build electrical kiosk slab
build 4 bollards for substation slab

Lighting for Yard
demolish 6 light pedestals/prepare/asphalt patch/remove light/pour 7 pedestals/install lights
supply 3 new yard light poles to match existing poles - 1 unit of quad 4 x 400W light pole; run conduit runs/wiring and do final tie-in from elec kiosk, supply of disconnects/panels in kiosk
trenching, wire/conduit installation, backfilling and asphalt patch for lighting conduit

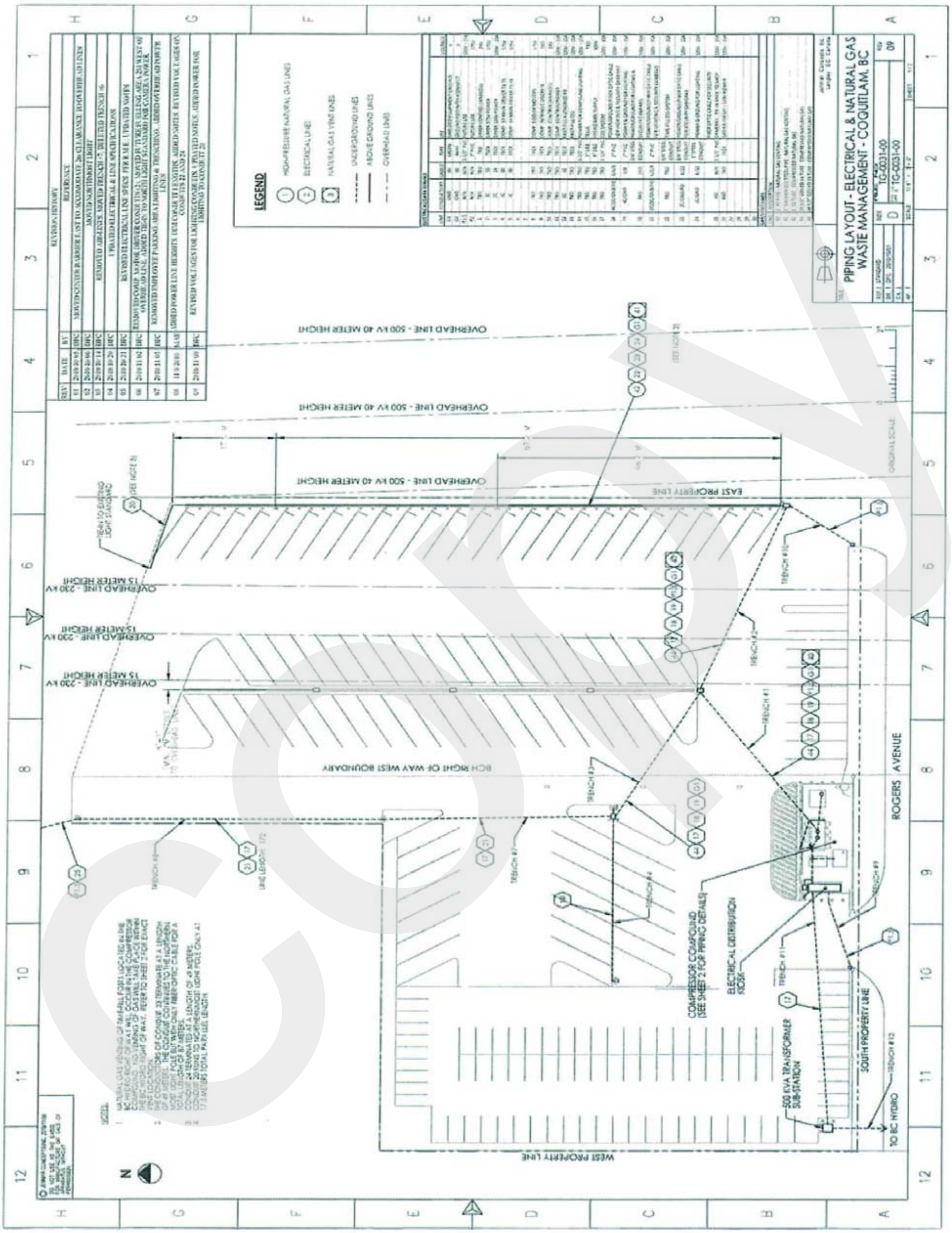
Camera Installation
cameras installed on lighting poles
camera underground runs and tie-in
100 ft of trenching from pinch point to main building

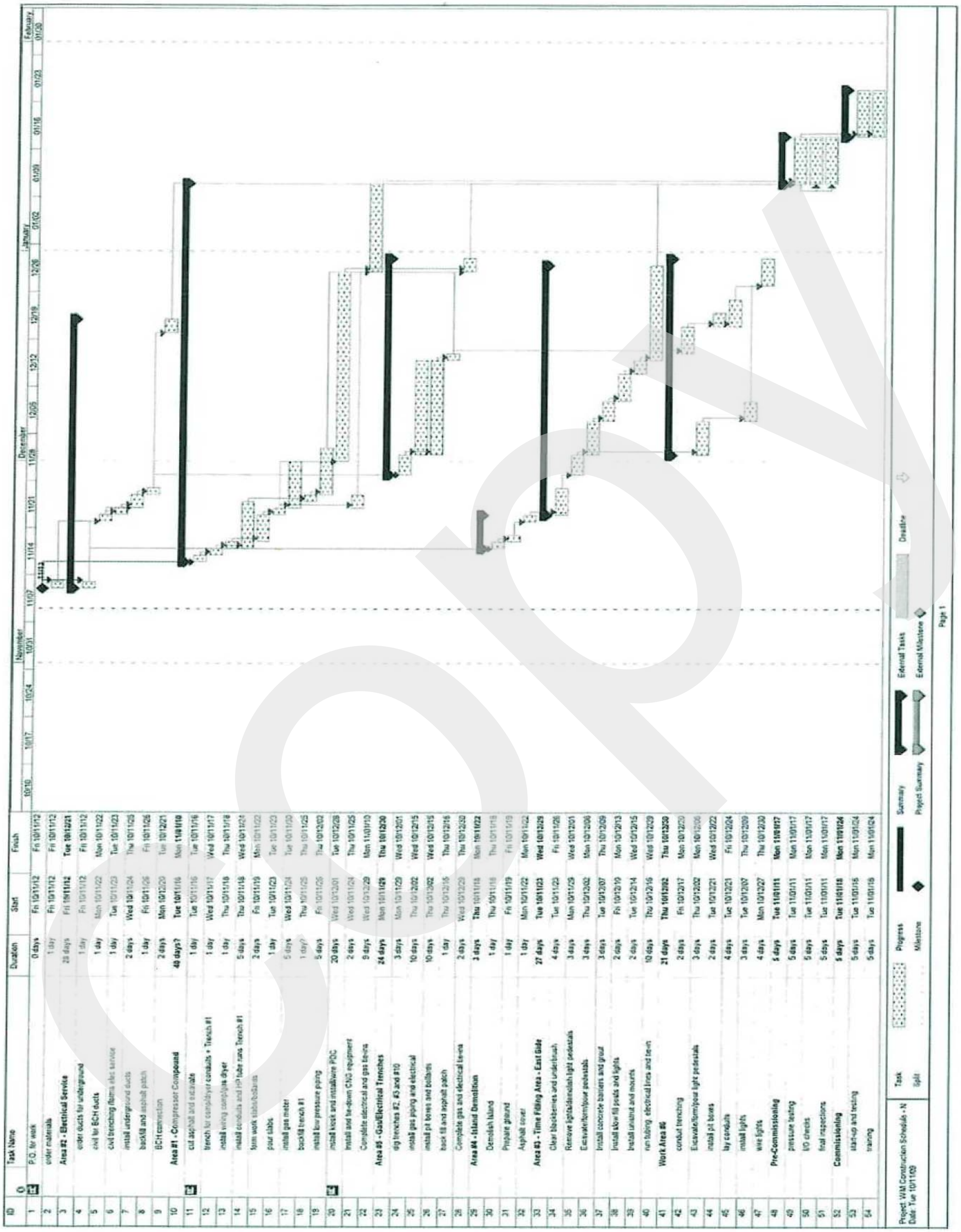
Yard Work
installation of 34 K-rail barriers in middle of ROW in anticipation of future expansion
install 8 concrete pit boxes
supply/install 10 x 6" pipe bollards
demolition of curb, dispose, prepare soil and asphalt
install 8" drain pipe and 4 drains in existing drainage trench, backfill, compact and asphalt c
seal coat parking lot
asphalt repair of front entrance
provide line and parking lot painting
trenching back-filling, compacting, asphalt cover for conduit for lights/gate/cardlock
24 wheel stops in truck parking stalls
installation of north-south chain link fence, roller gate, & pedestrian gate for staff parking are
supply, installation, conduit and ESD at choke point
install wiring for gate and cardlock at two yard entrances
engineering for drainage system
conduit for future POS at fast fill post - FF Post to electrical kiosk

EXHIBIT D

FINAL DESIGN DOCUMENTS

[see attached]


PIPING LAYOUT - ELECTRICAL & NATURAL GAS
WASTE MANAGEMENT - COQUITLAM, BC
LEGEND
OVERHEAD LINE - 500 KV 40 METER HEIGHT
OVERHEAD LINE - 230 KV
EAST PROPERTY LINE
WEST PROPERTY LINE
SOUTH PROPERTY LINE
BCH RIGHT OF WAY WEST BOUNDARY
ROGERS AVENUE
COMPRESSOR COMPOUND
ELECTRICAL DISTRIBUTION KIOSK
500 KVA TRANSFORMER SUB-STATION
TO BC HYDRO
REVISION HISTORY
NOTES:
COPY



Fueling Station Scope

Item	Task
CNG SYSTEM	
1	gas permit
2	service right of way (SRW)
3	K-rail on east side of lot
4	11 fill posts
5	mount fill posts to K-rail
6	vent back run with vent stack
7	ESDs on K-rail
8	fire extinguisher mounts and signage on K-rail
9	trenching, backfilling and asphalt patch for underground utilities
10	light pole for compressor compound
11	safety bollards
12	fencing
13	CNG equipment - compressors, gas dryer, controls, etc.
14	auto-dialer, high speed internet and/or phone lines
15	safety signage
16	concrete slabs
17	gas supply process piping from meter thru to compressors
18	high pressure piping & mechanical
19	expansion high pressure piping and mechanical
20	electrical tie-in
21	grounding system
22	fast fill post
23	in ground service pits
24	expansion in ground service pits
25	asphalt skirts Vs complete pad pour
26	low pressure piping and spool work
27	storage modifications including tie-in to vent stack
28	CNG module for Emergency Response Plan
29	safety - train the trainer
30	gas service connection, meter set and slab
31	gas piping runs on north end of K-rail east and center barriers
32	gas piping run to middle K-rail barriers