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July 15, 2014

Via Email
Original via Mail

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: FortisBC Energy Inc. (FEI)

**Application for Approval to Amend the Balancing Charges for FEI Rate
Schedules 23, 25, 26 and 27**

**Response to the British Columbia Utilities Commission (BCUC or the
Commission) Information Request (IR) No. 1**

On May 13, 2014, FEI filed the Application as referenced above. In accordance with Commission Order G-71-14 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachments

cc (e-mail only): Registered Parties

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1.0 Reference: RATE SCHEDULE 23, 25, 26 AND 27 TERMS AND CONDITIONS

Exhibit B-1, p. 1

In FortisBC Energy Inc.'s (FEI) Application to Amend the Balancing Charges for Rate Schedules 23, 25, 26 and 27 (Application), FEI states it is applying for approval to amend the charge for Balancing Gas under monthly balanced transportation service rate schedules in order to more appropriately incent Shipper Agents (also referred to as Marketers) to become accountable to balance their groups and to align with the intent and spirit of the tariff.

1.1 Please provide copies of the currently approved versions of Rate Schedules 23, 25, 26 and 27 and associated Shipper Agent Agreement tariff pages.

Response:

Please refer to Attachment 1.1 for the current approved versions of Rate Schedules 23, 25, 26 and 27 and associated Shipper Agent Agreement tariff pages.

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2.0 Reference: MARKETPLACE ALTERNATIVES TO BALANCING CHARGE

Exhibit B-1, p. 3;

FEI Rate Schedule 14A Application dated August 16, 2012, pp. 1-3

On page 3 of the Application, FEI states:

“The current price of the monthly Balancing Gas sold is not a pricing mechanism available in the marketplace or representative of what a Shipper could transact for in the marketplace. FEI believes that a premium is required in order to incent the right behavior from Shippers to bring on sufficient supply and balance by month end. FEI believes a \$0.10 per GJ premium would incent the appropriate behavior from the Shipper Agents to better adhere to the spirit of the tariff.”

On August 16, 2012, FEI filed an application in regard to FEI’s Rate Schedule 14A (RS14A Application) and on page 1 of the RS14A Application, FEI stated: “FEI provides natural gas commodity purchase options under Rate Schedule 14A to Transportation Customers¹. Under Rate Schedule 14A, Transportation Customers have chosen FEI to act as their Shipper Agent to perform gas purchasing, nominating, and balancing functions on their behalf.”

On page 2 of the RS14A Application, FEI describes the physical procurement process that FEI undertakes as a Shipper Agent to acquire gas supply for its Rate Schedule 14A customers as follows:

Physical Procurement

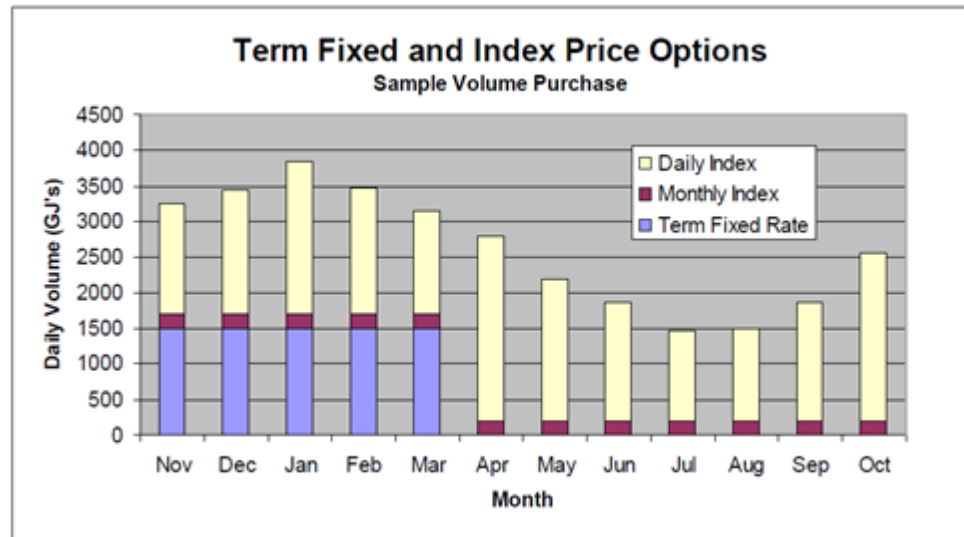
FEI enters into firm physical contracts with a third party supplier on all fixed price volumes. All volumes are delivered at Sumas, to ensure no additional midstream resources such as firm T-south capacity on Spectra’s Westcoast system are required for this customer group.

For customers electing the Monthly Index Rate, Marketing Services must nominate this gas 5 days prior to the beginning of each month in order for physical gas to be secured. To meet this deadline, customers generally elect the Monthly Index 10 days prior to the preceding month. FEI reviews each customer’s historical load profile to determine if any excess supplies should be nominated at the Daily Index. Any additional volume requirements are nominated at the Daily Index two days prior to flow date to ensure the physical procurement. FEI must ensure that all physical gas is secured to match Rate Schedule 14A nominations.

If a customer consumes in excess of their total nominated quantity, the customer will be subject to any and all charges associated with their transportation agreement, such as Balancing Gas, Balancing Service Charges or Unauthorized Overrun Gas. A sample contract year volume purchase is demonstrated in the following table:

¹ Customers that receive deliver service from FEI under Rate Schedules 22, 23, 25 and 27

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(FEI Rate Schedule 14A Application dated August 16, 2012, p. 2)

Further in the RS14A Application on page 3, FEI describes the terms applicable to all Rate Schedule 14A customers as follows:

Market Factor Premium

A physical premium is charged to FEI by the supplier for ensuring firm supply. This cost is passed on to Rate Schedule 14A customers in the form of a market factor premium when purchasing Term, Daily Index and Monthly Index gas.

The current market factor premium is the greater of CAD\$0.06 per GJ or cost. The physical premium quoted in July for Daily Index supply at Sumas for the 2012/13 Gas Year equated to an average annual market factor premium of approximately CAD\$0.015 per GJ. The core market will continue to receive any proceeds from the spread between the market factor premium charged to FEI by the supplier and the market factor premium charged to the customer by FEI.

(FEI Rate Schedule 14A Application dated August 16, 2012, p. 3)

2.1 Please discuss the extent to which FEI's contracting practices in its role as a Shipper Agent supplying Rate Schedule 14A customers would be reflective of the industry practice that would apply to Shippers and/or Shipper Agents seeking to acquire gas supply for delivery to the FEI system at Huntingdon.

Response:

FEI's contracting practices in its role as a Shipper Agent supplying Rate Schedule 14A customers would be generally reflective of industry practice that would apply to other Shippers and/or Shipper Agents acquiring gas supply for delivery to the FEI system at Huntingdon.

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The main difference is that FEI is the sole source for purchases on behalf of Rate Schedule 14A customers, whereas Shipper and/or Shipper Agents can purchase from the marketplace or potentially under-deliver on their supply requirements and incur Balancing Gas supply from FEI.

Additionally, when compared to FEI, depending on the credit worthiness of the Shipper and or/ Shipper Agent, the Shipper/Shipper Agent may get charged higher premiums or prices in the marketplace because of this risk. Further, the number of counter parties available to supply gas to the Shipper and/ or Shipper Agents may be more limited as well.

In the August 16, 2012 RS14A Application, FEI noted on page 3 that the “physical premium quoted in July for Daily Index supply at Sumas for the 2012/13 gas year equated to an average annual market factor premium of approximately CAD \$0.015/GJ.”

2.2 Please describe the typical range of market factors for daily indexed supply with one month terms or less for the 2012 and 2013 years respectively.

Response:

The typical range of market factors for daily indexed supply with one month terms or less for the 2012 and 2013 years is \$0.00 to \$0.01 based upon FEI’s credit rating. Premiums may be higher for those with lower credit ratings than FEI.

2.3 Given FEI’s considerable experience in procuring gas supply for core customers and also in its role as Shipper Agent for Rate Schedule 14A customers, please describe the pricing mechanism(s) and nature of the gas supply contract(s) that would typically be required at the Sumas trading hub if a Shipper and/or Shipper Agent were seeking to purchase quantities of gas necessary to ensure the Shipper’s or Shipper Agent’s group’s annual Balancing Gas requirement would be 1 percent, or less, of its total annual load.

Response:

Given FEI’s own experience in procuring gas supply, FEI believes that supply procurement issues do not exist that currently prevent Shippers or Shipper Agents from delivering the required supply to their pool of customers while keeping Balancing Gas requirements to a minimum. Shippers or Shipper Agents on FEI’s system have a great deal of experience procuring daily gas in the Sumas market as most of them have daily groups and are required to

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balance on the day. FEI further believes that a potential price arbitrage opportunity exists in the marketplace and a pricing mechanism that removes the potential price arbitrage opportunity is necessary to ensure monthly Balancing Gas requirements for Shipper or Shipper Agent groups are kept to reasonable levels.

2.4 In FEI's experience, is it possible to purchase firm gas supply at Huntingdon at the Sumas Daily Price, as defined in Rate Schedules 23, 25, 26 and 27, without paying any market factor premium? Please elaborate and describe the circumstances under which this is possible.

Response:

It is possible for FEI to purchase firm gas supply at Huntingdon at the Sumas Daily Price without paying a market factor premium on daily purchases and for baseload volumes with terms of one month or less. This will occur primarily in the summer months when gas load demand is lower in the region. In the winter months, demand for Sumas gas on the day and for the month increases, and so can the market factor premium.

However, there is no market instrument that allows Shippers or Shipper Agents to buy gas at the Average Sumas Daily Index price at the end of the month. This option to the Shippers or Shipper Agents potentially allows them the opportunity to arbitrage the price of daily index gas prices against Average Sumas Daily Index price for the month.

2.5 Is FEI aware, from discussions with Shippers and/or Shipper Agents, that some Shipper Agents may be intentionally supplying less gas than required by their customers in order to incur Balancing Charges so that they can offer to provide gas supply to Shippers at a price based on the average of the Sumas Daily Price for the month, with or without a premium added to the price charged to the customer? If so, please elaborate.

Response:

FEI has made requests to Shippers and Shipper Agents to provide better information on gas quantity requested for transport on FEI's system in effort to address the Balancing Gas situation. Under Section 7.2 of Rate Schedule 23, "The Shippers Requested Quantity for each Day will equal the Shipper's best estimate, at the time of notification to FortisBC Energy of the

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Requested Quantity, of the quantity of Gas the Shipper will actually consume on such Day". Thus, the Shipper or its Shipper Agent must make reasonable efforts to match the nomination with the actual consumption.

However, in spite of repeated requests made directly to Shippers and Shipper Agents, the level of monthly Balancing Gas purchased by some Shippers and/or Shipper Agents is fairly constant, as demonstrated in Appendix A of the Application.

FEI cannot comment on pricing or premiums applied to the commodity sold to the customers of the Shippers/Shipper Agents. FEI is unaware if the marginal savings gained from purchasing monthly Balancing Gas from the utility is passed through to these customers.

2.6 Please describe how FEI determined that a \$0.10 per GJ premium was the appropriate premium "to incent the right behavior from Shippers to bring on sufficient supply and balance by month end."

Response:

For clarity, the referenced quote from the 2012 Rate Schedule 14A Application was for a forward, twelve-month strip for daily index gas. The forward price curve represents the price at which a transaction is being entered into at that time for delivery in the future. In this case, the two parties would have agreed to terms that would see the supplier provide daily priced gas to the buyers for 365 days starting at some fixed point in the future. This transaction is not a valid comparison to daily index gas purchased for 30 days (monthly) or one day gas priced off Gas Daily Index. Assuming all other factors were equal (e.g. credit requirements), FEI would expect that the premium for monthly or day gas tied to the daily index would be less than \$.015 CDN/GJ.

In the absence of a pricing mechanism being available in the marketplace to determine a representative premium or price to charge for this service, it was difficult to arrive at a specific price for this service.

FEI determined a \$0.10 premium was reasonable due to the fact that Shipper Agents should be able to purchase daily priced gas in the market for a premium less than ten cents. Thus, Shipper Agents would contract for more supply on daily basis to match their consumption so that less Balancing Gas would be purchased at month end.

Further, FEI is recommending a premium as currently there is no market instrument that allows Shipper Agents or marketers to buy Sumas Gas Daily on an after-the-fact basis. If a Shipper

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Agent were to buy gas in the day, they would incur a premium to do so. Given these reasons, the service today is under-valued and therefore can be “gamed” by the Shipper Agents.

FEI did consider a few different options to determine what pricing mechanism may incent the proper behavior to conform to the intent of the tariff. Some of the other options considered by FEI were:

- Using the average of the 3 highest priced days at Sumas in the month;
- Using the highest price day at Sumas for the month; and
- Using the average of the daily common high.

FEI determined the options to use the average of the 3 highest priced days in the month, or the highest price day at Sumas for the month would be a much more significant change, and perhaps beyond what is required to ensure compliance with the intent of the service and tariff. On the other hand, as discussed in the response to BCUC IR 1.3.4, using the average daily common high is marginally higher at 2-3 cents than using the average of the midpoint price. Thus, in FEI's view, adopting the Sumas Daily Common High price with no other changes would not be sufficient.

In the end, FEI has proposed the \$0.10 CDN/GJ premium to the current pricing in the rate schedules in order to incent Shippers/Shipper Agents to better adhere to the intent of the tariff. Additionally, FEI will continue to monitor the behaviour of Shipper Agents regarding the use of Balancing Gas, and if it appears that there is continued misuse of the service, FEI can bring forward an application for further changes in the future.

2.6.1 Please provide copies of any supporting analysis of historical Shipper and/or Shipper Agent behavior that led FEI to conclude that a \$0.10 per GJ premium was the appropriate amount.

Response:

Please refer to the response to BCUC IR 1.2.6.

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3.0 Reference: PREVIOUS BALANCING CHARGE APPLICATIONS AND RATE CHANGES

Exhibit B-1, Regulatory Background, p. 2;

Commission Order G-110-00 dated November 30, 2000;

FEI 2001 Rate Design Application dated February 6, 2001, Tab 7, pp. 14-15

On page 2 of the Application, FEI refers to an application it filed with the British Columbia Utilities Commission (Commission) on November 17, 2000 for approval of market-based Backstopping, Balancing and Unauthorized Overrun (UOR) charges for various rate schedules including Rate Schedules 23, 25 and 27 (2000 Balancing Charge Application). The Commission issued Order G-110-00, dated November 30, 2000, changing the Balancing Charge from the equivalent sales gas rate to the average Sumas Daily Price for the month and directed FEI to address the appropriate level for the Balancing Charge in the upcoming 2001 Rate Design Application.

3.1 Please confirm that the 2000 Balancing Charge Application was reviewed on an expedited basis to respond to changes in the British Columbia natural gas market place at that time. If not confirmed, please explain.

Response:

Confirmed.

3.1.1 Please describe the Balancing Charge that was set out in Rate Schedules 23, 25 and 27 at the time FEI filed its 2000 Balancing Charge Application.

Response:

The Balancing Charges set out in Rate Schedules 23, 25 and 27 that were effective at the time of the FEI 2000 Balancing Charge Application were based on FEI's (formerly BC Gas) Rate Schedule 5 Cost of Gas for April 1 to October 1 and Rate Schedule 1 Cost of Gas for November 1 to March 31, and were subject to quarterly review by the Commission. Please refer to the table below that shows the Balancing Charges set out in Rate Schedules 23, 25 and 27 effective at the time of the FEI 2000 Balancing Charge Application:

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Rate Schedules 23, 25, 27

Charge per gigajoule of Balancing Gas supplied ^{1,2}	Lower Mainland Service Area	Inland Service Area	Columbia Service Area
(i) between and including April 1 and October 31	\$ 5.513	\$ 5.387	\$ 5.448
(ii) between and including November 1 and March 31	\$ 6.337	\$ 6.150	\$ 6.225

Notes: (as per the Table of Charges)

- The charges for Backstopping Gas and Balancing Gas between and including April 1 and October 31 are subject to change at any time there is a change in the cost of gas for general firm service customers under Rate Schedule 5.
- The charges for Backstopping Gas and Balancing Gas between and including November 1 and March 31 and on the first 5 percent of Unauthorized Overrun Gas are subject to change at any time that there is a change in the cost of gas for Residential customers.

Rates effective July 1, 2000 as per Commission Order G-62-00.

3.1.1.1 Please describe the market price environment for which these Balancing Charges would be effective and/or appropriate.

Response:

The western energy supply crisis during the 2000/2001 winter, and the extreme volatility, prompted the requirement for change in the Balancing Gas charges for Rate Schedules 23, 25 and 27. A Balancing Gas charge based on FEI's (formerly BC Gas) Rate Schedule 5 Cost of Gas for April 1 to October 1 and Rate Schedule 1 Cost of Gas for November 1 to March 31 was subject to change and quarterly review by the Commission; however, it was not representative of real time market pricing. As Sumas market daily spot prices rose to over \$42 US/MMBtu, a set gas sales rate did not capture the real time volatility in the market. This prompted the FEI 2000 Balancing Charge Application to amend the Monthly Balancing Gas charge to be reflective and to capture real time market based pricing (Gas Daily Daily).

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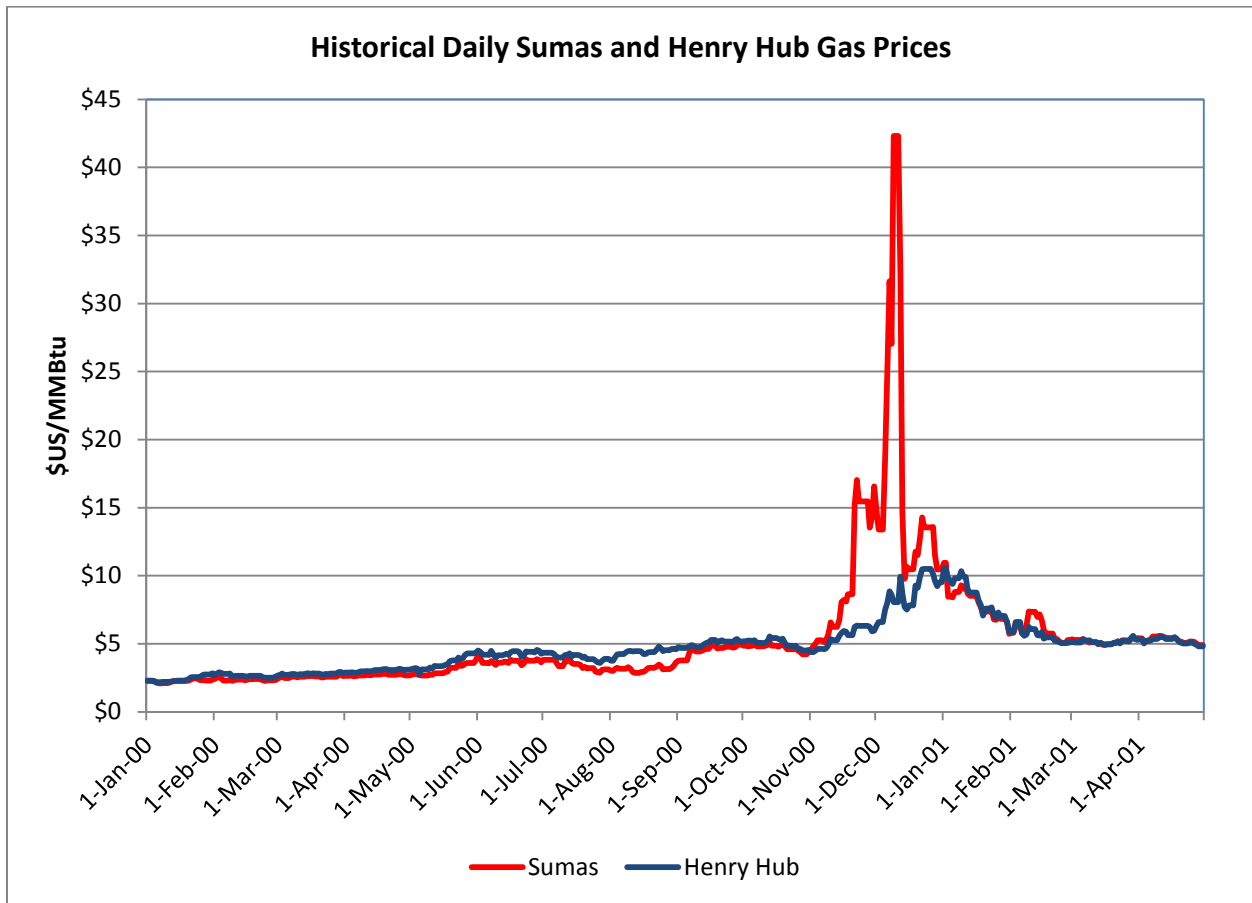
1 3.1.2 Please describe the nature of the market pricing that was being
2 experienced in November 2000 and anticipated for the upcoming
3 2000/2001 winter.
4

5 **Response:**

6 The 2000/2001 winter period in North America was generally referred to as the “Western Energy
7 Crisis”. During this period, natural gas and power prices in the western United States spiked to
8 record levels as a result of the energy supply and demand imbalance in the California electricity
9 market. The primary factors that led to this crisis include the severe drought conditions in the
10 western United States during the summer of 2000 (which reduced available hydropower for
11 winter 2000/2001), inadequate growth in electricity generation infrastructure in California to
12 meet growing demand, gas pipeline and electricity transmission constraints on energy flowing
13 into California and unplanned electricity plant outages. Alleged energy market price
14 manipulation by certain market participants also exacerbated this situation.

15 The following figure shows the historical market gas prices leading up to, and through, winter
16 2000/2001. Henry Hub is the proxy for US gas market prices while Sumas is a major western
17 gas trading hub located on the Canadian-Washington border. As this event was primarily
18 limited to the western United States, Henry Hub gas prices did not spike like those of western
19 gas market hubs.

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Please also refer to the response to BCUC IR 1.3.1.

3.1.3 Please explain why, in November 2000, FEI believed the Balancing Charges as set out in the monthly balanced transportation rate schedules at that time were no longer appropriate.

Response:

Please refer to the response to BCUC IR 1.3.1.1.1.

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In Order G-110-00, FEI was directed to file a monthly report on the Balancing, Backstopping and UOR gas provided to customers for the period from November 2000 through March 2001.

3.2 Please provide a copy of these reports.

Response:

Due to the length of time that has passed since the filing of the monthly reports requested in this information request, FEI no longer has copies of these reports available and therefore, is unable to provide them.

On February 5, 2001, FEI filed its 2001 Rate Design Application (2001 RDA). On page 2 of this Application, FEI references Tab 7, Sections 6 and 7, of the 2001 RDA in Footnote 2. The following is an excerpt of pages 14 and 15 from Tab 7 of the 2001 RDA:

**7.0 BACKSTOPPING, BALANCING AND UNAUTHORIZED OVERRUN CHARGES –
RATE SCHEDULES 4, 22, 22A, 22B, 23, 25 AND 27**

7.1 BACKGROUND

On November 17, 2000, BC Gas applied to the Commission for revisions to the Backstopping, Balancing and Unauthorized Overrun (UOR) charges in the above noted Rate Schedules. It was the view of BC Gas that given the price volatility in the natural gas market, the Rate Schedule 1 and 5 Gas Cost Recovery Charges were significantly below prospective market prices and the use of the above noted services would have likely led to a cross subsidization from core market customers to transportation customers.

Pursuant to Order No. G-110-00, effective December 1, 2000, charges for backstopping, balancing and UOR were changed to reflect the Gas Daily NW Sumas Midpoint price. Order G-110-00 directed BC Gas to address appropriate charges for these items in this Application. BC Gas agrees with the Commission's view that the Midpoint price may not adequately compensate core market customers for the gas and services provided. Furthermore if price levels are inadequate, these services may be regarded by some shippers as simply the low cost alternative

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1 source of gas rather than a source of last resort if the charges associated with these services are
2 aligned to the midpoint price.

3

4 In addition, with a view to market unbundling and how it will be structured for residential and
5 small commercial customers, BC Gas wishes to align its current service offerings with the
6 anticipated unbundled offerings. For example, the Market Unbundling Group (MUG), which
7 submitted a report to the BCUC on August 6, 1999, suggested that charges for services such as
8 backstopping should be set sufficiently high so as to discourage inappropriate use (Section
9 5.2.8). This view was endorsed by a cross-section of the market participants.

10

11

12 7.2 REVISIONS TO CHARGES

13

14 BC Gas requests these charges be revised to reflect the Gas Daily NW Sumas Common high
15 price (i.e. the high price in the Common price range given) as set out under Table 7.1, Table 7.2
16 and Table 7.3 below. It is the Company's view that the Common high price will provide a
17 reasonable deterrent to the use of these services under normal circumstances, and adequately
18 compensate core market customers for gas provided under these services.

(FEI 2001 Rate Design Application, Tab 7, pp. 14-15)

3.3 Please provide a copy of Sections 6 and 7 of Tab 7 of FEI's 2001 RDA.

Response:

Please refer to Attachment 3.3.

3.4 Please discuss whether FEI still considers that using the Gas Daily NW Sumas Common High price would be more appropriate than the Gas Daily NW Sumas Common Midpoint price as a definition of the Sumas Daily Price.

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1 **Response:**

2 In the 2001 Application, FEI proposed the use of the average of the Gas Daily NW Sumas
3 Common High price as a more appropriate charge than the Gas Daily NW Common Midpoint
4 price. However, as shown in the Table below, in the current price environment the average of
5 the Gas Daily NW Sumas Common High price is on average only 2-3 cents higher than the Gas
6 Daily NW Sumas Common Midpoint price. Thus, in FEI's view, adopting Sumas Daily Common
7 High price with no other changes may not be sufficient.

8 Given this marginal price difference (2-3 cents), FEI has determined a greater premium to the
9 current pricing to be a more appropriate mechanism to incent the Shipper Agents to become
10 more accountable to balance their groups and to align with the intent and purpose of the tariff.
11 Please refer to the response to BCUC IR 1.2.6 which provides a further explanation of the FEI's
12 proposal to set the premium at \$0.10/GJ.

13 As discussed in BCUC IR 1.4.1, Cascadia agrees with the premium based approach, however
14 suggests that the pricing mechanism should result in a higher premium by basing it on the
15 "greater of the Rate Schedule 5 Gas Cost then in effect, or the Daily Index Average plus \$0.20".
16 FEI agrees that this alternative should provide even greater incentive to Shipper Agents to meet
17 their daily supply requirements appropriately.

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YEAR	MONTH	Average of SUMAS Common High Price (CAD/GJ)	Average of SUMAS Midpoint Price (CAD/GJ)	DIFFERENCE BT SUMAS MIDPOINT AND COMMON HIGH PRICE
2014	JAN	\$4.70	\$4.68	\$0.02
	FEB	\$7.98	\$7.53	\$0.45
	MAR	\$5.25	\$5.20	\$0.05
	APR	\$4.62	\$4.60	\$0.02
	MAY	\$4.46	\$4.45	\$0.01
	JUN	\$4.48	\$4.47	\$0.01
2013	JAN	\$3.42	\$3.40	\$0.02
	FEB	\$3.32	\$3.30	\$0.02
	MAR	\$3.72	\$3.70	\$0.02
	APR	\$3.82	\$3.80	\$0.02
	MAY	\$3.73	\$3.71	\$0.02
	JUN	\$3.51	\$3.50	\$0.01
	JUL	\$3.34	\$3.32	\$0.02
	AUG	\$3.04	\$3.01	\$0.03
	SEP	\$3.20	\$3.15	\$0.05
	OCT	\$3.70	\$3.67	\$0.03
	NOV	\$3.91	\$3.89	\$0.02
	DEC	\$5.64	\$5.34	\$0.30
2012	JAN	\$2.83	\$2.80	\$0.03
	FEB	\$2.49	\$2.46	\$0.03
	MAR	\$2.03	\$2.01	\$0.02
	APR	\$1.75	\$1.73	\$0.02
	MAY	\$2.13	\$2.12	\$0.01
	JUN	\$2.12	\$2.11	\$0.01
	JUL	\$2.47	\$2.45	\$0.02
	AUG	\$2.48	\$2.46	\$0.02
	SEP	\$2.45	\$2.44	\$0.01
	OCT	\$3.19	\$3.17	\$0.02
	NOV	\$3.47	\$3.45	\$0.02
	DEC	\$3.32	\$3.30	\$0.02
2011	JAN	\$4.03	\$4.01	\$0.02
	FEB	\$3.76	\$3.74	\$0.02
	MAR	\$3.55	\$3.53	\$0.02
	APR	\$3.69	\$3.67	\$0.02
	MAY	\$3.70	\$3.69	\$0.01
	JUN	\$3.94	\$3.93	\$0.01
	JUL	\$3.64	\$3.62	\$0.02
	AUG	\$3.55	\$3.54	\$0.01
	SEP	\$3.56	\$3.54	\$0.02
	OCT	\$3.23	\$3.20	\$0.03
	NOV	\$3.60	\$3.56	\$0.04
	DEC	\$3.51	\$3.48	\$0.03



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- 1 Please Note: the \$0.45 spread in February 2014 and \$0.30 in December 2013 was due to cold
- 2 weather events. These events distorted the price premium in comparing the Common High with
- 3 the Average for these particular months.
- 4

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4.0 Reference: ALTERNATIVE BALANCING CHARGE OPTIONS AND EFFECTIVE DATE

Exhibit C3-2, Cascadia Energy Ltd. Letter dated May 13, 2014

On May 13, 2014, Cascadia Energy Ltd. (Cascadia) submitted a letter of support for the Application and included an alternative proposal with regard to the Balancing Charge and the effective date stated as follows:

1. that the pricing should be further amended to be at the "greater of the Rate Schedule 5 Gas cost then in effect, or the Daily Index Average plus \$0.20".
2. that the adoption of this pricing should be effective June 1, 2014 rather than as filed for Jan 1, 2015.

(Exhibit C3-2, p. 1)

4.1 Please discuss the pros and cons of the Cascadia proposal relative to the Balancing Charge FEI is seeking approval of in the Application.

Response:

One of the main reasons for this Application is to change the current pricing structure to one that better incents Shippers/Shipper Agents to adhere to the intent of the tariff. As shown in Appendix A, the current price in place is not effective to incent Shippers/Shipper Agents to balance by month end. A better pricing structure is needed to more effectively incent Shipper/Shipper Agents to act in accordance with the intent of the tariff.

FEI believes that Cascadia's proposal could support this objective, and therefore would not oppose that proposal. Moreover, Cascadia's pricing proposal is similar to that proposed by FEI, although it advocates for a higher premium to be applied. A higher premium should provide even greater incentive to Shipper/Shipper Agents to match deliveries with its requirements on FEI's system and reduce the reliance on FEI's Balancing Gas service. FEI further agrees the advantage of a Balancing Charge that is the higher of the two alternatives (i.e. Rate Schedule 5 or Daily Index Average plus \$0.20) could work more effectively in capturing the real time pricing in the marketplace. FEI has the capability to implement pricing based on the higher of two alternatives as proposed by Cascadia.

In terms of implementing such a change for the effective date of June 1, 2014, it presents some difficulties for FEI as the regulatory timetable set out by the BCUC extends into September, and it would be too administratively burdensome to re-bill these charges retroactively. Additionally, the "higher of" design proposed would require changes to FEI's the nomination and billing systems. FEI would require time to develop, test and implement this change, and therefore an effective date of January 1, 2015 is more realistic to implement these changes.

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4.1.1 Please describe any disadvantages or reasons why it is problematic to design a Balancing Charge that is the higher of two alternatives such as the ones proposed by Cascadia.

Response:

Please refer to the response to BCUC IR 1.4.1.

4.1.2 Does FEI agree that one advantage of a Balancing Charge that is the higher of two alternatives is the opportunity to design a Balancing Charge that is robust enough to work effectively in a range of market price scenarios? If not, please explain.

Response:

Please refer to the response to BCUC IR 1.4.1.

4.2 Describe the extent to which Cascadia's proposal would increase the effectiveness of the Balancing Charge as an incentive for Shippers and/or Shipper Agents to minimize their month end deficit balances? Please elaborate.

Response:

Please refer to the response to BCUC IR 1.4.1.

4.3 Please discuss the pros and cons of the Cascadia proposal relative to the effective date FEI is seeking approval of in the Application.

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Response:

FEI recognizes that Cascadia's proposal of implementing the proposed changes to the balancing charges effective June 1, 2014 would have a more immediate effect on the Shippers/Shipper Agents; however, an effective date of January 1, 2015 has been proposed to align with FEI's planned amalgamation timeline and the filing of the tariffs for the amalgamated entity. FEI believes that this will ensure consistent treatment for all transportation customers, including those currently taking service under the FortisBC Energy (Vancouver Island) Inc. (FEVI) Large Commercial Service No. 13 (LCS-13) Rate Schedule, and will alleviate the requirement of a second application to amend the Balancing Gas Charge under LCS-13 for the remainder 2014.

Please also refer to the response to BCUC IR 1.4.1.

4.4 Would FEI have any objections to adopting Cascadia's proposal? Please discuss.

Response:

No, except for the proposal to adopt the changes on June 1, 2014. Please refer to the responses to BCUC IRs 1.4.1 and 1.4.3 regarding timing of adopting the proposed changes.

FEI would not have any objection adopting Cascadia's Balancing Charge Pricing methodology proposal as an alternative to FEI's. Given Cascadia's proposal would result in a higher premium than proposed by FEI, it should provide greater incentive to Shipper Agents to bring on sufficient supply to appropriately balance their groups and therefore may be more effective.

In this current Application, FEI is seeking to amend the charge for Monthly Balancing Gas in order to incent Shipper Agents to better adhere and align to the purpose and intent of the tariff. Regardless of what pricing mechanism is implemented, however, FEI's expectation is that all Shipper or Shipper Agent Groups should endeavor to be daily balanced. As a result, FEI will continue to monitor the use of monthly balancing once these changes are in place. If it appears that parties are continuing to abuse the service then, as part of its next Rate Design Application, FEI will consider other alternatives to remove price arbitrage opportunities, including the potential to eliminate monthly balancing all together.

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4.5 Did FEI consider the applying a percentage or multiplier to the average Sumas Daily Price for the month rather than a fixed premium amount in order to ensure the Balancing Charge would remain effective regardless of the market price environment? For example, would 105 percent of the average Sumas Daily Price for the month be appropriate?

Response:

As discussed in the response to BCUC 1.2.6, although FEI did not consider applying a percentage or multiplier to the average Sumas Daily Price, FEI did consider various pricing options. As stated in that response, FEI has proposed fixed premium of \$0.10/GJ based on the belief that it is sufficient to incent Shippers/Shipper Agents to manage their daily gas supply requirements directly without leaning on monthly balancing. However, it is possible this could also be achieved through the application of a multiplier.

4.5.1 If not, why not?

Response:

Please refer to the response to BCUC IR 1.4.5.

4.5.2 If so, why did FEI reject this alternative?

Response:

Please refer to the response to BCUC IR 1.4.5.

In Exhibit C3-2, Cascadia states: "Notwithstanding omissions and errors in Appendix A,"

4.6 Is FEI aware of any errors or omissions in Appendix A?

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1
2 **Response:**
3 No.
4 Appendix A contains evidence of the quantities of monthly Balancing Gas sold to monthly
5 balanced groups, and the aggregate customer demand from those monthly balanced groups
6 located in the Lower Mainland, Interior and Columbia regions.

7 Data relating to daily balanced groups, including daily Balancing Gas sold and aggregate daily
8 group demand, was omitted as it was not relevant to the issue of monthly Balancing Gas.

9
10

11
12 4.6.1 If so, please describe the nature of the errors and omissions.

13
14 **Response:**

15 Please refer to the response to BCUC IR 1.4.6.

16

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5.0 Reference: CORE RESOURCES REQUIRED

Exhibit B-1, p. 2

On page 2 of the Application, FEI details the discussion in the FEI 2001 RDA proceeding and states:

“Shippers are expected to order and transport only those quantities of gas that will equal the Shipper’s best estimate of the quantity of gas the Shipper will actually consume. Gas supply orders for Shippers who are over or under effectively cause the core market to subsidize their gas procurement activities. There was recognition that the Sumas Daily Price may not adequately compensate core market customers for the gas and services provided and that inadequate price levels for Backstopping or Balancing may be regarded by some Shippers as a low-cost alternative source of gas, rather than a source of last resort.”

5.1 Would FEI be able to provide the Balancing Gas service to transportation service customers if FEI did not have core sales gas customers? Please explain.

Response:

Regardless of whether FEI has core gas sales customers, FEI would still need to have gas supply resources to balance loads on the FEI system. This is due to the fact the FEI system interconnects with the WEI (Spectra) system and FEI has a responsibility to manage its operation so it does not materially impact the WEI system.

5.2 Describe the nature and extent of the core resources that were required to provide the Balancing Gas service over the two year period from January 1, 2012 to December 31, 2013. Be specific regarding the type of gas supply portfolio resource that was used to provide the Balancing Gas service.

Response:

The resources included in the Midstream portfolio are used to collectively manage the demand by core sales customers on a day-to-day basis, while providing balancing services to all transportation rate schedules. The resources that FEI uses on a daily basis to provide Backstopping or Balance Gas service will vary depending on many factors including: amount of gas needed, location of the shortfall, time of year, resource availability and maintenance work.

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5.3 Please quantify the total cost to the core customers of providing Balancing Gas for each of the two years: 2012 and 2013.

Response:

Midstream costs include balancing core sales customers and transportation customers on the FEI system as a whole. These balancing resources and costs are not streamed and managed to a specific rate schedule or customer; therefore, it would be difficult to allocate a cost to a particular action as there are so many variables that impact the Midstream portfolio on a daily basis.

As shown in Appendix A, there is no particular pattern or consistency of monthly Balancing Gas sold to Shipper Agents, which further complicates a determination of specific costs for this service.

FEI believes that a pricing mechanism is necessary in order to appropriately incent Shipper Agents to become accountable to balance their monthly balanced groups and to align with the intent of the tariff. Please also refer to the response to BCUC IR 1.2.6.

5.3.1 Please also quantify this cost for each of the two years in terms of the annual cost to a typical lower mainland residential customer.

Response:

Please refer to the response to BCUC IR 1.5.3.

5.4 Please describe whether FEI customers, other than the core sales gas customers, are impacted by providing Balancing Gas service to the monthly balanced transportation service customers.

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Response:

FEI collectively manages and balances the gas requirements for its customers, including both core sales and transportation customers on a daily basis. This is due to the fact that FEI has to manage its load requirements with the pipelines it interconnects (i.e. WEI) on a daily basis. Providing Balancing Gas to monthly balanced customers is an exercise that happens at month end when FEI compares their actual consumption with their nominated amount to determine the amount of Balancing Gas that needs to be sold to the Shipper Agent or Shipper. Thus, the cost impact of providing Balancing Gas is embedded in the Midstream account. Since customers under the transportation rate schedules do not specifically pay the Midstream charge, it is important that the Balancing Gas service is priced to incent the right Sipper Agent behavior to minimize any impact to the Midstream charge. Further, if Balancing Gas is sold to the Shipper Agent it needs to reflect market value for the service, and currently in FEI's view this service is under-valued.

5.4.1 If so, describe how these customers are impacted.

Response:

Please refer to the response to BCUC IR 1.5.4.

5.5 If the cost to core and other customers is not material, please explain why is it important to curb the provision of Balancing Gas service to the monthly balanced transportation service customers? Please reference the applicable subsections of sections 59 and 60 of the *Utilities Commission Act* as appropriate.

Response:

Regardless if the cost to core customers is material or not, FEI believes that encouraging Shippers/Shipper Agents to act in accordance with the intent of an approved tariff provides the appropriate reasons for FEI to bring this Application forward to seek a "just and reasonable" rate for Balancing Gas under section 59(5) of the UCA.

As stated in the response to BCUC IR 1.5.3, the cost to core customers is difficult to quantify. Based on the amount of monthly Balancing Gas sold and the reliance of marketers to use FEI

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as a source of supply, FEI believes it is necessary and appropriate to increase the cost of this Balancing Gas. This change will incent Shippers to become more responsible for balancing their groups without relying on FEI, and compliant with the intent of the tariff.

5.5.1 Describe the nature and extent of any complaints FEI has received from customers regarding the provision of Balancing Gas to monthly balanced transportation service customers.

Response:

Some Shipper Agents have informally raised concerns with FEI with regarding the potential for inappropriate use of FEI's Balancing Gas service. They have indicated that some Shipper Agents appear to be taking advantage of FEI's Balancing Gas service in order to profit from and/or effectively offer the same service to their customers, at a lower cost than what would be available from the market. This is not the purpose for which FEI provides a Balancing Gas service; therefore, FEI believes it is appropriate to review the charges to ensure that participants are properly incented to take the appropriate steps to provide the quantity of gas on a daily basis that more closely matches the quantity of gas the Shipper will actually consume.

5.6 Please describe the extent to which the revenue to cost ratios, determined in the Commission Decision in the FEI 2001 Rate Design Application and as applied to delivery rates for the monthly balanced transportation customers, were intended to recognize the provision of Balancing Charges.

Response:

The Cost of Service Allocation (COSA) study done for the 2001 Rate Design was based on the prior Commission approved revenue requirements for FEI (then BC Gas Utility Ltd.). The revenue requirements had a zero forecast of Gas Balancing revenues which would have been credited to the Gas Cost Reconciliation Account. Therefore, the Gas Balancing charges ("rates") did not have any impact on the revenue to cost ratios or on the revenue margin to cost of service margin ratios in the 2001 Rate Design.

The focus of FEI's revenue requirements applications (or annual reviews during the last PBR period from 2004 to 2009) was on adjusting the Basic, Demand (where applicable) and Delivery

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charges. Gas Balancing revenues are credited to the Midstream Cost Reconciliation Account (MCRA) and as such have no relevance to FEI's revenue requirements or the revenue to cost ratios.

5.7 Please describe how and to which account Balancing Charge revenue is currently allocated. (i.e. is it treated as Delivery Margin revenue or Gas Cost revenue?)

Response:

Balancing Charge recoveries are credited to the Midstream Cost Reconciliation Account (MCRA).

5.8 How, if at all, will the allocation of Balancing Charge revenue change once the premium of \$0.10/GJ is added?

Response:

There will not be a change to the recording of the Balancing Charge due to the \$0.10/GJ addition as proposed. As stated in the response to BCUC IR 1.5.7, all the Balancing Charge recoveries will continue to be credited to the Midstream Cost Reconciliation Account (MCRA).

5.8.1 Will the premium be allocated in the same manner as the current Balancing Charge revenue?

Response:

Please refer to the response to BCUC IR 1.5.8.

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6.0 Reference: ADMINSTRATIVE COSTS OF PROVIDING BALANCING GAS SERVICE

FEI Rate Schedule 14A Application dated August 16, 2012, p. 4

On page 4 of FEI's RS14A Application, FEI describes the administrative costs associated with FEI providing Rate Schedule 14A service.

Management Fees

FEI proposes a continuation of the current gas management fee structure for Rate Schedule 14A as outlined in response to Commission Order G-64-04 in a letter dated December 14, 2004. FEI believes that the current management fees allow the Company to fully recover the costs of administering Rate Schedule 14A.

The management fees collected through Rate Schedule 14A recover all costs associated with providing the Rate Schedule 14A service. These costs include; a portion of the Account Managers' salaries, as well as overhead costs such as billing, credit reviews and the purchasing of physical and financial contracts.

Management fees are currently CAD\$0.05 - 0.09 per GJ for Rate Schedule 14A. The following table outlines the various management fee ranges for each rate option:

(FEI Rate Schedule 14A Application dated August 16, 2012, p. 4)

6.1 Describe the administrative resources and quantify the administrative costs directly attributable to providing Balancing Gas service to monthly balanced transportation service customers.

Response:

The Gas Management Fee charged by FEI as indicated in the Rate Schedule 14A tariff covers FEI's costs, acting as a Shipper Agent, which include services such as nominating supply, managing inventory, billing, and customer service. This work is specific to customers who have FEI as their Shipper Agent. Further, this work is different from administering FEI's transportation service rate schedules for all Shipper Agents who have monthly or daily balanced groups.

The month end work and associated costs to run the transportation service rate schedules for both daily and monthly balanced groups within FEI are included in the O&M budgets that are recovered in the delivery margin.

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1 6.1.1 Please describe how and from which customers these administrative
2 costs are recovered (i.e. through sales gas costs as part of the Core
3 Market Administration Expenditure or recovered through O&M as part of
4 the delivery margin).

5
6 **Response:**

7 As discussed in the response to BCUC IR 1.6.1, the administrative costs related to the month
8 end work and associated costs to manage the transportation service rate schedules for both
9 daily and monthly balanced groups within FEI are included in the O&M costs that are recovered
10 from Transportation Service customers as part of the delivery margin.

11
12

13
14 6.2 Please discuss why an administrative fee similar to the \$0.06/GJ administrative
15 fee that FEI charges Rate Schedule 14A customers would or would not be
16 appropriate to add to the Balancing Charge for monthly balanced transportation
17 service customers.

18
19 **Response:**

20 FEI manages all Shippers/Shipper Agents in aggregate on a daily basis as part of the
21 management of the transportation service rate schedules; therefore, FEI is not proposing to add
22 an administrative management fee of \$0.05 - \$0.09 /GJ similar to Rate Schedule 14A to
23 manage the gas shortfalls for monthly balanced groups.

24 Further, given the analysis FEI included in the response to BCUC IR 1.2.6, FEI believes that a
25 \$0.06/GJ premium is not sufficient to incent the appropriate behavior from Shipper/Shipper
26 Agents to balancing monthly groups by month end. FEI is requesting to add a premium of
27 \$0.10/GJ to the existing monthly Balancing Gas charge, as set out in the Table of Charges for
28 Rate Schedules 23, 25, 26, and 27.

29

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7.0 Reference: IMPACT ON DAILY BALANCED TRANSPORTATION SERVICE CUSTOMERS

Exhibit B-1, p. 3

On page 3 of the Application, FEI describes how Balancing Charges are applied to daily balanced transportation service customers.

7.1 Please describe how the provision of the Balancing Gas service to monthly balanced transportation service customers impacts daily balanced transportation service customers.

Response:

Please refer to the response to BCUC IR 1.5.4.

7.2 Does FEI ever curtail daily balanced transportation service customers within the same month that monthly balanced customers are provided Balancing Gas? Please elaborate.

Response:

As indicated in Section 4.2 of Rate Schedule 23, "Consistent with the provisions of section 7.6 (Failure to Deliver to Interconnection Point), if at any time FortisBC Energy, acting reasonably, determines that it is not able to provide Balancing Gas or Backstopping Gas, FortisBC Energy may curtail the Shipper's take to the lesser of the Authorized Quantity or the DTQ." When a curtailment is required and issued, it is applied to both daily and monthly balanced groups.

In a curtailment situation, Shipper Agents are responsible for bringing on sufficient supply to meet or exceed their groups' demand. If Shipper Agents incur an under-supply, unauthorized overrun charges would apply. The cost per gigajoule on the first 5% is sold at the Sumas Gas Daily price, and gas over and above the 5% is sold at the greater of \$20/GJ or 1.5 times the Sumas Daily Price. These charges are identified in the Rate Schedule 23, 25, 26 and 27 Table of Charges.

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8.0 Reference: MARKET PRICE ENVIRONMENT

Exhibit B-1, Appendix A

8.1 Please populate the following table or provide an Excel worksheet with the Sumas Daily Price, as defined in Rate Schedules 23, 25, 26 and 27, applicable on each day over the 2012 and 2013 period to provide the marketplace pricing backdrop over the period provided in Appendix A and to give marketplace context to the Balancing Gas incurred:

Sumas Daily Price as defined in RS 23/25/26/27 (\$Cdn/GJ)																
Month	1	2	3	4	5	6	26	27	28	29	30	31	Monthly Average
Jan-12																
Feb-12																
.....																
.....																
Nov-13																
Dec-13																

Response:

Please refer to Confidential Attachment 8.1 for the requested pricing data. The data provided in Attachment 8.1 are proprietary and under strict-use license. Therefore, the data are being provided confidentially under separate cover to the Commission only for the purposes of this proceeding, and cannot be provided to other parties without obtaining prior consent under the terms of the license.

8.2 Please populate the following table or provide an Excel worksheet showing the total Balancing Gas quantity, Balancing Gas revenue, and average Daily Sumas Price by month for the period from November 1999 to March 2014.

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Month	Balancing Gas Quantity (GJ)	Average Sumas Daily Price (CDN\$/GJ)	Balancing Gas Revenue (\$)
November 1999			
....			
March 2014			

1

2 **Response:**

3 FEI was not able to procure records of Balancing Gas prior to November 2002. Please refer to
 4 Confidential Attachment 8.2 which contains the requested information from November 2002 to
 5 May 2014. The data provided in Attachment 8.2 are proprietary and under strict-use license.
 6 Therefore, the data are being provided confidentially under separate cover to the Commission
 7 only for the purposes of this proceeding, and cannot be provided to other parties without
 8 obtaining prior consent under the terms of the license.

9 The table shows a significant amount of Balancing Gas sold in 2007 through to 2009. In the
 10 years 2010 to present, the quantities are less, in FEI's view, due to increased policing and direct
 11 requests to the Shippers/Shipper Agents to minimize monthly Balancing Gas. In spite of the fact
 12 that volumes have reduced over time, FEI believes amending the tariff would assist in incenting
 13 the appropriate behavior and would thereby reduce the added administration for FEI.

14

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9.0 Reference: BACKSTOPPING GAS

Exhibit B-1, p. 3;

Rate Schedule 23, Definitions, Article 1.1(b) and (c), p. R-23.1

On page 2 of the Application, FEI states in its 2001 RDA, “Balancing was described as a service provide by the Company to transportation customers when actual gas consumption differs from the amount of gas transported on any day, for examples if a customer ships less gas than is actually used, the Company provides Backstopping and Balancing Gas.”

In Rate Schedule 23 under Article 1.1(b), Backstopping Gas is defined as “Gas made available by FortisBC Energy as an interruptible backup supply if on any given Day the Authorized Quantity is less than the Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).”

In Rate Schedule 23 under Article 1.1(c), Balancing Gas is defined as “any Gas taken during a month which is in excess of the Authorized Quantity, subject to section 8.1 (Monthly Adjustments).”

In Rate Schedule 23, page R-23.4 under Article 1.1(ee), the Sumas Daily Price is defined as:

“the ‘NW Sumas’ Daily Midpoint Price as set out in Gas Daily’s Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada, one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoules per MMBtu.”

9.1 Please confirm that the definitions and charges for Backstopping and Balancing Gas for Rate Schedules 25, 26 and 27 are the same as those set out in Rate Schedule 23 and that these definitions are as quoted in the above reference. If not confirmed, please elaborate and explain.

Response:

Confirmed. Rate Schedules 23, 25, 26 and 27 each reference the Sumas Daily Price in footnote 1 in the Table of Charges. The only difference among the rate schedules is that Rate Schedules 27 does not have the Sumas Daily Price listed under Article 1 Definitions, but is defined in footnote 1 to the Table of Charges.

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9.2 Please confirm that the charge for Backstopping Gas is the Sumas Daily Price as defined in Article 1.1(ee) of Rate Schedule 23 or the equivalent article in Rate Schedules 25, 26 and 27.

Response:

Confirmed. Please refer to the response to BCUC IR 1.9.1 for further clarification with regards to the location of the definition of the Sumas Daily Price in Rate Schedules 25, 26 and 27.

9.2.1 Please discuss why FEI is not proposing a change to the Backstopping Charge similar to the one requested in the Application for Balancing Gas.

Response:

FEI is not proposing changes to the Backstopping Charges for Rate Schedules 23, 25, 26 and 27 similar to the one requested in the Application for Balancing Gas because FEI has not experienced similar issues with Shipper Agents with respect to the supply of Backstopping Gas.

9.3 Please confirm that the tables in Appendix A do not include any Backstopping Gas.

Response:

Confirmed.

9.3.1 If not confirmed, please provide revised versions of each of the tables provided in both the confidential and non-confidential versions of Appendix A, exclusive of any Backstopping Gas quantities. The confidential version should be filed on a confidential basis with the Commission.

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Response:

Please refer to the response to BCUC IR 1.9.3.

9.4 For each of the Shipper Agents included in Appendix A, please populate the following table or provide an Excel worksheet showing the amount of any adjustments to the Authorized Quantity made under Article 7.3 of Rate Schedule 23 or the equivalent article of Rate Schedules 25, 26 and 27 for 2012 and a second table showing the same information for 2013. Please provide a non-confidential version identifying Shipper Agents by the corresponding letter as in the non-confidential version of Appendix A and a confidential version identifying Shipper Agents by name.

Shipper Agent	Date Backstopping was provided	Backstopping Amount (GJ)	Backstopping Charge (\$Cdn/GJ)	Backstopping Revenue (\$)

Response:

For the years 2012 and 2013, FEI has not made any adjustments to the Authorized Quantity made under Article 7.3 of Rate Schedule 23 or the equivalent articles under Rate Schedules 25, 26 and 27.

As evidenced by the reduced amount of monthly Balancing Gas sold in the last few years (please refer to the Response BCUC IR 1.8.2), FEI has instead been vigilantly monitoring the level of inventories on an ongoing basis, and, in doing so, made direct and repeat requests to Shippers/Shipper Agents to adjust their Requested Quantity. FEI believes it is the responsibility of the Shippers/Shipper Agents to manage their daily imbalances, as in the end, this is what their customers are paying them for. Shippers/Shipper Agents have all the same tools as FEI,



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- 1 and have the responsibility under Rate Schedules 23, 25, 26 and 27 to bring on sufficient supply
- 2 to meet their customer load requirements.
- 3

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**10.0 Reference: TOOLS AVAILABLE TO FEI TO ENSURE APPROPRIATE
BALANCING BEHAVIOUR**

Exhibit B-1, p. 3;

Rate Schedule 23, Article 7.3, p. R-23.9

On page 3 of the Application, FEI states that: “Despite repeated requests made to Shipper Agents to increase their supply and minimize monthly Balancing Gas, certain Shipper Agents have continued to abuse monthly Balancing Gas sales as a default source of supply.”

Article 7.3 of Rate Schedule 23 “Adjustment of Requested Quantity” states: “FortisBC Energy may adjust, in consultation with the Shipper, the Shipper’s Requested Quantity, described in section 7.2 (Requested Quantity), when in the reasonable opinion of FortisBC Energy such modification is required in order to minimize the Month end balancing quantity.”

10.1 Please describe the impact on the FEI system and other rate payers when Shippers and/or Shipper Agents have a surplus month end balancing quantity.

Response:

FEI requests transportation Shippers and or Shipper Agents to manage an overall inventory pack on the FEI system to 2-3 days of their average daily burn. (e.g. Average Daily burn = 10,000 GJ, then FEI requests that Shipper and or Shipper Agent have no more than 20,000 to 30,000 GJ of surplus gas). This request by FEI is consistent for all Shipper Agents and groups and has been FEI’s practice for many years.

Any surplus or excess gas at month end packs or drafts FEI’s pipeline and will be balanced in accordance with our pipeline Operational Balancing Agreements (OBAs) with interconnecting pipelines and into FEI’s storage inventory balances. FEI manages its pipeline OBAs, trending them always towards zero.

10.2 Please confirm that Rate Schedules 25, 26 and 27 each have an article essentially the same as Article 7.3 of Rate Schedule 23. If not confirmed, please explain.

Response:

Confirmed.

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4 10.3 Please confirm that Article 7.3 of Rate Schedule 23 is one of the tools available
5 to FEI to ensure Shippers and/or Shipper Agents minimize the month end
6 balancing quantity for monthly balanced accounts. If not confirmed, please
7 explain.
8

9 **Response:**

10 Confirmed.
11
12

13
14 10.4 Please describe all of the tools and mechanisms available to FEI under its
15 operating practices and under the terms and conditions of Rate Schedules 23,
16 25, 26 and 27 and the Shipper Agent Agreement to ensure that Shippers and/or
17 Shipper Agents minimize the month end balancing quantity for monthly balanced
18 accounts, whether it is a positive or a negative imbalance.
19

20 **Response:**

21 FEI monitors gas quantities brought onto the FEI system by all Shippers and Shipper Agents as
22 well as the level of inventories maintained on the system on an ongoing basis.

23 When inventory levels exceed a reasonable tolerance, typically a 2-3 day pack/draft position,
24 FEI first responds by sending emails or calling the Shipper Agents directly and request they
25 adjust their nominations or requested quantities accordingly.

26 Another tool available is Article 7.3 Adjustment of Requested Quantity under the terms and
27 conditions of Rate Schedules 23, 25, 26 and 27, as referenced in the preamble to this IR.
28 Article 7.3 states that FEI may adjust the Shipper's Requested Quantity when in the reasonable
29 opinion a modification is required in order to minimize the Month end balancing quantity. If FEI
30 increases the Requested Quantity and the Authorized Quantity from the interconnecting pipeline
31 is less than the Requested Quantity, the Shipper will be sold the difference in Backstopping
32 Gas. In this approach, the sale of Backstopping gas will in effect increase the supply to the
33 group and assist in minimizing month end imbalances.

34 An additional tool is Article 7.6 Failure to Deliver to Interconnect Point under the terms and
35 conditions of Rate Schedules 23, 25, 26 and 27. An excerpt of the Article states:

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1 *“If on any Day the Authorized Quantity from a Transporter is less than the quantity*
2 *requested from the Transporter pursuant to section 7.4 (Request to Transporter)*
3 *FortisBC Energy may, in its discretion, interrupt or curtail service hereunder to the lesser*
4 *of such Authorized Quantity or the DTQ.”*

5 This essentially enables FEI to impose a supply restriction on the Shipper Agents, and where
6 gas deficiencies occur, FEI will sell Unauthorized Overrun Gas as set out in the Table of
7 Charges. Article 7.6 continues to state:

8 *“Alternatively, FortisBC Energy may deliver additional Gas to the Shipper at the subject*
9 *Interconnection Point and charge the Shipper the charge for Backstopping Gas as set*
10 *out in the Table of Charges.”*

11 This essentially means, similar to the tool described in Article 7.3, FEI can physically deliver
12 Gas to the Shipper to be sold as Backstopping Gas.

13 To date, FEI has closely monitored inventory levels of all Shippers and Shipper Agents on a
14 weekly and bi-weekly basis. FEI contacts Shipper Agents on a regular basis typically from once
15 a month to potentially up to three times a month through email and phone calls to make
16 requests to improve or minimize monthly balance gas sales. In the last several years, FEI has
17 not utilized the tools indicated in Articles 7.3 and 7.6 for the purposes of minimizing monthly
18 Balancing Gas sales. But on one recent occasion, FEI has also advised certain Shipper Agents
19 of the option for FEI to exercise Article 7.6 and charge gas deficiencies in accordance with
20 Unauthorized Overrun penalties by imposing a supply restriction in an effort to more strongly
21 enforce the intent of the tariff.

22
23
24
25 10.4.1 For each of these tools, please describe the circumstances under which
26 FEI would employ the particular tool and how often the need to employ
27 the subject tool typically occurs over the course of a year.

28
29 **Response:**

30 Please refer to the response to BCUC IR 1.10.4.

31
32
33
34 10.4.1.1 Please also describe how the circumstances and likelihood of
35 needing to use a particular tool might be anticipated to be

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1 impacted by the season or a particular market condition such
2 colder than normal weather, increased market price volatility
3 and/or increased market prices.
4

5 **Response:**

6 FEI will rely on the tools available under the Rate Schedules 23, 25, 26 and 27 as described in
7 the response to BCUC IR 1.10.4, when market conditions such as colder than normal weather
8 occurs. When FEI experiences colder, and in particular sustained colder weather, FEI reduces
9 the Shipper/Shipper Agent's ability to utilize imbalance return (which is a tool to draw down from
10 the Shipper/Shipper Agent's inventory), and may also impose a supply restriction which applies
11 to all daily and monthly balanced groups. Taking into account the past winter of 2013/2014, FEI
12 imposed two supply restrictions, one in December 2013 and the other in February 2014. While
13 temperatures did not reach design day levels, the cold weather combined with low storage level
14 in the market at a whole, particularly in February, created significant price volatility and
15 increased market prices.

16
17
18
19 10.5 Please provide the equivalent versions of each of the tables in both the
20 confidential and non-confidential versions of Appendix A showing the month-end
21 imbalances than Balancing Gas quantity (whether the imbalance is a surplus or
22 deficit) before FEI adjusted for Balancing Gas sales to the Shipper Agent. The
23 confidential versions should be filed on a confidential basis.
24

25 **Response:**

26 Please refer to Attachment 10.5. A confidential version of Attachment 10.5 has also been filed
27 under separate cover with the Commission only as it contains commercially sensitive Shipper
28 billing information.
29

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11.0 Reference: FEI AS SHIPPER AGENT

Exhibit B-1, Appendix A;

FEI Rate Schedule 14A Application dated August 16, 2012, p. 1

On page 1 of FEI's Rate Schedule 14A Application dated August 16, 2012, FEI states: "Under Rate Schedule 14A Transportation Customers have chosen FEI to act as their Shipper Agent to perform gas purchasing, nominating, and balancing functions on their behalf."

11.1 Please confirm whether FEI is included as one of the Shipper Agents in Appendix A.

Response:

No, FEI is not included as one of the Shipper Agents in Appendix A.

11.1.1 If so, which Shipper Agent is FEI?

Response:

Please refer to the response to BCUC IR 1.11.1.

11.1.2 If not, explain why FEI was not included in the Tables in Appendix A.

Response:

FEI was not included in the Tables in Appendix A as FEI is the sole supply source for Rate Schedule 14A. If Balancing Gas was being incurred under Rate Schedule 14A, the remedy would be to increase average daily purchases from FEI to reduce balancing volumes at the end of the month. The overall net result would be essentially the same from a cost perspective. In addition, all index and fixed price supply sales (including any Balancing Gas sales) for Rate Schedule 14A customers already gets charged a market factor premium of greater of \$0.06 CDN/GJ or cost. Any positive variance that exists between Total Sales Revenues and Total Purchase Costs of supply for Rate Schedule 14A is allocated to the benefit of the core market.

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11.1.2.1 Please provide FEI's Balancing Gas amount, Backstopping and month end account balance for each month in 2012 and 2013 by populating the following table:

Month	Monthly Load (GJ)	Balancing Gas (GJ)	Backstopping (GJ)	Month End Balance (GJ)
January 2012				
February 2012				
.....				
December 2013				

Response:

Please refer to the following table.

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FEI Balancing Gas, Backstopping and Month End Balance for 2012 -2014				
Date	Monthly Load (GJ)	Balancing Gas (GJ)	Backstopping (GJ)	Month End Balance (GJ)
2012				
January	116,738	16,280	-	-
February	102,310	16,781	-	-
March	105,811	12,780	-	-
April	75,669	1,709	-	-
May	63,056	1,931	-	-
June	50,350	598	-	202
July	34,086	864	-	88
August	31,662	2,621	-	-
September	39,701	6,561	-	-
October	81,412	2,097	-	-
November	131,328	7,198	-	-
December	154,918	2,771	-	-
2013				
January	175,009	3,653	-	-
February	158,606	9,830	-	-
March	149,672	854	-	-
April	130,440	4,969	-	3,882
May	87,332	6,908	-	-
June	62,741	2,832	-	-
July	50,282	4,632	-	10
August	47,639	5,346	-	-
September	66,493	16,988	-	-
October	135,683	11,233	-	-
November	177,194	3,139	-	-
December	234,391	6,224	-	-
2014				
January	219,452	12,154	-	-
February	225,678	16,629	-	-
March	185,718	2,544	-	-
April	139,100	210	-	3,052
May	97,455	379	-	566

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11.2 Please confirm that Balancing and Backstopping Charges are applied to FEI as Shipper Agent for Rate Schedule 14A customers and that all such charges incurred are allocated to Rate Schedule 14A customers.

Response:

Confirmed. Balancing or Backstopping Gas charges are applied to Rate Schedule 14A customers. Balancing Gas, for example, would have been purchased at the Sumas Daily Average price. Rate Schedule 14A customers would have been charged the Sumas Daily Average price plus the greater of \$0.06 CDN/GJ or cost. Rate Schedule 14A customers are charged a Market Factor of the greater of \$0.06 CDN/GJ or cost on all natural gas purchases. Any positive variance collected between the Total Purchase Costs and Total Sales Revenues from the Market Factor Premium from Rate Schedule 14A customers is allocated back to the benefit of core customers.

11.2.1 If not confirmed, please explain.

Response:

Please refer to the response to BCUC IR 1.11.2.

Attachment 1.1

(Provided in electronic format only due to document size and in order to conserve paper)



FORTISBC ENERGY INC.

**RATE SCHEDULE 23
COMMERCIAL TRANSPORTATION SERVICE**

Effective November 1, 2000

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page R-23

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1. Definitions

- 1.1 **Definitions** - Except where the context requires otherwise all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy and used in this Rate Schedule or in a Transportation Agreement have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflict with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.
- (a) **Authorized Quantity** - means the quantity of energy (in Gigajoules) for each Day approved by the Transporter(s) for transportation service on the Transporter's pipeline system, based on the quantity requested pursuant to section 7.2 (Requested Quantity), adjusted as set out in section 7.3 (Adjustment of Requested Quantity) or the quantity of energy approved for sale by FortisBC Energy under an applicable Rate Schedule, or any component or aggregate of these quantities, as the context requires.
 - (b) **Backstopping Gas** - means Gas made available by FortisBC Energy as an interruptible backup supply if on any Day the Authorized Quantity is less than the Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
 - (c) **Balancing Gas** - means any Gas taken during a Month which is in excess of the Authorized Quantity, subject to section 8.1 (Monthly Adjustments).
 - (d) **Business Day** - means a Day that commences on other than a Saturday, a Sunday, or a statutory holiday in the Province of British Columbia.
 - (e) **Capacity Factor** - means the Shipper's average daily use of Gas divided by the product of the average daily use of Gas for the Month of greatest use during the winter period (November 1 to March 31) multiplied by 1.25.
 - (f) **Commencement Date** - means the day specified as the Commencement Date in the Transportation Agreement.
 - (g) **Contract Year** - means a period of 12 consecutive Months commencing at the beginning of the 1st Day of November and ending at the beginning of the next succeeding 1st Day of November.
 - (h) **Day** - means, subject to section 1.2 (Change in Definition of "Day"), any period of twenty-four consecutive hours beginning and ending at 7:00 a.m. Pacific Standard Time.

- (i) **Delivery Point** - means the point specified in a Transportation Agreement where FortisBC Energy delivers Gas to a Shipper.
- (j) **DTQ or Daily Transportation Quantity** - means the maximum quantity of Gas that FortisBC Energy is obligated to transport for and deliver to a Shipper at the Delivery Point on any particular Day, which in the discretion of FortisBC Energy reasonably reflects the Shipper's requirements and which is specified in a Transportation Agreement.
- (k) **EKE** - means the East Kootenay Exchange, an Interconnection Point where the FortisBC Energy System interconnects with the facilities of TransCanada PipeLines Limited, B.C. System.
- (l) **Firm EKE Receipt Service** - means the firm receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area, as described in section 11.1.
- (m) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labour by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of force majeure by a Transporter that results in Gas being unavailable for delivery at the Interconnection Point.
- (n) **Group** - means a group of Shippers who each transport Gas under a transportation Rate Schedule, have a common Shipper Agent, and who have each entered into a Transportation Agreement.
- (o) **Interconnection Point** - means a point where the FortisBC Energy System interconnects with the facilities of one of the Transporters of FortisBC Energy, as specified in a Transportation Agreement.
- (p) **Interruptible EKE Receipt Service** - means the interruptible receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area or the Lower Mainland Service Area, as described in section 11.2.

- (q) **Month** - means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 7:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 7:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.
- (r) **Non-Bypass Shipper** - means a Shipper that receives service under Rate Schedule 23, 25 or 22A and pays rates as set out in the standard Table of Charges for the applicable Rate Schedule.
- (s) **Pacific Clock Time** - means Pacific Standard Time or Daylight Savings Time as it applies in Surrey, British Columbia.
- (t) **Peak Day Demand** - means the quantity of energy used for the purposes of determining the Peaking Gas and EKE Receipt Service available to a Non-Bypass Shipper, as calculated pursuant to section 10.4.
- (u) **Peaking Gas** - means Gas which is provided to the Shipper by FortisBC Energy in accordance with the provisions of section 10.
- (v) **Peaking Gas Quantity** - means the Peaking Gas available to a Non-Bypass Shipper on a Day, determined pursuant to the provisions of section 10.5.
- (w) **Rate Schedule 23 or this Rate Schedule** - means this Rate Schedule, including all rates, terms and conditions, and the Table of Charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission.
- (x) **Replacement Gas** - means Gas which is provided to a Shipper by FortisBC Energy in the event the Shipper fails to return Peaking Gas Quantity pursuant to section 10.7.
- (y) **Requested Quantity** - means the quantity of energy for each Day requested for firm transportation under this Rate Schedule.
- (z) **Requested Peaking Gas Quantity** - means the quantity of energy for each Day requested as Peaking Gas under this Rate Schedule.
- (aa) **Shipper** - means a person who enters into a Transportation Agreement with FortisBC Energy who is also the consumer of the Gas transported.
- (bb) **Shipper Agent** - means a person who enters into a Shipper Agent Agreement with FortisBC Energy.
- (cc) **Shipper Agent Agreement** - means an agreement between FortisBC Energy and a Shipper Agent pursuant to which the Shipper Agent agrees to act as agent for a Group.

- (dd) **Southern Crossing Pipeline** - means the pipeline and other facilities constructed by FortisBC Energy from EKE to an interconnection with existing FortisBC Energy facilities near Oliver that will enable FortisBC Energy to transport Gas between EKE and the Delivery Point.
- (ee) **Sumas Daily Price** - means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada, one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.
- (ff) **Supplier** - means a party who sells Gas to a Shipper or FortisBC Energy or has access to its own supplies of Gas.
- (gg) **Table of Charges** - means the table of prices, fees and charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission, appended to this Rate Schedule.
- (hh) **Transportation Agreement** - means an agreement between FortisBC Energy and a Shipper to provide service pursuant to a transportation Rate Schedule.
- (ii) **Transporter** - means, in the case of the Columbia Service Area, TransCanada PipeLines Limited, B.C. System, and in the case of the Inland Service Area and Lower Mainland Service Area, Westcoast Energy Inc., FortisBC Huntingdon Inc., TransCanada PipeLines Limited, B.C. System and any other gas pipeline transportation company connected to the facilities of FortisBC Energy from which FortisBC Energy receives Gas for the purposes of Gas transportation or resale.
- (jj) **Transporter's Service Terms** - means the general terms and conditions of the applicable Transporter, as filed with and approved from time to time by the National Energy Board or other applicable governmental authority.
- (kk) **Unauthorized Overrun Gas** - means any Gas taken on any Day in excess of the curtailed quantity specified in any notice, to interrupt or curtail a Shipper's take, or to interrupt or curtail a Group's take, and for greater certainty, Unauthorized Overrun Gas includes all Gas taken by a Shipper or a Group to the extent that the obligation of FortisBC Energy to deliver such Gas is suspended by reason of Force Majeure.

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

2. Applicability

- 2.1 **Description of Applicability** - This Rate Schedule is applicable to Shippers with a normalized annual consumption at one Premises of greater than 2,000 Gigajoules of firm Gas, for use in approved appliances in commercial, institutional or small industrial operations.
- 2.2 **British Columbia Utilities Commission** - This Rate Schedule may be amended from time to time with the consent of the British Columbia Utilities Commission.

3. Conditions of Service

- 3.1 **Conditions** - FortisBC Energy does not provide transportation service as a common carrier. FortisBC Energy will only transport Gas under this Rate Schedule to Shippers in the territory served by FortisBC Energy under the FortisBC Energy tariff of which this Rate Schedule is a part if:
- (a) the Shipper has entered into a Transportation Agreement,
 - (b) adequate capacity exists on the FortisBC Energy System, and
 - (c) FortisBC Energy has installed at the Delivery Point the facilities and equipment referred to in section 15.1 (Facilities and Equipment).

- 3.2 **Security** - In order to secure the prompt and orderly payment of the charges to be paid by the Shipper to FortisBC Energy under the Transportation Agreement, FortisBC Energy may require the Shipper to provide, and at all times maintain, an irrevocable letter of credit in favour of FortisBC Energy issued by a financial institution acceptable to FortisBC Energy in an amount equal to the estimated maximum amount payable by the Shipper under this Rate Schedule and the Transportation Agreement for a period of 90 Days. Where FortisBC Energy requires a Shipper to provide a letter of credit and the Shipper is able to provide alternative security acceptable to FortisBC Energy, FortisBC Energy may accept such security in lieu of a letter of credit.
- 3.3 **Warning if Switching from Interruptible to Firm Transportation Service or Sales** - A Shipper wishing to switch from interruptible transportation or interruptible sales to firm transportation under this Rate Schedule must
- (a) give 12 months prior notice to FortisBC Energy of the Shipper's desire to do so, and
 - (b) after receiving an estimate from FortisBC Energy of costs FortisBC Energy will reasonably incur to provide such service, agree to reimburse FortisBC Energy for any such costs.

Notwithstanding section 3.3(a), FortisBC Energy will make reasonable efforts to accommodate a Shipper on less than 12 months prior notice if FortisBC Energy is able, with such shorter notice, to arrange for firm transportation of Gas under this Rate Schedule.

4. Transportation

- 4.1 **Transportation of Gas** - Subject to section 13 of the General Terms and Conditions of FortisBC Energy (Interruption of Service), and all of the terms and conditions of this Rate Schedule, FortisBC Energy will on each Day transport for and deliver to the Shipper at the Delivery Point the Authorized Quantity, or the Shipper's portion of the Group's Authorized Quantity, received at the Interconnection Point from the Transporter up to the DTQ. On each Day, if the Shipper's Gas received at the Interconnection Point is not consumed by the Shipper or is not authorized for delivery to the Shipper, FortisBC Energy will be entitled to utilize such Gas subject to all the terms of this Rate Schedule and the Transportation Agreement.
- 4.2 **Curtailment** - Consistent with the provisions of section 7.6 (Failure to Deliver to Interconnection Point), if at any time FortisBC Energy, acting reasonably, determines that it is not able to provide Balancing Gas or Backstopping Gas, FortisBC Energy may curtail the Shipper's take to the lesser of the Authorized Quantity or the DTQ.

- 4.3 **Notice of Curtailment** - Each notice from FortisBC Energy to the Shipper with respect to the interruption or curtailment by FortisBC Energy of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such curtailment, not to be less than 8 Hours prior notice unless prevented by Force Majeure or unless the Transporter does not provide to FortisBC Energy at least 8 Hours prior notice of reduced availability of gas.
- 4.4 **Default Regarding Curtailment** - The Shipper will comply with each notice to interrupt or curtail the Shipper's take. If the Shipper at any time fails or neglects to comply with a notice to interrupt or curtail the Shipper's take as set out in section 7.6 (Failure to Deliver to Interconnection Point), FortisBC Energy may, in addition to any other remedy which it may then or thereafter have, at its option, without liability therefor and without any prior notice to the Shipper
- (a) turn off the valve at the Delivery Point, or
 - (b) deliver such Gas and charge the Shipper for such Gas consumed on that Day the unauthorized overrun charge set out in the Table of Charges.
- 4.5 **Maximum Hourly Quantities** - FortisBC Energy will not be obliged to receive or deliver in one Hour more than 5% of the quantity of Gas that the Shipper is authorized to receive on any Day.
- 4.6 **Gas Pressure** - Where specifically requested by the Shipper, FortisBC Energy may agree to deliver Gas to the Shipper at the Delivery Point at a minimum pressure specified in the Shipper's Transportation Agreement. The Shipper will reimburse FortisBC Energy for costs it reasonably incurs in maintaining such minimum pressure above that set out in the General Terms and Conditions of FortisBC Energy. FortisBC Energy's ability to maintain a minimum pressure at the Delivery Point is subject to FortisBC Energy receiving Gas at the Interconnection Point at the pressure specified in the Transporter's Service Terms.

5. Table of Charges

- 5.1 **Charges** - In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Rate Schedule and the Transportation Agreement, the Shipper will pay to FortisBC Energy all of the charges set out in the Table of Charges whether or not the Shipper is a member of a Group. The Shipper Agent may elect to pay to FortisBC Energy the charges for the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40 for members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.

6. Unauthorized Gas Use

- 6.1 **Charges for Unauthorized Service** - On any Day a Shipper takes Unauthorized Overrun Gas, the Shipper will pay to FortisBC Energy the unauthorized overrun charge set out in the Table of Charges. The Shipper Agent may elect to pay these charges for the members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.
- 6.2 **Payments Not License** - Payments made to FortisBC Energy for Unauthorized Overrun Gas neither give the right to take Unauthorized Overrun Gas, nor exclude or limit any other remedies available to FortisBC Energy for the Shipper's taking of Unauthorized Overrun Gas.
- 6.3 **Demand Surcharge** - If the Shipper is a member of a Group which includes a Shipper under Rate Schedules 22, 22A or 22B then the Group and its members will be subject to Demand Surcharges under section 7 (Unauthorized Use) of Rate Schedule 22.

7. Nomination

- 7.1 **Capacity on Transporter Pipeline(s)** - The Shipper will on or before the Commencement Date notify FortisBC Energy of the identity of the party holding capacity for the Shipper on the Transporter pipeline(s), and thereafter from time to time on a prompt basis when such party changes.

- 7.2 **Requested Quantity** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy, prior to 7:30 a.m. Pacific Clock Time on each Day (or such other time as may be specified from time to time by FortisBC Energy) such information as may be requested by FortisBC Energy, which will include, but is not limited to, the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours and the portion of the Requested Quantity to be delivered to FortisBC Energy at each applicable Interconnection Point. If the Shipper does not notify FortisBC Energy in accordance with the foregoing, then the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Shipper's Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity), for the Day just commencing. The Shipper's Requested Quantity for each Day will equal the Shipper's best estimate, at the time of notification to FortisBC Energy of the Requested Quantity, of the quantity of Gas the Shipper will actually consume on such Day.
- 7.3 **Adjustment of Requested Quantity** - FortisBC Energy may adjust, in consultation with the Shipper, the Shipper's Requested Quantity, described in section 7.2 (Requested Quantity), when in the reasonable opinion of FortisBC Energy such modification is required in order to minimize the Month end balancing quantity.
- 7.4 **Request to Transporter** - FortisBC Energy will provide to the Transporter(s) the portion of the Shipper's Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.5 **Delivery to Interconnection Point** - Each Day the Shipper will cause to be delivered to the applicable Interconnection Point a quantity of Gas at least equal to the portion of the Shipper's Requested Quantity from that Interconnection Point, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.6 **Failure to Deliver to Interconnection Point** - If on any Day the Authorized Quantity from a Transporter is less than the quantity requested from the Transporter pursuant to section 7.4 (Request to Transporter), FortisBC Energy may, in its discretion, interrupt or curtail service hereunder to the lesser of such Authorized Quantity or the DTQ. Alternatively, FortisBC Energy may deliver additional Gas to the Shipper at the subject Interconnection Point and charge the Shipper the charge for Backstopping Gas as set out in the Table of Charges. If FortisBC Energy is unable to ascertain which Shipper's supply has caused a deficiency, FortisBC Energy may, in its discretion, interrupt or curtail service to the Shippers on a prorata basis or another basis deemed equitable by FortisBC Energy based on available information. FortisBC Energy will reallocate the deficiency as soon as reasonable if it obtains information that allows it to determine responsibility and FortisBC Energy will disclose to the Shippers how it allocated or reallocated the deficiency.

- 7.7 **Authorized Quantity** - FortisBC Energy will take such action as is reasonable in all the circumstances to advise the Shipper or the Shipper Agent if the portion of the Authorized Quantity from a Transporter is less than the portion of the Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter.
- 7.8 **Determination of DTQ** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy 30 Days prior to the Commencement Date of each Contract Year the Shipper's DTQ for the following Contract Year. If a Shipper appoints a Shipper Agent to act on its behalf, the Shipper authorizes the Shipper Agent to determine the DTQ set out in the Transportation Agreement, for each Contract Year. This authorization will remain in effect for the term of the Transportation Agreement or so long as the Shipper Agent acts as agent for the Shipper, whichever period is shorter.

8. Gas Balancing

- 8.1 **Monthly Adjustments** - With the exception of unreturned Peaking Gas, FortisBC Energy will make adjustments at the end of each Month for the differences between the sum of the Authorized Quantities and the Shipper's actual consumption as measured daily by FortisBC Energy as follows
- (a) for overdeliveries (the sum of the Authorized Quantities is greater than the Shipper's actual monthly consumption) FortisBC Energy will maintain an inventory account for the Shipper and will increase the balance in the inventory account by the excess amount received. FortisBC Energy reserves the right to limit Gas quantities maintained in the Shipper's inventory account and will from time to time in consultation with the Shipper return excess inventory at no charge to the Shipper; this will not relieve the Shipper from its obligation to provide accurate nominations pursuant to section 7.2 (Requested Quantity) , and
 - (b) except in the case of Backstopping Gas and Unauthorized Overrun Gas, for underdeliveries (the sum of the Authorized Quantities is less than the Shipper's actual Monthly consumption as measured by FortisBC Energy), FortisBC Energy will sell to the Shipper the deficiency quantities at the Balancing Gas charge set out in the Table of Charges.
- 8.2 **Imbalance Following Termination** - If FortisBC Energy has received a quantity of Gas in excess of the quantity delivered to the Shipper during the term of a Transportation Agreement, then the Shipper may request the excess quantity be returned within 90 Days following termination of the Transportation Agreement.
- 8.3 **Balancing of Peaking Gas** - Balancing of Peaking Gas is described in section 10.7.

9. Group Nominations and Balancing

- 9.1 **Group Nomination and Balancing** - If a Shipper appoints a Shipper Agent and becomes a member of a Group and if the Shipper and Shipper Agent have agreed to execute or have executed a Shipper Agent Agreement, and if the members of the Group are in the same Service Area of FortisBC Energy and receive service under a transportation Rate Schedule, the Shipper Agent will nominate and balance on behalf of all members of the Group on an aggregate basis pursuant to sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service) of this Rate Schedule, as modified by this section, and the Shipper Agent will be the agent for each of the members of a Group for the purposes of any and all matters set out in sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service). Notwithstanding the foregoing, where a Shipper under Rate Schedules 22, 22A or 22B is a member of the Group, section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis. The Shipper Agent may also elect pursuant to the Shipper Agent Agreement, to pay some or all of the charges specified in sections 5.1 and 6.1 for and on behalf of the Shippers in its Group. The Shipper acknowledges and agrees that FortisBC Energy may rely, for the purpose of payment allocations, on verbal notification from the Shipper Agent of such election as a basis for the Shipper Agent's authority to act on behalf of Shipper. Where the Shipper Agent fails to execute a Shipper Agent Agreement, the Shipper will be deemed to be and treated by FortisBC Energy as an individual Group of one Shipper, except for the purposes of sections 9.5 and 13.1 hereunder, and will be deemed to have agreed to purchase Gas from FortisBC Energy pursuant to the applicable transportation schedule and will accordingly be responsible for the payment of all charges thereunder, including any and all Balancing Gas and Unauthorized Overrun Gas charges attributable to that Shipper.
- 9.2 **Requested Quantity from Shipper Agent** - The Shipper Agent will notify FortisBC Energy of the Shipper's Requested Quantity described in section 7.2 (Requested Quantity) on behalf of all members of a Group on an aggregate basis. If the Shipper Agent does not so notify FortisBC Energy, then the Group's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Group's quantity pursuant to section 8.2 (Requested Quantity) for the Day just commencing.
- 9.3 **Determination of Charges** - The charges for Backstopping Gas, Balancing Gas, Unauthorized Overrun Gas and Replacement Gas set out in the Table of Charges, and Demand Surcharges as set out in the Rate Schedule 22 Table of Charges, will be determined based on the quantities transported on behalf of all members of the Group on an aggregate basis. The charges for Unauthorized Transportation Service will be determined based on the quantities delivered to each Shipper.

- 9.4 **Security** - FortisBC Energy may require the Shipper Agent to provide security, as set out in section 3.2 (Security), with necessary changes, for the performance of the Shipper Agent's obligations under the Shipper Agent Agreement.
- 9.5 **Notices To and From Shipper Agents** - If the Shipper is a member of a Group then:
- (a) communications regarding curtailments or interruptions arising from Gas supply constraints and limitations, quantities of Gas requested and quantities of Gas authorized will be between the Shipper Agent for the Group and FortisBC Energy; and
 - (b) notices from FortisBC Energy with respect to interruption or curtailment pursuant to section 4.3 (Notice of Curtailment) arising from Gas supply constraints or limitations will be to the Shipper Agent for the Group and will specify the quantity of Gas to which the Group is curtailed and the time at which such curtailment is to be made; it will be the responsibility of the Shipper Agent to notify Shippers which are members of the Group of interruptions or curtailments.

10. Peaking Gas Service

- 10.1 **Applicability** - In each Contract Year, Peaking Gas Service is available only to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area, Lower Mainland Service Area or Columbia Service Area and for which the Transportation Agreement was in effect on the 1st Day of November of the subject Contract Year.
- 10.2 **15-Day Maximum** - A Non-Bypass Shipper may request Peaking Gas for a maximum of 15 Days during each Contract Year. Any Day for which any portion of the Shipper's Peaking Gas Quantity is requested and authorized will be considered one of the 15 Days of Peaking Gas entitlement even if the quantity of authorized Peaking Gas is not used or only partially used.
- 10.3 **Contract Year 2000/2001** - Should the Southern Crossing Pipeline ("SCP") not be fully operational by the 1st Day of November 2000, the number of Days for which Peaking Gas may be requested during the Contract Year which commences on the 1st Day of November 2000 will be:

$$\frac{\text{the number of Days that SCP is operational during the 2000/2001 Contract Year} * 15}{365}$$

rounded to the nearest whole number. Peaking Gas may only be requested after the SCP has become fully operational.

- 10.4 **Peak Day Demand** - For purposes of determining the Peaking Gas Quantity available to a Non-Bypass Shipper on a Day, the Peak Day Demand of a Rate Schedule 23 Shipper is equal to 1.25 times the Shipper's highest average daily consumption of any month in the winter period from November through March of the preceding Contract Year. In instances respecting which it is agreed by FortisBC Energy and Shipper that a Shipper's Gas consumption during the preceding Contract Year is not indicative of prospective consumption, FortisBC Energy will set the Peak Day Demand of that Shipper after consultation with that Shipper.
- 10.5 **Peaking Gas Quantity** - The quantity of Peaking Gas available on a Day to a Non-Bypass Shipper ("Peaking Gas Quantity") will be a percentage of that Shipper's Peak Day Demand. The Peaking Gas Quantity available to Non-Bypass Shippers for the next Contract Year will be determined by FortisBC Energy, and FortisBC Energy will in writing notify each Non-Bypass Shipper of that Shipper's Peaking Gas Quantity, at least 30 days prior to the commencement of each Contract Year. The Peaking Gas Quantity available to a Non-Bypass Shipper in a Contract Year will be:
- (a)
$$\frac{\text{Total Non-Bypass Transport Demand}}{\text{Forecast Sales Demand} + \text{Non-Bypass Transport Demand}} = \text{Peaking Gas Factor}$$
 - (b)
$$\text{Peaking Gas Factor} * \text{SCP Peaking Gas} = \text{Non-Bypass Transport Volume}$$
 - (c)
$$\frac{\text{Non-Bypass Transport Volume}}{\text{Non-Bypass Transport Demand}} = \text{Peaking Gas Percentage}$$
 - (d)
$$\text{Peaking Gas Percentage} * \text{a Non-Bypass Shipper's Peak Day Demand} = \text{Peaking Gas Quantity}$$

Where:

"Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers for the Contract Year commencing the next November 1; "Forecast Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all Gas sales Customers of FortisBC Energy excluding those in the Fort Nelson Service Area; and "SCP Peaking Gas" is the quantity of peaking gas available to FortisBC Energy in the Year commencing the next November 1 due to the operation of the Southern Crossing Pipeline.

- 10.6 **Requested Peaking Gas Quantity** - Shipper will notify FortisBC Energy of its Requested Peaking Gas Quantity pursuant to nomination procedures described in section 7.2 except as otherwise described in section 10.6 (a) and 10.6 (b) below. The Requested Peaking Gas Quantity must be explicitly stated on the nomination and may be less than but may not exceed the Shipper's Peaking Gas Quantity described in section 10.5.
- (a) **Prior Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment for the next or subsequent Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity for the next Day up until one Hour prior to the evening nomination cycle on the day preceding the Day for which notice of curtailment has been given.
- (b) **Same Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment to be effective during that Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity up until one Hour after the notice of curtailment has been given by FortisBC Energy; provided that FortisBC Energy has usable nomination cycles available during that Day with the Transporter(s). Requests for Requested Peaking Gas Quantity received after the time when FortisBC Energy has usable nomination cycles available during that Day will be authorized only on an as available basis. If notice of Requested Peaking Gas Quantity is given to FortisBC Energy during the Day for which Peaking Gas is being requested then the Peaking Gas Quantity available to Shipper on that Day will be reduced consistent with the elapsed pro-rata practices of applicable Transporter(s).
- (c) **Non-Curtailment Days** - On Days for which FortisBC Energy has not given notice of curtailment, requests for Peaking Gas Quantity shall be made in accordance with the provisions described in section 7.2.
- 10.7 **Return of Peaking Gas Quantity** - FortisBC Energy will, within 4 business days following the date for which Peaking Gas is authorized, provide to the Shipper a statement indicating the amount of Peaking Gas authorized and used, and this will be the statement used for the purposes of tracking the authorization and use of Peaking Gas. Peaking Gas must be returned to FortisBC Energy within 6 Business Days of the Day in respect of which it was authorized. Shipper must notify FortisBC Energy that it is returning Peaking Gas Quantity with its nomination for Requested Quantity described in section 7.2. Peaking Gas returned will be applied against the earliest Peaking Gas Quantity authorized and not yet returned. Shipper has option to elect to return Peaking Gas from the Peaking Gas inventory which is kept for this purpose. If Peaking Gas is not returned to FortisBC Energy within 6 Business Days, FortisBC Energy will provide Shipper with an equivalent quantity of Replacement Gas. The charge for Replacement Gas will be as set out in the Table of Charges.

10.8 **Last Gas Ordered** - Peaking Gas Quantity will be considered the last Gas ordered and taken during the Day.

10.9 **Transport of Peaking Gas Quantity** - Peaking Gas Quantity will be deemed to be provided to the Shipper at the Interconnection Point, and the volumes consumed by the Shipper will be included in the Shipper's monthly transport volume for the purposes of calculating monthly transport charges.

11. Access to East Kootenay Exchange (EKE) Interconnection Point

11.1 Firm EKE Receipt Service

(a) **Applicability** - Firm receipt service access from the EKE Interconnection Point ("Firm EKE Receipt Transport") is available to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area and for which the Shipper has a Transportation Agreement which is effective on the August 1st preceding the subject Contract Year ("Inland Non-Bypass Shippers").

(b) **Availability** - The total quantity of Firm EKE Receipt Service available in aggregate to Inland Non-Bypass Shippers ("EKE Transport Volume") will be determined by FortisBC Energy for each Contract Year. FortisBC Energy shall publish the EKE Transport Volume which is available for the next Contract Year by July 31 of each Year. The EKE Transport Volume shall be determined as follows:

$$\frac{\text{Inland Non-Bypass Transport Demand} * \text{ITS Constraint}}{\text{Forecast Inland Sales Demand} + \text{Inland Non-Bypass Transport Demand}} = \text{EKE Transport Volume}$$

Where:

"Inland Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers in the Inland Service Area for the Contract Year commencing the next November 1; "Forecast Inland Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all firm Gas sales Customers of FortisBC Energy in the Inland Service Area; and "ITS Constraint" is the capacity of the FortisBC Energy Interior transmission system available to flow Gas from Oliver in a northbound direction during periods of peak demand.

- (c) **Election** - Annual elections for Firm EKE Receipt Service for the next Contract Year must be submitted in writing by Shippers to FortisBC Energy within 5 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume. The election must indicate the quantity of Firm EKE Receipt Service requested. The quantity requested must not exceed the Shipper's Peak Day Demand. FortisBC Energy will pro-rate the Firm EKE Receipt Service requests based on the requested quantities if aggregate Firm EKE Receipt Service requests exceed the available EKE Transport Volume. FortisBC Energy will notify Shippers of the Shippers' quantity of Firm EKE Receipt Service within 10 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume.

11.2 Interruptible EKE Receipt Service

- (a) **Applicability** - Interruptible receipt service access to the EKE Interconnection Point ("Interruptible EKE Receipt Service") is available only to Non-Bypass Shippers for which Gas is delivered to a Delivery Point in the Inland Service Area and Lower Mainland Service Area ("Eligible Interruptible Non-Bypass Shippers").
- (b) **Quantity Available** - The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be determined by FortisBC Energy. In determining the quantity of Interruptible EKE Receipt Service available FortisBC Energy will take into account system delivery constraints including the requirement to flow Gas from the facilities of Westcoast Energy Inc. into the Inland Service Area, and the quantity of Firm EKE Receipt Service not utilized. The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be a pro-rata portion of the aggregate available demands of all firm Gas sales Customers and all firm transportation Customers in the Inland and Lower Mainland Service Areas.
- (c) **Maximum Nomination** - A Shipper may not request Interruptible EKE Receipt Service in excess of the Shipper's Peak Day Demand less the Firm EKE Receipt Service of the Shipper. If FortisBC Energy receives requests for Interruptible EKE Receipt Service in excess of the aggregate available Interruptible EKE Receipt Service available for the Day (as determined in 11.2 (b), FortisBC Energy will apportion the available Interruptible EKE Receipt Service on a pro-rata basis of requested Interruptible EKE Receipt Service.
- (d) **Incremental Costs** - Shippers will be responsible for incremental costs associated with transportation on the facilities of Westcoast Energy Inc. from the Inland Service Area to the Lower Mainland Service Area (if applicable).

12. Term of Transportation Agreement

- 12.1 **Term** - The initial term of the Transportation Agreement will begin on the Commencement Date and will expire at 7:00 a.m. Pacific Standard Time on the November 1st next following, provided that if the foregoing results in an initial term of less than one year, then the initial term will instead expire at the end of one further Contract Year.
- 12.2 **Automatic Renewal** - Except as specified in the Transportation Agreement, the term of the Transportation Agreement will continue from year to year after the expiry of the initial term unless cancelled by either FortisBC Energy or the Shipper, subject to section 3.3, (Warning if Switching from Interruptible to Firm Transportation Service or Sales) upon not less than 2 months notice prior to the end of the Contract Year then in effect.
- 12.3 **Early Termination** - The term of the Transportation Agreement is subject to early termination in accordance with section 18 (Default or Bankruptcy).
- 12.4 **Survival of Covenants** - Upon the termination of the Transportation Agreement, whether pursuant to section 18 (Default or Bankruptcy) or otherwise,
- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
 - (b) all of the provisions in this Rate Schedule and in the Transportation Agreement relating to the obligation of any of the parties to account to or indemnify the other and to pay to the other any monies owing as at the date of termination in connection with the Transportation Agreement, will survive such termination.

13. Statements and Payments

- 13.1 **Statements to be Provided** - FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper, a statement for the preceding month showing the Gas quantities delivered to the Shipper and the amount due. If the Shipper is a member of a Group then the statement and the calculation of the amount due from the Shipper will be based on information supplied by the Shipper Agent, or based on other information available to FortisBC Energy, as set out in the Shipper Agent Agreement. FortisBC Energy will, on or about the 45th day after the end of a Contract Year, deliver to the Shipper a separate statement for the preceding Contract Year showing the amount required from the Shipper in respect of any indemnity due under this Rate Schedule or a Transportation Agreement. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 13.2 **Payment and Late Payment Charge** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to FortisBC Energy at its Vancouver, British Columbia office, or such other place in Canada as it will designate, on or before the 1st business day after the 21st calendar day following the billing date. If the Shipper fails or neglects to make any payment required under this Rate Schedule, or any portion thereof, to FortisBC Energy when due, FortisBC Energy will include in the next bill to the Shipper a late payment charge of 1.5% per month (19.56% per annum) on the outstanding amount.
- 13.3 **Examination of Records** - Each of FortisBC Energy and the Shipper will have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge, computation or demand made pursuant to any provisions of this Rate Schedule or the Transportation Agreement.

14. Quality

- 14.1 **Minimum Standards** - All Gas delivered to an Interconnection Point by or on behalf of the Shipper and all Gas delivered to the Delivery Point will conform to the quality specifications set out in the applicable Transporter's Service Terms.

15. Measuring Equipment

- 15.1 **Facilities and Equipment** - FortisBC Energy will, at the cost to the Shipper, install, maintain and operate at the Delivery Point such metering and communications facilities and equipment as FortisBC Energy determines are necessary or desirable for measuring the quantity of Gas delivered pursuant to this Rate Schedule to the Shipper and the Shipper will permit FortisBC Energy, without cost to FortisBC Energy, to use the Shipper's communications lines and power for the purpose of installing, maintaining and operating the measuring equipment of FortisBC Energy.
- 15.2 **Measuring Site** - If FortisBC Energy reasonably determines that it is necessary to install the facilities and equipment referred to in section 15.1 (Facilities and Equipment) on the Shipper's property, the Shipper will, without charge, provide a suitable site along with utilities and enclosures for the installation of the facilities and equipment of FortisBC Energy. FortisBC Energy will at all times have clear access to the site and to all of its facilities and equipment. All facilities and equipment installed by FortisBC Energy on the Shipper's property will remain the property of FortisBC Energy and may be removed by FortisBC Energy upon termination of the Transportation Agreement.
- 15.3 **Calibration and Test of Measuring Equipment** - The accuracy of the measuring equipment of FortisBC Energy will be verified by standard tests and methods at regular intervals and at other times at the initiative of FortisBC Energy or upon the reasonable request of the Shipper. Notice of the time and nature of each test conducted in response to communications with or at the request of the Shipper will be given by FortisBC Energy to the Shipper sufficiently in advance to permit a representative of the Shipper to be present. If during a test the measuring equipment is found to be registering inaccurately, it will be adjusted at once to read as accurately as possible. The results of each test and adjustment, if any, made by FortisBC Energy, whether or not the Shipper is present for such test, will be accepted until the next test. All tests of such measuring equipment of FortisBC Energy will be made at the expense of FortisBC Energy, except that the Shipper will bear the expense of tests made at its request if the measuring equipment is found to be inaccurate by an amount equal to 2% or less.
- 15.4 **Inaccuracy Exceeding 2%** - If upon any test the measuring equipment is found to be inaccurate by an amount exceeding 2%, any previous readings of such equipment will be corrected to zero error for any period during which it is definitely known or is agreed upon that the error existed. If the period is not definitely known or is not agreed upon, such correction will be for a period covering the last half of the time elapsed since the date of the last test. Provided that under no circumstances will an adjustment be made for a period of more than the preceding 12 months.

- 15.5 **Correction of Measuring Errors** - If the measuring equipment is out of service or out of repair so that the quantity of Gas delivered cannot be correctly determined by the reading thereof, the Gas delivered during the period such measuring equipment is out of service or out of repair will be estimated on the basis of the best available data, using the first of the following methods which is feasible
- (a) by correcting the error if the percentage of error is ascertained by calibration test or mathematical calculation,
 - (b) by using the registration of any check measuring equipment if installed and accurately registering, and
 - (c) by estimating the quantity of Gas delivered to the Shipper during the preceding periods under similar conditions when the meter was registering accurately.
- 15.6 **Shipper's Equipment** - The Shipper may at its own expense install, maintain and operate its own measuring equipment for the purposes of monitoring or checking the measuring equipment of FortisBC Energy, provided that the Shipper will install such equipment so as not to interfere with the operation of the measuring equipment of FortisBC Energy.
- 15.7 **Right to be Present** - FortisBC Energy and the Shipper will have the right to inspect all equipment installed or furnished by the other and the charts and other measurement or test data of the other at all times during business hours, and to be present at the time of any installing, testing, cleaning, changing, repairing, calibrating or adjusting done in connection with the measuring equipment of the other party, but all such activities will be performed by the party furnishing the measuring equipment.
- 15.8 **Preservation of Records** - Both parties will cause to be preserved each test datum, chart and other record of Gas measurement for a period of 2 years.

16. Measurement

- 16.1 **Unit of Volume** - The unit of volume of Gas for all purposes hereunder will be 1 cubic metre at a temperature of 15° Celsius and an absolute pressure of 101.325 kilopascals.
- 16.2 **Determination of Volume** - Gas delivered hereunder will be metered using metering apparatus approved by the Standards Division, Industry Canada, Office of Consumer Affairs and the determination of standard volumes delivered hereunder will be in accordance with terms and conditions pursuant to the *Electricity and Gas Inspection Act* of Canada.

Order No.: G-28-11

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BCUC Secretary: Original signed by E.M. Hamilton

Original Page R-23.20

- 16.3 **Conversion to Energy Units** - In accordance with the *Electricity and Gas Inspection Act* of Canada, volumes of Gas delivered each Day will be converted to energy units by multiplying the standard volume by the Heat Content of each unit of Gas. Volumes will be specified in 10^3m^3 rounded to two decimal places and energy will be specified in Gigajoules rounded to one decimal place.

17. Representations, Warranties and Covenants

- 17.1 **Title** - The Shipper represents and warrants with FortisBC Energy that the Shipper will have good title to all Gas to be delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, free and clear of all liens, encumbrances and claims.
- 17.2 **Title Not That of FortisBC Energy** - FortisBC Energy agrees that title to all Gas transported pursuant to the Transportation Agreement remains with the Shipper.
- 17.3 **Acknowledgement** - The Shipper acknowledges that the Gas transported under the Transportation Agreement will be commingled with Gas within the FortisBC Energy System.

18. Default or Bankruptcy

- 18.1 **Default** - If the Shipper at any time fails or neglects
- (a) to make any payment due to FortisBC Energy or to any other person under this Rate Schedule or the Transportation Agreement within 30 days after payment is due, or
 - (b) to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Rate Schedule or the Transportation Agreement, within 30 days after FortisBC Energy gives to the Shipper notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Shipper fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence,

then FortisBC Energy may in addition to any other remedy that it has, including the rights of FortisBC Energy set out in section 4.4 (Default Regarding Curtailment), and 6 (Unauthorized Gas Use), at its option and without liability therefore

- (a) suspend further transportation service to the Shipper and may refuse to deliver Gas to the Shipper until the default has been fully remedied, and no such suspension or refusal will relieve the Shipper from any obligation under this Rate Schedule or the Transportation Agreement, or
- (b) terminate the Transportation Agreement, and no such termination of the Transportation Agreement pursuant hereto will exclude the right of FortisBC Energy to collect any amount due to it from the Shipper for what would otherwise have been the remainder of the term of the Transportation Agreement.

18.2 Bankruptcy or Insolvency - If the Shipper becomes bankrupt or insolvent or commits or suffers an act of bankruptcy or insolvency or a receiver is appointed pursuant to a statute or under a debt instrument or the Shipper seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose, FortisBC Energy will have the right, at its sole discretion, to terminate the Transportation Agreement by giving notice in writing to the Shipper and thereupon FortisBC Energy may cease further delivery of Gas to the Shipper and the amount then outstanding for Gas provided under the Transportation Agreement will immediately be due and payable by the Shipper.

19. Notice

19.1 Notice - Any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule or under the Transportation Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

If to FortisBC Energy

FORTISBC ENERGY INC.

MAILING ADDRESS:

16705 Fraser Highway
Surrey, B.C.
V4N 0E8

BILLING AND PAYMENT:

Attention: Industrial Billing
Telephone: 1-855-873-8773
Fax: (604) 293-2920

| c

CUSTOMER RELATIONS:	Attention: Commercial & Industrial Energy Solutions
	Telephone: (604) 592-7843
	Fax: (604) 592-7894
LEGAL AND OTHER:	Attention: Director, Legal Services
	Telephone: (604) 443-6512
	Fax: (604) 443-6540

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

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

19.2 **Specific Notices** - Notwithstanding section 19.1 (Notice), notices with respect to Force Majeure will be sufficient if:

- (a) given by FortisBC Energy in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by the Shipper as authorized to receive such notices, or
- (b) given by the Shipper by telephone (to be confirmed by fax) in the following manner:

To claim Force Majeure..."Please be advised that (name of company and location of plant) has (reason for claiming Force Majeure as provided in section 21) and hereby claims suspension by reason of Force Majeure in accordance with the terms of Rate Schedule 23 effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to become effective, but not to be retroactive)."

To terminate Force Majeure..."Please be advised that (name of company and location of plant) requests a return to normal natural gas service in accordance with Rate Schedule 23 and the Transportation Agreement effective 7:00 a.m. Pacific Standard Time (date of Force Majeure suspension to end, but not to be retroactive) whereby the suspension by reason of Force Majeure currently in force will be terminated."

Order No.: G-68-09

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BCUC Secretary: Original signed by Alanna Gillis

First Revision of Page R-23.23

20. Indemnity and Limitation on Liability

- 20.1 **Limitation on Liability** - FortisBC Energy, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of transportation service permitted under the General Terms and Conditions of FortisBC Energy, or this Rate Schedule.
- 20.2 **Indemnity** - The Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of each of the following
- (a) any defect in title to any Gas delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, or arising from any charges that are applicable to the Gas delivered to FortisBC Energy,
 - (b) Franchise Fees not otherwise collected by FortisBC Energy under the Table of Charges,
 - (c) nominations made in accordance with sections 7 or 9 of this Rate Schedule by FortisBC Energy to the Transporter with respect to the Shipper's transportation volumes, whether or not the Shipper is a member of a Group,
 - (d) Gas delivered by the Transporter or Shipper to FortisBC Energy failing to meet the quality specifications set out in section 14.1 of this Rate Schedule, and
 - (e) all federal, provincial, municipal taxes (or payments made in lieu thereof) and royalties, whether payable on the delivery of Gas to FortisBC Energy by the Shipper or on the delivery of Gas to the Shipper by FortisBC Energy, or on any other service provided by FortisBC Energy to the Shipper.
- 20.3 **Principal Obligant** - If the Shipper is a member of a Group, the obligations of each of the Shipper Agent (acting for and on behalf of the Shippers that are members of the Group) and the Shipper (in the event of the failure of the Shipper Agent to make such payments and limited to the charges related to that Shipper) to pay to, or to the order of, FortisBC Energy, the charges for Backstopping Gas, Balancing Gas, Replacement Gas, unauthorized overruns set out in the Table of Charges, and Demand Surcharges set out in the Rate Schedule 22 Table of Charges, are those of principal obligant and not of surety and are independent of the respective obligations of the Shipper Agent and the Shipper towards each other pursuant to the Shipper Agent Agreement.

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Original Page R-23.24

21. Force Majeure

- 21.1 **Force Majeure** - Subject to the other provisions of this section 21, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Rate Schedule under which service is rendered or in the Transportation Agreement, the obligations of both FortisBC Energy and the Shipper will be suspended to the extent necessary for the period of the Force Majeure condition.
- 21.2 **Curtailment Notice** - If FortisBC Energy claims suspension pursuant to this section 21, FortisBC Energy will be deemed to have issued to the Shipper a notice of curtailment.
- 21.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 21.1 under any of the following circumstances
- (a) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - (b) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - (c) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Rate Schedule or the Transportation Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 21.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 21.5 **Settlement of Labour Disputes** - Notwithstanding any of the provisions of this section 21, the settlement of labour disputes or industrial disturbances will be entirely within the discretion of the particular party involved and the party may make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 21.1.

- 21.6 **No Exemption for Payments** - Notwithstanding any of the provisions of this section 21, Force Majeure will not relieve or release either party from its obligations to make payments to the other.
- 21.7 **Periodic Repair by FortisBC Energy** - FortisBC Energy may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the FortisBC Energy System or its equipment and FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. FortisBC Energy will make reasonable efforts to schedule repairs or replacements to minimize interruptible or curtailment of transportation service to the Shipper, and to restore service as quickly as possible.
- 21.8 **Shipper's Gas** - If FortisBC Energy curtails or interrupts transportation of Gas by reason of Force Majeure the Shipper will make its supply of Gas available to FortisBC Energy, to the extent required by FortisBC Energy, to maintain service priority to those customers or classes of customers which FortisBC Energy determines should be served. FortisBC Energy, in its sole discretion, will either increase the balance in the Shipper's inventory account by the amount taken by FortisBC Energy and return an equivalent quantity of Gas to the Shipper as soon as reasonable, or pay the Shipper an amount equal to either FortisBC Energy's average Gas cost, or the Shipper's average Gas cost, for the Day(s) during which such Gas was taken, whichever Gas cost the Shipper, in its sole discretion, elects.
- 21.9 **Alteration of Facilities** - The Shipper will pay to FortisBC Energy all reasonable costs associated with the alteration of facilities made at the discretion of FortisBC Energy to measure quantities reduced by reason of Force Majeure claimed by the Shipper and to restore such facilities after the Force Majeure condition ends.

22. Arbitration

- 22.1 **Arbitration** - Any dispute between the parties arising from this Rate Schedule or the Service Agreement will be resolved by a single arbitrator pursuant to the *Commercial Arbitration Act* of British Columbia or successor legislation, save as expressly provided herein.
- 22.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.

- 22.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 22.2 of this Rate Schedule to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of any of the parties or their respective successors or affiliates, any customer or supplier of the Shipper or FortisBC Energy.
- 22.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.
- 22.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

23. Interpretation

- 23.1 **Interpretation** - Except where the context requires otherwise or except as otherwise expressly provided, in this Rate Schedule or in a Transportation Agreement
- (a) all references to a designated section are to the designated section of this Rate Schedule unless otherwise specifically stated,
 - (b) the singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate,
 - (c) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity,
 - (d) all words, phrases and expressions used in this Rate Schedule or in a Transportation Agreement that have a common usage in the gas industry and that are not defined in the General Terms and Conditions of FortisBC Energy, the Definitions or in the Transportation Agreement have the meanings commonly ascribed thereto in the gas industry, and
 - (e) the headings of the sections set out in this Rate Schedule or in the Transportation Agreement are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule or the Transportation Agreement.

Order No.: G-28-11

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24. Miscellaneous

- 24.1 **Waiver** - No waiver by either FortisBC Energy or the Shipper of any default by the other in the performance of any of the provisions of this Rate Schedule or the Transportation Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 24.2 **Enurement** - The Transportation Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger, amalgamation or consolidation.
- 24.3 **Assignment** - The Shipper will not assign the Transportation Agreement or any of its rights or obligations thereunder without the prior written consent of FortisBC Energy which consent will not be unreasonably withheld or delayed. No assignment will release the Shipper from its obligations under this Rate Schedule or under the Transportation Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Shipper.
- 24.4 **Amendments to be in Writing** - Except as set out in this Rate Schedule, no amendment or variation of the Transportation Agreement will be effective or binding upon the parties unless such amendment or variation is set out in writing and duly executed by the parties.
- 24.5 **Proper Law** - The Transportation Agreement will be construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 24.6 **Time is of Essence** - Time is of the essence of this Rate Schedule, the Transportation Agreement and of the terms and conditions thereof.
- 24.7 **Subject to Legislation** - Notwithstanding any other provision hereof, this Rate Schedule and the Transportation Agreement and the rights and obligations of FortisBC Energy and the Shipper under this Rate Schedule and the Transportation Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over FortisBC Energy or the Shipper.

- 24.8 **Further Assurances** - Each of FortisBC Energy and the Shipper will, on demand by the other, execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other may reasonably require to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Rate Schedule and the Transportation Agreement and to assure the completion of the transactions contemplated hereby.
- 24.9 **Form of Payments** - All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule or the Transportation Agreement will be made by wire transfer to, or cheque or bank cashier's cheque drawn on a Canadian chartered bank or trust company, payable in lawful money of Canada at par in immediately available funds in Vancouver, British Columbia.

Table of Charges

	<u>Lower Mainland Service Area</u>	<u>Inland Service Area</u>	<u>Columbia Service area</u>	
1. Transportation				
(a) Basic Charge per Month	\$ 132.52	\$ 132.52	\$ 132.52	
(b) Delivery Charge per Gigajoule	\$ 2.587	\$ 2.587	\$ 2.587	A
(c) Administration Charge per Month	\$ 78.00	\$ 78.00	\$ 78.00	
2. Sales				
(a) Charge per Gigajoule of Balancing Gas supplied	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	
(b) Charges for Backstopping Gas	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(c) Replacement Gas ²	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	
(d) Unauthorized Overrun Charges				
(i) Per Gigajoule on first 5 percent of specified quantity	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(ii) Per Gigajoule on all Gas over 5 percent of specified quantity	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	
3. Rider 4 per Gigajoule	\$ 0.000	\$ 0.000	\$ 0.000	A
4. Rider 5 per Gigajoule	\$ (0.120)	\$ (0.120)	\$ (0.120)	R

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Fifth Revision of Page R-23.30

Rider 1 **Propane Surcharge** - Not applicable.

Rider 2 (Reserved for future use.)

Rider 3 (Reserved for future use.)

Rider 4 (Reserved for future use.)

Rider 5 **Revenue Stabilization Adjustment Charge** - Applicable to Lower Mainland, Inland and Columbia Service Area Customers for the Year ending December 31, 2014.

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Franchise Fee Charge of 3.09% of the aggregate of the above charges, is payable (in addition to the above charges) if the facilities to which Gas is delivered under this Rate Schedule are located within the municipal boundaries of a municipality or First Nations lands (formerly, reserves within the *Indian Act*) to which FortisBC Energy pays Franchise Fees.

Minimum Charge per month - The minimum charge per month will be the aggregate of the Basic Charge, the transportation administration charge and the Franchise Fee charge.

Interim Rate Establishment - Pursuant to the British Columbia Utilities Commission Order G-150-13, FortisBC Energy Inc. delivery rates have been established as interim, approved effective January 1, 2014. Final determination of delivery rates for FortisBC Energy Inc. will be subject to the Commission's decision on the FortisBC Energy Inc. Application for Approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018. The interim delivery rates are subject to refund with interest at the average prime rate of FortisBC Energy Inc.'s principal bank.

| C/N

Notes:

1. As defined under Section 1.1, the Sumas Daily Price quoted each Day will apply to gas consumed on that gas day.
2. The Sumas Daily Price for the sixth Business Day following the Day for which the Peaking Gas was authorized plus 20 percent.

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Sixth Revision of Page R-23.31

**TRANSPORTATION AGREEMENT FOR
RATE SCHEDULES 22, 22A, 22B, 23, 25 AND 27**

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

WHEREAS:

- A. FortisBC Energy owns and operates the FortisBC Energy System; and
- B. The Shipper has requested that FortisBC Energy arrange for the transportation of Gas on a firm and/or interruptible basis through the FortisBC Energy System to _____ located in or near _____ British Columbia in accordance with a transportation Rate Schedule as set out below and the terms set out herein.

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

1. Specific Information

Applicable Rate Schedule:

☐ 22 ☐ 22A ☐ 22B
☐ 23 ☐ 25 ☐ 27

Type of Service:

☐ Firm ☐ Interruptible
☐ Firm and Interruptible

Firm DTQ / DTQ:

_____ Gigajoules per day

Shipper Agent and / or Group, if applicable:

Commencement Date:

Expiry Date:

(only specify expiry date if term not automatically renewed as set out in the Automatic Renewal section of the applicable transportation Rate Schedule)

Delivery Point:

Pressure at the Delivery Point:

(only specify where applicable as set out in the Gas Pressure section of the applicable transportation Rate Schedule)

Service Address:

Account Number:

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

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BCUC Secretary: Original signed by E.M. Hamilton

Original Page TA-23.1

Interconnection Point:

The point at (_____ km-post _____)
where the Transporter's pipeline system in
British Columbia interconnection with the
FortisBC Energy System

Address of Shipper for receiving notices:

(name of Shipper)

Attention: _____

(address of Shipper)

Telephone: _____

Fax: _____

Email: _____

The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable transportation Rate Schedule to any such information is to the information set out above.

2. Rate Schedule 22 / 22A / 22B / 23 / 25 / 27

- 2.1 **Additional Terms** - All rates, terms and conditions set out in the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25, or 27) and the General Terms and Conditions of FortisBC Energy, as any of them may be amended by FortisBC Energy and approved from time to time by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Transportation Agreement and form part of this Transportation Agreement and bind FortisBC Energy and the Shipper as if set out in this Transportation Agreement.
- 2.2 **Payment of Amounts** - Without limiting the generality of the foregoing, the Shipper will pay to FortisBC Energy all of the amounts set out in the applicable transportation Rate Schedule for the services provided under such Rate Schedule and this Transportation Agreement.

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- 2.3 **Conflict** - Where anything in either the applicable transportation Rate Schedule or the General Terms and Conditions of FortisBC Energy conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement governs. Where anything in the applicable transportation Rate Schedule conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the Rate Schedule governs.
- 2.4 **Member of a Group** - Where the Shipper will be a member of a Group which has a Shipper Agent acting as agent for the members of the Group, Shipper must complete Appendix "A" attached to this Transportation Agreement and Shipper thereby agrees that the terms and conditions of Appendix "A" form part of this Transportation Agreement and bind the Shipper as if set out in this Transportation Agreement.
- 2.5 **Acknowledgement** - The Shipper acknowledges receiving and reading a copy of the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25 or 27) and the General Terms and Conditions of FortisBC Energy and agrees to comply with and be bound by all terms and conditions set out therein. Without limiting the generality of the foregoing, where the transportation service is interruptible, the Shipper acknowledges that it is able to accommodate such interruption or curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such interruption or curtailment of transportation service.

IN WITNESS WHEREOF the parties hereto have executed this Transportation Agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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APPENDIX A

NOTICE OF APPOINTMENT OF SHIPPER AGENT

1. _____ (Shipper) hereby gives notice to FortisBC Energy
that Shipper has appointed _____ (the Shipper Agent) to
act as agent for Shipper in all matters relating to gas supply and to transportation service
on the FortisBC Energy System. Shipper also gives notice to FortisBC Energy that
Shipper wishes to be a member of a Group, and the Shipper will cause the Shipper Agent
to enter into a Shipper Agent Agreement or other agreement with FortisBC Energy that
binds the Shipper Agent to pay the charges which the Shipper Agent elects to pay for and
on behalf of the Shipper.
2. Shipper acknowledges and agrees that the Shipper Agent will provide aggregate
nominations for the Group to FortisBC Energy.
3. Shipper acknowledges and agrees that if the Group includes a member which is a Shipper
under Rate Schedule 22, 22A, or 22B then section 10 (Group Nominations and Balancing)
of Rate Schedule 22 will apply to the Group on an aggregate basis, and the Group and its
members will be subject to the Demand Surcharge provisions of Rate Schedule 22.
4. Shipper acknowledges and agrees that when there are constraints or limitations of Gas
supply FortisBC Energy will notify the Shipper Agent and it will then be the responsibility
of the Shipper Agent to notify Shipper of any curtailment or interruption arising from the
constraint or limitation of Gas supply.
5. Shipper acknowledges and agrees that the Shipper Agent will provide Gas supply priority
schedules to FortisBC Energy which will advise FortisBC Energy of the allocation of Gas
supply amongst members of the Group during constraints or limitations of Gas supply.
6. Shipper acknowledges and agrees that the Shipper Agent will provide FortisBC Energy
with information which will be used by FortisBC Energy to bill Shipper for Backstopping
Gas, Balancing Gas, unauthorized overrun charges and Demand Surcharges.

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7. Shipper acknowledges that FortisBC Energy will bill Shipper on the basis of information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that it is bound by the information supplied to FortisBC Energy by the Shipper Agent and Shipper agrees that it will not dispute the information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that the Shipper Agent may elect to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement and Shipper acknowledges that if the Shipper Agent fails to provide information to FortisBC Energy then notwithstanding any election that has been made by the Shipper Agent to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement, FortisBC Energy will bill Shipper directly on the bases set out in section 3.9 of the standard form Shipper Agent Agreement of FortisBC Energy. Shipper agrees to pay FortisBC Energy as billed, and if Shipper disagrees with any of the billing information used by FortisBC Energy the Shipper will deal with the Shipper Agent to resolve that disagreement. Disputes between the Shipper and the Shipper Agent shall not constitute a basis for non-payment by Shipper to FortisBC Energy of the amounts billed.
8. Shipper will use its best efforts to provide FortisBC Energy with at least 30 days notice if Shipper wishes to leave the Group.
9. Shipper acknowledges and agrees that FortisBC Energy may disband the Group pursuant to section 10 of the standard form Shipper Agent Agreement.
10. Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.
11. Shipper acknowledges receiving a copy of the standard form Shipper Agent Agreement of FortisBC Energy.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name - Please Print)

DATE: _____

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SHIPPER AGENT AGREEMENT

This Agreement is dated _____, 20____, between FortisBC Energy Inc. ("FortisBC Energy") and _____ (the "Shipper Agent").

WHEREAS:

- 1.0 The Shipper Agent wishes to act as agent on behalf of all members of a Group in respect of transportation service on the FortisBC Energy System; and
- 2.0 The Shippers who are members of the Group have entered into Transportation Agreements with FortisBC Energy.

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

1. Specific Information

Members of Group:
(if space is insufficient, continue list on an additional page)

Commencement Date of this agreement:

Expiry Date of this agreement:

(no expiry date need be specified)

Address of Shipper Agent for receiving notices:

(name of Shipper Agent)

(address of Shipper Agent)

Attention: _____

Telephone: _____

Fax: _____

Alternate Tel(s): _____

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The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable Transportation Rate Schedules to any such information is to the information set out above.

2. Definitions

- 2.1 **Definitions in Rate Schedule 23** - Except where the context requires otherwise or except as otherwise expressly provided in this agreement, all words and phrases defined in Rate Schedule 23 or in the General Terms or Conditions of FortisBC Energy have the meanings set out in the Rate Schedule 23 and in the General Terms and Conditions of FortisBC Energy.

3. Shipper Agent Obligations

- 3.1 **Management of Balancing Gas** - The Shipper Agent is responsible for the management of all Balancing Gas for the Group and its members.
- 3.2 **Management of Backstopping Gas** - The Shipper Agent is responsible for the management of all Backstopping Gas supplied by FortisBC Energy to the Group and its members.
- 3.3 **Management of Peaking Gas Service** - The Shipper Agent is responsible for the management of all Peaking Gas supplied by FortisBC Energy to the Group and its members as well as the return of Peaking Gas Quantities and any Replacement Gas.
- 3.4 **Management of West to East SCP Transportation Service Imbalances** - The Shipper Agent is responsible for the management of Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service under Rate Schedule 40 supplied by FortisBC Energy to the Group and its members.
- 3.5 **Group Nominations and Balancing** - The Shipper Agent will provide Group nomination and balancing to FortisBC Energy in accordance with the sections of the applicable transportation Rate Schedules except where a Shipper under Rate Schedules 22, 22A or 22B is a members of the Group, in which case section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis.

- 3.6 **Standard Gas Supply Priority Schedule (Standard Priority Schedule)** - Before the Commencement Date of this agreement and before the commencement of each Contract Year the Shipper Agent will provide to FortisBC Energy a Standard Priority Schedule which will advise FortisBC Energy of the priority between members of the Group if a constraint or limitation of Gas supply occurs. The Shipper Agent may provide to FortisBC Energy a revised Standard Priority Schedule from time to time and will provide to FortisBC Energy a revised Standard Priority Schedule if there is a change in membership of the Group.
- 3.7 **Gas Supply Constraints or Limitations** - Upon receipt of a notice from FortisBC Energy of curtailment or interruptions pursuant to section 4.4 (Notice of Gas Supply Constraint or Limitation) Shipper Agent will determine the allocation of Gas supply between members of the Group and will notify the Shippers which are members of the Group of the curtailment or interruption. Within two hours of receipt of notice from FortisBC Energy pursuant to section 4.4, or such longer period as FortisBC Energy considers reasonable in the circumstances, the Shipper Agent will provide to FortisBC Energy a schedule setting out the Gas supply allocation for the Group to apply during that curtailment or interruption. If the Shipper Agent fails to provide a schedule setting out the Gas supply allocation for the Group to apply during the curtailment or interruption then FortisBC Energy will curtail Shippers on the basis set out in the Standard Priority Schedule.
- 3.8 **Monthly Billing Information** - At the end of each month, and within two business days of FortisBC Energy providing to the Shipper Agent a schedule pursuant to section 4.2 (Monthly Provision of Data), the Shipper Agent will provide to FortisBC Energy an allocation schedule setting out the daily Gas takes of each member of the Group and identifying for each member of the Group, the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40. The Shipper Agent will also notify FortisBC Energy which charges the Shipper Agent elects to pay on behalf of the members of the Group and, if notice is not received, FortisBC Energy will bill the Shippers directly.

- 3.9 **Lack of Allocation Information** - If, at the end of a month, the Shipper Agent fails to provide to FortisBC Energy the monthly allocation schedule pursuant to section 3.8 (Monthly Billing Information) then FortisBC Energy will bill on the basis of the best available information. For Balancing Gas FortisBC Energy will bill on a basis proportional to the actual takes of the Shippers during the month. For Backstopping Gas FortisBC Energy will bill on a basis proportional to the actual Day-to-Day takes of the Shippers during the Days when Backstopping Gas was supplied. For Unauthorized Overrun Gas FortisBC Energy will bill on the basis of the schedule(s) setting out the Gas supply allocation for the Group provided to FortisBC Energy pursuant to section 3.8, or if the Shipper Agent fails to provide a schedule pursuant to section 3.8, then on the basis of the applicable Standard Priority Schedule provided by the Shipper Agent pursuant to section 3.6. For Replacement Gas FortisBC Energy will bill on a basis proportional to actual Day-to-Day takes of the Non-Bypass Shippers during the Day for which the Peaking Gas Quantities were not returned. For Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service FortisBC Energy will bill on a basis proportional to the Peak Day Demand of the Non-Bypass Shippers. If further information becomes available, FortisBC Energy will adjust the billings on the basis of the further information.
- 3.10 **Lack of Gas Supply or Nomination** - If the Shipper Agent becomes aware that a Supplier has ceased, or will cease, to supply Gas to a member of the Group; or if the Shipper Agent provides to FortisBC Energy a Requested Quantity for the Group which does not include a quantity for a member of the Group, due to a lack of Gas supply to the member of the Group or due to concerns about a possible lack of Gas supply to the member of the Group, then the Shipper Agent will immediately notify FortisBC Energy. If the Shipper Agent fails to so notify FortisBC Energy then the Shipper Agent is liable to FortisBC Energy for the price of any Gas which FortisBC Energy delivers to that member of the Group after the time when the Shipper Agent should have provided notice to FortisBC Energy.
- 3.11 **Charges for Extra Services** - If FortisBC Energy incurs extra expenses from a Shipper Agent failing to provide information, or failing to provide information in a timely manner, or failing to provide correct information, or otherwise failing to meet its obligations under this agreement, then FortisBC Energy may charge the Shipper Agent for such extra expenses and the Shipper Agent agrees to pay FortisBC Energy the reasonable extra expenses incurred as a result of such failure.

4. FortisBC Energy Obligations

- 4.1 **Weekly Provision of Data** - Twice a week FortisBC Energy will provide to the Shipper Agent a schedule setting out FortisBC Energy's best available data on the daily takes of the Group.

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- 4.2 **Monthly Provision of Data** - Within 10 working days after the end of each month FortisBC Energy will provide to the Shipper Agent a schedule setting out the daily takes of each member of the Group.
- 4.3 **Capacity Constraints** - If FortisBC Energy, acting reasonably, determines that it does not have capacity on the FortisBC Energy System to accommodate interruptible transportation service to any member of the Group then FortisBC Energy will directly notify that Shipper pursuant to Notice of Curtailment section of the applicable Rate Schedule and will deal directly with the Shipper if the Shipper takes Unauthorized Overrun Gas or Unauthorized Transportation Service.
- 4.4 **Notice of Gas Supply Constraint or Limitation** - If Gas supply constraints or limitations occur; either due to a constraint or limitation of supply from FortisBC Energy of Backstopping Gas or Balancing Gas, or a constraint or limitation of supply from another Supplier; FortisBC Energy will notify the Shipper Agent of any curtailment or interruption, will specify the quantity of Gas to which the Group in aggregate is curtailed and the time at which time such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper Agent as much notice as possible with respect to such curtailment or interruption, not to be less than 4 hours prior notice unless prevented by Force Majeure.

5. Changes to Group

- 5.1 **Amendments to Group** - Schedule "A" sets out the Shippers who are the members of the Group represented by the Shipper Agent to this agreement. No additions or deletions may be made to the Group without the Shipper Agent providing notice to FortisBC Energy of such additions and deletions through provision to FortisBC Energy of an amended Schedule "A" showing such additions and deletions and the effective dates of such additions and deletions in accordance with section 5 of this agreement.
- 5.2 **Deletions From Group** - If the Shipper Agent wishes to cease acting as agent for a Shipper and a Shipper wishes to cease being a member of the Group, upon receipt by FortisBC Energy of not less than 30 days prior written notice from both the Shipper and Shipper Agent and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of deletion of the Shipper from the Group, such Shipper shall be deleted from the Group upon the effective date specified in the amended Schedule "A". A Shipper will be deleted from a Group effective November 1 of a Year if FortisBC Energy receives not less than 30 days prior written notice from either the Shipper or Shipper Agent.

- 5.3 **Additions To Group** - If the Shipper Agent wishes to add a Shipper to a Group and the Shipper wishes to be added to the Group, and the Shipper has entered into a Transportation Agreement and completed an Appendix "A" - Notice of Appointment of Shipper Agent, and both the Shipper and the Shipper Agent have given to FortisBC Energy not less than 30 days prior written notice of such addition and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of the addition of the Shipper to the Group, such Shipper shall be added to the Group upon the effective date specified in Schedule "A".

6. Statements and Payments

- 6.1 **Statements to be Provided** - If the Shipper Agent elects to pay some or all of the charges for Gas taken by the Shippers as described in section 3.8, FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper Agent a statement for the preceding month showing the Gas quantities, and the applicable charges for which the Shipper Agent is responsible and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 6.2 **Payment and Interest** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to, or to the order of, FortisBC Energy at its Surrey, British Columbia office (mailing address: P.O. Box 6666 Stn. Terminal, Vancouver, B.C., V6B 6M9), or such other place in Canada as it will designate, on or before the 1st business day after the 10th calendar day following the billing date. If the Shipper Agent or Shipper fails or neglects to make any payment required under this Shipper Agent Agreement, or any portion thereof, to or to the order of FortisBC Energy when due, interest on the outstanding amount will accrue, at the rate of interest declared by the chartered bank in Canada principally used by FortisBC Energy, for loans in Canadian dollars to its most creditworthy commercial borrowers payable on demand and commonly referred to as its "prime rate", plus:
- (a) 2% from the date when such payment was due for the first 30 days that such payment remains unpaid and 5% thereafter until the same is paid where the Shipper Agent or Shipper has not, during the immediately preceding 6 month period, failed to make any payment when due hereunder; or
 - (b) 5% from the date when such payment was due to and including the date the same is paid where the Shipper Agent or Shipper has, during the immediately preceding 6 month period, failed to make any payment when due hereunder.

7. Term

- 7.1 **Term** - The term of this agreement will commence on the commencement date specified in section 1 of this agreement and will expire either
- (a) 30 days following notice from the Shipper Agent that the Shipper Agent wishes to cease to nominate for transportation service and balancing on behalf of the Group, or
 - (b) the expiry or termination of the Transportation Agreements of all of the members of the Group, or
 - (c) the expiry date specified in section 1 of this agreement, or
 - (d) 5 days following notice from FortisBC Energy to the Shipper Agent, and to the Shippers which are members of the Group, under section 10.1 (Failure to Provide Information or Default).

whichever date is earlier.

- 7.2 **Survival of Covenants** - Upon the termination of this agreement,

- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
- (b) all of the provisions in this agreement relating to the obligation of either of the parties to provide information to the other in connection with this agreement,

will survive such termination.

8. Representations, Warranties and Covenants

- 8.1 **Representations and Warranties** - The Shipper Agent represents and warrants to and covenants with FortisBC Energy as follows

- (a) the members of the Group are listed in section 1 of this agreement,

- (b) the Shipper Agent is the agent of each of the members of the Group and has the authority of each of the members of the Group for the purposes of any and all matters set out in the applicable transportation Rate Schedule and this agreement, and
- (c) FortisBC Energy may rely on any act or thing done, or document executed, by the Shipper Agent in connection with of any and all matters set out in the applicable transportation Rate Schedule and this agreement.

9. Limitation on Liability and Indemnity

- 9.1 **Limitation on Liability** - Neither FortisBC Energy, its employees, contractors or agents will be liable in damages for or on account of any interruption or curtailment of transportation service or Gas supply.
- 9.2 **Indemnity** - The Shipper Agent will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.

10. Disbanding of the Group

- 10.1 **Failure to Provide Information** - If the Shipper Agent fails to provide FortisBC Energy with the information or schedules which the Shipper Agent is required to provide to FortisBC Energy pursuant to this agreement or is otherwise in breach of this agreement then, acting reasonably in the circumstances and on 5 days notice to the Shipper Agent and to the members of the Group, FortisBC Energy may disband the Group and deal directly with the Shippers which were members of the Group.
- 10.2 **Default** - If any Shipper which is a member of the Group is in default under the Default or Bankruptcy section of the applicable Rate Schedule or becomes bankrupt or insolvent, then that Shipper will cease to be a member of the Group.

11. Arbitration

- 11.1 **Arbitration** - Any dispute between the parties arising from this agreement will be resolved by a single arbitrator pursuant to the *Commercial Arbitration Act* of British Columbia or successor legislation, save as expressly provided herein.
- 11.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.
- 11.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 11.2 to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of either of the parties or their respective successors of affiliates, any supplier of the Shipper or FortisBC Energy, or any member of the Group.
- 11.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.
- 11.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

12. Notice

- 12.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other party.

13. Acknowledgement

- 13.1 **Acknowledgement** - The Shipper Agent acknowledges receiving and reading a copy of Rate Schedules 22, 22A, 22B, 23, 25 and 27 and the General Terms and Conditions of FortisBC Energy and will comply with and be bound by all terms and conditions set out therein.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper Agent)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

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FORTISBC ENERGY INC.

**RATE SCHEDULE 25
GENERAL FIRM TRANSPORTATION SERVICE**

Effective November 1, 2000

Order No.: G-28-11

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1. Definitions

- 1.1 **Definitions** - Except where the context requires otherwise all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy and used in this Rate Schedule or in a Transportation Agreement have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflict with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.
- (a) **Authorized Quantity** - means the quantity of energy (in Gigajoules) for each Day approved by the Transporter(s) for transportation service on the Transporter's pipeline system, based on the quantity requested pursuant to section 7.2 (Requested Quantity), adjusted as set out in section 7.3 (Adjustment of Requested Quantity) or the quantity of energy approved for sale by FortisBC Energy under an applicable Rate Schedule, or any component or aggregate of these quantities, as the context requires.
 - (b) **Backstopping Gas** - means Gas made available by FortisBC Energy as an interruptible backup supply if on any Day the Authorized Quantity is less than the Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
 - (c) **Balancing Gas** - means any Gas taken during a Month which is in excess of the Authorized Quantity, subject to section 8.1 (Monthly Adjustments).
 - (d) **Business Day** - means a Day that commences on other than a Saturday, a Sunday, or a statutory holiday in the Province of British Columbia.
 - (e) **Commencement Date** - means the day specified as the Commencement Date in the Transportation Agreement.
 - (f) **Contract Year** - means a period of 12 consecutive Months commencing at the beginning of the 1st Day of November and ending at the beginning of the next succeeding 1st Day of November.
 - (g) **Day** - means, subject to section 1.2 (Change in Definition of "Day"), any period of twenty-four consecutive hours beginning and ending at 7:00 a.m. Pacific Standard Time.
 - (h) **Delivery Point** - means the point specified in a Transportation Agreement where FortisBC Energy delivers Gas to a Shipper.

- (i) **DTQ or Daily Transportation Quantity** - means the maximum quantity of Gas that FortisBC Energy is obligated to transport for and deliver to a Shipper at the Delivery Point on any particular Day, which in the discretion of FortisBC Energy reasonably reflects the Shipper's requirements and which is specified in a Transportation Agreement.
- (j) **EKE** - means the East Kootenay Exchange, an Interconnection Point where the FortisBC Energy System interconnects with the facilities of TransCanada PipeLines Limited, B.C. System.
- (k) **Firm EKE Receipt Service** - means the firm receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area, as described in section 11.1.
- (l) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labour by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident of machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of force majeure by a Transporter that results in Gas being unavailable for delivery at the Interconnection Point.
- (m) **Group** - means a group of Shippers who each transport Gas under a transportation Rate Schedule, have a common Shipper Agent, and who have each entered into a Transportation Agreement.
- (n) **Interconnection Point** - means a point where the FortisBC Energy System interconnects with the facilities of one of the Transporters of FortisBC Energy, as specified in a Transportation Agreement.
- (o) **Interruptible EKE Receipt Service** - means the interruptible receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area or the Lower Mainland Service Area, as described in section 11.2.
- (p) **Month** - means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 7:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 7:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.

- (q) **Non-Bypass Shipper** - means a Shipper that receives service under Rate Schedule 23, 25 or 22A and pays rates as set out in the standard Table of Charges for the applicable Rate Schedule.
- (r) **Pacific Clock Time** - means Pacific Standard Time or Daylight Savings Time as it applies in Surrey, British Columbia.
- (s) **Peak Day Demand** - means the quantity of energy used for the purposes of determining the Peaking Gas and EKE Receipt Service available to a Non-Bypass Shipper, as calculated pursuant to section 10.4.
- (t) **Peaking Gas** - means Gas which is provided to the Shipper by FortisBC Energy in accordance with the provisions of section 10.
- (u) **Peaking Gas Quantity** - means the Peaking Gas available to a Non-Bypass Shipper on a Day, determined pursuant to the provisions of section 10.5.
- (v) **Rate Schedule 25 or this Rate Schedule** - means this Rate Schedule, including all rates, terms and conditions, and the Table of Charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission.
- (w) **Replacement Gas** - means Gas which is provided to a Shipper by FortisBC Energy in the event the Shipper fails to return Peaking Gas Quantity pursuant to section 10.7.
- (x) **Requested Quantity** - means the quantity of energy for each Day requested for firm transportation under this Rate Schedule.
- (y) **Requested Peaking Gas Quantity** - means the quantity of energy for each Day requested as Peaking Gas under this Rate Schedule.
- (z) **Shipper** - means a person who enters into a Transportation Agreement with FortisBC Energy who is also the consumer of the Gas transported.
- (aa) **Shipper Agent** - means a person who enters into a Shipper Agent Agreement with FortisBC Energy.
- (bb) **Shippers Agent Agreement** - means an agreement between FortisBC Energy and a Shipper Agent pursuant to which the Shipper Agent agrees to act as agent for a Group.

- (cc) **Southern Crossing Pipeline** - means the pipeline and other facilities constructed by FortisBC Energy from EKE to an interconnection with existing FortisBC Energy facilities near Oliver that will enable FortisBC Energy to transport Gas between EKE and the Delivery Point.
- (dd) **Sumas Daily Price** - means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.
- (ee) **Supplier** - means a party who sells Gas to a Shipper or FortisBC Energy or has access to its own supplies of Gas.
- (ff) **Table of Charges** - means the table of prices, fees and charges, as amended from time to time by FortisBC Energy with the consent of by the British Columbia Utilities Commission, appended to this Rate Schedule.
- (gg) **Transportation Agreement** - means an agreement between FortisBC Energy and a Shipper to provide service pursuant to a transportation Rate Schedule.
- (hh) **Transporter** - means, in the case of the Columbia Service Area, TransCanada PipeLines Limited, B.C. System, and in the case of the Inland Service Area and Lower Mainland Service Area, Westcoast Energy Inc., FortisBC Huntingdon Inc., TransCanada PipeLines Limited, B.C. System and any other gas pipeline transportation company connected to the facilities of FortisBC Energy from which FortisBC Energy receives Gas for the purposes of Gas transportation or resale.
- (ii) **Transporter's Service Terms** - means the general terms and conditions of the applicable Transporter, as filed with and approved from time to time by the National Energy Board or other applicable governmental authority.
- (jj) **Unauthorized Overrun Gas** - means any Gas taken on any Day in excess of the curtailed quantity specified in any notice to interrupt or curtail a Shipper's take or to interrupt or curtail a Group's take, and for greater certainty, Unauthorized Overrun Gas includes all Gas taken by a Shipper or a Group to the extent that the obligation of FortisBC Energy to deliver such Gas is suspended by reason of Force Majeure.

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

2. Applicability

- 2.1 **Description of Applicability** - This Rate Schedule applies to the provision of firm transportation service through the FortisBC Energy System and through one meter station to one Shipper. For greater certainty, firm transportation service under this Rate Schedule means the transportation service FortisBC Energy is obligated to provide to a Shipper on a firm basis subject to interruption or curtailment pursuant to sections 16 (Default or Bankruptcy), 19 (Force Majeure) and the General Terms and Conditions of FortisBC Energy.
- 2.2 **British Columbia Utilities Commission** - This Rate Schedule may be amended from time to time with the consent of the British Columbia Utilities Commission.

3. Conditions of Service

- 3.1 **Conditions** - FortisBC Energy does not provide transportation service as a common carrier. FortisBC Energy will only transport Gas under this Rate Schedule to Shippers in the territory served by FortisBC Energy under the FortisBC Energy tariff of which this Rate Schedule is a part if:
- (a) the Shipper has entered into a Transportation Agreement,
 - (b) adequate capacity exists on the FortisBC Energy System, and
 - (c) FortisBC Energy has installed at the Delivery Point the facilities and equipment referred to in section 15.1 (Facilities and Equipment).

- 3.2 **Security** - In order to secure the prompt and orderly payment of the charges to be paid by the Shipper to FortisBC Energy under the Transportation Agreement, FortisBC Energy may require the Shipper to provide, and at all times maintain, an irrevocable letter of credit in favour of FortisBC Energy issued by a financial institution acceptable to FortisBC Energy in an amount equal to the estimated maximum amount payable by the Shipper under this Rate Schedule and the Transportation Agreement for a period of 90 Days. Where FortisBC Energy requires a Shipper to provide a letter of credit and the Shipper is able to provide alternative security acceptable to FortisBC Energy, FortisBC Energy may accept such security in lieu of a letter of credit.
- 3.3 **Warning if Switching from Interruptible to Firm Transportation Service or Sales** - A Shipper wishing to switch from interruptible transportation or interruptible sales to firm transportation under this Rate Schedule must
- (a) give 12 months prior notice to FortisBC Energy of the Shipper's desire to do so, and
 - (b) after receiving an estimate from FortisBC Energy of costs FortisBC Energy will reasonably incur to provide such service, agree to reimburse FortisBC Energy for any such costs.

Notwithstanding section 3.3(a), FortisBC Energy will make reasonable efforts to accommodate a Shipper on less than 12 months prior notice if FortisBC Energy is able, with such shorter notice, to arrange for firm transportation of Gas under this Rate Schedule.

4. Transportation

- 4.1 **Transportation of Gas** - Subject to section 13 of the General Terms and Conditions of FortisBC Energy (Interruption of Service), and all of the terms and conditions of this Rate Schedule, FortisBC Energy will on each Day transport for and deliver to the Shipper at the Delivery Point the Authorized Quantity, or the Shipper's portion of the Group's Authorized Quantity, received at the Interconnection Point from the Transporter up to the DTQ. On each Day, if the Shipper's Gas received at the Interconnection Point is not consumed by the Shipper or is not authorized for delivery to the Shipper, FortisBC Energy will be entitled to utilize such Gas subject to all the terms of this Rate Schedule and the Transportation Agreement.

- 4.2 **Curtailment** - Consistent with the provisions of section 7.6 (Failure to Deliver to Interconnection Point), if at any time FortisBC Energy, acting reasonably, determines that it is not able to provide Balancing Gas or Backstopping Gas, FortisBC Energy may curtail the Shipper's take to the lesser of the Authorized Quantity or the DTQ.
- 4.3 **Notice of Curtailment** - Each notice from FortisBC Energy to the Shipper with respect to the interruption or curtailment by FortisBC Energy of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such curtailment, not to be less than 8 Hours prior notice unless prevented by Force Majeure or unless the Transporter does not provide to FortisBC Energy at least 8 Hours prior notice of reduced availability of gas.
- 4.4 **Default Regarding Curtailment** - The Shipper will comply with each notice to interrupt or curtail the Shipper's take. If the Shipper at any time fails or neglects to comply with a notice to interrupt or curtail the Shipper's take as set out in section 7.6 (Failure to Deliver to Interconnection Point), FortisBC Energy may, in addition to any other remedy which it may then or thereafter have, at its option, without liability therefor and without any prior notice to the Shipper
- (a) turn off the valve at the Delivery Point, or
 - (b) deliver such Gas and charge the Shipper for such Gas consumed on that Day the unauthorized overrun charge set out in the Table of Charges.
- 4.5 **Maximum Hourly Quantities** - FortisBC Energy will not be obliged to receive or deliver in one Hour more than 5% of the quantity of Gas that the Shipper is authorized to receive on any Day.
- 4.6 **Gas Pressure** - Where specifically requested by the Shipper, FortisBC Energy may agree to deliver Gas to the Shipper at the Delivery Point at a minimum pressure specified in the Shipper's Transportation Agreement. The Shipper will reimburse FortisBC Energy for costs it reasonably incurs in maintaining such minimum pressure above that set out in the General Terms and Conditions of FortisBC Energy. FortisBC Energy's ability to maintain a minimum pressure at the Delivery Point is subject to FortisBC Energy receiving Gas at the Interconnection Point at the pressure specified in the Transporter's Service Terms.

5. Table of Charges

- 5.1 **Charges** - In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Rate Schedule and the Transportation Agreement, the Shipper will pay to FortisBC Energy all of the charges set out in the Table of Charges whether or not the Shipper is a member of a Group. The Shipper Agent may elect to pay to FortisBC Energy the charges for the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40 for members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.

6. Unauthorized Gas Use

- 6.1 **Charges for Unauthorized Service** - On any Day a Shipper takes Unauthorized Overrun Gas, the Shipper will pay to FortisBC Energy the unauthorized overrun charge set out in the Table of Charges. The Shipper Agent may elect to pay these charges for the members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.
- 6.2 **Payments Not License** - Payments made to FortisBC Energy for Unauthorized Overrun Gas neither give the right to take Unauthorized Overrun Gas, nor exclude or limit any other remedies available to FortisBC Energy for the Shipper's taking of Unauthorized Overrun Gas.
- 6.3 **Demand Surcharge** - If the Shipper is a member of a Group which includes a Shipper under Rate Schedule 22, 22A or 22B then the Group and its members will be subject to Demand Surcharges under section 7 (Unauthorized Use) of Rate Schedule 22.

7. Nomination

- 7.1 **Capacity on Transporter Pipeline(s)** - The Shipper will on or before the Commencement Date notify FortisBC Energy of the identity of the party holding capacity for the Shipper on the Transporter pipeline(s), and thereafter from time to time on a prompt basis when such party changes.

- 7.2 **Requested Quantity** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy, prior to 7:30 a.m. Pacific Clock Time on each Day (or such other time as may be specified from time to time by FortisBC Energy) such information as may be requested by FortisBC Energy, which will include, but is not limited to, the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours and the portion of the Requested Quantity to be delivered to FortisBC Energy at each applicable Interconnection Point. If the Shipper does not notify FortisBC Energy in accordance with the foregoing, then the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Shipper's Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity), for the Day just commencing. The Shipper's Requested Quantity for each Day will equal the Shipper's best estimate, at the time of notification to FortisBC Energy of the Requested Quantity, of the quantity of Gas the Shipper will actually consume on such Day.
- 7.3 **Adjustment of Requested Quantity** - FortisBC Energy may adjust, in consultation with the Shipper, the Shipper's Requested Quantity, described in section 7.2 (Requested Quantity), when in the reasonable opinion of FortisBC Energy such modification is required in order to minimize the Month end balancing quantity.
- 7.4 **Request to Transporter** - FortisBC Energy will provide to the Transporter(s) the portion of the Shipper's Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.5 **Delivery to Interconnection Point** - Each Day the Shipper will cause to be delivered to the applicable Interconnection Point a quantity of Gas at least equal to the portion of the Shipper's Requested Quantity from that Interconnection Point, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.6 **Failure to Deliver to Interconnection Point** - If on any Day the Authorized Quantity from a Transporter is less than the quantity requested from the Transporter pursuant to section 7.4 (Request to Transporter), FortisBC Energy may, in its discretion, interrupt or curtail service hereunder to the lesser of such Authorized Quantity or the DTQ. Alternatively, FortisBC Energy may deliver additional Gas to the Shipper at the subject Interconnection Point and charge the Shipper the charge for Backstopping Gas as set out in the Table of Charges. If FortisBC Energy is unable to ascertain which Shipper's supply has caused a deficiency, FortisBC Energy may, in its discretion, interrupt or curtail service to the Shippers on a prorata basis or another basis deemed equitable by FortisBC Energy based on available information. FortisBC Energy will reallocate the deficiency as soon as reasonable if it obtains information that allows it to determine responsibility and FortisBC Energy will disclose to the Shippers how it allocated or reallocated the deficiency.

- 7.7 **Authorized Quantity** - FortisBC Energy will take such action as is reasonable in all the circumstances to advise the Shipper or the Shipper Agent if the portion of the Authorized Quantity from a Transporter is less than the portion of the Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter.
- 7.8 **Determination of DTQ** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy 30 Days prior to the Commencement Date of each Contract Year the Shipper's DTQ for the following Contract Year. If a Shipper appoints a Shipper Agent to act on its behalf, the Shipper authorizes the Shipper Agent to determine the DTQ set out in the Transportation Agreement, for each Contract Year. This authorization will remain in effect for the term of the Transportation Agreement or so long as the Shipper Agent acts as agent for the Shipper, whichever period is shorter.

8. Gas Balancing

- 8.1 **Monthly Adjustments** - With the exception of unreturned Peaking Gas, FortisBC Energy will make adjustments at the end of each Month for the differences between the sum of the Authorized Quantities and the Shipper's actual consumption as measured daily by FortisBC Energy as follows
- (a) for overdeliveries (the sum of the Authorized Quantities is greater than the Shipper's actual monthly consumption) FortisBC Energy will maintain an inventory account for the Shipper and will increase the balance in the inventory account by the excess amount received. FortisBC Energy reserves the right to limit Gas quantities maintained in the Shipper's inventory account and will from time to time in consultation with the Shipper return excess inventory at no charge to the Shipper; this will not relieve the Shipper from its obligation to provide accurate nominations pursuant to section 7.2 (Requested Quantity), and
 - (b) except in the case of Backstopping Gas and Unauthorized Overrun Gas, for underdeliveries (the sum of the Authorized Quantities is less than the Shipper's actual Monthly consumption as measured by FortisBC Energy), FortisBC Energy will sell to the Shipper the deficiency quantities at the Balancing Gas charge set out in the Table of Charges.
- 8.2 **Imbalance Following Termination** - If FortisBC Energy has received a quantity of Gas in excess of the quantity delivered to the Shipper during the term of a Transportation Agreement, then the Shipper may request the excess quantity be returned within 90 Days following termination of the Transportation Agreement.
- 8.3 **Balancing of Peaking Gas** - Balancing of Peaking Gas is described in section 10.7.

9. Group Nominations and Balancing

- 9.1 **Group Nomination and Balancing** - If a Shipper appoints a Shipper Agent and becomes a member of a Group and if the Shipper and Shipper Agent have agreed to execute or have executed a Shipper Agent Agreement, and if the members of the Group are in the same Service Area of FortisBC Energy and receive service under a transportation Rate Schedule, the Shipper Agent will nominate and balance on behalf of all members of the Group on an aggregate basis pursuant to sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service) of this Rate Schedule, as modified by this section, and the Shipper Agent will be the agent for each of the members of a Group for the purposes of any and all matters set out in sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service). Notwithstanding the foregoing, where a Shipper under Rate Schedules 22, 22A or 22B is a member of the Group, section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis. The Shipper Agent may also elect, pursuant to the Shipper Agent Agreement, to pay some or all of the charges specified in sections 5.1 and 6.1 for and on behalf of the Shippers in its Group. The Shipper acknowledges and agrees that FortisBC Energy may rely, for the purpose of payment allocations, on verbal notification from the Shipper Agent of such election as a basis for the Shipper Agent's authority to act on behalf of the Shipper. Where the Shipper Agent fails to execute a Shipper Agent Agreement, the Shipper will be deemed to be and treated by FortisBC Energy as an individual Group of one Shipper, except for the purposes of sections 9.5 and 13.1 hereunder, and will be deemed to have agreed to purchase Gas from FortisBC Energy pursuant to the applicable transportation schedule and will accordingly be responsible for the payment of all charges thereunder, including any and all Balancing Gas and Unauthorized Overrun Gas charges attributable to that Shipper.
- 9.2 **Requested Quantity from Shipper Agent** - The Shipper Agent will notify FortisBC Energy of the Shipper's Requested Quantity described in section 7.2 (Requested Quantity) on behalf of all members of a Group on an aggregated basis. If the Shipper Agent does not so notify FortisBC Energy, then the Group's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Group's quantity pursuant to section 7.2 (Requested Quantity) for the Day just commencing.
- 9.3 **Determination of Charges** - The charges for Backstopping Gas, Balancing Gas, Unauthorized Overrun Gas and Replacement Gas, set out in the Table of Charges, and Demand Surcharges as set out in the Rate Schedule 22 Table of Charges, will be determined based on the quantities transported on behalf of all members of the Group on an aggregate basis. The charges for Unauthorized Transportation Service will be determined based on the quantities delivered to each Shipper.

- 9.4 **Security** - FortisBC Energy may require the Shipper Agent to provide security, as set out in section 3.2 (Security), with necessary changes, for the performance of the Shipper Agent's obligations under the Shipper Agent Agreement.
- 9.5 **Notices To and From Shipper Agents** - If the Shipper is a member of a Group then:
- (a) communications regarding curtailments or interruptions arising from Gas supply constraints and limitations, quantities of Gas requested and quantities of Gas authorized will be between the Shipper Agent for the Group and FortisBC Energy; and
 - (b) notices from FortisBC Energy with respect to interruption or curtailment pursuant to section 4.3 (Notice of Curtailment) arising from Gas supply constraints or limitations will be to the Shipper Agent for the Group and will specify the quantity of Gas to which the Group is curtailed and the time at which such curtailment is to be made; it will be the responsibility of the Shipper Agent to notify Shippers which are members of the Group of interruptions or curtailments.

10. Peaking Gas Service

- 10.1 **Applicability** - In each Contract Year, Peaking Gas Service is available only to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area, Lower Mainland Service Area or Columbia Service Area and for which the Transportation Agreement was in effect on the 1st Day of November of the subject Contract Year.
- 10.2 **15-Day Maximum** - A Non-Bypass Shipper may request Peaking Gas for a maximum of 15 Days during each Contract Year. Any Day for which any portion of the Shipper's Peaking Gas Quantity is requested and authorized will be considered one of the 15 Days of Peaking Gas entitlement even if the quantity of authorized Peaking Gas is not used or only partially used.
- 10.3 **Contract Year 2000/2001** - Should the Southern Crossing Pipeline ("SCP") not be fully operational by the 1st Day of November 2000, the number of Days for which Peaking Gas may be requested during the Contract Year which commences on the 1st Day of November 2000 will be:

$$\frac{\text{the number of Days that SCP is operational during the 2000/2001 Contract Year} * 15}{365}$$

rounded to the nearest whole number. Peaking Gas may only be requested after the SCP has become fully operational.

- 10.4 **Peak Day Demand** - For purposes of determining the Peaking Gas Quantity available to a Non-Bypass Shipper on a Day, the Peak Day Demand of a Rate Schedule 25 Shipper is equal to Daily Demand as defined in Note 2 of the Table of Charges. In instances respecting which it is agreed by FortisBC Energy and Shipper that a Shipper's Gas consumption during the preceding Contract Year is not indicative of prospective consumption, FortisBC Energy will set the Peak Day Demand of that Shipper after consultation with that Shipper.
- 10.5 **Peaking Gas Quantity** - The quantity of Peaking Gas available on a Day to a Non-Bypass Shipper ("Peaking Gas Quantity") will be a percentage of that Shipper's Peak Day Demand. The Peaking Gas Quantity available to Non-Bypass Shippers for the next Contract Year will be determined by FortisBC Energy, and FortisBC Energy will in writing notify each Non-Bypass Shipper of that Shipper's Peaking Gas Quantity, at least 30 Days prior to the commencement of each Contract Year. The Peaking Gas Quantity available to a Non-Bypass Shipper in a Contract Year will be:
- (a)
$$\frac{\text{Total Non-Bypass Transport Demand}}{\text{Forecast Sales Demand} + \text{Non-Bypass Transport Demand}} = \text{Peaking Gas Factor}$$
 - (b)
$$\text{Peaking Gas Factor} * \text{SCP Peaking Gas} = \text{Non-Bypass Transport Volume}$$
 - (c)
$$\frac{\text{Non-Bypass Transport Volume}}{\text{Non-Bypass Transport Demand}} = \text{Peaking Gas Percentage}$$
 - (d)
$$\text{Peaking Gas Percentage} * \text{a Non-Bypass Shipper's Peak Day Demand} = \text{Peaking Gas Quantity}$$

Where:

"Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers for the Contract Year commencing the next November 1; "Forecast Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all Gas sales Customers of FortisBC Energy excluding those in the Fort Nelson Service Area; and "SCP Peaking Gas" is the quantity of peaking Gas available to FortisBC Energy in the Year commencing the next November 1 due to the operation of the Southern Crossing Pipeline.

- 10.6 **Requested Peaking Gas Quantity** - Shipper will notify FortisBC Energy of its Requested Peaking Gas Quantity pursuant to nomination procedures described in section 7.2 except as otherwise described in section 10.6 (a) and 10.6 (b) below. The Requested Peaking Gas Quantity must be explicitly stated on the nomination and may be less than but may not exceed the Shipper's Peaking Gas Quantity described in section 10.5.
- (a) **Prior Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment for the next or subsequent Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity for the next Day up until one Hour prior to the evening nomination cycle on the Day preceding the Day for which notice of curtailment has been given.
- (b) **Same Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment to be effective during that Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity up until one Hour after the notice of curtailment has been given by FortisBC Energy; provided that FortisBC Energy has usable nomination cycles available during that Day with the Transporter(s). Requests for Requested Peaking Gas Quantity received after the time when FortisBC Energy has usable nomination cycles available during that Day will be authorized only on an as available basis. If notice of Requested Peaking Gas Quantity is given to FortisBC Energy during the Day for which Peaking Gas is being requested then the Peaking Gas Quantity available to Shipper on that Day will be reduced consistent with the elapsed pro-rata practices of applicable Transporter(s).
- (c) **Non-Curtailment Days** - On Days for which FortisBC Energy has not given notice of curtailment, requests for Peaking Gas Quantity shall be made in accordance with the provisions described in section 7.2.
- 10.7 **Return of Peaking Gas Quantity** - FortisBC Energy will, within 4 business days following the date for which Peaking Gas is authorized, provide to the Shipper a statement indicating the amount of Peaking Gas authorized and used, and this will be the statement used for the purposes of tracking the authorization and use of Peaking Gas. Peaking Gas must be returned to FortisBC Energy within 6 Business Days of the Day in respect of which it was authorized. Shipper must notify FortisBC Energy that it is returning Peaking Gas Quantity with its nomination for Requested Quantity described in section 7.2. Peaking Gas returned will be applied against the earliest Peaking Gas Quantity authorized and not yet returned. Shipper has option to elect to return Peaking Gas from the Peaking Gas inventory which is kept for this purpose. If Peaking Gas is not returned to FortisBC Energy within 6 Business Days, FortisBC Energy will provide Shipper with an equivalent quantity of Replacement Gas. The charge for Replacement Gas will be as set out in the Table of Charges.

10.8 **Last Gas Ordered** - Peaking Gas Quantity will be considered the last Gas ordered and taken during the Day.

10.9 **Transport of Peaking Gas Quantity** - Peaking Gas Quantity will be deemed to be provided to the Shipper at the Interconnection Point, and the volumes consumed by the Shipper will be included in the Shipper's monthly transport volume for the purposes of calculating monthly transport charges.

11. Access to East Kootenay Exchange (EKE) Interconnection Point

11.1 Firm EKE Receipt Service

(a) **Applicability** - Firm receipt service access from the EKE Interconnection Point ("Firm EKE Receipt Transport") is available to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area and for which the Shipper has a Transportation Agreement which is effective on the August 1st preceding the subject Contract Year ("Inland Non-Bypass Shippers").

(b) **Availability** - The total quantity of Firm EKE Receipt Service available in aggregate to Inland Non-Bypass Shippers ("EKE Transport Volume") will be determined by FortisBC Energy for each Contract Year. FortisBC Energy shall publish the EKE Transport Volume which is available for the next Contract Year by July 31 of each Year. The EKE Transport Volume shall be determined as follows:

$$\frac{\text{Inland Non-Bypass Transport Demand} * \text{ITS Constraint}}{\text{Forecast Inland Sales Demand} + \text{Inland Non-Bypass Transport Demand}} = \text{EKE Transport Volume}$$

Where:

"Inland Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers in the Inland Service Area for the Contract Year commencing the next November 1; "Forecast Inland Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all firm Gas sales Customers of FortisBC Energy in the Inland Service Area; and "ITS Constraint" is the capacity of the FortisBC Energy Interior transmission system available to flow Gas from Oliver in a northbound direction during periods of peak demand.

- (c) **Election** - Annual elections for Firm EKE Receipt Service for the next Contract Year must be submitted in writing by Shippers to FortisBC Energy within 5 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume. The election must indicate the quantity of Firm EKE Receipt Service requested. The quantity requested must not exceed the Shipper's Peak Day Demand. FortisBC Energy will pro-rate the Firm EKE Receipt Service requests based on the requested quantities if aggregate Firm EKE Receipt Service requests exceed the available EKE Transport Volume. FortisBC Energy will notify Shippers of the Shippers' quantity of Firm EKE Receipt Service within 10 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume.

11.2 Interruptible EKE Receipt Service

- (a) **Applicability** - Interruptible receipt service access to the EKE Interconnection Point ("Interruptible EKE Receipt Service") is available only to Non-Bypass Shippers for which Gas is delivered to a Delivery Point in the Inland Service Area and Lower Mainland Service Area ("Eligible Interruptible Non-Bypass Shippers").
- (b) **Quantity Available** - The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be determined by FortisBC Energy each Day. In determining the quantity of Interruptible EKE Receipt Service available FortisBC Energy will take into account system delivery constraints including the requirement to flow Gas from the facilities of Westcoast Energy Inc. into the Inland Service Area, and the quantity of Firm EKE Receipt Service not utilized. The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be a pro-rata portion of the aggregate available demands of all firm Gas sales Customers and all firm transportation Customers in the Inland and Lower Mainland Service Areas.
- (c) **Maximum Nomination** - A Shipper may not request Interruptible EKE Receipt Service in excess of the Shipper's Peak Day Demand less the Firm EKE Receipt Service of the Shipper. If FortisBC Energy receives requests for Interruptible EKE Receipt Service in excess of the aggregate available Interruptible EKE Receipt Service available for the Day (as determined in 11.2 (b)), FortisBC Energy will apportion the available Interruptible EKE Receipt Service on a pro-rata basis of requested Interruptible EKE Receipt Service.
- (d) **Incremental Costs** - Shippers will be responsible for incremental costs associated with transportation on the facilities of Westcoast Energy Inc. from the Inland Service Area to the Lower Mainland Service Area (if applicable).

12. Term of Transportation Agreement

- 12.1 **Term** - The initial term of the Transportation Agreement will begin on the Commencement Date and will expire at 7:00 a.m. Pacific Standard Time on the November 1st next following, provided that if the foregoing results in an initial term of less than one year, then the initial term will instead expire at the end of one further Contract Year.
- 12.2 **Automatic Renewal** - Except as specified in the Transportation Agreement, the term of the Transportation Agreement will continue from year to year after the expiry of the initial term unless cancelled by either FortisBC Energy or the Shipper, subject to section 3.3, (Warning if Switching from Interruptible to Firm Transportation Service or Sales) upon not less than 2 months notice prior to the end of the Contract Year then in effect.
- 12.3 **Early Termination** - The term of the Transportation Agreement is subject to early termination in accordance with section 18 (Default or Bankruptcy).
- 12.4 **Survival of Covenants** - Upon the termination of the Transportation Agreement, whether pursuant to section 18 (Default or Bankruptcy) or otherwise,
- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
 - (b) all of the provisions in this Rate Schedule and in the Transportation Agreement relating to the obligation of any of the parties to account to or indemnify the other and to pay to the other any monies owing as at the date of termination in connection with the Transportation Agreement, will survive such termination other and to pay the other any monies owing as at the date of termination in connection with the Transportation Agreement.

will survive such termination.

13. Statements and Payments

- 13.1 **Statements to be Provided** - FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper, a statement for the preceding month showing the Gas quantities delivered to the Shipper and the amount due. If the Shipper is a member of a Group then the statement and the calculation of the amount due from the Shipper will be based on information supplied by the Shipper Agent, or based on other information available to FortisBC Energy, as set out in Shipper Agent Agreement. FortisBC Energy will, on or about the 45th day after the end of a Contract Year, deliver to the Shipper a separate statement for the preceding Contract Year showing the amount required from the Shipper in respect of any indemnity due under this Rate Schedule or a Transportation Agreement. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 13.2 **Payment and Late Payment Charge** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to FortisBC Energy at its Vancouver, British Columbia office, or such other place in Canada as it will designate, on or before the 1st business day after the 21st calendar day following the billing date. If the Shipper fails or neglects to make any payment required under this Rate Schedule, or any portion thereof, to FortisBC Energy when due, FortisBC Energy will include in the next bill to the Shipper a late payment charge of 1½% per month (19.56% per annum) on the outstanding amount.
- 13.3 **Examination of Records** - Each of FortisBC Energy and the Shipper will have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge, computation or demand made pursuant to any provisions of this Rate Schedule or the Transportation Agreement.

14. Quality

- 14.1 **Minimum Standards** - All Gas delivered to an Interconnection Point by or on behalf of the Shipper and all Gas delivered to the Delivery Point will conform to the quality specifications set out in the applicable Transporter's Service Terms.

15. Measuring Equipment

- 15.1 **Facilities and Equipment** - FortisBC Energy will install, maintain and operate at the Delivery Point such metering and communications facilities and equipment as FortisBC Energy determines are necessary or desirable for measuring the quantity of Gas delivered pursuant to this Rate Schedule to the Shipper and the Shipper will permit FortisBC Energy, without cost to FortisBC Energy, to use the Shipper's communications lines and power for the purpose of installing, maintaining and operating the measuring equipment of FortisBC Energy. Communication facilities and equipment will be installed at the cost of the Shipper.
- 15.2 **Measuring Site** - If FortisBC Energy reasonably determines that it is necessary to install the facilities and equipment referred to in section 15.1 (Facilities and Equipment) on the Shipper's property, the Shipper will, without charge, provide a suitable site along with utilities and enclosures for the installation of the facilities and equipment of FortisBC Energy. FortisBC Energy will at all times have clear access to the site and to all of its facilities and equipment. All facilities and equipment installed by FortisBC Energy on the Shipper's property will remain the property of FortisBC Energy and may be removed by FortisBC Energy upon termination of the Transportation Agreement.
- 15.3 **Calibration and Test of Measuring Equipment** - The accuracy of the measuring equipment of FortisBC Energy will be verified by standard tests and methods at regular intervals and at other times at the initiative of FortisBC Energy or upon the reasonable request of the Shipper. Notice of the time and nature of each test conducted in response to communications with or at the request of the Shipper will be given by FortisBC Energy to the Shipper sufficiently in advance to permit a representative of the Shipper to be present. If during a test the measuring equipment is found to be registering inaccurately, it will be adjusted at once to read as accurately as possible. The results of each test and adjustment, if any, made by FortisBC Energy, whether or not the Shipper is present for such test, will be accepted until the next test. All tests of such measuring equipment of FortisBC Energy will be made at the expense of FortisBC Energy, except that the Shipper will bear the expense of tests made at its request if the measuring equipment is found to be inaccurate by an amount equal to 2% or less.
- 15.4 **Inaccuracy Exceeding 2%** - If upon any test the measuring equipment is found to be inaccurate by an amount exceeding 2%, any previous readings of such equipment will be corrected to zero error for any period during which it is definitely known or is agreed upon that the error existed. If the period is not definitely known or is not agreed upon, such correction will be for a period covering the last half of the time elapsed since the date of the last test. Provided that under no circumstances will an adjustment be made for a period of more than the preceding 12 months.

- 15.5 **Correction of Measuring Errors** - If the measuring equipment is out of service or out of repair so that the quantity of Gas delivered cannot be correctly determined by the reading thereof, the Gas delivered during the period such measuring equipment is out of service or out of repair will be estimated on the basis of the best available data, using the first of the following methods which is feasible
- (a) by correcting the error if the percentage of error is ascertained by calibration test or mathematical calculation,
 - (b) by using the registration of any check measuring equipment if installed and accurately registering, and
 - (c) by estimating the quantity of Gas delivered to the Shipper during the preceding periods under similar conditions when the meter was registering accurately.
- 15.6 **Shipper's Equipment** - The Shipper may at its own expense install, maintain and operate its own measuring equipment for the purpose of monitoring or checking the measuring equipment of FortisBC Energy, provided that the Shipper will install such equipment so as not to interfere with the operation of the measuring equipment of FortisBC Energy.
- 15.7 **Right to be Present** - FortisBC Energy and the Shipper will have the right to inspect all equipment installed or furnished by the other and the charts and other measurement or test data of the other at all times during business hours, and to be present at the time of any installing, testing, cleaning, changing, repairing, calibrating or adjusting done in connection with the measuring equipment of the other party, but all such activities will be performed by the party furnishing the measuring equipment.
- 15.8 **Preservation of Records** - Both parties will cause to be preserved each test datum, chart and other record of Gas measurement for a period of 2 years.

16. Measurement

- 16.1 **Unit of Volume** - The unit of volume of Gas for all purposes hereunder will be 1 cubic metre at a temperature of 15° Celsius and an absolute pressure of 101.325 kilopascals.
- 16.2 **Determination of Volume** - Gas delivered hereunder will be metered using metering apparatus approved by the Standards Division, Industry Canada, Office of Consumer Affairs and the determination of standards volumes delivered hereunder will be in accordance with terms and conditions pursuant to the *Electricity and Gas Inspection Act* of Canada.

- 16.3 **Conversion of Energy Units** - In accordance with the *Electricity and Gas Inspection Act* of Canada, volumes of Gas delivered each Day will be converted to energy units by multiplying the standard volume by the Heat Content of each unit of Gas. Volumes will be specified in 10^3m^3 rounded to two decimal places and energy will be specified in Gigajoules rounded to one decimal place.

17. Representations, Warranties and Covenants

- 17.1 **Title** - The Shipper represents and warrants with FortisBC Energy that the Shipper will have good title to all Gas to be delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, free and clear of all liens, encumbrances and claims.
- 17.2 **Title Not That of FortisBC Energy** - FortisBC Energy agrees that title of all Gas transported pursuant to the Transportation Agreement remains with the Shipper.
- 17.3 **Acknowledgement** - The Shipper acknowledges that the Gas transported under the Transportation Agreement will be commingled with Gas within the FortisBC Energy System.

18. Default or Bankruptcy

- 18.1 **Default** - If the Shipper at any time fails or neglects
- (a) to make any payment due to FortisBC Energy or to any other person under this Rate Schedule or the Transportation Agreement within 30 days after payment is due, or
 - (b) to correct any default to any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Rate Schedule or the Transportation Agreement, within 30 days after FortisBC Energy gives to the Shipper notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Shipper fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence,

then FortisBC Energy may in addition to any other remedy that it has, including the rights of FortisBC Energy set out in section 4.4 (Default Regarding Curtailment), and 6 (Unauthorized Gas Use), at its option and without liability therefore

- (a) suspend further transportation service to the Shipper and may refuse to deliver Gas to the Shipper until the default has been fully remedied, and no such suspension or refusal will relieve the Shipper from any obligation under this Rate Schedule or the Transportation Agreement, or
- (b) terminate the Transportation Agreement, and no such termination of the Transportation Agreement pursuant hereto will exclude the right of FortisBC Energy to collect any amount due to it from the Shipper for what would otherwise have been the remainder of the term of the Transportation Agreement.

18.2 **Bankruptcy or Insolvency** - If the Shipper becomes bankrupt or insolvent or commits or suffers an act of bankruptcy or insolvency or a receiver is appointed pursuant to a statute or under a debt instrument or the Shipper seeks protection from the demands of its creditors pursuant to any legislation enacted for the purpose, FortisBC Energy will have the right, at its sole discretion, to terminate the Transportation Agreement by giving notice in writing to the Shipper and thereupon FortisBC Energy may cease further delivery of Gas to the Shipper and the amount then outstanding for Gas provided under the Transportation Agreement will immediately be due and payable by the Shipper.

19. Notice

19.1 Notice - Any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule or under the Transportation Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

If to FortisBC Energy

FORTISBC ENERGY INC.

MAILING ADDRESS:

16705 Fraser Highway
Surrey, B.C.
V4N 0E8

BILLING AND PAYMENT:

Attention: Industrial Billing
Telephone: 1-855-873-8773
Fax: (604) 293-2920

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Order No.: G-68-09

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: January 1, 2012

BCUC Secretary: Original signed by Alanna Gillis

First Revision of Page R-25.22

CUSTOMER RELATIONS:	Attention: Commercial & Industrial Energy Solutions
	Telephone: (604) 592-7843
	Fax: (604) 592-7894
LEGAL AND OTHER:	Attention: Director, Legal Services
	Telephone: (604) 443-6512
	Fax: (604) 443-6540

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

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

19.2 **Specific Notices** - Notwithstanding section 19.1 (Notice), notices with respect to Force Majeure will be sufficient if:

- (a) given by FortisBC Energy in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by the Shipper as authorized to receive such notices, or
- (b) given by the Shipper by telephone (to be confirmed by fax) in the following manner:

To claim Force Majeure..."Please be advised that (name of company and location of plant) has (reason for claiming Force Majeure as provided in section 21) and hereby claims suspension by reason of Force Majeure in accordance with the terms of Rate Schedule 25 effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to become effective, but not to be retroactive)."

To terminate Force Majeure..."Please be advised that (name of company and location of plant) requests a return to normal natural gas service in accordance with Rate Schedule 25 and the Transportation Agreement effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to end, but not to be retroactive) whereby the suspension by reason of Force Majeure currently in force will be terminated."

20. Indemnity and Limitation on Liability

- 20.1 **Limitation on Liability** - FortisBC Energy, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of transportation service permitted under the General Terms and Conditions of FortisBC Energy, or this Rate Schedule.
- 20.2 **Indemnity** - The Shipper will indemnify and hold harmless each FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of each of the following
- (a) any defects in title to any Gas delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, or arising from any charges that are applicable to the Gas delivered to FortisBC Energy,
 - (b) Franchise Fees not otherwise collected by FortisBC Energy under the Table of Charges,
 - (c) nominations made in accordance with sections 7 or 9 of this Rate Schedule by FortisBC Energy to the Transporter with respect to the Shipper's transportation volumes, whether or not the Shipper is a member of a Group,
 - (d) Gas delivered by the Transporter or Shipper to FortisBC Energy failing to meet the quality specifications set out in section 14.1 of this Rate Schedule, and
 - (e) all federal, provincial, municipal taxes (or payments made in lieu thereof) and royalties, whether payable on the delivery of Gas to FortisBC Energy by the Shipper or on the delivery of Gas to the Shipper by FortisBC Energy, or on any other service provided by FortisBC Energy to the Shipper.
- 20.3 **Principal Obligant** - If the Shipper is a member of a Group, the obligations of each of the Shipper Agent (acting for and on behalf of the Shippers that are members of the Group) and the Shipper (in the event of the failure of the Shipper Agent to make such payments and limited to the charges related to that Shipper) to pay to, or to the order of, FortisBC Energy the charges for Backstopping Gas, Balancing Gas, Replacement Gas, unauthorized overruns set out in the Table of Charges, and Demand Surcharges set out in the Rate Schedule 22 Table of Charges, are those of principal obligant and not of surety and are independent of the respective obligations of the Shipper Agent and the Shipper towards each other pursuant to the Shipper Agent Agreement.

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page R-25.24

21. Force Majeure

- 21.1 **Force Majeure** - Subject to other provisions of this section 21, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Rate Schedule under which service is rendered or in the Transportation Agreement, the obligations of both FortisBC Energy and the Shipper will be suspended to the extent necessary for the period of the Force Majeure condition.
- 21.2 **Curtailment Notice** - If FortisBC Energy claims suspension pursuant to this section 21, FortisBC Energy will be deemed to have issued to the Shipper a notice of curtailment.
- 21.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 21.1 under any of the following circumstances
- (a) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - (b) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - (c) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Rate Schedule or the Transportation Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 21.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 21.5 **Settlement of Labour Disputes** - Notwithstanding any of the provisions of this section 21, the settlement of labour disputes or industrial disturbances will be entirely within the discretion of the particular party involved and the party may make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 21.1.

- 21.6 **No Exemption for Payments** - Notwithstanding any of the provisions of this section 21, Force Majeure will not relieve or release either party from its obligations to make payments to the other.
- 21.7 **Periodic Repair by FortisBC Energy** - FortisBC Energy may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the FortisBC Energy System or its equipment and FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. FortisBC Energy will make reasonable efforts to schedule repairs or replacements to minimize interruptible or curtailment of transportation service to the Shipper, and to restore service as quickly as possible.
- 21.8 **Shipper's Gas** - If FortisBC Energy curtails or interrupts transportation of Gas by reason of Force Majeure the Shipper will make its supply of Gas available to FortisBC Energy, to the extent required by FortisBC Energy, to maintain service priority to those customers or classes of customers which FortisBC Energy determines should be served. FortisBC Energy, in its sole discretion, will either increase the balance in the Shipper's inventory account by the amount taken by FortisBC Energy and return an equivalent quantity of Gas to the Shipper as soon as possible, or pay the Shipper an amount equal to either FortisBC Energy's average Gas cost, or the Shipper's average Gas cost, for the Day(s) during which such Gas was taken, whichever Gas cost the Shipper, in its sole discretion, elects.
- 21.9 **Alteration of Facilities** - The Shipper will pay to FortisBC Energy all reasonable costs associated with the alteration of facilities made at the discretion of FortisBC Energy to measure quantities reduced by reason of Force Majeure claimed by the Shipper and to restore such facilities after the Force Majeure condition ends.

22. Arbitration

- 22.1 **Arbitration** - Any dispute between the parties arising from this Rate Schedule or the Service Agreement will be resolved by a single arbitrator pursuant to the Commercial Arbitration Act of British Columbia or successor legislation, save as expressly provided herein.
- 22.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.

- 22.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 22.2 of this Rate Schedule to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of any of the parties or their respective successors or affiliates, any customer or supplier of the Shipper or FortisBC Energy.
- 22.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.
- 22.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

23. Interpretation

- 23.1 **Interpretation** - Except where the context requires otherwise or except as otherwise expressly provided, in this Rate Schedule or in a Transportation Agreement
- (a) all references to a designated section are to the designated section of this Rate Schedule unless otherwise specifically stated,
 - (b) the singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate,
 - (c) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor of such entity,
 - (d) all words, phrases and expressions used in this Rate Schedule or in a Transportation Agreement that have a common usage in the gas industry and that are not defined in the General Terms and Conditions of FortisBC Energy, the Definitions or in the Transportation Agreement have the meanings commonly ascribed thereto in the gas industry, and
 - (e) the headings of the sections set out in this Rate Schedule or in the Transportation Agreement are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule or the Transportation Agreement.

24. Miscellaneous

- 24.1 **Waiver** - No waiver by either FortisBC Energy or the Shipper of any default by the other in the performance of any of the provisions of this Rate Schedule or the Transportation Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 24.2 **Enurement** - The Transportation Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger, amalgamation or consolidation.
- 24.3 **Assignment** - The Shipper will not assign the Transportation Agreement or any of its rights and obligations thereunder without the prior written consent of FortisBC Energy which consent will not be unreasonably withheld or delayed. No assignment will release the Shipper from its obligations under this Rate Schedule or under the Transportation Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Shipper.
- 24.4 **Amendments to be in Writing** - Except as set out in this Rate Schedule, no amendments or variation of the Transportation Agreement will be effective or binding upon the parties unless such amendments or variation is set out in writing and duly executed by the parties.
- 24.5 **Proper Law** - The Transportation Agreement will be construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 24.6 **Time is of Essence** - Time is of the essence of this Rate Schedule, the Transportation Agreement and of the terms and conditions thereof.
- 24.7 **Subject to Legislation** - Notwithstanding any other provision hereof, this Rate Schedule and the Transportation Agreement and the rights and obligations of FortisBC Energy and the Shipper under this Rate Schedule and the Transportation Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over FortisBC Energy or the Shipper.

- 24.8 **Further Assurances** - Each of FortisBC Energy and the Shipper will, on demand by the other, execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other may reasonably require to evidence, carry out and give full effect to the terms, conditions intent and meaning of this Rate Schedule and the Transportation Agreement and to assure the completion of the transactions contemplated hereby.
- 24.9 **Form of Payment** - All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule or the Transportation Agreement will be made by wire transfer to, or cheque or bank cashier's cheque drawn on a Canadian chartered bank or trust company, payable in lawful money of Canada at par in immediately available funds in Vancouver, British Columbia.

Table of Charges

	<u>Lower Mainland Service Area</u>	<u>Inland Service Area</u>	<u>Columbia Service area</u>	
1. Transportation				
(a) Basic Charge per Month	\$ 587.00	\$ 587.00	\$ 587.00	
(b) Demand Charge per Month per Gigajoule of Daily Demand	\$ 17.850 ²	\$ 17.850 ²	\$ 17.850 ²	A
(c) Delivery Charge per Gigajoule	\$ 0.736	\$ 0.736	\$ 0.736	A
(d) Administration Charge per Month	\$ 78.00	\$ 78.00	\$ 78.00	
2. Sales				
(a) Charge per Gigajoule of Balancing Gas supplied	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	
(b) Charges for Backstopping Gas	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(c) Replacement Gas ³	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	
(d) Unauthorized Overrun Charges				
(i) Per Gigajoule on first 5 percent of specified quantity	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(ii) Per Gigajoule on all Gas over 5 percent of specified quantity	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	
3. Rider 4 per Gigajoule	\$ 0.000	\$ 0.000	\$ 0.000	A

Rider 1 **Propane Surcharge** - Not applicable.

Rider 2 (Reserved for future use.)

Rider 3 (Reserved for future use.)

Rider 4 (Reserved for future use.)

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Rider 5 **Revenue Stabilization Adjustment Charge** - Not applicable.

Franchise Fee Charge of 3.09% of the aggregate of the above charges, is payable (in addition to the above charges) if the facilities to which Gas is delivered under this Rate Schedule are located within the municipal boundaries of a municipality or First Nations lands (formerly, reserves within the *Indian Act*) to which FortisBC Energy pays Franchise Fees.

Minimum Charge per month - The minimum charge per month will be the aggregate of the Basic Charge, Demand Charges, the Transportation Administration charge and the Franchise Fee charge.

Interim Rate Establishment - Pursuant to the British Columbia Utilities Commission Order G-150-13, FortisBC Energy Inc. delivery rates have been established as interim, approved effective January 1, 2014. Final determination of delivery rates for FortisBC Energy Inc. will be subject to the Commission's decision on the FortisBC Energy Inc. Application for Approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018. The interim delivery rates are subject to refund with interest at the average prime rate of FortisBC Energy Inc.'s principal bank.

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Notes:

1. **Sumas Daily Price** - means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.
2. Daily Demand is equal to 1.25 multiplied by the greater of:
 - (a) the Customer's highest average daily consumption of any month during the winter period (November 1 to March 31), or
 - (b) one half of the Customer's highest average daily consumption of any month during the summer period (April 1 to October 31).

The calculation of Daily Demand will be based on the Customer's actual gas use during the preceding Contract Year.
3. The Sumas Daily Price for the sixth Business Day following the Day for which the Peaking Gas was authorized plus 20 percent.

**TRANSPORTATION AGREEMENT FOR
RATE SCHEDULES 22, 22A, 22B, 23, 25 AND 27**

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

WHEREAS:

- A. FortisBC Energy owns and operates the FortisBC Energy System; and
- B. The Shipper has requested that FortisBC Energy arrange for the transportation of Gas on a firm and/or interruptible basis through the FortisBC Energy System to _____ located in or near _____ British Columbia in accordance with a transportation Rate Schedule as set out below and the terms set out herein.

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

1. Specific Information

Applicable Rate Schedule:

☐ 22 ☐ 22A ☐ 22B
☐ 23 ☐ 25 ☐ 27

Type of Service:

☐ Firm ☐ Interruptible
☐ Firm and Interruptible

Firm DTQ / DTQ:

_____ Gigajoules per day

Shipper Agent and / or Group, if applicable:

Commencement Date:

Expiry Date:

(only specify expiry date if term not automatically renewed as set out in the Automatic Renewal section of the applicable transportation Rate Schedule)

Delivery Point:

Pressure at the Delivery Point:

(only specify where applicable as set out in the Gas Pressure section of the applicable transportation Rate Schedule)

Service Address:

Account Number:

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Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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Interconnection Point: The point at (_____ km-post _____)
where the Transporter's pipeline system in
British Columbia interconnection with the
FortisBC Energy System

Address of Shipper for receiving notices:

(name of Shipper) Attention: _____

(address of Shipper) Telephone: _____

_____ Fax: _____

_____ Email: _____

The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable transportation Rate Schedule to any such information is to the information set out above.

2. Rate Schedule 22 / 22A / 22B / 23 / 25 / 27

2.1 **Additional Terms** - All rates, terms and conditions set out in the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25, or 27) and the General Terms and Conditions of FortisBC Energy, as any of them may be amended by FortisBC Energy and approved from time to time by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Transportation Agreement and form part of this Transportation Agreement and bind FortisBC Energy and the Shipper as if set out in this Transportation Agreement.

2.2 **Payment of Amounts** - Without limiting the generality of the foregoing, the Shipper will pay to FortisBC Energy all of the amounts set out in the applicable transportation Rate Schedule for the services provided under such Rate Schedule and this Transportation Agreement.

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- 2.3 **Conflict** - Where anything in either the applicable transportation Rate Schedule or the General Terms and Conditions of FortisBC Energy conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement governs. Where anything in the applicable transportation Rate Schedule conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the Rate Schedule governs.
- 2.4 **Member of a Group** - Where the Shipper will be a member of a Group which has a Shipper Agent acting as agent for the members of the Group, Shipper must complete Appendix "A" attached to this Transportation Agreement and Shipper thereby agrees that the terms and conditions of Appendix "A" form part of this Transportation Agreement and bind the Shipper as if set out in this Transportation Agreement.
- 2.5 **Acknowledgement** - The Shipper acknowledges receiving and reading a copy of the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25 or 27) and the General Terms and Conditions of FortisBC Energy and agrees to comply with and be bound by all terms and conditions set out therein. Without limiting the generality of the foregoing, where the transportation service is interruptible, the Shipper acknowledges that it is able to accommodate such interruption or curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such interruption or curtailment of transportation service.

IN WITNESS WHEREOF the parties hereto have executed this Transportation Agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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APPENDIX A
NOTICE OF APPOINTMENT OF SHIPPER AGENT

1. _____ (Shipper) hereby gives notice to FortisBC Energy
that Shipper has appointed _____ (the Shipper Agent) to
act as agent for Shipper in all matters relating to gas supply and to transportation service
on the FortisBC Energy System. Shipper also gives notice to FortisBC Energy that
Shipper wishes to be a member of a Group, and the Shipper will cause the Shipper Agent
to enter into a Shipper Agent Agreement or other agreement with FortisBC Energy that
binds the Shipper Agent to pay the charges which the Shipper Agent elects to pay for and
on behalf of the Shipper.
2. Shipper acknowledges and agrees that the Shipper Agent will provide aggregate
nominations for the Group to FortisBC Energy.
3. Shipper acknowledges and agrees that if the Group includes a member which is a Shipper
under Rate Schedule 22, 22A, or 22B then section 10 (Group Nominations and Balancing)
of Rate Schedule 22 will apply to the Group on an aggregate basis, and the Group and its
members will be subject to the Demand Surcharge provisions of Rate Schedule 22.
4. Shipper acknowledges and agrees that when there are constraints or limitations of Gas
supply FortisBC Energy will notify the Shipper Agent and it will then be the responsibility
of the Shipper Agent to notify Shipper of any curtailment or interruption arising from the
constraint or limitation of Gas supply.
5. Shipper acknowledges and agrees that the Shipper Agent will provide Gas supply priority
schedules to FortisBC Energy which will advise FortisBC Energy of the allocation of Gas
supply amongst members of the Group during constraints or limitations of Gas supply.
6. Shipper acknowledges and agrees that the Shipper Agent will provide FortisBC Energy
with information which will be used by FortisBC Energy to bill Shipper for Backstopping
Gas, Balancing Gas, unauthorized overrun charges and Demand Surcharges.

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Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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7. Shipper acknowledges that FortisBC Energy will bill Shipper on the basis of information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that it is bound by the information supplied to FortisBC Energy by the Shipper Agent and Shipper agrees that it will not dispute the information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that the Shipper Agent may elect to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement and Shipper acknowledges that if the Shipper Agent fails to provide information to FortisBC Energy then notwithstanding any election that has been made by the Shipper Agent to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement, FortisBC Energy will bill Shipper directly on the bases set out in section 3.9 of the standard form Shipper Agent Agreement of FortisBC Energy. Shipper agrees to pay FortisBC Energy as billed, and if Shipper disagrees with any of the billing information used by FortisBC Energy the Shipper will deal with the Shipper Agent to resolve that disagreement. Disputes between the Shipper and the Shipper Agent shall not constitute a basis for non-payment by Shipper to FortisBC Energy of the amounts billed.
8. Shipper shall provide FortisBC Energy with 30 days notice, except with the prior approval from FortisBC Energy, if Shipper wishes to leave the Group, to be effective on the beginning of the next calendar month following the expiry of the notice period.
9. Shipper acknowledges and agrees that FortisBC Energy may disband the Group pursuant to section 10 of the standard form Shipper Agent Agreement.
10. Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.
11. Shipper acknowledges receiving a copy of the standard form Shipper Agent Agreement of FortisBC Energy.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name - Please Print)

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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SHIPPER AGENT AGREEMENT

This Agreement is dated _____, 20____, between FortisBC Energy Inc. ("FortisBC Energy") and _____ (the "Shipper Agent").

WHEREAS:

- 1.0 The Shipper Agent wishes to act as agent on behalf of all members of a Group in respect of transportation service on the FortisBC Energy System; and
- 2.0 The Shippers who are members of the Group have entered into Transportation Agreements with FortisBC Energy.

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

1. Specific Information

Members of Group:
(if space is insufficient, continue list on an additional page)

Commencement Date of this agreement:

Expiry Date of this agreement:

(no expiry date need be specified)

Address of Shipper Agent for receiving notices:

(name of Shipper Agent)

(address of Shipper Agent)

Attention: _____

Telephone: _____

Fax: _____

Alternate Tel(s): _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page SA-25.1

The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable Transportation Rate Schedules to any such information is to the information set out above.

2. Definitions

- 2.1 **Definitions in Rate Schedule 25** - Except where the context requires otherwise or except as otherwise expressly provided in this agreement, all words and phrases defined in Rate Schedule 25 or in the General Terms and Conditions of FortisBC Energy have the meanings set out in the Rate Schedule 25 and in the General Terms and Conditions of FortisBC Energy.

3. Shipper Agent Obligations

- 3.1 **Management of Balancing Gas** - The Shipper Agent is responsible for the management of all Balancing Gas for the Group and its members.
- 3.2 **Management of Backstopping Gas** - The Shipper Agent is responsible for the management of all Backstopping Gas supplied by FortisBC Energy to the Group and its members.
- 3.3 **Management of Peaking Gas Service** - The Shipper Agent is responsible for the management of all Peaking Gas supplied by FortisBC Energy to the Group and its members as well as the return of Peaking Gas Quantities and any Replacement Gas.
- 3.4 **Management of West to East SCP Transportation Service Imbalances** - The Shipper Agent is responsible for the management of Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service under Rate Schedule 40 supplied by FortisBC Energy to the Group and its members.
- 3.5 **Group Nominations and Balancing** - The Shipper Agent will provide Group nomination and balancing to FortisBC Energy in accordance with the sections of the applicable transportation Rate Schedules except where a Shipper under Rate Schedules 22, 22A or 22B is a members of the Group, in which case section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis.

- 3.6 **Standard Gas Supply Priority Schedule (Standard Priority Schedule)** - Before the Commencement Date of this agreement and before the commencement of each Contract Year the Shipper Agent will provide to FortisBC Energy a Standard Priority Schedule which will advise FortisBC Energy of the priority between members of the Group if a constraint or limitation of Gas supply occurs. The Shipper Agent may provide to FortisBC Energy a revised Standard Priority Schedule from time to time and will provide to FortisBC Energy a revised Standard Priority Schedule if there is a change in membership of the Group.
- 3.7 **Gas Supply Constraints or Limitations** - Upon receipt of a notice from FortisBC Energy of curtailment or interruptions pursuant to section 4.4 (Notice of Gas Supply Constraint or Limitation) Shipper Agent will determine the allocation of Gas supply between members of the Group and will notify the Shippers which are members of the Group of the curtailment or interruption. Within two hours of receipt of notice from FortisBC Energy pursuant to section 4.4, or such longer period as FortisBC Energy considers reasonable in the circumstances, the Shipper Agent will provide to FortisBC Energy a schedule setting out the Gas supply allocation for the Group to apply during that curtailment or interruption. If the Shipper Agent fails to provide a schedule setting out the Gas supply allocation for the Group to apply during the curtailment or interruption then FortisBC Energy will curtail Shippers on the basis set out in the Standard Priority Schedule.
- 3.8 **Monthly Billing Information** - At the end of each month, and within two business days of FortisBC Energy providing to the Shipper Agent a schedule pursuant to section 4.2 (Monthly Provision of Data), the Shipper Agent will provide to FortisBC Energy an allocation schedule setting out the daily Gas takes of each member of the Group and identifying for each member of the Group the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40. The Shipper Agent will also notify FortisBC Energy which charges the Shipper Agent elects to pay on behalf of the members of the Group and, if notice is not received, FortisBC Energy will bill the Shippers directly.

- 3.9 **Lack of Allocation Information** - If, at the end of a month, the Shipper Agent fails to provide to FortisBC Energy the monthly allocation schedule pursuant to section 3.8 (Monthly Billing Information) then FortisBC Energy will bill on the basis of the best available information. For Balancing Gas FortisBC Energy will bill on a basis proportional to the actual takes of the Shippers during the month. For Backstopping Gas FortisBC Energy will bill on a basis proportional to the actual Day-to-Day takes of the Shippers during the Days when Backstopping Gas was supplied. For Unauthorized Overrun Gas FortisBC Energy will bill on the basis of the schedule(s) setting out the Gas supply allocation for the Group provided to FortisBC Energy pursuant to section 3.8, or if the Shipper Agent fails to provide a schedule pursuant to section 3.8, then on the basis of the applicable Standard Priority Schedule provided by the Shipper Agent pursuant to section 3.6. For Replacement Gas FortisBC Energy will bill on a basis proportional to actual Day-to-Day takes of the Non-Bypass Shippers during the Day for which the Peaking Gas Quantities were not returned. For Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service FortisBC Energy will bill on a basis proportional to the Peak Day Demand of the Non-Bypass Shippers. If further information becomes available, FortisBC Energy will adjust the billings on the basis of the further information.
- 3.10 **Lack of Gas Supply or Nomination** - If the Shipper Agent becomes aware that a Supplier has ceased, or will cease, to supply Gas to a member of the Group; or if the Shipper Agent provides to FortisBC Energy a Requested Quantity for the Group which does not include a quantity for a member of the Group, due to a lack of Gas supply to the member of the Group or due to concerns about a possible lack of Gas supply to the member of the Group, then the Shipper Agent will immediately notify FortisBC Energy. If the Shipper Agent fails to so notify FortisBC Energy then the Shipper Agent is liable to FortisBC Energy for the price of any Gas which FortisBC Energy delivers to that member of the Group after the time when the Shipper Agent should have provided notice to FortisBC Energy.
- 3.11 **Charges for Extra Services** - If FortisBC Energy incurs extra expenses from a Shipper Agent failing to provide information, or failing to provide information in a timely manner, or failing to provide correct information, or otherwise failing to meet its obligations under this agreement, then FortisBC Energy may charge the Shipper Agent for such extra expenses and the Shipper Agent agrees to pay FortisBC Energy the reasonable extra expenses incurred as a result of such failure.

4. FortisBC Energy Obligations

- 4.1 **Weekly Provision of Data** - Twice a week FortisBC Energy will provide to the Shipper Agent a schedule setting out FortisBC Energy's best available data on the daily takes of the Group.

- 4.2 **Monthly Provision of Data** - Within 10 working days after the end of each month FortisBC Energy will provide to the Shipper Agent a schedule setting out the daily takes of each member of the Group.
- 4.3 **Capacity Constraints** - If FortisBC Energy, acting reasonably, determines that it does not have capacity on the FortisBC Energy System to accommodate interruptible transportation service to any member of the Group then FortisBC Energy will directly notify that Shipper pursuant to Notice of Curtailment section of the applicable Rate Schedule and will deal directly with the Shipper if the Shipper takes Unauthorized Overrun Gas or Unauthorized Transportation Service.
- 4.4 **Notice of Gas Supply Constraint or Limitation** - If Gas supply constraints or limitations occur; either due to a constraint or limitation of supply from FortisBC Energy of Backstopping Gas or Balancing Gas, or a constraint or limitation of supply from another Supplier; FortisBC Energy will notify the Shipper Agent of any curtailment or interruption, will specify the quantity of Gas to which the Group in aggregate is curtailed and the time at which time such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper Agent as much notice as possible with respect to such curtailment or interruption, not to be less than 4 hours prior notice unless prevented by Force Majeure.

5. Changes to Group

- 5.1 **Amendments to Group** - Schedule "A" sets out the Shippers who are the members of the Group represented by the Shipper Agent to this agreement. No additions or deletions may be made to the Group without the Shipper Agent providing notice to FortisBC Energy of such addition and deletions through provision to FortisBC Energy of an amended Schedule "A" showing such additions and deletions and the effective dates of such additions and deletions in accordance with section 5 of this agreement.
- 5.2 **Deletions From Group** - If the Shipper Agent wishes to cease acting as agent for a Shipper or a Shipper wishes to cease being a member of the Group, upon receipt by FortisBC Energy of not less than, except with the prior approval from FortisBC Energy, 30 days prior written notice from either the Shipper or Shipper Agent and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of deletion of the Shipper from the Group, such Shipper shall be deleted from the Group effective on the beginning of the next calendar month following the expiry of the notice period.

- 5.3 **Additions To Group** - If the Shipper Agent wishes to add a Shipper to a Group and the Shipper wishes to be added to the Group, and the Shipper has entered into a Transportation Agreement and completed an Appendix "A" - Notice of Appointment of Shipper Agent, and both the Shipper and the Shipper Agent have given to FortisBC Energy not less than, except with the prior approval from FortisBC Energy, 30 days prior written notice of such addition and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of the addition of the Shipper to the Group, such Shipper shall be added to the Group effective on the beginning of the next calendar month following the expiry of the notice period.

6. Statements and Payments

- 6.1 **Statements to be Provided** - If the Shipper Agent elects to pay some or all of the charges for Gas taken by the Shippers as described in section 3.8, FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper Agent a statement for the preceding month showing the Gas quantities, and the applicable charges for which the Shipper Agent is responsible and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 6.2 **Payment and Interest** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to, or to the order of, FortisBC Energy at its Surrey, British Columbia office (mailing address: P.O. Box 6666 Stn. Terminal, Vancouver, B.C., V6B 6M9), or such other place in Canada as it will designate, on or before the 1st business day after the 10th calendar day following the billing date. If the Shipper Agent or Shipper fails or neglects to make any payment required under this Shipper Agent Agreement, or any portion thereof, to or to the order of FortisBC Energy when due, interest on the outstanding amount will accrue, at the rate of interest declared by the chartered bank in Canada principally used by FortisBC Energy, for loans in Canadian dollars to its most creditworthy commercial borrowers payable on demand and commonly referred to as its "prime rate", plus:
- (a) 2% from the date when such payment was due for the first 30 days that such payment remains unpaid and 5% thereafter until the same is paid where the Shipper Agent or Shipper has not, during the immediately preceding 6 month period, failed to make any payment when due hereunder; or
 - (b) 5% from the date when such payment was due to and including the date the same is paid where the Shipper Agent or Shipper has, during the immediately preceding 6 month period, failed to make any payment when due hereunder.

7. Term

7.1 **Term** - The term of this agreement will commence on the commencement date specified in section 1 of this agreement and will expire either

- (a) 30 days following notice from the Shipper Agent that the Shipper Agent wishes to cease to nominate for transportation service and balancing on behalf of the Group, or
- (b) the expiry or termination of the Transportation Agreements of all of the members of the Group, or
- (c) the expiry date specified in section 1 of this agreement, or
- (d) 5 days following notice from FortisBC Energy to the Shipper Agent, and to the Shippers which are members of the Group, under section 10.1 (Failure to Provide Information or Default).

whichever date is earlier.

7.2 **Survival of Covenants** - Upon the termination of this agreement,

- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
- (b) all of the provisions in this agreement relating to the obligation of either of the parties to provide information to the other in connection with this agreement,

will survive such termination.

8. Representations, Warranties and Covenants

8.1 **Representations and Warranties** - The Shipper Agent represents and warrants to and covenants with FortisBC Energy as follows

- (a) the members of the Group are listed in section 1 of this agreement,

- (b) the Shipper Agent is the agent of each of the members of the Group and has the authority of each of the members of the Group for the purposes of any and all matters set out in the applicable transportation Rate Schedule and this agreement, and
- (c) FortisBC Energy may rely on any act or thing done, or document executed, by the Shipper Agent in connection with of any and all matters set out in the applicable transportation Rate Schedule and this agreement.

9. Limitation on Liability and Indemnity

- 9.1 **Limitation on Liability** - Neither FortisBC Energy, its employees, contractors or agents will be liable in damages for or on account of any interruption or curtailment of transportation service or Gas supply.
- 9.2 **Indemnity** - The Shipper Agent will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.

10. Disbanding of the Group

- 10.1 **Failure to Provide Information** - If the Shipper Agent fails to provide FortisBC Energy with the information or schedules which the Shipper Agent is required to provide to FortisBC Energy pursuant to this agreement or is otherwise in breach of this agreement then, acting reasonably in the circumstances and on 5 days notice to the Shipper Agent and to the members of the Group, FortisBC Energy may disband the Group and deal directly with the Shippers which were members of the Group.
- 10.2 **Default** - If any Shipper which is a member of the Group is in default under the Default or Bankruptcy section of the applicable Rate Schedule or becomes bankrupt or insolvent, then that Shipper will cease to be a member of the Group.

11. Arbitration

- 11.1 **Arbitration** - Any dispute between the parties arising from this agreement will be resolved by a single arbitrator pursuant to the *Commercial Arbitration Act* of British Columbia or successor legislation, save as expressly provided herein.
- 11.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.
- 11.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 11.2 to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of either of the parties or their respective successors of affiliates, any supplier of the Shipper or FortisBC Energy, or any member of the Group.
- 11.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.
- 11.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

12. Notice

- 12.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other party.

13. Acknowledgement

- 13.1 **Acknowledgement** - The Shipper Agent acknowledges receiving and reading a copy of Rate Schedules 22, 22A, 22B, 23, 25 and 27 and the General Terms and Conditions of FortisBC Energy and will comply with and be bound by all terms and conditions set out therein.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper Agent)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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FORTISBC ENERGY INC.

**RATE SCHEDULE 26
NGV TRANSPORTATION SERVICE**

Effective January 1, 2010

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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1. Definitions

- 1.1 **Definitions** - Except where the context requires otherwise all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy and used in this Rate Schedule or in a Transportation Agreement have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflict with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.
- (a) **Authorized Quantity** - means the quantity of energy (in Gigajoules) for each Day approved by the Transporter(s) for transportation service on the Transporter's pipeline system, based on the quantity requested pursuant to section 7.2 (Requested Quantity), adjusted as set out in section 7.3 (Adjustment of Requested Quantity) or the quantity of energy approved for sale by FortisBC Energy under an applicable Rate Schedule, or any component or aggregate of these quantities, as the context requires.
 - (b) **Backstopping Gas** - means Gas made available by FortisBC Energy as an interruptible backup supply if on any Day the Authorized Quantity is less than the Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
 - (c) **Balancing Gas** - means any Gas taken during a Month which is in excess of the Authorized Quantity, subject to section 8.1 (Monthly Adjustments).
 - (d) **Business Day** - means a Day that commences on other than a Saturday, a Sunday, or a statutory holiday in the Province of British Columbia.
 - (e) **Capacity Factor** - means the Shipper's average daily use of Gas divided by the product of the average daily use of Gas for the Month of greatest use during the winter period (November 1 to March 31) multiplied by 1.25.
 - (f) **Commencement Date** - means the day specified as the Commencement Date in the Transportation Agreement.
 - (g) **Contract Year** - means a period of 12 consecutive Months commencing at the beginning of the 1st Day of November and ending at the beginning of the next succeeding 1st Day of November.
 - (h) **Day** - means, subject to section 1.2 (Change in Definition of "Day"), any period of twenty-four consecutive hours beginning and ending at 7:00 a.m. Pacific Standard Time.

- (i) **Delivery Point** - means the point specified in a Transportation Agreement where FortisBC Energy delivers Gas to a Shipper.
- (j) **DTQ or Daily Transportation Quantity** - means the maximum quantity of Gas that FortisBC Energy is obligated to transport for and deliver to a Shipper at the Delivery Point on any particular Day, which in the discretion of FortisBC Energy reasonably reflects the Shipper's requirements and which is specified in a Transportation Agreement.
- (k) **EKE** - means the East Kootenay Exchange, an Interconnection Point where the FortisBC Energy System interconnects with the facilities of TransCanada PipeLines Limited, B.C. System.
- (l) **Firm EKE Receipt Service** - means the firm receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area, as described in section 11.1.
- (m) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labour by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of force majeure by a Transporter that results in Gas being unavailable for delivery at the Interconnection Point.
- (n) **Group** - means a group of Shippers who each transport Gas under a transportation Rate Schedule, have a common Shipper Agent, and who have each entered into a Transportation Agreement.
- (o) **Interconnection Point** - means a point where the FortisBC Energy System interconnects with the facilities of one of the Transporters of FortisBC Energy, as specified in a Transportation Agreement.
- (p) **Interruptible EKE Receipt Service** - means the interruptible receipt service by which the Shipper provides Gas to FortisBC Energy at EKE for firm transportation to a Delivery Point in the Inland Service Area or the Lower Mainland Service Area, as described in section 11.2.

- (q) **Month** - means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 7:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 7:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.
- (r) **Non-Bypass Shipper** - means a Shipper that receives service under Rate Schedule 23, 25 or 22A and pays rates as set out in the standard Table of Charges for the applicable Rate Schedule.
- (s) **Pacific Clock Time** - means Pacific Standard Time or Daylight Savings Time as it applies in Surrey, British Columbia.
- (t) **Peak Day Demand** - means the quantity of energy used for the purposes of determining the Peaking Gas and EKE Receipt Service available to a Non-Bypass Shipper, as calculated pursuant to section 10.4.
- (u) **Peaking Gas** - means Gas which is provided to the Shipper by FortisBC Energy in accordance with the provisions of section 10.
- (v) **Peaking Gas Quantity** - means the Peaking Gas available to a Non-Bypass Shipper on a Day, determined pursuant to the provisions of section 10.5.
- (w) **Rate Schedule 26 or this Rate Schedule** - means this Rate Schedule, including all rates, terms and conditions, and the Table of Charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission.
- (x) **Replacement Gas** - means Gas which is provided to a Shipper by FortisBC Energy in the event the Shipper fails to return Peaking Gas Quantity pursuant to section 10.7.
- (y) **Requested Quantity** - means the quantity of energy for each Day requested for firm transportation under this Rate Schedule.
- (z) **Requested Peaking Gas Quantity** - means the quantity of energy for each Day requested as Peaking Gas under this Rate Schedule.
- (aa) **Shipper** - means a person who enters into a Transportation Agreement with FortisBC Energy who is also the consumer of the Gas transported.
- (bb) **Shipper Agent** - means a person who enters into a Shipper Agent Agreement with FortisBC Energy.
- (cc) **Shipper Agent Agreement** - means an agreement between FortisBC Energy and a Shipper Agent pursuant to which the Shipper Agent agrees to act as agent for a Group.

- (dd) **Southern Crossing Pipeline** - means the pipeline and other facilities constructed by FortisBC Energy from EKE to an interconnection with existing FortisBC Energy facilities near Oliver that will enable FortisBC Energy to transport Gas between EKE and the Delivery Point.
 - (ee) **Sumas Daily Price** - means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada, one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.
 - (ff) **Supplier** - means a party who sells Gas to a Shipper or FortisBC Energy or has access to its own supplies of Gas.
 - (gg) **Table of Charges** - means the table of prices, fees and charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission, appended to this Rate Schedule.
 - (hh) **Transportation Agreement** - means an agreement between FortisBC Energy and a Shipper to provide service pursuant to a transportation Rate Schedule.
 - (ii) **Transporter** - means, in the case of the Columbia Service Area, TransCanada PipeLines Limited, B.C. System, and in the case of the Inland Service Area and Lower Mainland Service Area, Westcoast Energy Inc., FortisBC Huntingdon Inc., TransCanada PipeLines Limited, B.C. System and any other gas pipeline transportation company connected to the facilities of FortisBC Energy from which FortisBC Energy receives Gas for the purposes of Gas transportation or resale.
 - (jj) **Transporter's Service Terms** - means the general terms and conditions of the applicable Transporter, as filed with and approved from time to time by the National Energy Board or other applicable governmental authority.
 - (kk) **Unauthorized Overrun Gas** - means any Gas taken on any Day in excess of the curtailed quantity specified in any notice, to interrupt or curtail a Shipper's take, or to interrupt or curtail a Group's take, and for greater certainty, Unauthorized Overrun Gas includes all Gas taken by a Shipper or a Group to the extent that the obligation of FortisBC Energy to deliver such Gas is suspended by reason of Force Majeure.
- 1.2 **Change in Definition of "Day"** - FortisBC Energy may amend the definition of "Day" from time to time to suitably align its operations with those of its Transporters. If FortisBC Energy amends the definition of "Day", a pro-rata adjustment of quantities of Gas and charges to account for any Day of more or less than 24 Hours will be made and the term of the Transportation Agreement will be similarly adjusted.

2. Applicability

- 2.1 **Description of Applicability** - This Rate Schedule is applicable to Shippers with a normalized annual consumption at one Premises of greater than 2,000 Gigajoules of firm Gas. The Gas being shipped under this Rate Schedule must be used in fuel for vehicles.
- 2.2 **British Columbia Utilities Commission** - This Rate Schedule may be amended from time to time with the consent of the British Columbia Utilities Commission.

3. Conditions of Service

- 3.1 **Conditions** - FortisBC Energy does not provide transportation service as a common carrier. FortisBC Energy will only transport Gas under this Rate Schedule to Shippers in the territory served by FortisBC Energy under the FortisBC Energy tariff of which this Rate Schedule is a part if:
- (a) the Shipper has entered into a Transportation Agreement,
 - (b) adequate capacity exists on the FortisBC Energy System, and
 - (c) FortisBC Energy has installed at the Delivery Point the facilities and equipment referred to in section 15.1 (Facilities and Equipment).
- 3.2 **Security** - In order to secure the prompt and orderly payment of the charges to be paid by the Shipper to FortisBC Energy under the Transportation Agreement, FortisBC Energy may require the Shipper to provide, and at all times maintain, an irrevocable letter of credit in favour of FortisBC Energy issued by a financial institution acceptable to FortisBC Energy in an amount equal to the estimated maximum amount payable by the Shipper under this Rate Schedule and the Transportation Agreement for a period of 90 Days. Where FortisBC Energy requires a Shipper to provide a letter of credit and the Shipper is able to provide alternative security acceptable to FortisBC Energy, FortisBC Energy may accept such security in lieu of a letter of credit.

3.3 Warning if Switching from Interruptible to Firm Transportation Service or Sales - A Shipper wishing to switch from interruptible transportation or interruptible sales to firm transportation under this Rate Schedule must

- (a) give 12 months prior notice to FortisBC Energy of the Shipper's desire to do so, and
- (b) after receiving an estimate from FortisBC Energy of costs FortisBC Energy will reasonably incur to provide such service, agree to reimburse FortisBC Energy for any such costs.

Notwithstanding section 3.3(a), FortisBC Energy will make reasonable efforts to accommodate a Shipper on less than 12 months prior notice if FortisBC Energy is able, with such shorter notice, to arrange for firm transportation of Gas under this Rate Schedule.

3.4 Right to Sell - Customer will not sell Gas except as fuel for vehicles.

4. Transportation

4.1 Transportation of Gas - Subject to section 13 of the General Terms and Conditions of FortisBC Energy (Interruption of Service), and all of the terms and conditions of this Rate Schedule, FortisBC Energy will on each Day transport for and deliver to the Shipper at the Delivery Point the Authorized Quantity, or the Shipper's portion of the Group's Authorized Quantity, received at the Interconnection Point from the Transporter up to the DTQ. On each Day, if the Shipper's Gas received at the Interconnection Point is not consumed by the Shipper or is not authorized for delivery to the Shipper, FortisBC Energy will be entitled to utilize such Gas subject to all the terms of this Rate Schedule and the Transportation Agreement.

4.2 Curtailment - Consistent with the provisions of section 7.6 (Failure to Deliver to Interconnection Point), if at any time FortisBC Energy, acting reasonably, determines that it is not able to provide Balancing Gas or Backstopping Gas, FortisBC Energy may curtail the Shipper's take to the lesser of the Authorized Quantity or the DTQ.

- 4.3 **Notice of Curtailment** - Each notice from FortisBC Energy to the Shipper with respect to the interruption or curtailment by FortisBC Energy of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such curtailment, not to be less than 8 Hours prior notice unless prevented by Force Majeure or unless the Transporter does not provide to FortisBC Energy at least 8 Hours prior notice of reduced availability of gas.
- 4.4 **Default Regarding Curtailment** - The Shipper will comply with each notice to interrupt or curtail the Shipper's take. If the Shipper at any time fails or neglects to comply with a notice to interrupt or curtail the Shipper's take as set out in section 7.6 (Failure to Deliver to Interconnection Point), FortisBC Energy may, in addition to any other remedy which it may then or thereafter have, at its option, without liability therefor and without any prior notice to the Shipper
- (a) turn off the valve at the Delivery Point, or
 - (b) deliver such Gas and charge the Shipper for such Gas consumed on that Day the unauthorized overrun charge set out in the Table of Charges.
- 4.5 **Maximum Hourly Quantities** - FortisBC Energy will not be obliged to receive or deliver in one Hour more than 5% of the quantity of Gas that the Shipper is authorized to receive on any Day.
- 4.6 **Gas Pressure** - Where specifically requested by the Shipper, FortisBC Energy may agree to deliver Gas to the Shipper at the Delivery Point at a minimum pressure specified in the Shipper's Transportation Agreement. The Shipper will reimburse FortisBC Energy for costs it reasonably incurs in maintaining such minimum pressure above that set out in the General Terms and Conditions of FortisBC Energy. FortisBC Energy's ability to maintain a minimum pressure at the Delivery Point is subject to FortisBC Energy receiving Gas at the Interconnection Point at the pressure specified in the Transporter's Service Terms.

5. Table of Charges

- 5.1 **Charges** - In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Rate Schedule and the Transportation Agreement, the Shipper will pay to FortisBC Energy all of the charges set out in the Table of Charges whether or not the Shipper is a member of a Group. The Shipper Agent may elect to pay to FortisBC Energy the charges for the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40 for members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.

6. Unauthorized Gas Use

- 6.1 **Charges for Unauthorized Service** - On any Day a Shipper takes Unauthorized Overrun Gas, the Shipper will pay to FortisBC Energy the unauthorized overrun charge set out in the Table of Charges. The Shipper Agent may elect to pay these charges for the members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.
- 6.2 **Payments Not License** - Payments made to FortisBC Energy for Unauthorized Overrun Gas neither give the right to take Unauthorized Overrun Gas, nor exclude or limit any other remedies available to FortisBC Energy for the Shipper's taking of Unauthorized Overrun Gas.
- 6.3 **Demand Surcharge** - If the Shipper is a member of a Group which includes a Shipper under Rate Schedules 22, 22A or 22B then the Group and its members will be subject to Demand Surcharges under section 7 (Unauthorized Use) of Rate Schedule 22.

7. Nomination

- 7.1 **Capacity on Transporter Pipeline(s)** - The Shipper will on or before the Commencement Date notify FortisBC Energy of the identity of the party holding capacity for the Shipper on the Transporter pipeline(s), and thereafter from time to time on a prompt basis when such party changes.
- 7.2 **Requested Quantity** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy, prior to 7:30 a.m. Pacific Clock Time on each Day (or such other time as may be specified from time to time by FortisBC Energy) such information as may be requested by FortisBC Energy, which will include, but is not limited to, the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours and the portion of the Requested Quantity to be delivered to FortisBC Energy at each applicable Interconnection Point. If the Shipper does not notify FortisBC Energy in accordance with the foregoing, then the Shipper's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Shipper's Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity), for the Day just commencing. The Shipper's Requested Quantity for each Day will equal the Shipper's best estimate, at the time of notification to FortisBC Energy of the Requested Quantity, of the quantity of Gas the Shipper will actually consume on such Day.
- 7.3 **Adjustment of Requested Quantity** - FortisBC Energy may adjust, in consultation with the Shipper, the Shipper's Requested Quantity, described in section 7.2 (Requested Quantity), when in the reasonable opinion of FortisBC Energy such modification is required in order to minimize the Month end balancing quantity.
- 7.4 **Request to Transporter** - FortisBC Energy will provide to the Transporter(s) the portion of the Shipper's Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.5 **Delivery to Interconnection Point** - Each Day the Shipper will cause to be delivered to the applicable Interconnection Point a quantity of Gas at least equal to the portion of the Shipper's Requested Quantity from that Interconnection Point, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).

- 7.6 **Failure to Deliver to Interconnection Point** - If on any Day the Authorized Quantity from a Transporter is less than the quantity requested from the Transporter pursuant to section 7.4 (Request to Transporter), FortisBC Energy may, in its discretion, interrupt or curtail service hereunder to the lesser of such Authorized Quantity or the DTQ. Alternatively, FortisBC Energy may deliver additional Gas to the Shipper at the subject Interconnection Point and charge the Shipper the charge for Backstopping Gas as set out in the Table of Charges. If FortisBC Energy is unable to ascertain which Shipper's supply has caused a deficiency, FortisBC Energy may, in its discretion, interrupt or curtail service to the Shippers on a prorata basis or another basis deemed equitable by FortisBC Energy based on available information. FortisBC Energy will reallocate the deficiency as soon as reasonable if it obtains information that allows it to determine responsibility and FortisBC Energy will disclose to the Shippers how it allocated or reallocated the deficiency.
- 7.7 **Authorized Quantity** - FortisBC Energy will take such action as is reasonable in all the circumstances to advise the Shipper or the Shipper Agent if the portion of the Authorized Quantity from a Transporter is less than the portion of the Requested Quantity to be delivered to FortisBC Energy at the Interconnection Point with the Transporter.
- 7.8 **Determination of DTQ** - The Shipper will provide to FortisBC Energy by fax or other method approved by FortisBC Energy 30 Days prior to the Commencement Date of each Contract Year the Shipper's DTQ for the following Contract Year. If a Shipper appoints a Shipper Agent to act on its behalf, the Shipper authorizes the Shipper Agent to determine the DTQ set out in the Transportation Agreement, for each Contract Year. This authorization will remain in effect for the term of the Transportation Agreement or so long as the Shipper Agent acts as agent for the Shipper, whichever period is shorter.

8. Gas Balancing

- 8.1 **Monthly Adjustments** - With the exception of unreturned Peaking Gas, FortisBC Energy will make adjustments at the end of each Month for the differences between the sum of the Authorized Quantities and the Shipper's actual consumption as measured daily by FortisBC Energy as follows
- (a) for overdeliveries (the sum of the Authorized Quantities is greater than the Shipper's actual monthly consumption) FortisBC Energy will maintain an inventory account for the Shipper and will increase the balance in the inventory account by the excess amount received. FortisBC Energy reserves the right to limit Gas quantities maintained in the Shipper's inventory account and will from time to time in consultation with the Shipper return excess inventory at no charge to the Shipper; this will not relieve the Shipper from its obligation to provide accurate nominations pursuant to section 7.2 (Requested Quantity) , and
 - (b) except in the case of Backstopping Gas and Unauthorized Overrun Gas, for underdeliveries (the sum of the Authorized Quantities is less than the Shipper's actual Monthly consumption as measured by FortisBC Energy), FortisBC Energy will sell to the Shipper the deficiency quantities at the Balancing Gas charge set out in the Table of Charges.
- 8.2 **Imbalance Following Termination** - If FortisBC Energy has received a quantity of Gas in excess of the quantity delivered to the Shipper during the term of a Transportation Agreement, then the Shipper may request the excess quantity be returned within 90 Days following termination of the Transportation Agreement.
- 8.3 **Balancing of Peaking Gas** - Balancing of Peaking Gas is described in section 10.7.

9. Group Nominations and Balancing

- 9.1 **Group Nomination and Balancing** - If a Shipper appoints a Shipper Agent and becomes a member of a Group and if the Shipper and Shipper Agent have agreed to execute or have executed a Shipper Agent Agreement, and if the members of the Group are in the same Service Area of FortisBC Energy and receive service under a transportation Rate Schedule, the Shipper Agent will nominate and balance on behalf of all members of the Group on an aggregate basis pursuant to sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service) of this Rate Schedule, as modified by this section, and the Shipper Agent will be the agent for each of the members of a Group for the purposes of any and all matters set out in sections 7 (Nomination), 8 (Gas Balancing), 10 (Peaking Gas) and 11 (EKE Receipt Service). Notwithstanding the foregoing, where a Shipper under Rate Schedules 22, 22A or 22B is a member of the Group, section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis. The Shipper Agent may also elect pursuant to the Shipper Agent Agreement, to pay some or all of the charges specified in sections 5.1 and 6.1 for and on behalf of the Shippers in its Group. The Shipper acknowledges and agrees that FortisBC Energy may rely, for the purpose of payment allocations, on verbal notification from the Shipper Agent of such election as a basis for the Shipper Agent's authority to act on behalf of Shipper. Where the Shipper Agent fails to execute a Shipper Agent Agreement, the Shipper will be deemed to be and treated by FortisBC Energy as an individual Group of one Shipper, except for the purposes of sections 9.5 and 13.1 hereunder, and will be deemed to have agreed to purchase Gas from FortisBC Energy pursuant to the applicable transportation schedule and will accordingly be responsible for the payment of all charges thereunder, including any and all Balancing Gas and Unauthorized Overrun Gas charges attributable to that Shipper.
- 9.2 **Requested Quantity from Shipper Agent** - The Shipper Agent will notify FortisBC Energy of the Shipper's Requested Quantity described in section 7.2 (Requested Quantity) on behalf of all members of a Group on an aggregate basis. If the Shipper Agent does not so notify FortisBC Energy, then the Group's Requested Quantity for the Day commencing in approximately 24 Hours will be deemed to be the Group's quantity pursuant to section 8.2 (Requested Quantity) for the Day just commencing.
- 9.3 **Determination of Charges** - The charges for Backstopping Gas, Balancing Gas, Unauthorized Overrun Gas and Replacement Gas set out in the Table of Charges, and Demand Surcharges as set out in the Rate Schedule 22 Table of Charges, will be determined based on the quantities transported on behalf of all members of the Group on an aggregate basis. The charges for Unauthorized Transportation Service will be determined based on the quantities delivered to each Shipper.

- 9.4 **Security** - FortisBC Energy may require the Shipper Agent to provide security, as set out in section 3.2 (Security), with necessary changes, for the performance of the Shipper Agent's obligations under the Shipper Agent Agreement.
- 9.5 **Notices To and From Shipper Agents** - If the Shipper is a member of a Group then:
- (a) communications regarding curtailments or interruptions arising from Gas supply constraints and limitations, quantities of Gas requested and quantities of Gas authorized will be between the Shipper Agent for the Group and FortisBC Energy; and
 - (b) notices from FortisBC Energy with respect to interruption or curtailment pursuant to section 4.3 (Notice of Curtailment) arising from Gas supply constraints or limitations will be to the Shipper Agent for the Group and will specify the quantity of Gas to which the Group is curtailed and the time at which such curtailment is to be made; it will be the responsibility of the Shipper Agent to notify Shippers which are members of the Group of interruptions or curtailments.

10. Peaking Gas Service

- 10.1 **Applicability** - In each Contract Year, Peaking Gas Service is available only to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area, Lower Mainland Service Area or Columbia Service Area and for which the Transportation Agreement was in effect on the 1st Day of November of the subject Contract Year.
- 10.2 **15-Day Maximum** - A Non-Bypass Shipper may request Peaking Gas for a maximum of 15 Days during each Contract Year. Any Day for which any portion of the Shipper's Peaking Gas Quantity is requested and authorized will be considered one of the 15 Days of Peaking Gas entitlement even if the quantity of authorized Peaking Gas is not used or only partially used.
- 10.3 **Peak Day Demand** - For purposes of determining the Peaking Gas Quantity available to a Non-Bypass Shipper on a Day, the Peak Day Demand of a Rate Schedule 26 Shipper is equal to 1.25 times the Shipper's highest average daily consumption of any month in the winter period from November through March of the preceding Contract Year. In instances respecting which it is agreed by FortisBC Energy and Shipper that a Shipper's Gas consumption during the preceding Contract Year is not indicative of prospective consumption, FortisBC Energy will set the Peak Day Demand of that Shipper after consultation with that Shipper.

10.4 **Peaking Gas Quantity** - The quantity of Peaking Gas available on a Day to a Non-Bypass Shipper ("Peaking Gas Quantity") will be a percentage of that Shipper's Peak Day Demand. The Peaking Gas Quantity available to Non-Bypass Shippers for the next Contract Year will be determined by FortisBC Energy, and FortisBC Energy will in writing notify each Non-Bypass Shipper of that Shipper's Peaking Gas Quantity, at least 30 days prior to the commencement of each Contract Year. The Peaking Gas Quantity available to a Non-Bypass Shipper in a Contract Year will be:

- (a)
$$\frac{\text{Total Non-Bypass Transport Demand}}{\text{Forecast Sales Demand} + \text{Non-Bypass Transport Demand}} = \text{Peaking Gas Factor}$$
- (b)
$$\text{Peaking Gas Factor} * \text{SCP Peaking Gas} = \text{Non-Bypass Transport Volume}$$
- (c)
$$\frac{\text{Non-Bypass Transport Volume}}{\text{Non-Bypass Transport Demand}} = \text{Peaking Gas Percentage}$$
- (d)
$$\text{Peaking Gas Percentage} * \text{a Non-Bypass Shipper's Peak Day Demand} = \text{Peaking Gas Quantity}$$

Where:

"Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers for the Contract Year commencing the next November 1; "Forecast Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all Gas sales Customers of FortisBC Energy excluding those in the Fort Nelson Service Area; and "SCP Peaking Gas" is the quantity of peaking gas available to FortisBC Energy in the Year commencing the next November 1 due to the operation of the Southern Crossing Pipeline.

10.5 **Requested Peaking Gas Quantity** - Shipper will notify FortisBC Energy of its Requested Peaking Gas Quantity pursuant to nomination procedures described in section 7.2 except as otherwise described in section 10.6 (a) and 10.6 (b) below. The Requested Peaking Gas Quantity must be explicitly stated on the nomination and may be less than but may not exceed the Shipper's Peaking Gas Quantity described in section 10.5.

- (a) **Prior Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment for the next or subsequent Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity for the next Day up until one Hour prior to the evening nomination cycle on the day preceding the Day for which notice of curtailment has been given.

- (b) **Same Day Notices of Curtailment** - On a Day when FortisBC Energy has given notice of curtailment to be effective during that Day, a Shipper may notify FortisBC Energy of its Requested Peaking Gas Quantity up until one Hour after the notice of curtailment has been given by FortisBC Energy; provided that FortisBC Energy has usable nomination cycles available during that Day with the Transporter(s). Requests for Requested Peaking Gas Quantity received after the time when FortisBC Energy has usable nomination cycles available during that Day will be authorized only on an as available basis. If notice of Requested Peaking Gas Quantity is given to FortisBC Energy during the Day for which Peaking Gas is being requested then the Peaking Gas Quantity available to Shipper on that Day will be reduced consistent with the elapsed pro-rata practices of applicable Transporter(s).
- (c) **Non-Curtailment Days** - On Days for which FortisBC Energy has not given notice of curtailment, requests for Peaking Gas Quantity shall be made in accordance with the provisions described in section 7.2.
- 10.6 **Return of Peaking Gas Quantity** - FortisBC Energy will, within 4 business days following the date for which Peaking Gas is authorized, provide to the Shipper a statement indicating the amount of Peaking Gas authorized and used, and this will be the statement used for the purposes of tracking the authorization and use of Peaking Gas. Peaking Gas must be returned to FortisBC Energy within 6 Business Days of the Day in respect of which it was authorized. Shipper must notify FortisBC Energy that it is returning Peaking Gas Quantity with its nomination for Requested Quantity described in section 7.2. Peaking Gas returned will be applied against the earliest Peaking Gas Quantity authorized and not yet returned. Shipper has option to elect to return Peaking Gas from the Peaking Gas inventory which is kept for this purpose. If Peaking Gas is not returned to FortisBC Energy within 6 Business Days, FortisBC Energy will provide Shipper with an equivalent quantity of Replacement Gas. The charge for Replacement Gas will be as set out in the Table of Charges.
- 10.7 **Last Gas Ordered** - Peaking Gas Quantity will be considered the last Gas ordered and taken during the Day.
- 10.8 **Transport of Peaking Gas Quantity** - Peaking Gas Quantity will be deemed to be provided to the Shipper at the Interconnection Point, and the volumes consumed by the Shipper will be included in the Shipper's monthly transport volume for the purposes of calculating monthly transport charges.

11. Access to East Kootenay Exchange (EKE) Interconnection Point

11.1 Firm EKE Receipt Service

- (a) **Applicability** - Firm receipt service access from the EKE Interconnection Point ("Firm EKE Receipt Transport") is available to Non-Bypass Shippers for Gas which is delivered to a Delivery Point in the Inland Service Area and for which the Shipper has a Transportation Agreement which is effective on the August 1st preceding the subject Contract Year ("Inland Non-Bypass Shippers").
- (b) **Availability** - The total quantity of Firm EKE Receipt Service available in aggregate to Inland Non-Bypass Shippers ("EKE Transport Volume") will be determined by FortisBC Energy for each Contract Year. FortisBC Energy shall publish the EKE Transport Volume which is available for the next Contract Year by July 31 of each Year. The EKE Transport Volume shall be determined as follows:

$$\frac{\text{Inland Non-Bypass Transport Demand} * \text{ITS Constraint}}{\text{Forecast Inland Sales Demand} + \text{Inland Non-Bypass Transport Demand}} = \text{EKE Transport Volume}$$

Where:

"Inland Non-Bypass Transport Demand" is the aggregate Peak Day Demand of all Non-Bypass Shippers in the Inland Service Area for the Contract Year commencing the next November 1; "Forecast Inland Sales Demand" is the FortisBC Energy forecast of the aggregate peak day demand for the Year commencing the next November 1 for all firm Gas sales Customers of FortisBC Energy in the Inland Service Area; and "ITS Constraint" is the capacity of the FortisBC Energy Interior transmission system available to flow Gas from Oliver in a northbound direction during periods of peak demand.

- (c) **Election** - Annual elections for Firm EKE Receipt Service for the next Contract Year must be submitted in writing by Shippers to FortisBC Energy within 5 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume. The election must indicate the quantity of Firm EKE Receipt Service requested. The quantity requested must not exceed the Shipper's Peak Day Demand. FortisBC Energy will pro-rate the Firm EKE Receipt Service requests based on the requested quantities if aggregate Firm EKE Receipt Service requests exceed the available EKE Transport Volume. FortisBC Energy will notify Shippers of the Shippers' quantity of Firm EKE Receipt Service within 10 Business Days of the date on which FortisBC Energy publishes the EKE Transport Volume.

11.2 Interruptible EKE Receipt Service

- (a) **Applicability** - Interruptible receipt service access to the EKE Interconnection Point ("Interruptible EKE Receipt Service") is available only to Non-Bypass Shippers for which Gas is delivered to a Delivery Point in the Inland Service Area and Lower Mainland Service Area ("Eligible Interruptible Non-Bypass Shippers").
- (b) **Quantity Available** - The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be determined by FortisBC Energy. In determining the quantity of Interruptible EKE Receipt Service available FortisBC Energy will take into account system delivery constraints including the requirement to flow Gas from the facilities of Westcoast Energy Inc. into the Inland Service Area, and the quantity of Firm EKE Receipt Service not utilized. The quantity of Interruptible EKE Receipt Service available to Eligible Interruptible Non-Bypass Shippers will be a pro-rata portion of the aggregate available demands of all firm Gas sales Customers and all firm transportation Customers in the Inland and Lower Mainland Service Areas.
- (c) **Maximum Nomination** - A Shipper may not request Interruptible EKE Receipt Service in excess of the Shipper's Peak Day Demand less the Firm EKE Receipt Service of the Shipper. If FortisBC Energy receives requests for Interruptible EKE Receipt Service in excess of the aggregate available Interruptible EKE Receipt Service available for the Day (as determined in 11.2 (b), FortisBC Energy will apportion the available Interruptible EKE Receipt Service on a pro-rata basis of requested Interruptible EKE Receipt Service.
- (d) **Incremental Costs** - Shippers will be responsible for incremental costs associated with transportation on the facilities of Westcoast Energy Inc. from the Inland Service Area to the Lower Mainland Service Area (if applicable).

12. Term of Transportation Agreement

- 12.1 **Term** - The initial term of the Transportation Agreement will begin on the Commencement Date and will expire at 7:00 a.m. Pacific Standard Time on the November 1st next following, provided that if the foregoing results in an initial term of less than one year, then the initial term will instead expire at the end of one further Contract Year.

- 12.2 **Automatic Renewal** - Except as specified in the Transportation Agreement, the term of the Transportation Agreement will continue from year to year after the expiry of the initial term unless cancelled by either FortisBC Energy or the Shipper, subject to section 3.3, (Warning if Switching from Interruptible to Firm Transportation Service or Sales) upon not less than 2 months notice prior to the end of the Contract Year then in effect.
- 12.3 **Early Termination** - The term of the Transportation Agreement is subject to early termination in accordance with section 18 (Default or Bankruptcy).
- 12.4 **Survival of Covenants** - Upon the termination of the Transportation Agreement, whether pursuant to section 18 (Default or Bankruptcy) or otherwise,
- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
 - (b) all of the provisions in this Rate Schedule and in the Transportation Agreement relating to the obligation of any of the parties to account to or indemnify the other and to pay to the other any monies owing as at the date of termination in connection with the Transportation Agreement, will survive such termination.

13. Statements and Payments

- 13.1 **Statements to be Provided** - FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper, a statement for the preceding month showing the Gas quantities delivered to the Shipper and the amount due. If the Shipper is a member of a Group then the statement and the calculation of the amount due from the Shipper will be based on information supplied by the Shipper Agent, or based on other information available to FortisBC Energy, as set out in the Shipper Agent Agreement. FortisBC Energy will, on or about the 45th day after the end of a Contract Year, deliver to the Shipper a separate statement for the preceding Contract Year showing the amount required from the Shipper in respect of any indemnity due under this Rate Schedule or a Transportation Agreement. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.

13.2 **Payment and Late Payment Charge** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to FortisBC Energy at its Vancouver, British Columbia office, or such other place in Canada as it will designate, on or before the 1st business day after the 21st calendar day following the billing date. If the Shipper fails or neglects to make any payment required under this Rate Schedule, or any portion thereof, to FortisBC Energy when due, FortisBC Energy will include in the next bill to the Shipper a late payment charge of 1.5% per month (19.56% per annum) on the outstanding amount.

13.3 **Examination of Records** - Each of FortisBC Energy and the Shipper will have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge, computation or demand made pursuant to any provisions of this Rate Schedule or the Transportation Agreement.

14. Quality

14.1 **Minimum Standards** - All Gas delivered to an Interconnection Point by or on behalf of the Shipper and all Gas delivered to the Delivery Point will conform to the quality specifications set out in the applicable Transporter's Service Terms.

15. Measuring Equipment

15.1 **Facilities and Equipment** - FortisBC Energy will, at the cost to the Shipper, install, maintain and operate at the Delivery Point such metering and communications facilities and equipment as FortisBC Energy determines are necessary or desirable for measuring the quantity of Gas delivered pursuant to this Rate Schedule to the Shipper and the Shipper will permit FortisBC Energy, without cost to FortisBC Energy, to use the Shipper's communications lines and power for the purpose of installing, maintaining and operating the measuring equipment of FortisBC Energy.

- 15.2 **Measuring Site** - If FortisBC Energy reasonably determines that it is necessary to install the facilities and equipment referred to in section 15.1 (Facilities and Equipment) on the Shipper's property, the Shipper will, without charge, provide a suitable site along with utilities and enclosures for the installation of the facilities and equipment of FortisBC Energy. FortisBC Energy will at all times have clear access to the site and to all of its facilities and equipment. All facilities and equipment installed by FortisBC Energy on the Shipper's property will remain the property of FortisBC Energy and may be removed by FortisBC Energy upon termination of the Transportation Agreement.
- 15.3 **Calibration and Test of Measuring Equipment** - The accuracy of the measuring equipment of FortisBC Energy will be verified by standard tests and methods at regular intervals and at other times at the initiative of FortisBC Energy or upon the reasonable request of the Shipper. Notice of the time and nature of each test conducted in response to communications with or at the request of the Shipper will be given by FortisBC Energy to the Shipper sufficiently in advance to permit a representative of the Shipper to be present. If during a test the measuring equipment is found to be registering inaccurately, it will be adjusted at once to read as accurately as possible. The results of each test and adjustment, if any, made by FortisBC Energy, whether or not the Shipper is present for such test, will be accepted until the next test. All tests of such measuring equipment of FortisBC Energy will be made at the expense of FortisBC Energy, except that the Shipper will bear the expense of tests made at its request if the measuring equipment is found to be inaccurate by an amount equal to 2% or less.
- 15.4 **Inaccuracy Exceeding 2%** - If upon any test the measuring equipment is found to be inaccurate by an amount exceeding 2%, any previous readings of such equipment will be corrected to zero error for any period during which it is definitely known or is agreed upon that the error existed. If the period is not definitely known or is not agreed upon, such correction will be for a period covering the last half of the time elapsed since the date of the last test. Provided that under no circumstances will an adjustment be made for a period of more than the preceding 12 months.
- 15.5 **Correction of Measuring Errors** - If the measuring equipment is out of service or out of repair so that the quantity of Gas delivered cannot be correctly determined by the reading thereof, the Gas delivered during the period such measuring equipment is out of service or out of repair will be estimated on the basis of the best available data, using the first of the following methods which is feasible
- (a) by correcting the error if the percentage of error is ascertained by calibration test or mathematical calculation,
 - (b) by using the registration of any check measuring equipment if installed and accurately registering, and

- (c) by estimating the quantity of Gas delivered to the Shipper during the preceding periods under similar conditions when the meter was registering accurately.

- 15.6 **Shipper's Equipment** - The Shipper may at its own expense install, maintain and operate its own measuring equipment for the purposes of monitoring or checking the measuring equipment of FortisBC Energy, provided that the Shipper will install such equipment so as not to interfere with the operation of the measuring equipment of FortisBC Energy.
- 15.7 **Right to be Present** - FortisBC Energy and the Shipper will have the right to inspect all equipment installed or furnished by the other and the charts and other measurement or test data of the other at all times during business hours, and to be present at the time of any installing, testing, cleaning, changing, repairing, calibrating or adjusting done in connection with the measuring equipment of the other party, but all such activities will be performed by the party furnishing the measuring equipment.
- 15.8 **Preservation of Records** - Both parties will cause to be preserved each test datum, chart and other record of Gas measurement for a period of 2 years.

16. Measurement

- 16.1 **Unit of Volume** - The unit of volume of Gas for all purposes hereunder will be 1 cubic metre at a temperature of 15° Celsius and an absolute pressure of 101.325 kilopascals.
- 16.2 **Determination of Volume** - Gas delivered hereunder will be metered using metering apparatus approved by the Standards Division, Industry Canada, Office of Consumer Affairs and the determination of standard volumes delivered hereunder will be in accordance with terms and conditions pursuant to the *Electricity and Gas Inspection Act* of Canada.
- 16.3 **Conversion to Energy Units** - In accordance with the *Electricity and Gas Inspection Act* of Canada, volumes of Gas delivered each Day will be converted to energy units by multiplying the standard volume by the Heat Content of each unit of Gas. Volumes will be specified in 10³m³ rounded to two decimal places and energy will be specified in Gigajoules rounded to one decimal place.

17. Representations, Warranties and Covenants

- 17.1 **Title** - The Shipper represents and warrants with FortisBC Energy that the Shipper will have good title to all Gas to be delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, free and clear of all liens, encumbrances and claims.
- 17.2 **Title Not That of FortisBC Energy** - FortisBC Energy agrees that title to all Gas transported pursuant to the Transportation Agreement remains with the Shipper.
- 17.3 **Acknowledgement** - The Shipper acknowledges that the Gas transported under the Transportation Agreement will be commingled with Gas within the FortisBC Energy System.

18. Default or Bankruptcy

- 18.1 **Default** - If the Shipper at any time fails or neglects
- (a) to make any payment due to FortisBC Energy or to any other person under this Rate Schedule or the Transportation Agreement within 30 days after payment is due, or
 - (b) to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Rate Schedule or the Transportation Agreement, within 30 days after FortisBC Energy gives to the Shipper notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Shipper fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence,

then FortisBC Energy may in addition to any other remedy that it has, including the rights of FortisBC Energy set out in section 4.4 (Default Regarding Curtailment), and 6 (Unauthorized Gas Use), at its option and without liability therefore

- (a) suspend further transportation service to the Shipper and may refuse to deliver Gas to the Shipper until the default has been fully remedied, and no such suspension or refusal will relieve the Shipper from any obligation under this Rate Schedule or the Transportation Agreement, or

- (b) terminate the Transportation Agreement, and no such termination of the Transportation Agreement pursuant hereto will exclude the right of FortisBC Energy to collect any amount due to it from the Shipper for what would otherwise have been the remainder of the term of the Transportation Agreement.

18.2 **Bankruptcy or Insolvency** - If the Shipper becomes bankrupt or insolvent or commits or suffers an act of bankruptcy or insolvency or a receiver is appointed pursuant to a statute or under a debt instrument or the Shipper seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose, FortisBC Energy will have the right, at its sole discretion, to terminate the Transportation Agreement by giving notice in writing to the Shipper and thereupon FortisBC Energy may cease further delivery of Gas to the Shipper and the amount then outstanding for Gas provided under the Transportation Agreement will immediately be due and payable by the Shipper.

19. Notice

19.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule or under the Transportation Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

If to FortisBC Energy

FORTISBC ENERGY INC.

MAILING ADDRESS:

16705 Fraser Highway
Surrey, B.C.
V4N 0E8

BILLING AND PAYMENT:

Attention: Industrial Billing
Telephone: 1-855-873-8773
Fax: (604) 293-2920

CUSTOMER RELATIONS:

Attention: Commercial & Industrial Energy
Solutions
Telephone: (604) 592-7843
Fax: (604) 592-7894

| c

LEGAL AND OTHER:

Attention: Director, Legal Services
Telephone: (604) 443-6512
Fax: (604) 443-6540

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

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

19.2 **Specific Notices** - Notwithstanding section 19.1 (Notice), notices with respect to Force Majeure will be sufficient if:

- (a) given by FortisBC Energy in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by the Shipper as authorized to receive such notices, or
- (b) given by the Shipper by telephone (to be confirmed by fax) in the following manner:

To claim Force Majeure..."Please be advised that (name of company and location of plant) has (reason for claiming Force Majeure as provided in section 21) and hereby claims suspension by reason of Force Majeure in accordance with the terms of Rate Schedule 26 effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to become effective, but not to be retroactive)."

To terminate Force Majeure..."Please be advised that (name of company and location of plant) requests a return to normal natural gas service in accordance with Rate Schedule 26 and the Transportation Agreement effective 7:00 a.m. Pacific Standard Time (date of Force Majeure suspension to end, but not to be retroactive) whereby the suspension by reason of Force Majeure currently in force will be terminated."

20. Indemnity and Limitation on Liability

20.1 **Limitation on Liability** - FortisBC Energy, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of transportation service permitted under the General Terms and Conditions of FortisBC Energy, or this Rate Schedule.

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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- 20.2 **Indemnity** - The Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of each of the following
- (a) any defect in title to any Gas delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, or arising from any charges that are applicable to the Gas delivered to FortisBC Energy,
 - (b) Franchise Fees not otherwise collected by FortisBC Energy under the Table of Charges,
 - (c) nominations made in accordance with sections 7 or 9 of this Rate Schedule by FortisBC Energy to the Transporter with respect to the Shipper's transportation volumes, whether or not the Shipper is a member of a Group,
 - (d) Gas delivered by the Transporter or Shipper to FortisBC Energy failing to meet the quality specifications set out in section 14.1 of this Rate Schedule, and
 - (e) all federal, provincial, municipal taxes (or payments made in lieu thereof) and royalties, whether payable on the delivery of Gas to FortisBC Energy by the Shipper or on the delivery of Gas to the Shipper by FortisBC Energy, or on any other service provided by FortisBC Energy to the Shipper.
- 20.3 **Principal Obligant** - If the Shipper is a member of a Group, the obligations of each of the Shipper Agent (acting for and on behalf of the Shippers that are members of the Group) and the Shipper (in the event of the failure of the Shipper Agent to make such payments and limited to the charges related to that Shipper) to pay to, or to the order of, FortisBC Energy, the charges for Backstopping Gas, Balancing Gas, Replacement Gas, unauthorized overruns set out in the Table of Charges, and Demand Surcharges set out in the Rate Schedule 22 Table of Charges, are those of principal obligant and not of surety and are independent of the respective obligations of the Shipper Agent and the Shipper towards each other pursuant to the Shipper Agent Agreement.

21. Force Majeure

- 21.1 **Force Majeure** - Subject to the other provisions of this section 21, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Rate Schedule under which service is rendered or in the Transportation Agreement, the obligations of both FortisBC Energy and the Shipper will be suspended to the extent necessary for the period of the Force Majeure condition.
- 21.2 **Curtailment Notice** - If FortisBC Energy claims suspension pursuant to this section 21, FortisBC Energy will be deemed to have issued to the Shipper a notice of curtailment.
- 21.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 21.1 under any of the following circumstances
- (a) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - (b) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - (c) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Rate Schedule or the Transportation Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 21.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 21.5 **Settlement of Labour Disputes** - Notwithstanding any of the provisions of this section 21, the settlement of labour disputes or industrial disturbances will be entirely within the discretion of the particular party involved and the party may make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 21.1.

- 21.6 **No Exemption for Payments** - Notwithstanding any of the provisions of this section 21, Force Majeure will not relieve or release either party from its obligations to make payments to the other.
- 21.7 **Periodic Repair by FortisBC Energy** - FortisBC Energy may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the FortisBC Energy System or its equipment and FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. FortisBC Energy will make reasonable efforts to schedule repairs or replacements to minimize interruptible or curtailment of transportation service to the Shipper, and to restore service as quickly as possible.
- 21.8 **Shipper's Gas** - If FortisBC Energy curtails or interrupts transportation of Gas by reason of Force Majeure the Shipper will make its supply of Gas available to FortisBC Energy, to the extent required by FortisBC Energy, to maintain service priority to those customers or classes of customers which FortisBC Energy determines should be served. FortisBC Energy, in its sole discretion, will either increase the balance in the Shipper's inventory account by the amount taken by FortisBC Energy and return an equivalent quantity of Gas to the Shipper as soon as reasonable, or pay the Shipper an amount equal to either FortisBC Energy's average Gas cost, or the Shipper's average Gas cost, for the Day(s) during which such Gas was taken, whichever Gas cost the Shipper, in its sole discretion, elects.
- 21.9 **Alteration of Facilities** - The Shipper will pay to FortisBC Energy all reasonable costs associated with the alteration of facilities made at the discretion of FortisBC Energy to measure quantities reduced by reason of Force Majeure claimed by the Shipper and to restore such facilities after the Force Majeure condition ends.

22. Dispute Resolution

- 22.1 **Mediation** - Where any dispute arises out of or in connection with this Rate Schedule or the service provided under it, FortisBC Energy and the Shipper 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.

- 22.2 **Arbitration** - If FortisBC Energy and the Shipper fail to resolve the dispute through mediation, 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 FortisBC Energy and the Shipper agree otherwise the arbitration will be conducted by a single arbitrator.
- 22.3 **Written Award** - The arbitrator shall issue a written award that sets forth the essential findings and conclusions on which the award is based. The arbitrator will allow discovery as required by law in arbitration proceedings.
- 22.4 **Failure to Render a Decision** - 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 FortisBC Energy and the Shipper are unable to agree on an arbitrator or if the appointment of an arbitrator is terminated in the manner provided for above, then either FortisBC Energy or the Shipper 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.
- 22.5 **Award** - The arbitrator shall have the authority to award
- (a) money damages;
 - (b) interest on unpaid amounts from the date due;
 - (c) specific performance; and
 - (d) permanent relief.
- 22.6 **Costs** - 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.
- 22.7 **Obligations Continue** - The parties will continue to fulfill their respective obligations pursuant to this Rate Schedule and the Transportation Agreement during the resolution of any dispute in accordance with this section 22.

23. Interpretation

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

- (a) all references to a designated section are to the designated section of this Rate Schedule unless otherwise specifically stated,
- (b) the singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate,
- (c) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity,
- (d) all words, phrases and expressions used in this Rate Schedule or in a Transportation Agreement that have a common usage in the gas industry and that are not defined in the General Terms and Conditions of FortisBC Energy, the Definitions or in the Transportation Agreement have the meanings commonly ascribed thereto in the gas industry, and
- (e) the headings of the sections set out in this Rate Schedule or in the Transportation Agreement are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule or the Transportation Agreement.

24. Miscellaneous

24.1 **Waiver** - No waiver by either FortisBC Energy or the Shipper of any default by the other in the performance of any of the provisions of this Rate Schedule or the Transportation Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.

24.2 **Enurement** - The Transportation Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger, amalgamation or consolidation.

- 24.3 **Assignment** - The Shipper will not assign the Transportation Agreement or any of its rights or obligations thereunder without the prior written consent of FortisBC Energy which consent will not be unreasonably withheld or delayed. No assignment will release the Shipper from its obligations under this Rate Schedule or under the Transportation Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Shipper.
- 24.4 **Amendments to be in Writing** - Except as set out in this Rate Schedule, no amendment or variation of the Transportation Agreement will be effective or binding upon the parties unless such amendment or variation is set out in writing and duly executed by the parties.
- 24.5 **Proper Law** - The Transportation Agreement will be construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 24.6 **Time is of Essence** - Time is of the essence of this Rate Schedule, the Transportation Agreement and of the terms and conditions thereof.
- 24.7 **Subject to Legislation** - Notwithstanding any other provision hereof, this Rate Schedule and the Transportation Agreement and the rights and obligations of FortisBC Energy and the Shipper under this Rate Schedule and the Transportation Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over FortisBC Energy or the Shipper.
- 24.8 **Further Assurances** - Each of FortisBC Energy and the Shipper will, on demand by the other, execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other may reasonably require to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Rate Schedule and the Transportation Agreement and to assure the completion of the transactions contemplated hereby.
- 24.9 **Form of Payments** - All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule or the Transportation Agreement will be made by wire transfer to, or cheque or bank cashier's cheque drawn on a Canadian chartered bank or trust company, payable in lawful money of Canada at par in immediately available funds in Vancouver, British Columbia.

Table of Charges

	<u>Lower Mainland Service Area</u>	<u>Inland Service Area</u>	<u>Columbia Service area</u>	
1. Transportation				
(a) Basic Charge per Month	\$ 61.00	\$ 61.00	\$ 61.00	
(b) Delivery Charge per Gigajoule	\$ 4.029	\$ 4.029	\$ 4.029	A
(c) Administration Charge per Month	\$ 78.00	\$ 78.00	\$ 78.00	
2. Sales				
(a) Charge per Gigajoule of Balancing Gas supplied	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	
(b) Charges for Backstopping Gas	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(c) Replacement Gas ²	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	Sumas Daily Price ¹ plus 20 Percent	
(d) Unauthorized Overrun Charges				
(i) Per Gigajoule on first 5 percent of specified quantity	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(ii) Per Gigajoule on all Gas over 5 percent of specified quantity	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	
3. Rider 4 per Gigajoule	\$ 0.000	\$ 0.000	\$ 0.000	

Order No.: G-150-13

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: January 1, 2014

BCUC Secretary: Original signed by Erica Hamilton

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Rider 1 **Propane Surcharge** - Not applicable.

Rider 4 (Reserved for future use.)

| C

Franchise Fee Charge of 3.09% of the aggregate of the above charges, is payable (in addition to the above charges) if the facilities to which Gas is delivered under this Rate Schedule are located within the municipal boundaries of a municipality or First Nations lands (formerly, reserves within the *Indian Act*) to which FortisBC Energy pays Franchise Fees.

Minimum Charge per month - The minimum charge per month will be the aggregate of the Basic Charge, the transportation administration charge and the Franchise Fee charge.

Interim Rate Establishment - Pursuant to the British Columbia Utilities Commission Order G-150-13, FortisBC Energy Inc. delivery rates have been established as interim, approved effective January 1, 2014. Final determination of delivery rates for FortisBC Energy Inc. will be subject to the Commission's decision on the FortisBC Energy Inc. Application for Approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018. The interim delivery rates are subject to refund with interest at the average prime rate of FortisBC Energy Inc.'s principal bank.

| C/N

Special Conditions

FortisBC Energy may, in its sole discretion, reduce the Charge per Gigajoule to any Customer where such reduction is necessary to encourage expansion of the NGV market. Any reduction in the Charge will be specified in the Transportation Agreement.

FortisBC Energy may make a promotional grant towards the cost to purchase a factory-built NGV vehicle, or the cost to convert a vehicle to natural gas to meet requirements as set by the Government of Canada, provided that such vehicles will obtain Gas from refueling facilities in a FortisBC Energy service area. The amount of the grant would not exceed \$10 per GJ, based on estimated consumption over a one year period, up to a maximum total grant by vehicle type as listed in the table below:

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It is a condition of the grant that the Customer be provided Service under this Rate Schedule.

Factory Built NGV Incentive Grants		
Vehicle Description	GVW (#)	Maximum Grant
Light Duty	< 10,000	\$ 2,500
Medium Duty	< 17,000	\$ 5,000
Heavy Duty	> 17,000	\$ 10,000

The amount of each grant will not exceed the 5-year projected net revenue to FortisBC Energy from each corresponding vehicle.

FortisBC Energy may also fund Special Demonstration project grants, tied to an individual vehicle purchased by a customer. The amount of the Special Demonstration grant will not exceed the premium cost for the natural gas option for the vehicle. The total funds paid out under the Special Demonstration project grants will not exceed \$100,000 in any one year.

Notes:

1. As defined under section 1.1, the Sumas Daily Price quoted each Day will apply to gas consumed on that gas day.
2. The Sumas Daily Price for the sixth Business Day following the Day for which the Peaking Gas was authorized plus 20 percent.

**TRANSPORTATION AGREEMENT FOR
RATE SCHEDULES 22, 22A, 22B, 23, 25, 26 AND 27**

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

WHEREAS:

- A. FortisBC Energy owns and operates the FortisBC Energy System; and
- B. The Shipper has requested that FortisBC Energy arrange for the transportation of Gas on a firm and/or interruptible basis through the FortisBC Energy System to _____ located in or near _____ British Columbia in accordance with a transportation Rate Schedule as set out below and the terms set out herein.

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

1. Specific Information

Applicable Rate Schedule:

☐ 22 ☐ 22A ☐ 22B
☐ 23 ☐ 25 ☐ 26 ☐ 27

Type of Service:

☐ Firm ☐ Interruptible
☐ Firm and Interruptible

Firm DTQ / DTQ:

_____ Gigajoules per day

Shipper Agent and / or Group, if applicable:

Commencement Date:

Expiry Date:

(only specify expiry date if term not automatically renewed as set out in the Automatic Renewal section of the applicable transportation Rate Schedule)

Delivery Point:

Pressure at the Delivery Point:

(only specify where applicable as set out in the Gas Pressure section of the applicable transportation Rate Schedule)

Service Address:

Account Number:

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Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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Interconnection Point: The point at (_____ km-post _____)
where the Transporter's pipeline system in
British Columbia interconnection with the
FortisBC Energy System

Address of Shipper for receiving notices:

(name of Shipper) Attention: _____

(address of Shipper) Telephone: _____

_____ Fax: _____

_____ Email: _____

The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable transportation Rate Schedule to any such information is to the information set out above.

2. Rate Schedule 22 / 22A / 22B / 23 / 25 / 26 / 27

2.1 **Additional Terms** - All rates, terms and conditions set out in the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25, 26 or 27) and the General Terms and Conditions of FortisBC Energy, as any of them may be amended by FortisBC Energy and approved from time to time by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Transportation Agreement and form part of this Transportation Agreement and bind FortisBC Energy and the Shipper as if set out in this Transportation Agreement.

2.2 **Payment of Amounts** - Without limiting the generality of the foregoing, the Shipper will pay to FortisBC Energy all of the amounts set out in the applicable transportation Rate Schedule for the services provided under such Rate Schedule and this Transportation Agreement.

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- 2.3 **Conflict** - Where anything in either the applicable transportation Rate Schedule or the General Terms and Conditions of FortisBC Energy conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement governs. Where anything in the applicable transportation Rate Schedule conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the Rate Schedule governs.
- 2.4 **Member of a Group** - Where the Shipper will be a member of a Group which has a Shipper Agent acting as agent for the members of the Group, Shipper must complete Appendix "A" attached to this Transportation Agreement and Shipper thereby agrees that the terms and conditions of Appendix "A" form part of this Transportation Agreement and bind the Shipper as if set out in this Transportation Agreement.
- 2.5 **Acknowledgement** - The Shipper acknowledges receiving and reading a copy of the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25, 26 or 27) and the General Terms and Conditions of FortisBC Energy and agrees to comply with and be bound by all terms and conditions set out therein. Without limiting the generality of the foregoing, where the transportation service is interruptible, the Shipper acknowledges that it is able to accommodate such interruption or curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such interruption or curtailment of transportation service.

IN WITNESS WHEREOF the parties hereto have executed this Transportation Agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper)

BY: _____
(Signature)

BY: _____
(Signature)

(Title)

(Title)

(Name – Please Print)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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APPENDIX A

NOTICE OF APPOINTMENT OF SHIPPER AGENT

1. _____ (Shipper) hereby gives notice to FortisBC Energy
(Name of Shipper)
that Shipper has appointed _____ (the Shipper Agent) to
(Name of Shipper Agent)
act as agent for Shipper in all matters relating to gas supply and to transportation service on the FortisBC Energy System. Shipper also gives notice to FortisBC Energy that Shipper wishes to be a member of a Group, and the Shipper will cause the Shipper Agent to enter into a Shipper Agent Agreement or other agreement with FortisBC Energy that binds the Shipper Agent to pay the charges which the Shipper Agent elects to pay for and on behalf of the Shipper.
2. Shipper acknowledges and agrees that the Shipper Agent will provide aggregate nominations for the Group to FortisBC Energy.
3. Shipper acknowledges and agrees that if the Group includes a member which is a Shipper under Rate Schedule 22, 22A, or 22B then section 10 (Group Nominations and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis, and the Group and its members will be subject to the Demand Surcharge provisions of Rate Schedule 22.
4. Shipper acknowledges and agrees that when there are constraints or limitations of Gas supply FortisBC Energy will notify the Shipper Agent and it will then be the responsibility of the Shipper Agent to notify Shipper of any curtailment or interruption arising from the constraint or limitation of Gas supply.
5. Shipper acknowledges and agrees that the Shipper Agent will provide Gas supply priority schedules to FortisBC Energy which will advise FortisBC Energy of the allocation of Gas supply amongst members of the Group during constraints or limitations of Gas supply.
6. Shipper acknowledges and agrees that the Shipper Agent will provide FortisBC Energy with information which will be used by FortisBC Energy to bill Shipper for Backstopping Gas, Balancing Gas, unauthorized overrun charges and Demand Surcharges.

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7. Shipper acknowledges that FortisBC Energy will bill Shipper on the basis of information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that it is bound by the information supplied to FortisBC Energy by the Shipper Agent and Shipper agrees that it will not dispute the information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that the Shipper Agent may elect to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement and Shipper acknowledges that if the Shipper Agent fails to provide information to FortisBC Energy then notwithstanding any election that has been made by the Shipper Agent to pay some or all of the charges for Gas identified in section 3.8 of the standard form Shipper Agent Agreement, FortisBC Energy will bill Shipper directly on the bases set out in section 3.9 of the standard form Shipper Agent Agreement of FortisBC Energy. Shipper agrees to pay FortisBC Energy as billed, and if Shipper disagrees with any of the billing information used by FortisBC Energy the Shipper will deal with the Shipper Agent to resolve that disagreement. Disputes between the Shipper and the Shipper Agent shall not constitute a basis for non-payment by Shipper to FortisBC Energy of the amounts billed.
8. Shipper will use its best efforts to provide FortisBC Energy with at least 30 days notice if Shipper wishes to leave the Group.
9. Shipper acknowledges and agrees that FortisBC Energy may disband the Group pursuant to section 10 of the standard form Shipper Agent Agreement.
10. Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.
11. Shipper acknowledges receiving a copy of the standard form Shipper Agent Agreement of FortisBC Energy.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name - Please Print)

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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SHIPPER AGENT AGREEMENT

This Agreement is dated _____, 20____, between FortisBC Energy Inc. ("FortisBC Energy") and _____ (the "Shipper Agent").

WHEREAS:

- 1.0 The Shipper Agent wishes to act as agent on behalf of all members of a Group in respect of transportation service on the FortisBC Energy System; and
- 2.0 The Shippers who are members of the Group have entered into Transportation Agreements with FortisBC Energy.

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

1. Specific Information

Members of Group:

(if space is insufficient, continue list on an additional page)

Commencement Date of this agreement:

Expiry Date of this agreement:

(no expiry date need be specified)

Address of Shipper Agent for receiving notices:

(name of Shipper Agent)

(address of Shipper Agent)

Attention: _____

Telephone: _____

Fax: _____

Alternate Tel(s): _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable Transportation Rate Schedules to any such information is to the information set out above.

2. Definitions

- 2.1 **Definitions in Rate Schedule 26** - Except where the context requires otherwise or except as otherwise expressly provided in this agreement, all words and phrases defined in Rate Schedule 26 or in the General Terms and Conditions of FortisBC Energy have the meanings set out in the Rate Schedule 26 and in the General Terms and Conditions of FortisBC Energy.

3. Shipper Agent Obligations

- 3.1 **Management of Balancing Gas** - The Shipper Agent is responsible for the management of all Balancing Gas for the Group and its members.
- 3.2 **Management of Backstopping Gas** - The Shipper Agent is responsible for the management of all Backstopping Gas supplied by FortisBC Energy to the Group and its members.
- 3.3 **Management of Peaking Gas Service** - The Shipper Agent is responsible for the management of all Peaking Gas supplied by FortisBC Energy to the Group and its members as well as the return of Peaking Gas Quantities and any Replacement Gas.
- 3.4 **Management of West to East SCP Transportation Service Imbalances** - The Shipper Agent is responsible for the management of Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service under Rate Schedule 40 supplied by FortisBC Energy to the Group and its members.
- 3.5 **Group Nominations and Balancing** - The Shipper Agent will provide Group nomination and balancing to FortisBC Energy in accordance with the sections of the applicable transportation Rate Schedules except where a Shipper under Rate Schedules 22, 22A or 22B is a members of the Group, in which case section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis.

- 3.6 **Standard Gas Supply Priority Schedule (Standard Priority Schedule)** - Before the Commencement Date of this agreement and before the commencement of each Contract Year the Shipper Agent will provide to FortisBC Energy a Standard Priority Schedule which will advise FortisBC Energy of the priority between members of the Group if a constraint or limitation of Gas supply occurs. The Shipper Agent may provide to FortisBC Energy a revised Standard Priority Schedule from time to time and will provide to FortisBC Energy a revised Standard Priority Schedule if there is a change in membership of the Group.
- 3.7 **Gas Supply Constraints or Limitations** - Upon receipt of a notice from FortisBC Energy of curtailment or interruptions pursuant to section 4.4 (Notice of Gas Supply Constraint or Limitation) Shipper Agent will determine the allocation of Gas supply between members of the Group and will notify the Shippers which are members of the Group of the curtailment or interruption. Within two hours of receipt of notice from FortisBC Energy pursuant to section 4.4, or such longer period as FortisBC Energy considers reasonable in the circumstances, the Shipper Agent will provide to FortisBC Energy a schedule setting out the Gas supply allocation for the Group to apply during that curtailment or interruption. If the Shipper Agent fails to provide a schedule setting out the Gas supply allocation for the Group to apply during the curtailment or interruption then FortisBC Energy will curtail Shippers on the basis set out in the Standard Priority Schedule.
- 3.8 **Monthly Billing Information** - At the end of each month, and within two business days of FortisBC Energy providing to the Shipper Agent a schedule pursuant to section 4.2 (Monthly Provision of Data), the Shipper Agent will provide to FortisBC Energy an allocation schedule setting out the daily Gas takes of each member of the Group and identifying for each member of the Group, the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40. The Shipper Agent will also notify FortisBC Energy which charges the Shipper Agent elects to pay on behalf of the members of the Group and, if notice is not received, FortisBC Energy will bill the Shippers directly.

- 3.9 **Lack of Allocation Information** - If, at the end of a month, the Shipper Agent fails to provide to FortisBC Energy the monthly allocation schedule pursuant to section 3.8 (Monthly Billing Information) then FortisBC Energy will bill on the basis of the best available information. For Balancing Gas FortisBC Energy will bill on a basis proportional to the actual takes of the Shippers during the month. For Backstopping Gas FortisBC Energy will bill on a basis proportional to the actual Day-to-Day takes of the Shippers during the Days when Backstopping Gas was supplied. For Unauthorized Overrun Gas FortisBC Energy will bill on the basis of the schedule(s) setting out the Gas supply allocation for the Group provided to FortisBC Energy pursuant to section 3.8, or if the Shipper Agent fails to provide a schedule pursuant to section 3.8, then on the basis of the applicable Standard Priority Schedule provided by the Shipper Agent pursuant to section 3.6. For Replacement Gas FortisBC Energy will bill on a basis proportional to actual Day-to-Day takes of the Non-Bypass Shippers during the Day for which the Peaking Gas Quantities were not returned. For Positive Imbalances and Negative Imbalances for West to East SCP Transportation Service FortisBC Energy will bill on a basis proportional to the Peak Day Demand of the Non-Bypass Shippers. If further information becomes available, FortisBC Energy will adjust the billings on the basis of the further information.
- 3.10 **Lack of Gas Supply or Nomination** - If the Shipper Agent becomes aware that a Supplier has ceased, or will cease, to supply Gas to a member of the Group; or if the Shipper Agent provides to FortisBC Energy a Requested Quantity for the Group which does not include a quantity for a member of the Group, due to a lack of Gas supply to the member of the Group or due to concerns about a possible lack of Gas supply to the member of the Group, then the Shipper Agent will immediately notify FortisBC Energy. If the Shipper Agent fails to so notify FortisBC Energy then the Shipper Agent is liable to FortisBC Energy for the price of any Gas which FortisBC Energy delivers to that member of the Group after the time when the Shipper Agent should have provided notice to FortisBC Energy.
- 3.11 **Charges for Extra Services** - If FortisBC Energy incurs extra expenses from a Shipper Agent failing to provide information, or failing to provide information in a timely manner, or failing to provide correct information, or otherwise failing to meet its obligations under this agreement, then FortisBC Energy may charge the Shipper Agent for such extra expenses and the Shipper Agent agrees to pay FortisBC Energy the reasonable extra expenses incurred as a result of such failure.

4. FortisBC Energy Obligations

- 4.1 **Weekly Provision of Data** - Twice a week FortisBC Energy will provide to the Shipper Agent a schedule setting out FortisBC Energy's best available data on the daily takes of the Group.
- 4.2 **Monthly Provision of Data** - Within 10 working days after the end of each month FortisBC Energy will provide to the Shipper Agent a schedule setting out the daily takes of each member of the Group.
- 4.3 **Capacity Constraints** - If FortisBC Energy, acting reasonably, determines that it does not have capacity on the FortisBC Energy System to accommodate interruptible transportation service to any member of the Group then FortisBC Energy will directly notify that Shipper pursuant to Notice of Curtailment section of the applicable Rate Schedule and will deal directly with the Shipper if the Shipper takes Unauthorized Overrun Gas or Unauthorized Transportation Service.
- 4.4 **Notice of Gas Supply Constraint or Limitation** - If Gas supply constraints or limitations occur; either due to a constraint or limitation of supply from FortisBC Energy of Backstopping Gas or Balancing Gas, or a constraint or limitation of supply from another Supplier; FortisBC Energy will notify the Shipper Agent of any curtailment or interruption, will specify the quantity of Gas to which the Group in aggregate is curtailed and the time at which time such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper Agent as much notice as possible with respect to such curtailment or interruption, not to be less than 4 hours prior notice unless prevented by Force Majeure.

5. Changes to Group

- 5.1 **Amendments to Group** - Schedule "A" sets out the Shippers who are the members of the Group represented by the Shipper Agent to this agreement. No additions or deletions may be made to the Group without the Shipper Agent providing notice to FortisBC Energy of such additions and deletions through provision to FortisBC Energy of an amended Schedule "A" showing such additions and deletions and the effective dates of such additions and deletions in accordance with section 5 of this agreement.

- 5.2 **Deletions From Group** - If the Shipper Agent wishes to cease acting as agent for a Shipper and a Shipper wishes to cease being a member of the Group, upon receipt by FortisBC Energy of not less than 30 days prior written notice from both the Shipper and Shipper Agent and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of deletion of the Shipper from the Group, such Shipper shall be deleted from the Group upon the effective date specified in the amended Schedule "A". A Shipper will be deleted from a Group effective November 1 of a Year if FortisBC Energy receives not less than 30 days prior written notice from either the Shipper or Shipper Agent.
- 5.3 **Additions To Group** - If the Shipper Agent wishes to add a Shipper to a Group and the Shipper wishes to be added to the Group, and the Shipper has entered into a Transportation Agreement and completed an Appendix "A" - Notice of Appointment of Shipper Agent, and both the Shipper and the Shipper Agent have given to FortisBC Energy not less than 30 days prior written notice of such addition and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of the addition of the Shipper to the Group, such Shipper shall be added to the Group upon the effective date specified in Schedule "A".

6. Statements and Payments

- 6.1 **Statements to be Provided** - If the Shipper Agent elects to pay some or all of the charges for Gas taken by the Shippers as described in section 3.8, FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper Agent a statement for the preceding month showing the Gas quantities, and the applicable charges for which the Shipper Agent is responsible and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 6.2 **Payment and Interest** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to, or to the order of, FortisBC Energy at its Surrey, British Columbia office (mailing address: P.O. Box 6666 Stn. Terminal, Vancouver, B.C., V6B 6M9), or such other place in Canada as it will designate, on or before the 1st business day after the 10th calendar day following the billing date. If the Shipper Agent or Shipper fails or neglects to make any payment required under this Shipper Agent Agreement, or any portion thereof, to or to the order of FortisBC Energy when due, interest on the outstanding amount will accrue, at the rate of interest declared by the chartered bank in Canada principally used by FortisBC Energy, for loans in Canadian dollars to its most creditworthy commercial borrowers payable on demand and commonly referred to as its "prime rate", plus

- (a) 2% from the date when such payment was due for the first 30 days that such payment remains unpaid and 5% thereafter until the same is paid where the Shipper Agent or Shipper has not, during the immediately preceding 6 month period, failed to make any payment when due hereunder; or
- (b) 5% from the date when such payment was due to and including the date the same is paid where the Shipper Agent or Shipper has, during the immediately preceding 6 month period, failed to make any payment when due hereunder.

7. Term

7.1 **Term** - The term of this agreement will commence on the commencement date specified in section 1 of this agreement and will expire either

- (a) 30 days following notice from the Shipper Agent that the Shipper Agent wishes to cease to nominate for transportation service and balancing on behalf of the Group, or
- (b) the expiry or termination of the Transportation Agreements of all of the members of the Group, or
- (c) the expiry date specified in section 1 of this agreement, or
- (d) 5 days following notice from FortisBC Energy to the Shipper Agent, and to the Shippers which are members of the Group, under section 10.1 (Failure to Provide Information or Default).

whichever date is earlier.

7.2 **Survival of Covenants** - Upon the termination of this agreement,

- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
- (b) all of the provisions in this agreement relating to the obligation of either of the parties to provide information to the other in connection with this agreement,

will survive such termination.

8. Representations, Warranties and Covenants

8.1 **Representations and Warranties** - The Shipper Agent represents and warrants to and covenants with FortisBC Energy as follows

- (a) the members of the Group are listed in section 1 of this agreement,
- (b) the Shipper Agent is the agent of each of the members of the Group and has the authority of each of the members of the Group for the purposes of any and all matters set out in the applicable transportation Rate Schedule and this agreement, and
- (c) FortisBC Energy may rely on any act or thing done, or document executed, by the Shipper Agent in connection with of any and all matters set out in the applicable transportation Rate Schedule and this agreement.

9. Limitation on Liability and Indemnity

9.1 **Limitation on Liability** - Neither FortisBC Energy, its employees, contractors or agents will be liable in damages for or on account of any interruption or curtailment of transportation service or Gas supply.

9.2 **Indemnity** - The Shipper Agent will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.

10. Disbanding of the Group

- 10.1 **Failure to Provide Information** - If the Shipper Agent fails to provide FortisBC Energy with the information or schedules which the Shipper Agent is required to provide to FortisBC Energy pursuant to this agreement or is otherwise in breach of this agreement then, acting reasonably in the circumstances and on 5 days notice to the Shipper Agent and to the members of the Group, FortisBC Energy may disband the Group and deal directly with the Shippers which were members of the Group.
- 10.2 **Default** - If any Shipper which is a member of the Group is in default under the Default or Bankruptcy section of the applicable Rate Schedule or becomes bankrupt or insolvent, then that Shipper will cease to be a member of the Group.

11. Dispute Resolution

- 11.1 **Mediation** -Where any dispute arises out of or in connection with this Rate Schedule or the service provided under it, FortisBC Energy and the Shipper 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.
- 11.2 **Arbitration** - If FortisBC Energy and the Shipper fail to resolve the dispute through mediation, 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 FortisBC Energy and the Shipper agree otherwise the arbitration will be conducted by a single arbitrator.
- 11.3 **Written Award** - The arbitrator shall issue a written award that sets forth the essential findings and conclusions on which the award is based. The arbitrator will allow discovery as required by law in arbitration proceedings.

- 11.4 **Failure to Render a Decision** - 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 FortisBC Energy and the Shipper are unable to agree on an arbitrator or if the appointment of an arbitrator is terminated in the manner provided for above, then either FortisBC Energy or the Shipper 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.
- 11.5 **Award** - The arbitrator shall have the authority to award:
- (a) money damages;
 - (b) interest on unpaid amounts from the date due;
 - (c) specific performance; and
 - (d) permanent relief.
- 11.6 **Costs** - 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.
- 11.7 **Obligations Continue** - The parties will continue to fulfill their respective obligations pursuant to this Rate Schedule and the Transportation Agreement during the resolution of any dispute in accordance with this section 22.

12. Notice

- 12.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other party.

13. Acknowledgement

- 13.1 **Acknowledgement** - The Shipper Agent acknowledges receiving and reading a copy of Rate Schedules 22, 22A, 22B, 23, 25, 26 or 27 and the General Terms and Conditions of FortisBC Energy and will comply with and be bound by all terms and conditions set out therein.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper Agent)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page SA-26.11



FORTISBC ENERGY INC.

**RATE SCHEDULE 27
GENERAL INTERRUPTIBLE TRANSPORTATION**

Effective November 1, 1996

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page R-27

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1. Definitions

- 1.1 **Definitions** - Except where the context requires otherwise all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy and used in this Rate Schedule or in a Transportation Agreement have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflict with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.
- (a) **Authorized Quantity** - means the quantity of energy (in Gigajoules) for each Day approved by the Transporter for transportation service on the Transporter's pipeline system, based on the quantity requested by the Shipper, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
 - (b) **Backstopping Gas** - means Gas made available by FortisBC Energy as an interruptible backup supply if on any Day the Authorized Quantity is less than the Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
 - (c) **Balancing Gas** - means any Gas taken during a Month which is in excess of the Authorized Quantity, subject to section 8.1 (Monthly Adjustments).
 - (d) **Commencement Date** - means the day specified as the Commencement Date in the Transportation Agreement.
 - (e) **Contract Year** - means a period of 12 consecutive Months commencing at the beginning of the 1st Day of November and ending at the beginning of the next succeeding 1st Day of November.
 - (f) **Day** - means, subject to section 1.2 (Change in Definition of "Day"), any period of twenty-four consecutive hours beginning and ending at 7:00 a.m. Pacific Standard Time.
 - (g) **Delivery Point** - means the point specified in a Transportation Agreement where FortisBC Energy delivers Gas to a Shipper.

- (h) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labour by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of force majeure by a Transporter that results in gas being unavailable for delivery at the Interconnection Point.
- (i) **Group** - means a group of Shippers who each transport Gas under a transportation Rate Schedule, have a common Shipper Agent, and who have each entered into a Transportation Agreement.
- (j) **Interruption Period** - means the period or periods during which the Shipper is required pursuant to sections 4.2 (Curtailment), 4.3 (Notice of Curtailment), or 19 (Force Majeure) to interrupt, cease, limit or curtail the receipt of Gas.
- (k) **Interconnection Point** - means a point where the FortisBC Energy System interconnects with the facilities of one of the Transporters of FortisBC Energy, as specified in a Transportation Agreement.
- (l) **Month** - means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 7:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 7:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.
- (m) **Pacific Clock Time** - means Pacific Standard Time or Daylight Savings Time as it applies in Surrey, British Columbia.
- (n) **Rate Schedule 27 or this Rate Schedule** - means this Rate Schedule, including all rates, terms and conditions, and the Table of Charges, as amended from time to time by FortisBC Energy with the consent of the British Columbia Utilities Commission.
- (o) **Requested Quantity** - means the quantity of energy for each Day requested for interruptible transportation under this Rate Schedule.
- (p) **Shipper** - means a person who enters into a Transportation Agreement with FortisBC Energy who is also the consumer of the Gas transported.

- (q) **Shipper Agent** - means a person who enters into a Shipper Agent Agreement with FortisBC Energy.
- (r) **Shippers Agent Agreement** - means an agreement between FortisBC Energy and a Shipper Agent pursuant to which the Shipper Agent agrees to act as agent for a Group.
- (s) **Supplier** - means a party who sells Gas to a Shipper or FortisBC Energy or has access to its own supplies of Gas.
- (t) **Table of Charges** - means the table of prices, fees and charges, as amended from time to time by FortisBC Energy with the consent of by the British Columbia Utilities Commission, appended to this Rate Schedule.
- (u) **Transportation Agreement** - means an agreement between FortisBC Energy and a Shipper to provide service pursuant to a transportation Rate Schedule.
- (v) **Transporter** - means, in the case of the Columbia service area, TransCanada PipeLines Limited, B.C. System, and Nova Gas Transmission Ltd., and in the case of the Inland and Lower Mainland service areas, Westcoast Energy Inc., FortisBC Huntingdon Inc., and any other gas pipeline transportation company connected to the facilities of FortisBC Energy from which FortisBC Energy receives Gas for the purposes of Gas transportation or resale.
- (w) **Transporter's Service Terms** - means the general terms and conditions of the applicable Transporter, as filed with and approved from time to time by the National Energy Board or other applicable governmental authority.
- (x) **Unauthorized Overrun Gas** - means any Gas taken on any Day in excess of the curtailed quantity specified in any notice to interrupt or curtail a Shipper's take or to interrupt or curtail a Group's take, and for greater certainty, Unauthorized Overrun Gas includes all Gas taken by a Shipper or a Group to the extent that the obligation of FortisBC Energy to deliver such Gas is suspended by reason of Force Majeure.
- (y) **Unauthorized Transportation Service** - means any transportation service utilized in excess of the curtailed quantity specified in any notice from FortisBC Energy to interrupt or curtail transportation service.

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

2. Applicability

- 2.1 **Description of Applicability** - This Rate Schedule applies to the provision of interruptible transportation service through the FortisBC Energy System and through one meter station to one Shipper. For greater certainty, interruptible transportation service under this Rate Schedule means the provision by FortisBC Energy of transportation service to a Shipper which may be interrupted or curtailed by FortisBC Energy pursuant to sections 4.2 (Curtailement), 16 (Default or Bankruptcy) and 19 (Force Majeure) and the General Terms and Conditions of FortisBC Energy.
- 2.2 **British Columbia Utilities Commission** - This Rate Schedule may be amended from time to time with the consent of the British Columbia Utilities Commission.

3. Conditions of Service

- 3.1 **Conditions** - FortisBC Energy does not provide transportation service as a common carrier. FortisBC Energy will only transport Gas under this Rate Schedule to Shippers in the territory served by FortisBC Energy under the FortisBC Energy tariff of which this Rate Schedule is a part if:
- (a) the Shipper has entered into a Transportation Agreement,
 - (b) adequate capacity exists on the FortisBC Energy System, and
 - (c) FortisBC Energy has installed at the Delivery Point the facilities and equipment referred to in section 13.1 (Facilities and Equipment).
- 3.2 **Security** - In order to secure the prompt and orderly payment of the charges to be paid by the Shipper to FortisBC Energy under the Transportation Agreement, FortisBC Energy may require the Shipper to provide, and at all times maintain, an irrevocable letter of credit in favour of FortisBC Energy issued by a financial institution acceptable to FortisBC Energy in an amount equal to the estimated maximum amount payable by the Shipper under this Rate Schedule and the Transportation Agreement for a period of 90 Days. Where FortisBC Energy requires a Shipper to provide a letter of credit and the Shipper is able to provide alternative security acceptable to FortisBC Energy, FortisBC Energy may accept such security in lieu of a letter of credit.

3.3 Warning if Switching from Interruptible to Firm Transportation Service or Sales - A Shipper wishing to switch from interruptible transportation or interruptible sales to a firm sales Rate Schedule or to firm transportation must comply with the requirements for firm service set out in the applicable Rate Schedule, including the following

- (a) give 12 months prior notice to FortisBC Energy of the Shipper's desire to do so, and
- (b) after receiving an estimate from FortisBC Energy of costs FortisBC Energy will reasonably incur to provide such service, agree to reimburse FortisBC Energy for any such costs.

Notwithstanding section 3.3(a), FortisBC Energy will make reasonable efforts to accommodate a Shipper on less than 12 months' prior notice if FortisBC Energy is able, with such shorter notice, to arrange firm transportation of Gas under a firm sales Rate Schedule, or transportation under a firm transportation Rate Schedule.

4. Transportation

4.1 Transportation of Gas - Subject to section 13 of the General Terms and Conditions of FortisBC Energy (Interruption of Service) and all of the terms and conditions of this Rate Schedule, FortisBC Energy will on each Day transport for and deliver to the Shipper at the Delivery Point the Authorized Quantity, or the Shipper's portion of the Group's Authorized Quantity, received at the Interconnection Point from the Transporter, up to the DTQ where adequate capacity exists on the FortisBC Energy System. On each Day, if the Shipper's Gas received at the Interconnection Point is not consumed by the Shipper or is not authorized for delivery to the Shipper, FortisBC Energy will be entitled to utilize such Gas subject to all the terms of this Rate Schedule and the Transportation Agreement.

4.2 Curtailment - If at any time FortisBC Energy, acting reasonably, determines that it does not have capacity on the FortisBC Energy System to accommodate the Shipper's request for interruptible transportation FortisBC Energy may, for any length of time, interrupt or curtail transportation service under this Rate Schedule. Consistent with the provisions of section 7.6 (Failure to Deliver to Interconnection Point), if at any time FortisBC Energy, acting reasonably, determines that it is not able to provide Balancing Gas or Backstopping Gas, FortisBC Energy may curtail the Shipper's take to the lesser of the Authorized Quantity or the DTQ.

- 4.3 **Notice of Curtailment** - Each notice from FortisBC Energy to the Shipper with respect to the interruption or curtailment by FortisBC Energy of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Shipper is curtailed and the time at which such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such curtailment, not to be less than 2 hours prior notice unless prevented by Force Majeure.
- 4.4 **Default Regarding Curtailment** - The Shipper will comply with each notice to interrupt or curtail the Shipper's take. If the Shipper at any time fails or neglects to comply with a notice to interrupt or curtail the Shipper's take, FortisBC Energy may, in addition to any other remedy that it may then or thereafter have, at its option, without liability therefor and without any prior notice to the Shipper
- (a) turn off the valve at the Delivery Point, or
 - (b) deliver such Gas and charge the Shipper for such Gas consumed on that Day the unauthorized overrun charge set out in the Table of Charges.
- 4.5 **Failure to Comply** - If during any one Contract Year the Shipper fails or neglects to comply with three notices from FortisBC Energy to interrupt or curtail the Shipper's take, unless the Shipper provides to FortisBC Energy assurances, to the satisfaction of FortisBC Energy, that the Shipper will comply with all further interruption or curtailment notices, FortisBC Energy may, in addition to any other remedy that it may then or thereafter have, at its option and without liability therefor, switch the Shipper to a firm transportation Rate Schedule, beginning at the commencement of the next following Contract Month. If the Shipper and FortisBC Energy do not execute a new Transportation Agreement pursuant to the firm transportation Rate Schedule, from the date of such switch, the Transportation Agreement will be deemed to a Transportation Agreement pursuant to the firm transportation Rate Schedule, with all necessary changes.
- 4.6 **Maximum Hourly Quantities** - FortisBC Energy will not be obliged to receive or deliver in one Hour more than 5% of the quantity of Gas that the Shipper is authorized to receive on any day.
- 4.7 **Gas Pressure** - Where specifically requested by the Shipper, FortisBC Energy may agree to deliver Gas to the Shipper at the Delivery Point at the minimum pressure specified in the Shipper's Transportation Agreement. The Shipper will reimburse FortisBC Energy from time to time for costs it reasonably incurs in maintaining such minimum pressure above that set out in the General Terms and Conditions of FortisBC Energy. FortisBC Energy's ability to maintain a minimum pressure at the Delivery Point is subject to FortisBC Energy receiving Gas at the Interconnection Point at the pressure specified in the Transporter's Service Terms.

5. Table of Charges

- 5.1 **Charges** - In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Rate Schedule and the Transportation Agreement, the Shipper will pay to FortisBC Energy all of the charges set out in the Table of Charges whether or not the Shipper is a member of a Group. The Shipper Agent may elect to pay to FortisBC Energy the charges for the Backstopping Gas and the Balancing Gas taken, and any Unauthorized Overrun Gas taken for members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.

6. Unauthorized Use

- 6.1 **Charges for Unauthorized Service** - On any Day a Shipper takes Unauthorized Overrun Gas and/or Unauthorized Transportation Service, the Shipper will pay to FortisBC Energy the unauthorized overrun charge set out in the Table of Charges. The Shipper Agent may elect to pay these charges for the members of its Group. In the event the Shipper Agent fails to make an election or withdraws an election to pay these charges for and on behalf of the Shippers which are members of its Group, FortisBC Energy will bill the Shippers directly.
- 6.2 **Payments Not License** - Payments made to FortisBC Energy for Unauthorized Overrun Gas or Unauthorized Transportation Service neither give the right to take Unauthorized Overrun Gas or Unauthorized Transportation Service, nor exclude or limit any other remedies available to FortisBC Energy for taking of Unauthorized Overrun Gas or Unauthorized Transportation for Service.
- 6.3 **Demand Surcharge** - If the Shipper is a member of a Group which includes a Shipper under Rate Schedules 22, 22A or 22B then the Group and its members will be subject to Demand Surcharges under section 7 (Unauthorized Use) of Rate Schedule 22.

7. Nomination

- 7.1 **Capacity on Transporter's Pipeline** - The Shipper will on or before the Commencement Date notify FortisBC Energy of the identity of the party holding capacity for Shipper on the Transporter's pipeline, and from time to time when such party changes.

- 7.2 **Requested Quantity** - The Shipper will provide FortisBC Energy by fax or other method approved by FortisBC Energy, prior to 7:30 a.m. Pacific Clock Time on each Day (or such other time as may be specified from time to time by FortisBC Energy) such information as may be requested by FortisBC Energy, which will include, but is not limited to, the Shipper's Requested Quantity for the Day commencing in approximately 24 hours. If the Shipper does not notify FortisBC Energy in accordance with the foregoing, the Shipper's Requested Quantity for the Day commencing in approximately 24 hours will be deemed to be the Shipper's Requested Quantity, or adjusted as set out in section 7.3 (Adjustment of Requested Quantity), for the Day just commencing. The Shipper's Requested Quantity each Day will equal the Shipper's best estimate, at the time of the notification to FortisBC Energy of the Requested Quantity, of the quantity of Gas the Shipper will actually consume on such Day.
- 7.3 **Adjustment of Requested Quantity** - FortisBC Energy may adjust, in consultation with the Shipper, the Shipper's Requested Quantity, described in section 7.2 (Requested Quantity), when in the reasonable opinion of FortisBC Energy such modification is required in order to minimize the Month end balancing quantity.
- 7.4 **Request to Transporter** - FortisBC Energy will provide to the Transporter the Shipper's Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.5 **Delivery to Interconnection Point** - The Shipper will cause to be delivered to the Interconnection Point on each Day a quantity of Gas at least equal to the Shipper's Requested Quantity, adjusted as set out in section 7.3 (Adjustment of Requested Quantity).
- 7.6 **Failure to Deliver to Interconnection Point** - If on any day the Authorized Quantity from the Transporter is less than the quantity requested from the Transporter pursuant to section 7.4 (Request to Transporter), in addition to curtailments permitted under section 4 (Transportation), FortisBC Energy may, in its discretion, interrupt or curtail service hereunder to such Authorized Quantity. Alternatively, FortisBC Energy may deliver additional Gas to the Shipper at the Interconnection Point and charge the Shipper the charge for Backstopping Gas as set out in the Table of Charges. If FortisBC Energy is unable to ascertain which Shipper's supply has caused a deficiency, FortisBC Energy may, in its discretion, interrupt or curtail service to the Shippers on a prorata basis or another basis deemed equitable by FortisBC Energy based on available information. FortisBC Energy will reallocate the deficiency as soon as reasonable if it obtains information that allows it to determine responsibility and FortisBC Energy will disclose to the Shippers how it allocated or reallocated the deficiency.

- 7.7 **Authorized Quantity** - FortisBC Energy will take such action as is reasonable in all the circumstances to advise the Shipper or the Shipper Agent if the Authorized Quantity is less than the Requested Quantity.

8. Gas Balancing

- 8.1 **Monthly Adjustments** - FortisBC Energy will make adjustments at the end of each Month for the differences between the sum of the Authorized Quantities and the Shipper's actual consumption as measured daily by FortisBC Energy as follows
- (a) for overdeliveries (the sum of the Authorized Quantities is greater than the Shipper's actual daily consumption FortisBC Energy will maintain an inventory account for the Shipper and will increase the balance in the inventory account by the excess amount received. FortisBC Energy reserves the right to limit Gas quantities maintained in the Shipper's inventory account and will from time to time in consultation with the Shipper return excess inventory at no charge to the Shipper; this will not relieve the Shipper from its obligation to provide accurate nominations pursuant to section 7.2 (Requested Quantity) and
 - (b) except in the case of Backstopping Gas and Unauthorized Overrun Gas, for underdeliveries (the sum of the Authorized Quantities is less than the Shipper's actual Monthly consumption as measured by FortisBC Energy), FortisBC Energy will sell to the Shipper the deficiency quantities at the Balancing Gas charge set out in the Table of Charges.
- 8.2 **Imbalance Following Termination** - If FortisBC Energy has received a quantity of Gas in excess of the quantity delivered to the Shipper during the term of a Transportation Agreement, then the Shipper may request the excess quantity be returned within 90 Days following termination of the Transportation Agreement.

9. Group Nomination and Balancing

- 9.1 **Group Nomination and Balancing** - If a Shipper appoints a Shipper Agent and becomes a member of a Group and if the Shipper and Shipper Agent have agreed to execute or have executed a Shipper Agent Agreement, and if the members of the Group are in the same Service Area of FortisBC Energy and receive service under a transportation Rate Schedule, the Shipper Agent will nominate and balance on behalf of all members of the Group on an aggregate basis pursuant to sections 7 (Nomination) and 8 (Gas Balancing) of this Rate Schedule, as modified by this section, and the Shipper Agent will be the agent for each of the members of a Group for the purposes of any and all matters set out in sections 7 (Nomination) and 8 (Gas Balancing). Notwithstanding the foregoing, where Shipper under Rate Schedules 22, 22A or 22B is a member of the Group, section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis. The Shipper Agent may also elect, pursuant to the Shipper Agent Agreement, to pay some or all of the charges specified in sections 5.1 and 6.1 for and on behalf of the Shippers in its Group. The Shipper acknowledges and agrees that FortisBC Energy may rely, for the purpose of payment allocations, on verbal notification from the Shipper Agent of such election as a basis for the Shipper Agent's authority to act on behalf of Shipper. Where the Shipper Agent fails to execute a Shipper Agent Agreement, the Shipper will be deemed to be and treated by FortisBC Energy as an individual Group of one Shipper, except for the purposes of sections 9.5 and 11.1 hereunder, and will be deemed to have agreed to purchase Gas from FortisBC Energy pursuant to the applicable transportation schedule and will accordingly be responsible for the payment of all charges thereunder, including any and all Balancing Gas and Unauthorized Overrun Gas charges attributable to that Shipper.
- 9.2 **Requested Quantity from Shipper Agent** - The Shipper Agent will notify FortisBC Energy of the Shipper's Requested Quantity, described in section 7.2 (Requested Quantity) on behalf of all members of the Group on an aggregate basis. If the Shipper Agent does not so notify FortisBC Energy, then the Group's Requested Quantity for the Day commencing in approximately 24 hours will be deemed to be the Group's quantity pursuant to section 7.2 (Requested Quantity) for the Day just commencing.
- 9.3 **Determination of Charges** - The charges for Backstopping Gas, Balancing Gas, Unauthorized Overrun Gas, set out in the Table of Charges, and Demand Surcharges as set out in the Rate Schedule 22 Table of Charges, will be determined based on the quantities transported on behalf of all members of the Group on an aggregate basis. The charges for Unauthorized Transportation Service will be determined based on the quantities delivered to each Shipper.

- 9.4 **Security** - FortisBC Energy may require the Shipper Agent to provide security, as set out in section 3.2 (Security), with necessary changes, for the performance of the Shipper Agent's obligations under the Shipper Agent Agreement.
- 9.5 **Notices to and From Shipper Agents** - If the Shipper is a member of a Group then:
- (a) communications regarding curtailments or interruptions arising from Gas supply constraints and limitations, quantities of Gas requested and quantities of Gas authorized will be between the Shipper agent for the Group and FortisBC Energy; and
 - (b) notices from FortisBC Energy with respect to interruption or curtailment pursuant to section 4.3 (Notice of Curtailment) arising from Gas supply constraints or limitations will be to the Shipper Agent for the Group and will specify the quantity of Gas to which the Group is curtailed and the time at which such curtailment is to be made; it will be the responsibility of the Shipper Agent to notify Shippers which are members of the Group of interruptions or curtailments.

10. Term of Transportation Agreement

- 10.1 **Term** - The initial term of the Transportation Agreement will begin on the Commencement Date and will expire at 7:00 a.m. Pacific Standard Time on the November 1st next following, provided that if the foregoing results in an initial term of less than one year, then the initial term will instead expire at the end of one further Contract Year.
- 10.2 **Automatic Renewal** - Except as specified in the Transportation Agreement, the term of the Transportation Agreement will continue from year to year after the expiry of the initial term unless cancelled by either FortisBC Energy or the Shipper, subject to section 3.3 (Warning if Switching from Interruptible to Firm Transportation Service or Sales), upon not less than 2 months notice prior to the end of the Contract Year then in effect.
- 10.3 **Early Termination** - The term of the Transportation Agreement is subject to early termination in accordance with section 16 (Default or Bankruptcy).

10.4 **Survival of Covenants** - Upon the termination of the Transportation Agreement, whether pursuant to section 16 (Default or Bankruptcy) or otherwise,

- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
- (b) all of the provisions in this Rate Schedule and in the Transportation Agreement relating to the obligation of any of the parties to account to or indemnify the other and to pay to the other any monies owing as at the date of termination in connection with the Transportation Agreement,

will survive such termination.

11. Statements and Payments

11.1 **Statements to be Provided** - FortisBC Energy will, on or about the 15th day of each month, deliver to the Shipper, a statement for the preceding month showing the Gas quantities delivered to the Shipper and the amount due. If the Shipper is a member of a Group then the statement and the calculation of the amount due from the Shipper will be based on information supplied by the Shipper Agent, or based on other information available to FortisBC Energy, as set out in the Shipper Agent Agreement. FortisBC Energy will, on or about the 45th day after the end of a Contract Year, deliver to the Shipper a separate statement for the preceding Contract Year showing the amount required from the Shipper in respect of any indemnity due under this Rate Schedule or a Transportation Agreement. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.

11.2 **Payment and Late Payment Charge** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to FortisBC Energy at its Vancouver, British Columbia office, or such other place in Canada as it will designate, on or before the 1st business day after the 21st calendar day following the billing date. If the Shipper fails or neglects to make any payment required under this Rate Schedule, or any portion thereof, to FortisBC Energy when due, FortisBC Energy will include in the next bill to the Shipper a late payment charge of 1½% per month (19.56% per annum) on the outstanding amount.

11.3 **Examination of Records** - Each of FortisBC Energy and the Shipper will have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge, computation or demand made pursuant to any provisions of this Rate Schedule or the Transportation Agreement.

12. Quality

- 12.1 **Minimum Standards** - All Gas delivered to the Interconnection Point by or on behalf of the Shipper and all Gas delivered to the Delivery Point will conform to the quality specifications set out in the Transporter's Service Terms.

13. Measuring Equipment

- 13.1 **Facilities and Equipment** - FortisBC Energy will install, maintain and operate at the Delivery Point such metering and communications facilities and equipment as FortisBC Energy determines are necessary or desirable for measuring the quantity of Gas delivered pursuant to this Rate Schedule to the Shipper and the Shipper will permit FortisBC Energy, without cost to FortisBC Energy, to use the Shipper's communications lines and power for the purpose of installing, maintaining and operating the measuring equipment of FortisBC Energy. Communication facilities and equipment will be installed at the cost of the Shipper.
- 13.2 **Measuring Site** - If FortisBC Energy reasonably determines that it is necessary to install the facilities and equipment referred to in section 13.1 (Facilities and Equipment) on the Shipper's property, the Shipper will, without charge, provide a suitable site along with utilities and enclosures for the installation of the facilities and equipment of FortisBC Energy. FortisBC Energy will at all times have clear access to the site and to all of its facilities and equipment. All facilities and equipment installed by FortisBC Energy on the Shipper's property will remain the property of FortisBC Energy and may be removed by FortisBC Energy upon termination of the Transportation Agreement.
- 13.3 **Calibration and Test of Measuring Equipment** - The accuracy of the measuring equipment of FortisBC Energy will be verified by standard tests and methods at regular intervals and at other times at the initiative of FortisBC Energy or upon the reasonable request of the Shipper. Notice of the time and nature of each test conducted in response to communications with or at the request of the Shipper will be given by FortisBC Energy to the Shipper sufficiently in advance to permit a representative of the Shipper to be present. If during a test the measuring equipment is found to be registering inaccurately, it will be adjusted at once to read as accurately as possible. The results of each test and adjustment, if any, made by FortisBC Energy, whether or not the Shipper is present for such test, will be accepted until the next test. All tests of such measuring equipment of FortisBC Energy will be made at the expense of FortisBC Energy, except that the Shipper will bear the expense of tests made at its request if the measuring equipment is found to be inaccurate by an amount equal to 2% or less.

- 13.4 **Inaccuracy Exceeding 2%** - If upon any test the measuring equipment is found to be inaccurate by an amount exceeding 2%, any previous readings of such equipment will be corrected to zero error for any period during which it is definitely known or is agreed upon that the error existed. If the period is not definitely known or is not agreed upon, such correction will be for a period covering the last half of the time elapsed since the date of the last test. Provided that under no circumstances will an adjustment be made for a period of more than the preceding 12 months.
- 13.5 **Correction of Measuring Errors** - If the measuring equipment is out of service or out of repair so that the quantity of Gas delivered cannot be correctly determined by the reading thereof, the Gas delivered during the period such measuring equipment is out of service or out of repair will be estimated on the basis of the best available data, using the first of the following methods which is feasible
- (a) by correcting the error if the percentage of error is ascertained by calibration test or mathematical calculation,
 - (b) by using the registration of any check measuring equipment if installed and accurately registering, and
 - (c) by estimating the quantity of Gas delivered to the Shipper during the preceding periods under similar conditions when the meter was registering accurately.
- 13.6 **Shipper's Equipment** - The Shipper may at its own expense install, maintain and operate its own measuring equipment for the purposes of monitoring or checking the measuring equipment of FortisBC Energy, provided that the Shipper will install such equipment so as not to interfere with the operation of the measuring equipment of FortisBC Energy.
- 13.7 **Right to be Present** - FortisBC Energy and the Shipper will have the right to inspect all equipment installed or furnished by the other and the charts and other measurement or test data of the other at all times during business hours, and to be present at the time of any installing, testing, cleaning, changing, repairing, calibrating or adjusting done in connection with the measuring equipment of the other party, but all such activities will be performed by the party furnishing the measuring equipment.
- 13.8 **Preservation of Records** - Both parties will cause to be preserved each test datum, chart and other record of Gas measurement for a period of 2 years.

14. Measurement

- 14.1 **Unit of Volume** - The unit of volume of Gas for all purposes hereunder will be 1 cubic metre at a temperature of 15° Celsius and an absolute pressure of 101.325 kilopascals.
- 14.2 **Determination of Volume** - Gas delivered hereunder will be metered using metering apparatus approved by the Standards Division, Industry Canada, Office of Consumer Affairs and the determination of standard volumes delivered hereunder will be in accordance with terms and conditions pursuant to the *Electricity and Gas Inspection Act* of Canada.
- 14.3 **Conversion to Energy Units** - In accordance with the *Electricity and Gas Inspection Act* of Canada, volumes of Gas delivered each Day will be converted to energy units by multiplying the standard volume by the Heat Content of each unit of Gas. Volumes will be specified in 10³m³ rounded to two decimal places and energy will be specified in Gigajoules rounded to one decimal place.

15. Representations, Warranties and Covenants

- 15.1 **Title** - The Shipper represents and warrants with FortisBC Energy that the Shipper will have good title to all Gas to be delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, free and clear of all liens, encumbrances and claims.
- 15.2 **Title Not That of FortisBC Energy** - FortisBC Energy agrees that title to all gas transported pursuant to the Transportation Agreement remains with the Shipper.
- 15.3 **Acknowledgement** - The Shipper acknowledges that the Gas transported under the Transportation Agreement will be commingled with Gas within the FortisBC Energy System.

16. Default or Bankruptcy

16.1 Default - If the Shipper at any time fails or neglects

- (a) to make any payment due to FortisBC Energy or to any other person under this Rate Schedule or the Transportation Agreement within 30 days after payment is due, or
- (b) to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Rate Schedule or the Transportation Agreement, within 30 days after FortisBC Energy gives to the Shipper notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Shipper fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence,

then FortisBC Energy may in addition to any other remedy that it has, including the rights of FortisBC Energy set out in section 4.4 (Default Regarding Curtailment) and 6 (Unauthorized Use), at its option and without liability therefore

- (a) suspend further transportation service to the Shipper and may refuse to deliver Gas to the Shipper until the default has been fully remedied, and no such suspension or refusal will relieve the Shipper from any obligation under this Rate Schedule or the Transportation Agreement, or
- (b) terminate the Transportation Agreement, and no such termination of the Transportation Agreement pursuant hereto will exclude the right of FortisBC Energy to collect any amount due to it from the Shipper for what would otherwise have been the remainder of the term of the Transportation Agreement.

16.2 Bankruptcy or Insolvency - If the Shipper becomes bankrupt or insolvent or commits or suffers an act of bankruptcy or insolvency or a receiver is appointed pursuant to a statute or under a debt instrument or the Shipper seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose, FortisBC Energy will have the right, at its sole discretion, to terminate the Transportation Agreement by giving notice in writing to the Shipper and thereupon FortisBC Energy may cease further delivery of Gas to the Shipper and the amount then outstanding for Gas provided under the Transportation Agreement will immediately be due and payable by the Shipper.

17. Notice

- 17.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule or under the Transportation Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

If to FortisBC Energy FORTISBC ENERGY INC.

MAILING ADDRESS: 16705 Fraser Highway
Surrey, B.C.
V4N 0E8

BILLING AND PAYMENT: Attention: Industrial Billing
Telephone: 1-855-873-8773
Fax: (604) 293-2920

| c

CUSTOMER RELATIONS: Attention: Commercial & Industrial Energy
Solutions
Telephone: (604) 592-7843
Fax: (604) 592-7894

LEGAL AND OTHER: Attention: Director, Legal Services
Telephone: (604) 443-6512
Fax: (604) 443-6540

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

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

17.2 **Specific Notices** - Notwithstanding section 17.1 (Notice), notices with respect to Force Majeure will be sufficient if:

- (a) given by FortisBC Energy in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by the Shipper as authorized to receive such notices, or
- (b) given by the Shipper by telephone (to be confirmed by fax) in the following manner:

To claim Force Majeure..."Please be advised that (name of company and location of plant) has (reason for claiming Force Majeure as provided in section 19) and hereby claims suspension by reason of Force Majeure in accordance with the terms of Rate Schedule 27 effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to become effective, but not to be retroactive)."

To terminate Force Majeure..."Please be advised that (name of company and location of plant) requests a return to normal natural gas service in accordance with Rate Schedule 27 and the Transportation Agreement effective 7:00 a.m. Pacific Standard Time (date Force Majeure suspension to end, but not to be retroactive) whereby the suspension by reason of Force Majeure currently in force will be terminated."

18. Indemnity and Limitation on Liability

18.1 **Limitation on Liability** - FortisBC Energy, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of transportation service permitted under the General Terms and Conditions of FortisBC Energy or this Rate Schedule.

18.2 **Indemnity** - The Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of each of the following

- (a) any defect in title to any Gas delivered to FortisBC Energy at the Interconnection Point on behalf of the Shipper from Suppliers other than FortisBC Energy, or arising from any charges that are applicable to the Gas delivered to FortisBC Energy,

- (b) Franchise Fees not otherwise collected by FortisBC Energy under the Table of Charges,
- (c) nominations made in accordance with section 7 or 9 of this Rate Schedule by FortisBC Energy to the Transporter with respect to the Shipper's transportation volumes, whether or not the Shipper is a member of a Group,
- (d) Gas delivered by the Transporter or Shipper to FortisBC Energy failing to meet the quality specifications set out in section 12.1 of this Rate Schedule, and
- (e) all federal, provincial, municipal taxes (or payments made in lieu thereof) and royalties, whether payable on the delivery of Gas to FortisBC Energy by the Shipper or on the delivery of Gas to the Shipper by FortisBC Energy, or on any other service provided by FortisBC Energy to the Shipper.

18.3 **Principal Obligant** - If the Shipper is a member of a Group, the obligations of each of the Shipper Agent (acting for and on behalf of the Shippers that are members of the Group) and the Shipper (in the event of the failure of the Shipper Agent to make such payments and limited to the charges related to that Shipper) to pay to, or to the order of, FortisBC Energy the charges for Backstopping Gas, Balancing Gas, unauthorized overruns set out in the Table of Charges, and Demand Surcharges set out in the Rate Schedule 22 Table of Changes, are those of principal obligant and not of surety and are independent of the respective obligations of the Shipper Agent and the Shipper towards each other pursuant to the Shipper Agent Agreement.

19. Force Majeure

19.1 **Force Majeure** - Subject to the other provisions of this section 19, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Rate Schedule under which service is rendered or in the Transportation Agreement, the obligations of both FortisBC Energy and the Shipper will be suspended to the extent necessary for the period of the Force Majeure condition.

19.2 **Curtailment Notice** - If FortisBC Energy claims suspension pursuant to this section 19, FortisBC Energy will be deemed to have issued to the Shipper a notice of curtailment.

- 19.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 19.1 under any of the following circumstances
- (a) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - (b) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - (c) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Rate Schedule or the Transportation Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 19.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 19.5 **Settlement of Labour Disputes** - Notwithstanding any of the provisions of this section 19, the settlement of labour disputes or industrial disturbances will be entirely within the discretion of the particular party involved and the party may make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 19.1.
- 19.6 **No Exemption for Payments** - Notwithstanding any of the provisions of this section 19, Force Majeure will not relieve or release either party from its obligations to make payments to the other.
- 19.7 **Periodic Repair by FortisBC Energy** - FortisBC Energy may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the FortisBC Energy System or its equipment and FortisBC Energy will make reasonable efforts to give the Shipper as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. FortisBC Energy will make reasonable efforts to schedule repairs or replacement to minimize interruption or curtailment of transportation service to the Shipper, and to restore service as quickly as possible.

- 19.8 **Shipper's Gas** - If FortisBC Energy curtails or interrupts transportation of Gas by reason of Force Majeure the Shipper will make its supply of Gas available to FortisBC Energy, to the extent required by FortisBC Energy, to maintain service priority to those customers or classes of customers which FortisBC Energy determines should be served. FortisBC Energy, in its sole discretion, will either increase the balance in the Shipper's inventory account by the amount taken by FortisBC Energy and return an equivalent quantity of Gas to the Shipper as soon as reasonable, or pay the Shipper an amount equal to either FortisBC Energy's average Gas cost, or the Shipper's average Gas cost, for the Day(s) during which such Gas was taken, whichever Gas cost the Shipper, in its sole discretion, elects.
- 19.9 **Alteration of Facilities** - The Shipper will pay to FortisBC Energy all reasonable costs associated with the alteration of facilities made at the discretion of FortisBC Energy to measure quantities reduced by reason of Force Majeure claimed by the Shipper and to restore such facilities after the Force Majeure condition ends.

20. Arbitration

- 20.1 **Arbitration** - Any dispute between the parties arising from this Rate Schedule or the Service Agreement will be resolved by a single arbitrator pursuant to the *Commercial Arbitration Act* of British Columbia or successor legislation, save as expressly provided herein.
- 20.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.
- 20.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 20.2 of this Rate Schedule to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of any of the parties or their respective successors or affiliates, any customer or supplier of the Shipper or FortisBC Energy.
- 20.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.

- 20.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

21. Interpretation

- 21.1 **Interpretation** - Except where the context requires otherwise or except as otherwise expressly provided, in this Rate Schedule or in a Transportation Agreement
- (a) all references to a designated section are to the designated section of this Rate Schedule unless otherwise specifically stated,
 - (b) the singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate,
 - (c) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity,
 - (d) all words, phrases and expressions used in this Rate Schedule or in a Transportation Agreement that have a common usage in the gas industry and that are not defined in the General Terms and Conditions of FortisBC Energy, the Definitions or in the Transportation Agreement have the meanings commonly ascribed thereto in the gas industry, and
 - (e) the headings of the sections set out in this Rate Schedule or in the Transportation Agreement are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule or the Transportation Agreement.

22. Miscellaneous

- 22.1 **Waiver** - No waiver by either FortisBC Energy or the Shipper of any default by the other in the performance of any of the provisions of this Rate Schedule or the Transportation Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 22.2 **Enurement** - The Transportation Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger, amalgamation or consolidation.

- 22.3 **Assignment** - The Shipper will not assign the Transportation Agreement or any of its rights or obligations thereunder without the prior written consent of FortisBC Energy which consent will not be unreasonably withheld or delayed. No assignment will release the Shipper from its obligations under this Rate Schedule or under the Transportation Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Shipper.
- 22.4 **Amendments to be in Writing** - Except as set out in this Rate Schedule, no amendment or variation of the Transportation Agreement will be effective or binding upon the parties unless such amendment or variation is set out in writing and duly executed by the parties.
- 22.5 **Proper Law** - The Transportation Agreement will be construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 22.6 **Time is of Essence** - Time is of the essence of this Rate Schedule, the Transportation Agreement and of the terms and conditions thereof.
- 22.7 **Subject to Legislation** - Notwithstanding any other provision hereof, this Rate Schedule and the Transportation Agreement and the rights and obligations of FortisBC Energy and the Shipper under this Rate Schedule and the Transportation Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over FortisBC Energy or the Shipper.
- 22.8 **Further Assurances** - Each of FortisBC Energy and the Shipper will, on demand by the other, execute and deliver or cause to be executed and delivered all such further documents and instruments and do all such further acts and things as the other may reasonably require to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Rate Schedule and the Transportation Agreement and to assure the completion of the transactions contemplated hereby.
- 22.9 **Form of Payments** - All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule or the Transportation Agreement will be made by wire transfer to, or cheque or bank cashier's cheque drawn on, a Canadian chartered bank or trust company, payable in lawful money of Canada at par in immediately available funds in Vancouver, British Columbia

Table of Charges

	<u>Lower Mainland Service Area</u>	<u>Inland Service Area</u>	<u>Columbia Service Area</u>	
1. Transportation				
(a) Basic Charge per Month	\$ 880.00	\$ 880.00	\$ 880.00	
(b) Delivery Charge per Gigajoule	\$ 1.195	\$ 1.195	\$ 1.195	A
(c) Administration Charge per Month ²	\$ 78.00	\$ 78.00	\$ 78.00	
2. Sales				
(a) Charge per Gigajoule of Balancing Gas supplied	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	Sumas Daily Price ¹ Average for the Month	
(b) Charge for Backstopping Gas	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(c) Unauthorized Overrun Charges				
(i) Per Gigajoule on first 5 percent of specified quantity	Sumas Daily Price ¹	Sumas Daily Price ¹	Sumas Daily Price ¹	
(ii) Per Gigajoule on all Gas over 5 percent of specified quantity	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	The greater of \$20.00/GJ or 1.5 x the Sumas Daily Price ¹	
3. Rider 4 per Gigajoule	\$ 0.000	\$ 0.000	\$ 0.000	A

Order No.: G-150-13

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: January 1, 2014

BCUC Secretary: Original signed by Erica Hamilton

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Rider 1 **Propane Surcharge** - Not applicable.

Rider 2 (Reserved for future use.)

Rider 3 (Reserved for future use.)

Rider 4 (Reserved for future use.)

C

Rider 5 **Revenue Stabilization Adjustment Charge** - Not applicable.

Franchise Fee Charge of 3.09% of the aggregate of the above charges, is payable (in addition to the above charges) if the facilities to which Gas is delivered under this Rate Schedule are located within the municipal boundaries of a municipality or First Nations lands (formerly, reserves within the *Indian Act*) to which FortisBC Energy pays Franchise Fees.

Minimum Charge per month - The minimum charge per Month will be the aggregate of the Basic Charge, the Transportation Administration Charge and the Franchise Fee Charge.

Interim Rate Establishment - Pursuant to the British Columbia Utilities Commission Order G-150-13, FortisBC Energy Inc. delivery rates have been established as interim, approved effective January 1, 2014. Final determination of delivery rates for FortisBC Energy Inc. will be subject to the Commission's decision on the FortisBC Energy Inc. Application for Approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018. The interim delivery rates are subject to refund with interest at the average prime rate of FortisBC Energy Inc.'s principal bank.

C/N

Notes:

1. **Sumas Daily Price** - means the "NW Sumas" Daily Midpoint Price as set out in Gas Daily's Daily Price Survey for Gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada one business day prior to Gas flow date, for each Day. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.

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BCUC Secretary: Original signed by Erica Hamilton

Sixth Revision of Page R-27.25

**TRANSPORTATION AGREEMENT FOR
RATE SCHEDULES 22, 22A, 22B, 23, 25 AND 27**

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

WHEREAS:

- A. FortisBC Energy owns and operates the FortisBC Energy System; and
- B. The Shipper has requested that FortisBC Energy arrange for the transportation of Gas on a firm and/or interruptible basis through the FortisBC Energy System to _____ located in or near _____ British Columbia in accordance with a transportation Rate Schedule as set out below and the terms set out herein.

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

1. Specific Information

Applicable Rate Schedule:

☐ 22 ☐ 22A ☐ 22B
☐ 23 ☐ 25 ☐ 27

Type of Service:

☐ Firm ☐ Interruptible
☐ Firm and Interruptible

Firm DTQ / DTQ:

_____ Gigajoules per day

Shipper Agent and / or Group, if applicable:

Commencement Date:

Expiry Date:

(only specify expiry date if term not automatically renewed as set out in the Automatic Renewal section of the applicable transportation Rate Schedule)

Delivery Point:

Pressure at the Delivery Point:

(only specify where applicable as set out in the Gas Pressure section of the applicable transportation Rate Schedule)

Service Address:

Account Number:

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

Original Page TA-27.1

Interconnection Point:

The point at (_____ km-post _____)
where the Transporter's pipeline system in
British Columbia interconnection with the
FortisBC Energy System

Address of Shipper for receiving notices:

(name of Shipper)

Attention: _____

(address of Shipper)

Telephone: _____

Fax: _____

Email: _____

The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable transportation Rate Schedule to any such information is to the information set out above.

2. Rate Schedule 22 / 22A / 22B / 23 / 25 / 27

- 2.1 **Additional Terms** - All rates, terms and conditions set out in the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25, or 27) and the General Terms and Conditions of FortisBC Energy, as any of them may be amended by FortisBC Energy and approved from time to time by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Transportation Agreement and form part of this Transportation Agreement and bind FortisBC Energy and the Shipper as if set out in this Transportation Agreement.
- 2.2 **Payment of Amounts** - Without limiting the generality of the foregoing, the Shipper will pay to FortisBC Energy all of the amounts set out in the applicable transportation Rate Schedule for the services provided under such Rate Schedule and this Transportation Agreement.

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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- 2.3 **Conflict** - Where anything in either the applicable transportation Rate Schedule or the General Terms and Conditions of FortisBC Energy conflicts with any of the terms and conditions set out in this Transportation Agreement, this Transportation Agreement governs. Where anything in the applicable transportation Rate Schedule conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the Rate Schedule governs.
- 2.4 **Member of a Group** - Where the Shipper will be a member of a Group which has a Shipper Agent acting as agent for the members of the Group, Shipper must complete Appendix "A" attached to this Transportation Agreement and Shipper thereby agrees that the terms and conditions of Appendix "A" form part of this Transportation Agreement and bind the Shipper as if set out in this Transportation Agreement.
- 2.5 **Acknowledgement** - The Shipper acknowledges receiving and reading a copy of the applicable transportation Rate Schedule (22, 22A, 22B, 23, 25 or 27) and the General Terms and Conditions of FortisBC Energy and agrees to comply with and be bound by all terms and conditions set out therein. Without limiting the generality of the foregoing, where the transportation service is interruptible, the Shipper acknowledges that it is able to accommodate such interruption or curtailment and releases FortisBC Energy from any liability for the Shipper's inability to accommodate such interruption or curtailment of transportation service.

IN WITNESS WHEREOF the parties hereto have executed this Transportation Agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name – Please Print)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

DATE: _____

Order No.: G-28-11

Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

BCUC Secretary: Original signed by E.M. Hamilton

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APPENDIX A

NOTICE OF APPOINTMENT OF SHIPPER AGENT

1. _____ (Shipper) hereby gives notice to FortisBC Energy
that Shipper has appointed _____ (the Shipper Agent) to
act as agent for Shipper in all matters relating to gas supply and to transportation service
on the FortisBC Energy System. Shipper also gives notice to FortisBC Energy that
Shipper wishes to be a member of a Group and the Shipper will cause the Shipper Agent
to enter into a Shipper Agent Agreement or other agreement with FortisBC Energy that
binds the Shipper Agent to pay the charges which the Shipper Agent elects to pay for and
on behalf of the Shipper.
2. Shipper acknowledges and agrees that the Shipper Agent will provide aggregate
nominations for the Group to FortisBC Energy.
3. Shipper acknowledges and agrees that if the Group includes a member which is a Shipper
under Rate Schedule 22, 22A, or 22B then section 10 (Group Nominations and Balancing)
of Rate Schedule 22 will apply to the Group on an aggregate basis, and the Group and its
members will be subject to the Demand Surcharge provisions of Rate Schedule 22.
4. Shipper acknowledges and agrees that when there are constraints or limitations of Gas
supply FortisBC Energy will notify the Shipper Agent and it will then be the responsibility
of the Shipper Agent to notify Shipper of any curtailment or interruption arising from the
constraint or limitation of Gas supply.
5. Shipper acknowledges and agrees that the Shipper Agent will provide Gas supply priority
schedules to FortisBC Energy which will advise FortisBC Energy of the allocation of Gas
supply amongst members of the Group during constraints or limitations of Gas supply.
6. Shipper acknowledges and agrees that the Shipper Agent will provide FortisBC Energy
with information which will be used by FortisBC Energy to bill Shipper for Backstopping
Gas, Balancing Gas, unauthorized overrun charges and Demand Surcharges.

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7. Shipper acknowledges that FortisBC Energy will bill Shipper on the basis of information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that it is bound by the information supplied to FortisBC Energy by the Shipper Agent and Shipper agrees that it will not dispute the information provided to FortisBC Energy by the Shipper Agent. Shipper agrees that the Shipper Agent may elect to pay some or all of the charges for Gas identified in section 3.6 of the standard form Shipper Agent Agreement and Shipper acknowledges that if the Shipper Agent fails to provide information to FortisBC Energy then notwithstanding any election that has been made by the Shipper Agent to pay some or all of the charges for Gas identified in section 3.6 of the standard form Shipper Agent Agreement, FortisBC Energy will bill Shipper directly on the bases set out in section 3.7 of the standard form Shipper Agent Agreement of FortisBC Energy. Shipper agrees to pay FortisBC Energy as billed, and if Shipper disagrees with any of the billing information used by FortisBC Energy the Shipper will deal with the Shipper Agent to resolve that disagreement. Disputes between the Shipper and the Shipper Agent shall not constitute a basis for non-payment by Shipper to FortisBC Energy of the amounts billed.
8. Shipper shall provide FortisBC Energy with 30 days notice, except with the prior approval from FortisBC Energy, if Shipper wishes to leave the Group, to be effective on the beginning of the next calendar month following the expiry of the notice period.
9. Shipper acknowledges and agrees that FortisBC Energy may disband the Group pursuant to section 10 of the standard form Shipper Agent Agreement.
10. Shipper will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.
11. Shipper acknowledges receiving a copy of the standard form Shipper Agent Agreement of FortisBC Energy.

(here insert name of Shipper)

BY: _____
(Signature)

(Title)

(Name - Please Print)

DATE: _____

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Issued By: Diane Roy, Director, Regulatory Affairs

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SHIPPER AGENT AGREEMENT

This Agreement is dated _____, 20____, between FortisBC Energy Inc. ("FortisBC Energy") and _____ (the "Shipper Agent").

WHEREAS:

- 1.0 The Shipper Agent wishes to act as agent on behalf of all members of a Group in respect of transportation service on the FortisBC Energy System; and
- 2.0 The Shippers who are members of the Group have entered into Transportation Agreements with FortisBC Energy.

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

1. Specific Information

Members of Group:

(if space is insufficient, continue list on an additional page)

Commencement Date of this agreement:

Expiry Date of this agreement:

(no expiry date need be specified)

Address of Shipper Agent for receiving notices:

(name of Shipper Agent)

(address of Shipper Agent)

Attention: _____

Telephone: _____

Fax: _____

Alternate Tel(s): _____

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Issued By: Diane Roy, Director, Regulatory Affairs

Effective Date: March 1, 2011

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The information set out above is hereby approved by the parties and each reference in either this agreement or the applicable Transportation Rate Schedules to any such information is to the information set out above.

2. Definitions

- 2.1 **Definitions in Rate Schedule 22** - Except where the context requires otherwise or except as otherwise expressly provided in this agreement, all words and phrases defined in Rate Schedule 22 or in the General Terms or Conditions of FortisBC Energy have the meanings set out in the Rate Schedule 22 and in the General Terms and Conditions of FortisBC Energy.

3. Shipper Agent Obligations

- 3.1 **Management of Balancing Gas** - The Shipper Agent is responsible for the management of all Balancing Gas for the Group and its members.
- 3.2 **Management of Backstopping Gas** - The Shipper Agent is responsible for the management of all Backstopping Gas supplied by FortisBC Energy to the Group and its members.
- 3.3 **Group Nominations and Balancing** - The Shipper Agent will provide Group nomination and balancing to FortisBC Energy in accordance with the sections of the applicable transportation Rate Schedules except where a Shipper under Rate Schedules 22, 22A or 22B is a members of the Group, in which case section 9 (Gas Balancing) and section 10 (Group Nomination and Balancing) of Rate Schedule 22 will apply to the Group on an aggregate basis.
- 3.4 **Standard Gas Supply Priority Schedule (Standard Priority Schedule)** - Before the Commencement Date of this agreement and before the commencement of each Contract Year the Shipper Agent will provide to FortisBC Energy a Standard Priority Schedule which will advise FortisBC Energy of the priority between members of the Group if a constraint or limitation of Gas supply occurs. The Shipper Agent may provide to FortisBC Energy a revised Standard Priority Schedule from time to time and will provide to FortisBC Energy a revised Standard Priority Schedule if there is a change in membership of the Group.

- 3.5 **Gas Supply Constraints or Limitations** - Upon receipt of a notice from FortisBC Energy of curtailment or interruptions pursuant to section 4.4 (Notice of Gas Supply Constraint or Limitation) Shipper Agent will determine the allocation of Gas supply between members of the Group and will notify the Shippers which are members of the Group of the curtailment or interruption. Within two hours of receipt of notice from FortisBC Energy pursuant to section 4.4, or such longer period as FortisBC Energy considers reasonable in the circumstances, the Shipper Agent will provide to FortisBC Energy a schedule setting out the Gas supply allocation for the Group to apply during that curtailment or interruption. If the Shipper Agent fails to provide a schedule setting out the Gas supply allocation for the Group to apply during the curtailment or interruption then FortisBC Energy will curtail Shippers on the basis set out in the Standard Priority Schedule.
- 3.6 **Monthly Billing Information** - At the end of each month, and within two business days of FortisBC Energy providing to the Shipper Agent a schedule pursuant to section 4.2 (Monthly Provision of Data), the Shipper Agent will provide to FortisBC Energy an allocation schedule setting out the daily Gas takes of each member of the Group and identifying for each member of the Group the Backstopping Gas and the Balancing Gas taken, any Unauthorized Overrun Gas taken, any Replacement Gas incurred, and any Positive Imbalance and Negative Imbalance incurred under Rate Schedule 40. The Shipper Agent will also notify FortisBC Energy which charges the Shipper Agent elects to pay on behalf of the members of the Group and, if notice is not received, FortisBC Energy will bill the Shippers directly.
- 3.7 **Lack of Allocation Information** - If, at the end of a month, the Shipper Agent fails to provide to FortisBC Energy the monthly allocation schedule pursuant to section 3.6 (Monthly Billing Information) then FortisBC Energy will bill on the basis of the best available information. For Balancing Gas FortisBC Energy will bill on a basis proportional to the actual takes of the Shippers during the month. For Backstopping Gas FortisBC Energy will bill on a basis proportional to the actual Day-to-Day takes of the Shippers during the Days when Backstopping Gas was supplied. For Unauthorized Overrun Gas FortisBC Energy will bill on the basis of the schedule(s) setting out the Gas supply allocation for the Group provided to FortisBC Energy pursuant to section 3.6, or if the Shipper Agent fails to provide a schedule pursuant to section 3.6, then on the basis of the applicable Standard Priority Schedule provided by the Shipper Agent pursuant to section 3.4. If further information becomes available, FortisBC Energy will adjust the billings on the basis of the further information.

- 3.8 **Lack of Gas Supply or Nomination** - If the Shipper Agent becomes aware that a Supplier has ceased, or will cease, to supply Gas to a member of the Group; or if the Shipper Agent provides to FortisBC Energy a Requested Quantity for the Group which does not include a quantity for a member of the Group, due to a lack of Gas supply to the member of the Group or due to concerns about a possible lack of Gas supply to the member of the Group, then the Shipper Agent will immediately notify FortisBC Energy. If the Shipper Agent fails to so notify FortisBC Energy then the Shipper Agent is liable to FortisBC Energy for the price of any Gas which FortisBC Energy delivers to that member of the Group after the time when the Shipper Agent should have provided notice to FortisBC Energy.
- 3.9 **Charges for Extra Services** - If FortisBC Energy incurs extra expenses from a Shipper Agent failing to provide information, or failing to provide information in a timely manner, or failing to provide correct information, or otherwise failing to meet its obligations under this agreement, then FortisBC Energy may charge the Shipper Agent for such extra expenses and the Shipper Agent agrees to pay FortisBC Energy the reasonable extra expenses incurred as a result of such failure.

4. FortisBC Energy Obligations

- 4.1 **Weekly Provision of Data** - Twice a week FortisBC Energy will provide to the Shipper Agent a schedule setting out FortisBC Energy's best available data on the daily takes of the Group.
- 4.2 **Monthly Provision of Data** - Within 10 working days after the end of each month FortisBC Energy will provide to the Shipper Agent a schedule setting out the daily takes of each member of the Group.
- 4.3 **Capacity Constraints** - If FortisBC Energy, acting reasonably, determines that it does not have capacity on the FortisBC Energy System to accommodate interruptible transportation service to any member of the Group then FortisBC Energy will directly notify that Shipper pursuant to Notice of Curtailment section of the applicable Rate Schedule and will deal directly with the Shipper if the Shipper takes Unauthorized Overrun Gas or Unauthorized Transportation Service.

- 4.4 **Notice of Gas Supply Constraint or Limitation** - If Gas supply constraints or limitations occur; either due to a constraint or limitation of supply from FortisBC Energy of Backstopping Gas or Balancing Gas, or a constraint or limitation of supply from another Supplier; FortisBC Energy will notify the Shipper Agent of any curtailment or interruption, will specify the quantity of Gas to which the Group in aggregate is curtailed and the time at which time such curtailment is to be made. FortisBC Energy will make reasonable efforts to give the Shipper Agent as much notice as possible with respect to such curtailment or interruption, not to be less than 4 hours prior notice unless prevented by Force Majeure.

5. Changes to Group

- 5.1 **Amendments to Group** - Schedule "A" sets out the Shippers who are the members of the Group represented by the Shipper Agent to this agreement. No additions or deletions may be made to the Group without the Shipper Agent providing notice to FortisBC Energy of such additions and deletions through provision to FortisBC Energy of an amended Schedule "A" showing such additions and deletions and the effective date of such additions and deletions in accordance with section 5 of this agreement.
- 5.2 **Deletions From Group** - If the Shipper Agent wishes to cease acting as agent for a Shipper or a Shipper wishes to cease being a member of the Group, upon receipt by FortisBC Energy of not less than, except with the prior approval from FortisBC Energy, 30 days prior written notice from either the Shipper or Shipper Agent and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of deletion of the Shipper from the Group, such Shipper shall be deleted from the Group effective on the beginning of the next calendar month following the expiry of the notice period.
- 5.3 **Additions To Group** - If the Shipper Agent wishes to add a Shipper to a Group and the Shipper wishes to be added to the Group, and the Shipper has entered into a Transportation Agreement and completed an Appendix "A" - Notice of Appointment of Shipper Agent, and both the Shipper and the Shipper Agent have given to FortisBC Energy not less than, except with the prior approval from FortisBC Energy, 30 days prior written notice of such addition and provided that the Shipper Agent has provided to FortisBC Energy an amended Schedule "A" showing the effective date of the addition of the Shipper to the Group, such Shipper shall be added to the Group effective on the beginning of the next calendar month following the expiry of the notice period.

6. Statements and Payments

- 6.1 **Statements to be Provided** - If the Shipper Agent elects to pay some or all of the charges for Gas taken by the Shippers as described in section 3.6, FortisBC Energy will, on or about 15th day of each month, deliver to the Shipper Agent a statement for the preceding month showing the Gas quantities, and the applicable charges for which the Shipper Agent is responsible and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.
- 6.2 **Payment and Interest** - Payment for the full amount of the statement, including federal, provincial and municipal taxes or fees applicable thereon, will be made to, or to the order of, FortisBC Energy Inc. at its Surrey, British Columbia office (mailing address: P.O. Box 6666 Stn. Terminal, Vancouver, B.C., V6B 6M9), or such other place in Canada as it will designate, on or before the 1st business day after the 10th calendar day following the billing date. If the Shipper Agent or Shipper fails or neglects to make any payment required under this Shipper Agent Agreement, or any portion thereof, to or to the order of FortisBC Energy when due, interest on the outstanding amount will accrue, at the rate of interest declared by the chartered bank in Canada principally used by FortisBC Energy, for loans in Canadian dollars to its most creditworthy commercial borrowers payable on demand and commonly referred to as its "prime rate", plus:
- (a) 2% from the date when such payment was due for the first 30 days that such payment remains unpaid and 5% thereafter until the same is paid where the Shipper Agent or Shipper has not, during the immediately preceding 6 month period, failed to make any payment when due hereunder; or
 - (b) 5% from the date when such payment was due to and including the date the same is paid where the Shipper Agent or Shipper has, during the immediately preceding 6 month period, failed to make any payment when due hereunder.

7. Term

- 7.1 **Term** - The term of this agreement will commence on the commencement date specified in section 1 of this agreement and will expire either
- (a) 30 days following notice from the Shipper Agent that the Shipper Agent wishes to cease to nominate for transportation service and balancing on behalf of the Group, or

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BCUC Secretary: Original signed by E.M. Hamilton

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- (b) the expiry or termination of the Transportation Agreements of all of the members of the Group, or
- (c) the expiry date specified in section 1 of this agreement, or
- (d) 5 days following notice from FortisBC Energy to the Shipper Agent, and to the Shippers which are members of the Group, under section 10.1 (Failure to Provide Information or Default).

whichever date is earlier.

7.2 Survival of Covenants - Upon the termination of this agreement,

- (a) all claims, causes of action or other outstanding obligations remaining or being unfulfilled as at the date of termination, and,
- (b) all of the provisions in this agreement relating to the obligation of either of the parties to provide information to the other in connection with this agreement,

will survive such termination.

8. Representations, Warranties and Covenants

8.1 Representations and Warranties - The Shipper Agent represents and warrants to and covenants with FortisBC Energy as follows

- (a) the members of the Group are listed in section 1 of this agreement,
- (b) the Shipper Agent is the agent of each of the members of the Group and has the authority of each of the members of the Group for the purposes of any and all matters set out in the applicable transportation Rate Schedule and this agreement, and
- (c) FortisBC Energy may rely on any act or thing done, or document executed, by the Shipper Agent in connection with of any and all matters set out in the applicable transportation Rate Schedule and this agreement.

9. Limitation on Liability and Indemnity

- 9.1 **Limitation on Liability** - Neither FortisBC Energy, its employees, contractors or agents will be liable in damages for or on account of any interruption or curtailment of transportation service or Gas supply.
- 9.2 **Indemnity** - The Shipper Agent will indemnify and hold harmless each of FortisBC Energy, its employees, contractors and agents from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from any act or omission of the Shipper Agent related to the agency created by the Shipper Agent Agreement.

10. Disbanding of the Group

- 10.1 **Failure to Provide Information** - If the Shipper Agent fails to provide FortisBC Energy with the information or schedules which the Shipper Agent is required to provide to FortisBC Energy pursuant to this agreement or is otherwise in breach of this agreement then, acting reasonably in the circumstances and on 5 days notice to the Shipper Agent and to the members of the Group, FortisBC Energy may disband the Group and deal directly with the Shippers which were members of the Group.
- 10.2 **Default** - If any Shipper which is a member of the Group is in default under the Default or Bankruptcy section of the applicable Rate Schedule or becomes bankrupt or insolvent, then that Shipper will cease to be a member of the Group.

11. Arbitration

- 11.1 **Arbitration** - Any dispute between the parties arising from this agreement will be resolved by a single arbitrator pursuant to the *Commercial Arbitration Act* of British Columbia or successor legislation, save as expressly provided herein.
- 11.2 **Demand for Arbitration** - Either party may commence arbitration proceedings by sending to the other party a demand for arbitration setting out the nature of the dispute.

- 11.3 **Arbitrator** - The parties will have 10 days from receipt of the demand referred to in section 11.2 to agree upon the arbitrator, failing which either party may apply to the Supreme Court of British Columbia to select the arbitrator. The arbitrator must be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of either of the parties or their respective successors or affiliates, any supplier of the Shipper or FortisBC Energy, or any member of the Group.
- 11.4 **Commencement and Decision** - The arbitrator will proceed immediately to hear and determine the matter in dispute and will render a written decision, signed by the arbitrator, within 45 days after the appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to render a decision within 60 days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.
- 11.5 **Decision** - The decision of the arbitrator will be final and binding upon the parties and the parties will abide by the decision and perform the terms and conditions thereof.

12. Notice

- 12.1 **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other party.

13. Acknowledgement

- 13.1 **Acknowledgement** - The Shipper Agent acknowledges receiving and reading a copy of Rate Schedules 22, 22A, 22B, 23, 25 and 27 and the General Terms and Conditions of FortisBC Energy and will comply with and be bound by all terms and conditions set out therein

IN WITNESS WHEREOF the parties hereto have executed this agreement.

FORTISBC ENERGY INC.

(here insert name of Shipper Agent)

BY: _____
(Signature)

BY: _____
(Signature)

(Title)

(Title)

(Name – Please Print)

(Name – Please Print)

DATE: _____

DATE: _____

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**IN THE MATTER OF the
“Utilities Commission Act”
R.S.B.C. 1996, Chapter 473**

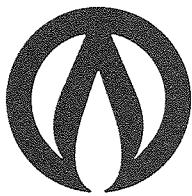
and

**IN THE MATTER OF an
Application by BC Gas Utility Ltd.
To Amend its Schedule of Rates**

2001 Rate Design

Application

January 2001



BC Gas

RATE STRUCTURES - COMMERCIAL

1.0 INTRODUCTION

This section focuses on the costs associated with the delivery of gas to BC Gas' commercial customers, and the pricing structures used to recover those costs. As described under Tab 3, BC Gas offers a Small Commercial Service (Rate Schedule 2), and Large Commercial Service (Rate Schedules 3/23), that apply to commercial, institutional or light industrial customers. Rate Schedule 2 applies to customers who consume less than 2,000 gigajoules (GJ) per year, and Rate Schedules 3/23 is restricted to customers using greater than 2,000 GJ per year. This volume threshold was established when rates were established in 1993. The break point reflected a natural grouping of small and large commercial customers based on volume and load factor.

In BC Gas' 1993 Rate Design proceeding, when the Commercial rate schedules were established, Rate Schedule 2 was more expensive than Rate Schedule 3 over all consumption levels. This created a problem for customers who would pay significantly higher average rates if their gas use fell below 2,000 GJ. While the savings in gas commodity costs were substantial and the customer's total bill was reduced due to the lower consumption, the higher average delivery charges on Rate Schedule 2 reduced these savings. This rate structure was seen as a disincentive to DSM measures. In the 1996 Rate Design Application, an economic break point was established between the two rate schedules at about 2,000 GJ per year. This meant that a customer who consumed 2,000 GJ per year was indifferent from an economic perspective as to the rate schedule under which service is received. Furthermore, if they used less than 2,000 GJ

per year they would be better off on Rate Schedule 2 and conversely, they were better off on Rate Schedule 3 if their use exceeded 2,000 GJ per year.

As a result of the changes that have occurred in rates since 1997, particularly the increases in gas commodity costs, the economic break point has decreased to approximately 1,280 GJ per year. The disconnect between the minimum volume threshold for Rate Schedule 3/23 and the economic break point have caused some concern with customers who feel that the current rate structure erodes some of the savings they have achieved through DSM. The economic break point between Rate Schedule 2 and 3/23 can be addressed by adjusting the basic and delivery charges for each rate.

3.3 CURRENT COMMERCIAL RATES

The rate structure for Commercial services includes a monthly basic charge and a per GJ delivery charge (in addition to the per GJ gas cost recovery charge). The current monthly basic charges are set out below in Table 6.1. This table also summarizes the monthly customer-related and demand-related costs per customer (taken from the Cost of Service 2001 Application study under Tab 9). The total customer and demand-related costs are \$75.05 per customer per month for Rate Schedule 2 and \$605.25 per customer per month for Rate Schedule 3/23. The current basic charges for Rate Schedule 2 of \$17.35 and for Rate Schedule 3/23 of \$92.88 for Rate 3/23, represent only 23% and 15% of their respective total fixed costs.

1 **TABLE 6.1**
2 **MONTHLY BASIC CHARGES AND COSTS FOR COMMERCIAL CUSTOMERS**
3

Rate Class	Monthly Customer-Related Cost	Monthly Demand-Related Cost / Customer	Total Customer and Demand Related (Fixed) Costs	Current Monthly Basic Charge
Rate 2 – Small Commercial	\$23.72	\$51.33	\$75.05	\$17.35
Rate 3/23 – Large Commercial	\$59.37	\$545.88	\$605.25	\$92.88

4
5 The per GJ delivery cost for Rate Schedule 2 is \$0.055 per GJ and \$0.049 per GJ for Rate
6 Schedule 3/23 (from the Cost of Service 2001 Application study). The current delivery charge for
7 Rate Schedule 2 is \$2.229 per GJ and \$1.869 for Rate Schedule 3/23, both considerably greater
8 than the delivery cost.

9
10

11 **3.3 COMMERCIAL RATE STRUCTURE PROPOSALS**

12

13 BC Gas proposes to restructure commercial service rates to achieve an economic break point
14 between Rate 2 and 3/23 that approaches 2,000 GJ per year. In order to achieve an economic
15 break point, delivery charges need to be reduced and basic charges increased. To achieve a
16 breakpoint at 2,000 GJ per year would require the delivery charges to be decreased to \$2.021 and
17 \$1.770 per GJ for Rates Schedules 2 and 3/23 respectively, while increasing monthly basic
18 charges to \$23 and \$123 per month respectively. At these rates, smaller volume Rate Schedule 2
19 customers (<100 GJ per year) would see increases of about 8%. BC Gas believes that in the
20 current gas price environment the bill impacts on lower volume customers required to move to an
21 economic break point at 2,000 GJ would be too great at this time.

22

Targeting a slightly lower economic break point at approximately 1,700 GJ per year will moderate this impact. The rates associated with achieving a 1,700 GJ break point are summarized in Table 6.2. below. The basic charges for both rate classes are increased by about 20% and the delivery charges decreased by an amount that ensures the proposed rates are revenue neutral for the class as a whole. The proposed basic charges for small commercial service are reflective of those charged in other jurisdictions.

Under the existing rate structures, at a consumption level of 2,000 GJ per year, the average unit rate for Rate Schedule 2 exceeds that of Rate Schedule 3 by \$0.25 per GJ. By making the proposed changes, the differential at 2,000 GJ between Rate Schedule 2 and Rate Schedule 3/23 is decreased to \$0.09 per GJ. This represents the perceived disincentive to DSM under the current rate structures.

TABLE 6.2

CURRENT AND PROPOSED COMMERCIAL BASIC AND DELIVERY CHARGES

	Current	Proposed	Increase \$
Basic Charges \$/ month			
Rate 2 – Small Commercial	\$17.35	\$21.00	\$3.65
Rate 3/23 – Large Commercial	\$92.88	\$112.00	\$19.12
Delivery Charges \$/GJ			
Rate 2 – Small Commercial	\$2.229	\$2.095	(\$0.134)
Rate 3/23 – Large Commercial	\$1.869	\$1.806	(\$0.063)

COMMERCIAL BILL IMPACT ANALYSIS

BC Gas analyzed the impact that the proposed rates design changes would have on Small and Large Commercial customers at various levels of annual consumption. To determine the changes

to customers' annual bills, the Company determined the overall impact on the "burner-tip" price that includes the basic charge, the delivery charge and the commodity cost of gas, exclusive of all riders. For the purposes of this analysis, Rate Schedule 23 gas costs are assumed to be similar to those for Rate Schedule 3. The bill impact analysis results are found in Table 6.3 for Small Commercial (Rate Schedule 2) and Table 6.4 for Large Commercial customers (Rate Schedule 3/23).

TABLE 6.3

RATE SCHEDULE 2 MONTHLY BILL IMPACTS

Annual Consumption	Number of Customers	Current Average Monthly Bill (\$/month)	Increase/Decrease (\$)	Increase/Decrease (%)
0 – 100 GJ/year	28,137	\$60	\$3.11	5.2%
100 – 300 GJ/year	21,403	\$191	\$1.48	0.8%
300 – 700 GJ/year	12,436	\$452	(\$1.79)	(0.4%)
700 plus GJ/year	11,125	\$1,201	(\$11.14)	(0.9%)

TABLE 6.4

RATE SCHEDULE 3/23 MONTHLY BILL IMPACTS

Annual Consumption	Number of Customers	Current Average Monthly Bill (\$/month)	Increase/Decrease (\$)	Increase/Decrease (%)
1,800 – 2,600 GJ/year	1,906	\$1,842	\$8.13	0.4%
2,600 – 3,600 GJ/year	1,782	\$2,555	\$3.64	0.1%
3,600 – 4,600	941	\$3,350	(\$1.35)	0%
4,600 plus GJ/year	1,492	\$5,983	(\$17.90)	(0.3%)

BC Gas considers the bill impacts resulting from the increased basic charges and decreased delivery charges to be reasonable given the percentage and dollar impacts.

1

2 **CONCLUSIONS**

3

4 The proposed rates for Rate Schedule 2 and 3/23 move the rates more in line with costs and
5 establish an economic crossover point closer to the 2,000 GJ Rate 3/23 threshold without
6 significant adverse rate impacts on customers.

7

RATE STRUCTURES – INDUSTRIAL

1.0 INTRODUCTION

This section focuses on the Industrial service schedules described under Tab 3, Section 6.0. This Application does not address gas sales or commodity pricing, with the exception of the matters addressed in Section 7.0 of this Tab. Rate Schedules 7, 10 and 14 Large Volume Interruptible and General Interruptible sales were dealt with in August 2000, with revisions approved by the Commission in September 2000, under order G-83-00. In addition, in response to the rapid and dramatic rise in natural gas costs, BC Gas recently filed an application which updated the costs of balancing, backstopping and UOR (unauthorized overrun) gas services as provided for in the Company's transportation tariffs (See details under Section 7.0 of this Tab).

2.0 SERVICE SCHEDULES AND PROPOSED REVISIONS

2.1 RATE SCHEDULE 5/25 – GENERAL FIRM SERVICE

Rate Schedule 5 is a bundled (commodity and transportation) firm service option available to small industrial and large commercial customers who wish to purchase natural gas from BC Gas and who typically have some type of process loads. Rate Schedule 25 is the companion firm transportation tariff under which customers receive only firm transportation service and purchase their gas requirements from a supplier other than BC Gas. Rates applicable for service under

1 Rate Schedules 5 and 25 are equal, except for the Transportation Service Administration Charge
2 which applies to Rate Schedule 25 only.

3
4 The 1996 Rate Design Application and settlement introduced a demand/commodity rate structure
5 to Rate Schedules 5 and 25 and the ability for customers or marketers to group gas supplies with
6 other customers or groups of customers, for the benefit of gas contracting and managing gas
7 imbalances.

8
9 BC Gas believes the existing rate structure is reasonable and proposes no changes at this time.

10
11 **2.2 RATE SCHEDULE 6 – NATURAL GAS FOR VEHICLES (NGV)**

12
13 Natural Gas Vehicle Service is available to customers who retail natural gas to customers with
14 natural gas vehicles or fleet customers who use natural gas for their own fleet. Typical end-use
15 applications include light, medium and heavy-duty vehicles and ferries. The average usage for
16 this rate class ranges from 16,000 GJ in the Lower Mainland to 7,000 GJ per year in the Inland
17 Service Area. Rate Schedule 6 includes a monthly basic charge and a variable delivery and gas
18 cost recovery charge. No changes to Rate Schedule 6 are proposed at this time.

19
20 BC Gas is developing an additional NGV tariff for large NGV customers, including marine
21 customers. The tariff will be designed to take into account the Utility's associated costs and
22 revenues as well as the prices of competing fuels. BC Gas proposes to submit a Large NGV and
23 Marine Tariff in a supplemental information filing prior to the rate design hearing.

24

1 **2.3 RATE SCHEDULE 7/27 – GENERAL INTERRUPTIBLE SALES AND**
2 **TRANSPORTATION SERVICE AND RATE SCHEDULE 22 – LARGE**
3 **VOLUME TRANSPORTATION**
4

5 Rate Schedule 7 is a bundled (commodity and transportation) interruptible service option,
6 available to small industrial and large commercial customers who wish to purchase their natural
7 gas and interruptible delivery service from BC Gas and have the ability to curtail use during
8 system capacity constraints. Rate Schedule 27 is the corresponding transportation service. Rate
9 Schedules 7 and 27 are for use by small industrial and large commercial transportation customers
10 with gas consumption of less than 12,000 GJ per month who have the ability and inclination to
11 accept periodic curtailments of service.

12
13 For Rate Schedules 7 and 27 BC Gas proposes to retain the current rate structure and rates as
14 filed and approved for January 1, 2001. The Company has strived to ensure its interruptible rates
15 are reflective of the “value of service” provided, and also provide sufficient incentive to
16 encourage customers to remain interruptible or consider switching to interruptible service.

17
18 Rate Schedule 22 provides transportation service (firm and/or interruptible) to large commercial
19 and industrial customers with minimum monthly gas consumption of 12,000 GJ per month that
20 do not qualify under Rate Schedule 22A or 22B. Customers requiring firm service are able to
21 negotiate with BC Gas to determine the rates that should apply. The starting point for such
22 negotiations is the rate available to Rate Schedule 5/25 customers.

23

1 At present, the majority of customers receiving service under Rate Schedule 22 are large volume
2 interruptible customers who are able to curtail usage during the Company's peak operating
3 conditions when delivery capacity is limited.

4

5 The rate design applications of the Company filed in 1993 and 1996 requested reductions in rates
6 for this rate class. The Commission's decision in 1993 and the Settlement reached in 1996,
7 approved these reductions. In this Application the Company has examined the relationship
8 between firm and interruptible rates to ensure sufficient incentive exists to encourage customers
9 to remain interruptible during periods when capacity is limited.

10

11 The objective of interruptible rate pricing is to establish a rate that provides a sufficient discount
12 from the prevailing firm service rate to encourage those customers that can economically and
13 operationally curtail their gas consumption during periods of peak throughput to do so. This
14 ensures maximum utilization of existing capacity without having to construct infrastructure to
15 serve interruptible loads. It is important to maximize value by establishing interruptible rates
16 that make a significant contribution to the utility cost of service without encouraging truly
17 interruptible customers from converting to firm service. If the interruptible rates are set too low
18 relative to the anticipated level of curtailment, customers with truly firm service customers may
19 elect to contract for interruptible service – effectively receiving firm service at a discount.

20

21 The factors that go into establishing the relationship between firm and interruptible rates in order
22 to achieve an appropriate balance include:

23

24 1. the capital costs of purchasing and installing alternative fuel storage and delivery systems;

- 1 2. the customer's capital costs of purchasing and retrofitting production equipment and
- 2 appliances to accommodate alternative fuels;
- 3 3. the total net cost to the customer of the alternative fuel (i.e. adjusting for efficiency gains or
- 4 losses);
- 5 4. the projected cost of gas during periods of curtailment, based upon the customers anticipated
- 6 contracting practices (i.e. one year contracts vs. seasonal vs. monthly vs. daily pricing);
- 7 5. the opportunity cost, in the form of lost production and/or sales that may result as a
- 8 consequence of curtailment; and
- 9 6. the actual frequency and duration of service curtailments ; a factor affected by weather and
- 10 available capacity.

11

12 There are inter-relationships between the costs factors identified above. A material change in
13 one or more components may, from time to time, necessitate changes to the Company's firm
14 and/or interruptible rates to ensure that the differential is sufficient to encourage customers that
15 are capable of curtailing their gas requirements to do so or remain doing so. For example, if the
16 efficiency adjusted cost difference between using natural gas and an alternative fuel narrows,
17 customers can accept a greater number of days of curtailment or the Company can raise the rate
18 for interruptible service and the customers will remain financially indifferent. Sometimes the
19 differences between the cost of natural gas and alternative fuels can become so small that
20 customers choose to burn alternative fuels instead of natural gas. This is not typical but recent
21 changes in commodity markets suggest a much closer relationship between oil, propane and
22 natural gas in terms of total net cost.

23

1 To determine whether the discounts reflected in the Company's current interruptible rates are
2 acceptable, or whether changes to the relative level or structure of rates is warranted, BC Gas has
3 examined the circumstances at the time of the 1996 Rate Design Settlement and the current
4 environment.

5
6 In the 1996 Rate Design settlement the Rate Schedule 5/25 rates consisted of a demand charge of
7 \$10.00/GJ per month of daily demand and a \$0.406/GJ commodity rate. The interruptible tolls
8 set in accordance with this firm rate were at 100% load factor for Rate Schedule 22 interruptible
9 customers; (\$0.539/GJ) and at 80% load factor for Rate Schedule 7/27 interruptible customers
10 (\$0.674/GJ).

11
12 In 1996, based an average (55%) class load factor for Rate Schedule 5/25 customers, the
13 discounts for interruptible service, relative to a typical firm customer's rates were:

14 $R_{5/25} - R_{27} = \$1.002 - 0.674 = \$0.328/\text{GJ}$

15 $R_{5/25} - R_{22} = \$1.002 - 0.539 = \$0.463/\text{GJ}$

16 The same comparison with the rates approved for January 1, 2001:

17 $R_{5/25} - R_{27} = \$1.24 - 0.836 = \$0.404/\text{GJ}$ (for smaller volume customers)

18 $R_{5/25} - R_{22} = \$1.24 - 0.666 = \$0.574/\text{GJ}$ (for larger volume customers)

19 Another basis for comparing the difference between firm and interruptible rates makes the
20 comparison from an interruptible customers perspective by taking into account the customer's
21 avoided cost of firm service based on its own distinct interruptible customers' load factor, not the
22 average load factor of customers receiving service under Rate Schedules 5 and 25.

23

1 For example, the cost for a Rate Schedule 7/27 customer to convert to firm service, assuming a
2 load factor based on the class average (about 63%), would result in the following:

3

	1996 ①		2001②	
A) Firm Cost	\$0.5219	(Demand)③	\$0.646	(Demand)③
	<u>\$0.4060</u>	(Commodity)	<u>\$0.502</u>	(Commodity)
	\$0.928/ GJ		\$1.148/GJ	
B) Interruptible Rate (rate 27)	\$0.674①		\$0.836②	
C) Differential	\$0.254		\$0.312	

4

- 5 ① - Based on 1996 Settlement
6 ② - Based on January 1, 2001 rates.
7 ③ - Load Factor adjusted.

8

9 The corresponding analysis for Rate Schedule 22 customers, with an average class load factor of
10 72%, produces the following results:

11

	1996 ①		2001②	
A) Firm Cost	\$0.457	(Demand)③	\$0.565	(Demand)③
	<u>\$0.406</u>	(Commodity)	<u>\$0.502</u>	(Commodity)
	\$0.863/ GJ		\$1.0673/GJ	
B) Interruptible Rate (rate 22)	\$0.539①		\$0.666②	
C) Differential	\$0.324		\$0.401	

12

- 13 ① - Based on 1996 Settlement
14 ② - Based on January 1, 2001 rates.
15 ③ - Load Factor adjusted.

16

17 Both analyses indicate that the gap between a customer's firm service alternative and the
18 interruptible rate under which it would receive service gas have increased substantially; i.e.

1 \$0.058 per GJ or 23% for small volume customers and \$0.077 per GJ or 24% for large volume
2 customers.

3

4 A third comparison method looks at the firm and interruptible rates agreed to in 1996 with those
5 prevailing today, comparing them at the 80% and 100% load factor rates for firm service (Rate
6 Schedule 5/25) that were used in 1996 with the values achieved in 2001 using the same
7 methodology. That comparison is:

	1996		2001	
R5/25	\$0.329	(Demand)	\$0.407	(Demand)
	\$0.406	(Commodity)	\$0.502	(Commodity)
	\$0.735/ GJ		\$0.909/GJ	
R22	\$0.539		\$0.666	
Differential	\$0.196		\$0.243	

8

	1996		2001	
R5/25	\$0.411	(Demand)	\$0.509	(Demand)
	\$0.406	(Commodity)	\$0.502	(Commodity)
	\$0.817/ GJ		\$1.011/GJ	
B) Rate 27	\$0.674		\$0.836	
C) Differential	\$0.143		\$0.175	

9

10 This comparison illustrates that interruptible customers with load factors in the 80-100% range
11 are receiving relatively larger discounts today than those agreed to in the 1996 Rate Design
12 Settlement.

13

14 As all these comparisons illustrate, there has been no deterioration between the avoided cost of
15 firm service and the interruptible rates under which these customers are receiving service. In
16 fact, the lower the load factor the larger the gap, in absolute terms, between the cost of firm and
17 interruptible service.

1 Despite significant changes that have affected the cost of gas relative to the cost of alternative
2 fuels, leading some customers to effectively "self-curtail" the use of natural gas for extended
3 periods of extreme circumstances in favor of lower cost alternatives, BC Gas proposes to leave
4 its interruptible service rates unchanged at this time. Based upon the foregoing analysis, the
5 quality of service provided, and the volatility of commodity markets affecting natural gas and
6 alternative fuels, the Company is unable to develop a legitimate basis for either increasing or
7 decreasing interruptible rates at this time.

8

9 Since the 1996 Rate Design Settlement the Company has experienced no unusual or
10 unanticipated migration activity (from firm to interruptible or interruptible to firm) that would
11 suggest the rates or rate structure are producing undesirable effects on customer's service option
12 selections.

13

14 BC Gas is of the view that the current interruptible rates achieve a reasonable balance between
15 value maximization to offset firm customers' costs and provide a sufficient incentive to
16 encourage new customers to convert to interruptible service and existing customers to stay
17 interruptible.

18

19

20 **2.4 RATE SCHEDULES 22A & 22B -- LARGE VOLUME TRANSPORTATION**
21 **SERVICES**

22

23 These rate schedules are "closed" and are only available to Inland and Columbia service area
24 industrial customers who were receiving service prior to 1993. The rate structure and rate setting

1 methodology associated with each group of customers have been grandfathered in recognition of
2 the unique service and cost allocation conditions that exist for each group.

3

4 In general, the terms and conditions of service for Rate Schedule 22 customers apply to Rate
5 Schedules 22A and 22B customers; the notable exception being the peak shaving curtailment of
6 firm service permitted under Rate Schedule 22A. Subject to a customer making alternative
7 arrangements that provide BC Gas with peaking gas supplies, Rate Schedule 22A customers
8 must make available one half of their firm supply and capacity to BC Gas for peak shaving
9 purposes. BC Gas is permitted to draw on these supplies a maximum of 5 days in any one year
10 or peak season.

11

12 For Rate Schedule 22A and 22B customers, BC Gas proposes to maintain the rate structure and
13 the rates approved for January 1, 2001.

14

15 As indicated in Section 5.0, entitled "T-Service Administration Charge", the Company recently
16 filed and received approval to decrease Transportation Administration Charges for all
17 transportation service customers including Rate Schedules 22A and 22B

18

19 **3.0 SOUTHERN CROSSING PIPELINE SERVICES**

20

21 BC Gas introduced a number of new services related to SCP through the Negotiated Settlement
22 Process respecting the SCP Cost Allocation Application. BC Gas believes that these services
23 have value for firm transport customers. While one month of experience (December) provides a
24 limited basis to assess the success of these services, the initial results are encouraging.

1

2 In the month of December the use of the 15 Day peaking service, produced approximately
3 \$120,000 in economic value for two entities that were able to capture approximately \$212,000 in
4 economic value for movements of gas under Rate Schedule 40.

5

6 For the month of December, BC Gas has made significant use of the transportation functionality
7 of the SCP sufficient to generate approximately \$4.95 million of SCP mitigation during
8 December 2000. Non-by-pass transportation customers will receive a share of this revenue
9 applied against their total cost-of-service (i.e. $\$4,950,000 \times 0.0836 = \$413,000$).

10

11 In aggregate these benefits total approximately \$745,000 for the month of December alone.

12

13 **4.0 BY-PASS SERVICE CONTRACTS**

14

15 By-pass contracts are service agreements under which larger volume customers, located in close
16 proximity to upstream transmission pipelines, have negotiated with BC Gas for delivery rates
17 that are reflective of the customer's cost of constructing it's own direct pipeline. All by-pass
18 contracts are approved by the BCUC. With the exception of the specific rate, the terms and
19 conditions of service in by-pass contracts conform with the standard tariff under which the
20 customer will be receiving service. Since the by-pass rates are established in an independent
21 process, this Application contemplates no change to the service rates, terms and conditions
22 applicable to by-pass customers.

23

24

1 **5.0 T-SERVICE ADMINISTRATION CHARGE**

2

3 All transportation customers pay a transportation service (T-Service) Administration Charge
4 designed to recover the incremental costs incurred by BC Gas in providing its transportation
5 service. Originally established in 1993, Administration Charges have seen several revisions.
6 There were small increases in 1994, 1995 and 1996 and a significant reduction effective January
7 1, 1997 from \$213 per month for Rate Schedule 25 and 27 and \$608 per month for Rate
8 Schedule 22/22A/22B to \$105 per month. These reductions in the Administration Charges
9 reflected lower administration costs resulting from new transportation service nomination and
10 grouping guidelines. Since 1997, BC Gas has seen the number of transportation service
11 customers increase and has been able to further reduce transportation service costs through
12 improved processes and the resultant economies of scale. In an Application filed with the
13 Commission in November 1999 BC Gas requested and received approval to further reduce the
14 T-Service Administration Charge to \$75 per month. Since November 1999, increases in the
15 Administration Charge, reflecting Revenue Requirement adjustments, have increased the rate,
16 effective January 1, 2001, to \$87 per month. BC Gas is satisfied that the current Administration
17 Charge adequately recovers the incremental costs associated with providing transportation
18 service. As directed by the Commission, BC Gas will review the issue of administrative costs by
19 September 30, 2002.

20

21 **6.0 GROUPING/BALANCING**

22

23 As part of the Company's transportation terms and conditions, customers are permitted to join
24 with other customers in a "group" in order to take advantage of the benefits that grouping

1 creates, such as reduced gas management administration and improved load factors, thereby
2 lowering overall gas costs, for all members of the group.

3

4 Balancing is a service the Company provides its transportation customers when actual gas
5 consumption differs from the amount of gas transported on any day; i.e. if a customer ships less
6 gas than is actually used, BC Gas will provide Backstopping or Balancing Gas.

7

8 For Large Volume (Rate Schedules 22, 22A and 23B) transportation customers, consumption is
9 recorded daily and compared to the gas delivered on behalf of that customer to BC Gas on that
10 day. Differences are considered to be imbalances. For Large Volume customers there is an
11 unlimited amount of gas permitted for over deliveries; i.e. actual consumption is less than the
12 amount of gas delivered. For under deliveries of less than 20%, the shortfall is made up from the
13 gas held in an inventory account. For amounts greater than 20%, BC Gas makes the extra gas
14 available as "Balancing Gas" at prevailing market prices.

15

16 Despite changing market forces that continue to increase the cost of handling customer
17 imbalances, improvements in the timeliness of measurement records and the added line pack
18 capacity provided by the Southern Crossing Pipeline make it possible for BC Gas to continue, at
19 time, the current balancing terms and conditions of the transportation tariffs.

20

21 It is important to note that balancing is a service made possible by the availability of core market
22 gas supply and storage resources. Shippers are expected to order and transport only those
23 quantities of gas that "will equal the shipper's best estimate...of the quantity of gas the shipper
24 will actually consume..." Shippers over or under order gas supplies are effectively causing the

1 core market to subsidize their gas procurement activities. As market volatility increases BC Gas
2 will need to be more diligent in monitoring balancing practices with a view to introducing
3 changes in tolerance levels if shipper ordering practices suggest tariff changes are needed.

4
5 **7.0 BACKSTOPPING, BALANCING AND UNAUTHORIZED OVERRUN CHARGES –**
6 **RATE SCHEDULES 4, 22, 22A, 22B, 23, 25 AND 27**

7
8
9 **7.1 BACKGROUND**

10
11 On November 17, 2000, BC Gas applied to the Commission for revisions to the Backstopping,
12 Balancing and Unauthorized Overrun (UOR) charges in the above noted Rate Schedules. It was
13 the view of BC Gas that given the price volatility in the natural gas market, the Rate Schedule 1
14 and 5 Gas Cost Recovery Charges were significantly below prospective market prices and the
15 use of the above noted services would have likely led to a cross subsidization from core market
16 customers to transportation customers.

17
18 Pursuant to Order No. G-110-00, effective December 1, 2000, charges for backstopping,
19 balancing and UOR were changed to reflect the Gas Daily NW Sumas Midpoint price. Order G-
20 110-00 directed BC Gas to address appropriate charges for these items in this Application. BC
21 Gas agrees with the Commission's view that the Midpoint price may not adequately compensate
22 core market customers for the gas and services provided. Furthermore if price levels are
23 inadequate, these services may be regarded by some shippers as simply the low cost alternative

1 source of gas rather than a source of last resort if the charges associated with these services are
2 aligned to the midpoint price.

3

4 In addition, with a view to market unbundling and how it will be structured for residential and
5 small commercial customers, BC Gas wishes to align its current service offerings with the
6 anticipated unbundled offerings. For example, the Market Unbundling Group (MUG), which
7 submitted a report to the BCUC on August 6, 1999, suggested that charges for services such as
8 backstopping should be set sufficiently high so as to discourage inappropriate use (Section
9 5.2.8). This view was endorsed by a cross-section of the market participants.

10

11

12 **7.2 REVISIONS TO CHARGES**

13

14 BC Gas requests these charges be revised to reflect the Gas Daily NW Sumas Common high
15 price (i.e. the high price in the Common price range given) as set out under Table 7.1, Table 7.2
16 and Table 7.3 below. It is the Company's view that the Common high price will provide a
17 reasonable deterrent to the use of these services under normal circumstances, and adequately
18 compensate core market customers for gas provided under these services.

1

Table 7.1 Backstopping Charges

Rate Schedule(s)	Service Area	Charge for Backstopping Gas (USD Per MMBtu) Effective Dec. 1, 2000	Charge for Backstopping Gas (USD Per MMBtu) Requested
22, 23, 25, 27	Lower Mainland	Gas Daily NW Sumas Midpoint Price	Gas Daily NW Sumas Common High Price
22, 22A, 23, 25, 27	Inland	Gas Daily NW Sumas Midpoint Price	Gas Daily NW Sumas Common High Price
23, 25, 27	Columbia	Gas Daily NW Sumas Midpoint Price	Gas Daily NW Sumas Common High Price

2

Table 7.2 Charges for Balancing Gas

Rate Schedule(s)	Service Area	Balancing Gas (USD Per MMBtu) Effective Dec 1, 2000	Balancing Gas (USD Per MMBtu) Requested
22 22, 22A 22	Lower Mainland Inland Columbia	Gas Daily NW Sumas Midpoint Price	Gas Daily NW Sumas Common High Price
23, 25, 27	Lower Mainland Inland Columbia	Gas Daily NW Sumas Midpoint Price Average for the month	Gas Daily NW Sumas Common High Price Average for the month

3

4

5

6

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13

1

Table 7.3 Unauthorized Overrun Charges

Rate Schedule(s)	Service Area	UOR Charges (USD Per MMBtu unless otherwise stated) Effective December 1, 2000		Requested UOR Charges (USD Per MMBtu unless otherwise stated)	
		First 5%	Over 5%	First 5%	Over 5%
7, 22, 23, 25, 27	Lower Mainland	Gas Daily NW Sumas Midpoint Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)	Gas Daily NW Sumas Common High Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Common High price X 1.5)
7, 22, 22A, 23, 25, 27	Inland	Gas Daily NW Sumas Midpoint Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)	Gas Daily NW Sumas Common High Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Common High price X 1.5)
7, 22, 22B, 23, 25, 27	Columbia	Gas Daily NW Sumas Midpoint Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)	Gas Daily NW Sumas Common High Price	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)
4	All Service Areas	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5))	Greater of: (CAD\$20.00/GJ; Gas Daily NW Sumas Midpoint price X 1.5)

2

3

Attachment 8.1

FILED CONFIDENTIALLY

Attachment 8.2

FILED CONFIDENTIALLY

Attachment 10.5

SUMMARY OF 2012 MONTHLY INVENTORY BALANCES PRIOR TO MONTHLY BALANCING GAS SOLD (Quantities in GJs)

SHIPPER	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SHIPPER AGENT A	(769)	673	2,840	6,411	8,490	5,334	2,353	3,757	4,193	2,235	2,322	4,460
SHIPPER AGENT B	(2,463)	(14,537)	11,185	(21,919)	(21,271)	(9,904)	(30,882)	7,872	(25,231)	(19,309)	23,151	52,894
SHIPPER AGENT C	10,822	1	14,068	4,439	9,049	15,444	4,625	6,336	(4,424)	200	9,193	1,016
SHIPPER AGENT D	33,240	26,064	56,252	17,664	(7,177)	15,120	53,794	24,529	18,214	22,087	19,624	28,711
SHIPPER AGENT E	7,415	9,706	7,558	5,684	8,071	9,189	6,642	7,715	6,747	2,192	680	4,166
SHIPPER AGENT F	(18,406)	(19,492)	805	5,707	4,062	1,041	4,618	2,532	(6,787)	40	1,376	3,169
SHIPPER AGENT G	63,973	29,484	46,380	7,231	30,658	867	5,803	4,041	5,300	2,192	6,440	30,705
SHIPPER AGENT H	25,120	2,799	(7,169)	17,925	16,082	4,522	3,205	8,517	(2,254)	(10,292)	(8,419)	(6,658)
SHIPPER AGENT I	8,484	4,185	5,606	5,126	3,403	1,569	4,902	2,588	7,366	3,531	5,299	5,834
SHIPPER AGENT J	(4,803)	(18,263)	42,251	32,305	54,284	(10,240)	(14,206)	14,399	(47,568)	(29,683)	(17,657)	71,601
SHIPPER AGENT K	-	56	50	292	(556)	422	(50)	238	(193)	454	657	(104)
SHIPPER AGENT L	-	-	-	-	-	-	-	-	-	3,271	(321)	4,625
Grand Total	122,613	20,674	179,824	80,866	105,094	33,364	40,803	82,523	(44,638)	(23,084)	42,342	200,418

SUMMARY OF 2013 MONTHLY INVENTORY BALANCES PRIOR TO MONTHLY BALANCING GAS SOLD (Quantities in GJs)

SHIPPER	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SHIPPER AGENT A	3,372	2,598	8,139	2,114	4,842	4,024	5,159	3,880	(1,146)	3,289	11,579	(252)
SHIPPER AGENT B	(28,259)	(74,280)	26,027	(1,294)	(20,894)	(532)	(1,053)	(8,674)	(12,769)	7,713	8,126	1,346
SHIPPER AGENT C	(5,510)	12,834	4,741	18,148	29,516	22,215	19,712	6,794	(8,509)	338	19,883	8,717
SHIPPER AGENT D	10,908	13,319	6,531	9,611	17,810	17,777	17,159	5,240	(21,869)	561	(0)	(0)
SHIPPER AGENT E	7,163	13,550	18,410	10,186	10,113	8,734	9,959	5,773	2,237	(5,147)	3,787	(253)
SHIPPER AGENT F	1,157	(1,260)	2,104	19,005	18,586	26,349	17,443	12,994	4,637	5,760	9,717	(33,415)
SHIPPER AGENT G	3,062	14,816	2,864	18,817	9,610	17,396	19,449	4,239	21,585	27,350	57,895	121,999
SHIPPER AGENT H	(1,288)	(460)	5,351	2,171	309	1,737	2,592	1,405	62	1,026	5,546	10,903
SHIPPER AGENT I	1,924	3,789	7,826	6,071	5,858	3,940	2,825	1,187	3,142	5,149	2,632	6,304
SHIPPER AGENT J	76,133	(83,273)	3,279	(11,685)	(22,277)	27,882	(48,572)	(4,198)	(32,253)	(2,028)	(5,988)	(7,810)
SHIPPER AGENT K	(2,704)	1,336	860	1,022	473	503	682	476	371	507	220	995
SHIPPER AGENT L	2,623	2,789	2,126	1,949	3,071	3,157	1,835	2,572	2,622	4,172	1,482	3,073
Grand Total	68,579	(94,242)	88,258	76,115	57,016	133,183	47,191	31,689	(41,890)	48,689	114,876	111,607