



FORTISBC ENERGY INC.

**RATE SCHEDULE 46
LIQUEFIED NATURAL GAS SALES,
DISPENSING AND TRANSPORTATION SERVICE**

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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 Inc. (FortisBC Energy) and used in this Rate Schedule have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflicts with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.
- (a) **Available LNG Capacity** – means the total quantity of LNG available for sale to all Customers from LNG Facilities under this Rate Schedule as determined by FortisBC Energy in its sole discretion. FortisBC Energy's determination of the Available LNG Capacity may consider FortisBC Energy's assessment of its overall LNG liquefaction and storage requirements, which include providing peaking and emergency resources.
 - (b) **Biomethane Energy Recovery Charge (BERC)** – means the charge approved by the British Columbia Utilities Commission that is applicable for Customers selecting a percentage of Biomethane as a portion of their Gas.
 - (c) **Contract Demand** – means the minimum quantity of LNG, measured in Gigajoules, that FortisBC Energy agrees to supply and the Customer agrees to purchase and pay per year under the LNG Agreement, whether or not such quantity is actually consumed by the Customer.
 - (d) **Contract Term** – means the term specified in the LNG Agreement, and will expire at 12:00 a.m. Pacific Standard Time on the Expiry Date.
 - (e) **Customer** – means a Person entering into the LNG Agreement or LNG Transportation Service Agreement with FortisBC Energy.
 - (f) **Day** – means any period of twenty-four consecutive hours beginning and ending at 12:00 a.m. Pacific Standard Time.
 - (g) **Delivery Charge** – means the sum of:
 - (i) a LNG Facility Charge, which is the unit cost per Gigajoule to deliver natural gas from the Interconnection Point to the LNG Facilities, and to produce, store, and Dispense all LNG at the LNG Facilities, excluding the Electricity Surcharge; and
 - (ii) an Electricity Surcharge, which is the unit cost per Gigajoule for electricity consumed by the LNG Facilities to produce, store and Dispense all LNG at the LNG Facilities.
 - (h) **Dispensing** or any form of the verb **Dispense** – means the act of filling a Tanker with LNG from the LNG Facilities.
 - (i) **Expiry Date** – means the date specified in the LNG Agreement when service under the LNG Agreement ceases.
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- (j) **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 or regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery, liquefaction, storage, and dispensing equipment, or lines of pipes, or freezing of wells or pipelines, or the failure of Gas supply, temporary or otherwise, from a Supplier of Gas, or a declaration of Force Majeure by a gas Transporter that results in Gas being unavailable for delivery at the Interconnection Point, or any major disabling event or circumstance in relation to the normal operations of the party concerned as a whole which is beyond the reasonable control of the party directly affected and results in a material delay, interruption or failure by such party in carrying out its obligations under the Rate Schedule. Force Majeure events cannot be due to negligence of the party claiming Force Majeure.
 - (k) **Gas** – means natural gas (including odorant added by FortisBC Energy), or Biomethane, or a mixture of any or all of the above.
 - (l) **Interconnection Point** – means the point where the FortisBC Energy System interconnects with the facilities of Westcoast Energy Inc. at Sumas.
 - (m) **LNG** – means liquefied natural gas.
 - (n) **LNG Facilities** – means the current or future LNG production and storage plants and equipment that are owned or operated by FortisBC Energy or are under contract with FortisBC Energy to provide LNG to FortisBC Energy, but excludes any marine loading facilities.
 - (o) **LNG Agreement** – means the Liquefied Natural Gas Sales and Dispensing Service Agreement between FortisBC Energy and the Customer for the provision of LNG Service, a form of which is attached to this Rate Schedule.
 - (p) **LNG Service** – means the service of the liquefaction, storage and Dispensing of LNG from the LNG Facilities, and includes Long-Term LNG Service, Short-Term LNG Service and Spot LNG Service. LNG Service does not include LNG Transportation Service or marine loading service.
 - (q) **LNG Spot Charge** – means the LNG spot charge per Gigajoule of LNG as set out in the Table of Charges.
 - (r) **LNG Transportation Service** – means the optional service provided by FortisBC Energy as further specified in section 6 of this Rate Schedule that consists of:
 - (i) use of a Tanker owned or provided by FortisBC Energy;
 - (ii) hauling via land of the Tanker loaded with LNG from the LNG Facilities to a Customer designated location;
 - (iii) unloading of LNG from the Tanker; and,
 - (iv) hauling of the empty Tanker from the Customer designated location to the LNG Facilities.
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- (s) **LNG Transportation Service Agreement** – means the LNG Transportation Service Agreement for LNG Transportation Service between FortisBC Energy and the Customer, a form of which is attached to this Rate Schedule.
 - (t) **Long-Term LNG Service** – means LNG Service under this Rate Schedule with a minimum Contract Term of five (5) years or more and a specified Contract Demand for the duration of the Contract Term.
 - (u) **Minimum Monthly Charge** – means a minimum Monthly charge, applicable to Long-Term LNG Service and Short-Term LNG Service only, calculated by multiplying one-twelfth of the annual Contract Demand by the Delivery Charge.
 - (v) **Month** – means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 12:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 12:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.
 - (w) **Process Fuel Gas** – means Gas consumed in the production of LNG at the LNG Facilities, which for 2013 and 2014 is deemed to be a quantity equal to 1% (one percent) of the LNG Dispensed to the Customer, but thereafter the percentage is to be updated annually based on the prior year's actual fuel gas consumption at the LNG Facilities.
 - (x) **Rate Schedule 46 or this Rate Schedule** – means this Rate Schedule, inclusive of the appended Table of Charges, LNG Agreement, and, if applicable, the LNG Transportation Service Agreement.
 - (y) **Short-Term LNG Service** – means the LNG Service under this Rate Schedule with a minimum Contract Term of one (1) year and a maximum Contract Term of less than five (5) years and a specified Contract Demand for the duration of the Contract Term.
 - (z) **Spot LNG Service** – means the Dispensing and sales of LNG on a spot load basis to a Customer at the LNG Spot Charge per Gigajoule, as further specified in section 3.4 of this Rate Schedule.
 - (aa) **Supplier of Gas** – means a party who sells natural gas to the Customer or FortisBC Energy.
 - (bb) **Table of Charges** – means the appended table or tables of prices, fees and charges.
 - (cc) **Tanker** – means a cryogenic receptacle used for receiving, storing and transporting LNG, including without limitation, portable tankers, ISO containers, or other similar equipment.
 - (dd) **Transporter** – means, 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 natural gas for the purposes of natural gas transportation or resale.
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2 Applicability

- 2.1 **Applicability** – This Rate Schedule applies to the LNG Service provided by FortisBC Energy from the LNG Facilities. This Rate Schedule also applies to the optional LNG Transportation Service if a Customer elects such optional service.
- 2.2 **Amendment of Rate Schedule** – Amendments to this Rate Schedule must be in accordance with the Direction to the British Columbia Utilities Commission respecting FortisBC Energy's Liquefied Natural Gas Service and Compressed Natural Gas Service.

3 Conditions of LNG Service

- 3.1 **Availability of LNG Service** – FortisBC Energy will only provide LNG Service to a Customer if
- (a) adequate capacity exists on the FortisBC Energy System;
 - (b) there is Available LNG Capacity that is not already subject to the Contract Demand under LNG Agreements for Long-Term LNG Service or Short-Term LNG Service; and
 - (c) the Customer has entered into a LNG Agreement.
- FortisBC Energy will endeavor to provide LNG Service from one of the LNG Facilities selected by the Customer in its LNG Agreement, but reserves the right, in its sole discretion, to designate at the time of entering the LNG Agreement and/or during the Contract Term another facility for Dispensing some or all of the Contract Demand.
- 3.2 **Limitation on Short-Term LNG Service** – If, in the determination of FortisBC Energy, the sum of the Contract Demand of all LNG Agreements for Short-Term LNG Service exceeds 20% of the Available LNG Capacity, FortisBC Energy may in its sole discretion:
- (a) decline to enter into new LNG Agreements for Short-Term LNG Service; or
 - (b) limit the Contract Demand under new LNG Agreements for Short-Term LNG Service.
- 3.3 **LNG Service Priority Where There Are Competing Requests for LNG Service** – In allocating Available LNG Capacity that is not already committed as Contract Demand under a LNG Agreement among competing requests for new Long-Term LNG Service or Short-Term LNG Service, FortisBC Energy will give priority based on
- (a) first, length of Contract Term, with longer terms having priority over shorter terms;
 - (b) and if the desired Contract Term is the same for more than one potential Customers, then by volume, with larger volumes having priority over smaller volumes.
- 3.4 **Spot LNG Service Availability** – Spot LNG Service is the lowest priority LNG Service and will be conditional based on the availability of sufficient capacity remaining after deducting the Contract Demand from all LNG Agreements for Long-Term LNG Service and Short-Term LNG Service from the Available LNG Capacity. FortisBC Energy is under no obligation to reserve or set aside Available LNG Capacity for either new or existing Spot LNG Service. The Customer may request Spot LNG Service without contracting for Long-Term LNG Service or Short-Term LNG Service.
- 3.5 **LNG Service Subject to Curtailment** – LNG Service is subject to curtailment under section 5.2 (Curtailment of Dispensing Service) of this Rate Schedule.
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4 Purchase of LNG

- 4.1 **Determination of Contract Demand** – FortisBC Energy will determine the Contract Demand for each Customer, taking into consideration the Customer's forecast Daily or Monthly LNG requirements, the Available LNG Capacity, the Contract Demand under other LNG Agreements, and other service and operational requirements. FortisBC Energy may, in its sole discretion, specify a per Customer or per project limit on the Customer's Contract Demand.
- 4.2 **Allocation of Contract Demand** – At the time the Customer enters into a LNG Agreement, FortisBC Energy will allocate the Contract Demand equally over either the Days or Months of the year, with the choice of Days or Months being at the sole discretion of FortisBC Energy.
- 4.3 **Alternative Supplier of LNG** – In the event that FortisBC Energy is not able to supply LNG by reason of a curtailment under section 5.2 (Curtailment of Dispensing Service) of this Rate Schedule, the Customer may utilize a temporary LNG supplier until FortisBC Energy is able to resume supply and the Contract Demand shall be adjusted by the amount of LNG obtained from such temporary supplier.
- 4.4 **Purchase Over Contract Demand** – A Customer may purchase in excess of the Contract Demand as Spot LNG Service, subject to section 3.4 (Spot LNG Service Availability). The rate payable for any excess quantity purchased shall be the Spot Load Charge as specified in section 8.1 (LNG Service Charges).

5 Dispensing of LNG

- 5.1 **Dispensing of LNG** – Subject to section 13.2 (Right to Restrict) of the General Terms and Conditions of FortisBC Energy and all of the terms and conditions of this Rate Schedule, the Customer or its agent(s) is responsible for directly connecting Tanker or other similar equipment to the LNG Facilities for Dispensing unless the Customer has entered into a LNG Transportation Service Agreement.
- 5.2 **Curtailment of Dispensing Service** – FortisBC Energy may, for any length of time, curtail under this Rate Schedule by reason of Force Majeure under section 16, for Periodic Repair by FortisBC Energy under section 16.7 of this Rate Schedule, and for purposes and reasons under section 13.2 (Right to Restrict) of the General Terms and Conditions of FortisBC Energy.

If FortisBC Energy determines that curtailment under this Section is required, FortisBC Energy will curtail in the following manner:

- (a) Spot LNG Service will be curtailed first.
 - (b) If further curtailment is required, then Short-Term LNG Service will be curtailed before Long-Term LNG Service. Short-Term LNG Service will be curtailed pro-rata based on Contract Demand.
 - (c) If further curtailment is required, then Long-Term LNG Service with a Contract Term of between five (5) and ten (10) years in duration will be curtailed pro-rata based on Contract Demand.
 - (d) If further curtailment is required, then Long-Term LNG Service with a Contract Term longer than ten (10) years will be curtailed pro-rata based on Contract Demand.
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In the event of any curtailment in excess of 72 hours in any given Month, then the Minimum Monthly Charge will be prorated in that Month to reflect the full duration of the curtailment. The Customer remains responsible for the total Minimum Monthly Charge if the curtailment is less than 72 hours in that Month.

- 5.3 **Notice of Curtailment** – Notwithstanding section 13.3 (Notice) of the General Terms and Conditions, unless prevented by Force Majeure, each notice from FortisBC Energy to the Customer with respect to curtailment of LNG Service by FortisBC Energy will be by telephone, email or fax and will specify the portion of the Customer's Contract Demand that is to be curtailed and the time at which such curtailment is to commence.
- 5.4 **Title Transfer** – Possession of, title to and risk of loss of, damage to, or damage caused by the LNG sold and Dispensed hereunder shall pass from FortisBC Energy to the Customer at the LNG Facilities; specifically, title transfer shall occur at the point of Dispensing to the Tanker or at outlet flange of the FortisBC Energy mass flow meter as applicable. This is the case irrespective of whether FortisBC Energy has provided the Tanker for the LNG Transportation Service.

6 Transportation of LNG

- 6.1 **Transportation of LNG** – The Customer is responsible for providing a Tanker and for hauling the Tanker from the LNG Facilities unless it has entered into a LNG Transportation Service Agreement.
- 6.2 **Availability of LNG Transportation Service** – Services provided by FortisBC Energy under this Rate Schedule can also include, at the option of a Customer, LNG Transportation Service. FortisBC Energy will only provide LNG Transportation Service to the Customer if
- (a) FortisBC Energy has Tankers;
 - (b) FortisBC Energy has available Tanker capacity taking into account other LNG Transportation Service Agreements and any safety and regulatory requirements;
 - (c) FortisBC Energy has determined in its sole discretion that it has the operational ability to provide the service;
 - (d) FortisBC Energy is able to contract with third parties to provide hauling of the Tanker at the desired times;
 - (e) the Customer has entered into a LNG Agreement for a Contract Term at least as long as the term for which LNG Transportation Service is sought; and
 - (f) the Customer has entered into a LNG Transportation Service Agreement.

FortisBC Energy is under no obligation to procure additional Tanker capacity or hauling services to provide new LNG Transportation Service.

- 6.3 **Charges for LNG Transportation Service** – a Customer who selects the LNG Transportation Service and enters into a LNG Transportation Service Agreement will be responsible for both the LNG Tanker Charge and the Tanker Hauling Charge as specified in section 8.2 of this Rate Schedule.
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7 Rights and Responsibilities

- 7.1 **Responsibility for Compliance** – The Customer, in its acceptance, transport, use or storage of the LNG, shall at all times be in compliance with the requirements of all applicable laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter, including, but not limited to, the federal Transportation of Dangerous Goods Act and associated regulations and British Columbia's Environmental Management Act and associated regulations. It is the sole responsibility of the Customer to ensure that any personnel, vehicle or Tanker provided by the Customer or its agent for Dispensing and transportation meets those requirements.
- 7.2 **Right to Refuse** – Notwithstanding subsection 7.1 above, FortisBC Energy at its sole discretion may refuse to Dispense LNG to the Customer, if in FortisBC Energy's good faith determination, the Dispensing or transportation of LNG to the Customer may be contrary to any laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction, including, but not limited to, the federal Transportation of Dangerous Goods Act and its associated regulations and British Columbia's Environmental Management Act and associated regulations.
- 7.3 **Responsibility for LNG Transportation Emergency Response** – The Customer acknowledges that FortisBC Energy will incur costs to comply with applicable laws relating to emergency response during the transportation of the LNG Dispensed to the Customer under this Rate Schedule whether or not the Customer has not selected the LNG Transportation Service. FortisBC Energy reserves the right to charge the Customer for costs FortisBC Energy incurs to comply with such laws.

In the event FortisBC Energy responds to a transportation emergency involving LNG Dispensed to the Customer under this Rate Schedule, the Customer shall at its expense provide assistance to FortisBC Energy upon request. The Customer shall reimburse FortisBC Energy for all costs incurred by FortisBC Energy responding to such an emergency.

- 7.4 **Required Insurance** – The Customer must maintain General Commercial Liability Insurance for bodily injury, death and property damage in the minimum amount of \$5,000,000 per occurrence naming FortisBC Energy as an additional insured with respect to LNG Service or LNG Transportation Service provided to the Customer.

8 Terms of Payment

- 8.1 **LNG Service Charges** – The Customer will pay to FortisBC Energy the following charges for LNG Service as provided in the Table of Charges:
- (i) For Long-Term LNG Service and Short-Term LNG Service, the Customer will pay to FortisBC Energy all of the following charges:
 - (A) A charge calculated as the greater of
 - i. the Delivery Charge, multiplied by the quantity of LNG, measured in Gigajoules, Dispensed to the Customer,
 - or
 - ii. the Minimum Monthly Charge; plus
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- (B) A Commodity Charge calculated by multiplying
 - i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas
 by
 - ii. the sum of Sumas Monthly Index Price plus Market Factor
 and by
 - iii. the percentage of LNG supplied from conventional natural gas as selected by the Customer; plus
- (C) where a Customer has selected a percentage of Biomethane as part of the Gas to be used in providing LNG Service, a Biomethane Energy Recovery Charge calculated by multiplying
 - i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer
 by
 - ii. the selected percentage of Biomethane
 and by
 - iii. the BERC.

(ii) A Long-Term LNG Service or Short-Term LNG Service Customer whose Contract Demand is greater than 1,825,000 Gigajoules may choose to provide its own natural gas commodity and Process Fuel Gas to the Interconnection Point. In such cases, the Customer will not be subject to a Commodity Charge.

(iii) Spot Load LNG Charge - For Spot LNG Service, the Customer will pay to FortisBC Energy all of the charges in section 8.1(i), except that, in lieu of the charge under section 8.1(i)(A), the Customer will pay a Spot Charge calculated by multiplying:

- i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas
- by
- ii. the LNG Spot Charge.

8.2 LNG Transportation Service Charges – The Customer will pay to FortisBC Energy both of the following charges for LNG Transportation Service as provided in the Table of Charges:

- (i) LNG Tanker Charge – a charge per Day or partial Day for the use of a Tanker owned or provided by FortisBC Energy; and
 - (ii) LNG Tanker Hauling Charge – a hauling fee based on the cost to FortisBC Energy to contract with a third-party contractor to haul the Tanker, plus 15%.
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- 8.3 **Currency** – Unless otherwise indicated, all dollar amounts or the use of the symbol “\$” in this Rate Schedule, including the Table of Charges and the LNG Agreement and LNG Transportation Service Agreement shall be deemed to refer to Canadian dollars.
- 8.4 **Payment of Amounts** – The Customer will pay to FortisBC Energy all of the applicable charges set out in the Table of Charges for LNG Service and, if applicable, Table of Charges for LNG Transportation Service.

9 Daily Loading and Scheduling

- 9.1 **Requested Quantity and Loading Schedule** – At least 24 hours in advance of the Day of the Customer’s desired loading time, the Customer or its agent will provide FortisBC Energy by fax or email such information as may be requested by FortisBC Energy, which will include, but is not limited to, the Customer’s requested quantity of LNG for the given Day.
- 9.2 **Adjustment of Loading Schedule** – FortisBC Energy may adjust, in consultation with the Customer or its agents, the Customer’s loading schedule when in the reasonable determination of FortisBC Energy such modification is necessary in order to:
- (a) minimize the costs to FortisBC Energy of Dispensing LNG;
 - (b) accommodate multiple Customers; or
 - (c) if the Customer is taking LNG Transportation Service, address the non-availability of the Tanker or non-availability of third parties for hauling the Tanker.

10 Term of LNG Agreement

- 10.1 **Renewal** – There is no right of renewal of a LNG Agreement. A Customer seeking LNG Service beyond the Contract Term must enter into a new LNG Agreement.
- 10.2 **Early Termination by FortisBC Energy** – The term of the LNG Agreement is subject to early termination by FortisBC Energy in accordance with section 13 (Default or Bankruptcy).
- 10.3 **Survival of Covenants** – Upon termination of the LNG Agreement, whether pursuant to section 13 (Default or Bankruptcy) of this LNG Rate Schedule 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 the LNG Agreement and this Rate Schedule relating to the obligations 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 this Rate Schedule,
- will survive such termination.
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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 Customer, a statement for the preceding Month showing all services provided to the Customer or its agents 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.
- 11.2 **Payment and Late Payment Charge** – Payment for the full amount of the statement, including all taxes imposed by any federal, provincial, municipal, territorial, local or any agency or political subdivision thereon, will be made to FortisBC Energy at its office in Surrey, British Columbia, or at such other place in Canada as FortisBC Energy will designate, on or before the 1st business Day after the 30th calendar Day following the billing date. If the Customer 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 Customer a late payment charge specified in the Standard Fees and Charges Schedule of the General Terms and Conditions.
- 11.3 **Form of Payments** – All payments required to be made under statements and invoices rendered pursuant to this Rate Schedule 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.
- 11.4 **Examination of Records** – Each of FortisBC Energy and the Customer 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.
- 11.5 **Security** – In order to secure the prompt and orderly payment of the charges to be paid by the Customer or its assignees as specified in section 19.3 (Remedies Cumulative) of this Rate Schedule to FortisBC Energy under this Rate Schedule, FortisBC Energy may require the Customer or its assignees 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 Customer under this Rate Schedule for a period of 90 Days and in a form satisfactory to FortisBC Energy. If the Customer or its assignees is able to provide alternative security acceptable to FortisBC Energy, FortisBC Energy may in its sole discretion accept such security in lieu of a letter of credit.

12 Measurement

- 12.1 **Unit of Measurement** – The unit of measurement of LNG for all purposes hereunder will be kilograms or pounds.
- 12.2 **Determination of Quantity** – The quantity of LNG Dispensed pursuant to this Rate Schedule shall be measured at the scale at the LNG Facilities or an alternate scale that is approved and certified by Measurement Canada. The Tanker or other cryogenic receptacle into which the LNG is Dispensed will be weighed at the scale before and after Dispensing. The measurement of the amount of LNG Dispensed shall be based on the difference, expressed in kilograms or pounds, of these two weights. In the event that the cryogenic receptacle cannot be weighed by the scale, then the quantity of LNG Dispensed shall be measured through the use of mass flow meters.
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- 12.3 **Conversion to Energy Units** — In accordance with the Electricity and Gas Inspection Act of Canada, volumes of LNG Dispensed each Day will be converted to energy units by multiplying the standard volume by the Heat Content of each unit of LNG. Volumes will be specified in kilograms or pounds rounded to the nearest unit and energy will be specified in Gigajoules rounded to one decimal place. FortisBC Energy will use the following formula to convert kilograms or pounds of LNG to GJ of LNG:

Converting Weight of LNG to Gigajoules

	Gross Weight after LNG Dispensing (kilograms or pounds)
minus	Gross Weight prior to Dispensing (kilograms or pounds)
equals	Net Weight of the Delivered LNG (kilograms or pounds)
	Net Weight of the Delivered LNG (kilograms or pounds)
multiplied by	The energy density as determined by FortisBC Energy through analysis of vaporized LNG on a periodic basis. For greater certainty, unless otherwise determined by FortisBC Energy, the energy density shall be 0.055058 gigajoule/kilogram or 0.024974 gigajoule/pound equals Delivered LNG (Gigajoule)

13 Default or Bankruptcy

13.1 **Default by the Customer** – If the Customer at any time fails or neglects

- (a) to make any payment due to FortisBC Energy or as designated under this Rate Schedule within 30 calendar Days after payment is due, or
- (b) to correct any default of any of the other terms, covenants, conditions or obligations imposed upon it under this Rate Schedule, within 30 calendar Days after FortisBC Energy gives to the Customer notice of such default, or
- (c) in the case of a default that cannot with due diligence be corrected within a period of 30 Days, the Customer fails to proceed promptly after the giving of such notice 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, at its option and without liability therefor:

- (d) suspend further LNG Service to the Customer until the default has been fully remedied, and no such suspension or refusal will relieve the Customer from any obligation under this Rate Schedule, or
- (e) suspend further LNG Service to the Customer and terminate the Customer's LNG Agreement.

13.2 **Bankruptcy or Insolvency of the Customer** – If the Customer 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 Customer seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose or commences proceedings under the Companies' Creditors Arrangement Act of Canada, FortisBC Energy will have the right, at its sole discretion, to terminate the supply

of LNG, the LNG Agreement by giving notice in writing to the Customer and thereupon FortisBC Energy may cease further supply of LNG to the Customer.

- 13.3 **Obligations of Customer Upon Suspension or Termination** – In the event of a suspension of LNG Service, or termination of a LNG Agreement, any amount then outstanding for service provided under this Rate Schedule will immediately be due and payable by the Customer. The Contract Demand shall not be reduced during the period of any suspension. In the event of early termination of a LNG Agreement, an amount equal to the Minimum Monthly Charge that would have otherwise been payable for the remainder of the Contract Term will become immediately due and payable by the Customer.

14 Notice

- 14.1 **Notice** – Any notice, request, statement or bill that is required to be given or that may be given under this Rate Schedule will 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:

<u>If to FortisBC Energy</u>	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: 1-888-224-2720 Email Industrial.billing@fortisbc.com
CUSTOMER RELATIONS:	Attention: Business Development Telephone : (778) 571-3296 (604) 592-7949 Email : LNG@fortisbc.com
LEGAL AND OTHER:	Attention: Director, Legal and Governance Services Telephone: (604) 443-6512 Fax: (604) 443-6540

If to the Customer, then as set out in the Customer's LNG Service Agreement and, if applicable, LNG Transportation Service Agreement.

- 14.2 **Specific Notices** – Notwithstanding section 14.1 (Notice) and section 5.3 (Notice of Curtailment), notices with respect to suspension of LNG Service by FortisBC Energy for reasons of Force Majeure will be sufficient if given by FortisBC Energy in accordance with section 13.3 (Notice) of the General Terms and Conditions.
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15 Indemnity and Limitation on Liability

- 15.1 **Limitation on Liability** – FortisBC Energy, its employees, contractors or agents are not responsible or liable for any loss, damage, costs or injury (including death) incurred by the Customer or any person claiming by or through the Customer caused by or resulting from, directly or indirectly, any discontinuance, suspension or curtailment of, or failure or defect in, or refusal to provide LNG Service, unless the loss, damage, costs or injury (including death) is directly attributable to the gross negligence or willful misconduct of FortisBC Energy, its employees, contractors or agents provided, however that FortisBC Energy, its employees, contractors and agents are not responsible or liable for any loss of profit, loss of revenues, or other economic loss even if the loss is directly attributable to the gross negligence or willful misconduct of FortisBC Energy, its employees, contractors or agents.
- 15.2 **Customer Indemnity** – The Customer will indemnify and hold harmless FortisBC Energy, its employees, contractors and agents from all claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of
- (a) the negligence or willful misconduct of the Customer, employees, contractors or agents; or
 - (b) the breach by the Customer of any of the provisions contained in this Rate Schedule, including the LNG Agreement and if applicable the LNG Transportation Service Agreement, including those related to the payment by the Customer of all federal, provincial, and municipal taxes (or payments made in lieu thereof).

16 Force Majeure

- 16.1 **Force Majeure** – Subject to the other provisions of this section 16, 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, the obligations of both FortisBC Energy and the Customer will be suspended to the extent necessary for the period of the Force Majeure condition.
- 16.2 **Curtailment Notice** – If FortisBC Energy claims suspension pursuant to this section 16, FortisBC Energy will be deemed to have issued to the Customer a notice of curtailment.
- 16.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 16.1 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) subject to section 16.5 (No Exception for Payments) 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 this Rate Schedule, 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.
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- 16.4 **Notice to Resume** – The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has ceased, to the effect that it has ceased and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 16.5 **Settlement of Labour Disputes** – Notwithstanding any of the provisions of this section 16, the timing and terms and conditions of the settlement of strikes, 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 16.1.
- 16.6 **No Exemption for Payments** – Notwithstanding any of the provisions of this section 16, Force Majeure will not relieve or release either party from its obligations to make payments to the other party under a LNG Agreement or LNG Transportation Service Agreement. In the event of any Force Majeure event affecting FortisBC Energy that results in a curtailment in excess of 72 hours per Month, then the Minimum Monthly Charge as specified in section 8.1 (LNG Service Charges) of this Rate Schedule will be prorated accordingly. Should an event of Force Majeure affecting the Customer prevent the Customer from taking LNG Service, the Minimum Monthly Charge will not be reduced.
- 16.7 **Periodic Repair by FortisBC Energy** – FortisBC Energy may temporarily suspend Dispensing of LNG from the LNG Facilities 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 Customer as much notice as possible with respect to such suspension, not to be less than 24 hours prior notice except when prevented by Force Majeure. FortisBC Energy will make reasonable efforts to schedule repairs or replacement to minimize suspension or curtailment of LNG Service to the Customer, and to restore Service as quickly as possible.

17 Disputes

- 17.1 **Mediation** – Where any dispute arises out of or in connection with the LNG Service, FortisBC Energy and the Customer 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.. The mediation will take place in Vancouver, BC.
- 17.2 **Arbitration** – If FortisBC Energy and the Customer fail to resolve the dispute through mediation within 30 days of a party giving written notice of a dispute, then either party may refer the dispute to binding arbitration for final resolution. The place of arbitration will be Vancouver, BC, and the substantive law governing the dispute will be the law of British Columbia. Unless otherwise agreed by the parties in writing, the arbitration will be conducted by a single arbitrator in accordance with the National Arbitration Rules of the ADR Institute of Canada, Inc..
- 17.3 **Award** – The arbitrator shall have the authority to award:
- (a) money damages, to the extent provided in the Rate Schedule;
 - (b) interest on unpaid amounts from the date due;
 - (c) specific performance; and
 - (d) permanent relief.
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- 17.4 **Obligations Continue** – The parties will continue to fulfill their respective obligations pursuant to this Rate Schedule, the LNG Agreement, and, if applicable, the LNG Transportation Service Agreement during the resolution of any dispute in accordance with this section 17.

18 Interpretation

- 18.1 **Interpretation** – Except where the context requires otherwise or except as otherwise expressly provided, in this Rate Schedule, including the LNG Agreement and LNG Transportation Service 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 by merger, amalgamation, consolidation or otherwise to such entity;
 - (d) all words, phrases and expressions used in this Rate Schedule that have a common usage in the gas industry and that are not defined in this Rate Schedule or in the General Terms and Conditions have the meanings commonly ascribed thereto in the gas industry; and
 - (e) the headings of the sections set out in this Rate Schedule are for convenience of reference only and will not be considered in any interpretation of this Rate Schedule.

19 Miscellaneous

- 19.1 **No joint venture or partnership** – Nothing contained in this Rate Schedule, including the LNG Agreement and the LNG Transportation Service Agreement shall be construed to place the parties in the role of partners or joint venturers or agents and no party shall have the power to obligate or bind any other party in any manner whatsoever.
- 19.2 **Waiver** – No waiver by either FortisBC Energy or the Customer of any default by the other in the performance of any of the provisions of this Rate Schedule will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 19.3 **Remedies Cumulative** – All rights and remedies of each party under this Rate Schedule are cumulative and may be exercised at any time and from time to time, independently and in combination.
- 19.4 **Enurement** – This Rate Schedule, including the LNG Agreement and, if applicable, the LNG Transportation Service 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.
- 19.5 **Assignment** – The Customer may not assign its rights under this Rate Schedule, including the LNG Agreement and, if applicable, the LNG Transportation Service Agreement, in whole or in part without the prior written consent of FortisBC Energy, provided, however, that Customer may assign without the consent of FortisBC Energy if:
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- (a) such assignment is made pursuant to the assignment of all of the Customer's rights and obligations hereunder to a partnership, limited liability company, corporation, trust or other organization in whatever form succeeds to all or substantially all of the Customer's assets and business;
- (b) the assignee assumes such obligations by contract, operation of law, or otherwise; and
- (c) at least five (5) days prior to the assignee taking service under this Rate Schedule, the Customer provides notice in writing to FortisBC Energy of the assignment of its rights and obligations as Customer under this Rate Schedule, and the assignee provides confirmation in writing to FortisBC Energy of its assumption of rights and obligations as Customer under this Rate Schedule.

Upon such assumption of obligations, and if required, the receipt of the prior written consent of FortisBC Energy, which consent shall not be unreasonably delayed or withheld, the Customer shall be relieved of and fully discharged from all obligations hereunder. This provision applies to every proposed assignment by the Customer.

- 19.6 **Law** – This Rate Schedule will be construed and interpreted in accordance with the applicable laws of the Province of British Columbia and the laws of Canada.
 - 19.7 **Time is of Essence** – Time is of the essence of this Rate Schedule and of the terms and conditions thereof.
 - 19.8 **Subject to Legislation** – Notwithstanding any other provision hereof, this Rate Schedule and the rights and obligations of FortisBC Energy and the Customer under this Rate Schedule 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 Customer.
 - 19.9 **Further Assurances** – Each of FortisBC Energy and the Customer 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, including the LNG Agreement and, if applicable, the LNG Transportation Service Agreement, and to assure the completion of the transactions contemplated hereby.
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Table of Charges for LNG Transportation Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

2013 LNG Tanker Charge per Day or Partial Day	\$249.00
LNG Tanker Charge per Day or Partial Day for 2014 and subsequent years	2013 LNG Tanker Charge, escalated annually at the greater of 2% or the British Columbia Consumer Price Index.
LNG Tanker Hauling Charge	FortisBC Energy cost plus 15% Administration Charge

Table of Charges for LNG Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

2013 LNG Facility Charge	\$ 3.47/GJ
2013 Electricity Surcharge	\$ 0.88/GJ
Commodity Charge per Gigajoule	Sumas Monthly Index Price ¹ plus the Market Factor ²
Charge per Gigajoule of Biomethane supplied (if applicable)	Current approved BERC rate
2013 LNG Spot Charge	\$ 4.60/GJ
LNG Facility Charges, Electricity Surcharges, premiums, and LNG Spot Charges for 2014 and thereafter	Per Note 3

Notes:

- Sumas Monthly Index Price** – means the Sumas Monthly Index Price as set out in Inside F.E.R.C.'s Gas Market Report 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 for the first Day of each Month in which the Sumas Monthly Index Price shall apply. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.
- Market Factor** – means the charge that is the premium above the Sumas Monthly Index that is calculated by FortisBC Energy for that Month to cover costs related to securing incremental natural gas supply for that Month, including market premiums levied by suppliers for ensuring physical delivery of natural gas and any demand charges related to incremental physical purchases and contribution to the reservation fees and variable costs of core assets which may be used during that Month. For greater clarity, this premium will be based on actual market quotations at Sumas received by FortisBC Energy.
- LNG Facility Charges, Electricity Surcharges, premiums and LNG Spot Charges for 2014 and beyond** – The LNG Facility Charges, Electricity Surcharges, premiums and LNG Spot Charges for 2014 and thereafter will be determined by taking the base charges shown in (1) below, which are expressed in 2013 dollars, and resetting and adjusting those base charges annually on January 1 in accordance with (2) below.

- (1) The following base charges, expressed in 2013 dollars, shall apply in accordance with the specified aggregate daily Contract Demand for all Customers and the specified Available LNG Capacity:

- (a) Where on January 1 of a given year each of the aggregate prorated daily Contract Demand for all Customers and the Available LNG Capacity is between 0 Gigajoules per day and 35,000 Gigajoules per day, the following base charges apply for that year:

LNG Facility Charge	\$ 3.47/GJ
Electricity Surcharge	\$ 0.88/GJ
LNG Spot Charge	\$ 4.60/GJ

- (b) Where on January 1 of a given year each of the aggregate prorated daily Contract Demand for all Customers and the Available LNG Capacity is at least 35,000 Gigajoules per day and less than 100,000 Gigajoules per day, the following base charges apply for that year:

LNG Facility Charge	\$ 2.68/GJ
Electricity Surcharge	\$ 0.87/GJ
LNG Spot Charge	\$ 4.20/GJ

- (c) Where on January 1 of a given year each of the aggregate prorated daily Contract Demand for all Customers and the Available LNG Capacity is at least 100,000 Gigajoules per day, the following base charges apply for that year:

LNG Facility Charge	\$ 1.84/GJ
Electricity Surcharge	\$ 0.86/GJ
LNG Spot Charge	\$ 3.35/GJ

- (2) The base charges shown in (1) above, which are presented in 2013 dollars, will be reset and adjusted annually as follows:

- (a) The LNG Facility Charge and all premium charges in (d) below shall be escalated annually at the greater of 2% or the British Columbia Consumer Price Index.
- (b) The Electricity Surcharge shall be adjusted based upon the actual prior year electricity use per Gigajoule of LNG output of the LNG Facilities and actual BC Hydro rate increases incurred at the LNG Facilities.
- (c) The LNG Spot Charge is \$0.25/GJ greater than the sum of the LNG Facility Charge and adjusted Electricity Surcharge, as adjusted under (a) and (b) above.
- (d) Where each of the aggregate prorated daily Contract Demand for all Customers and the Available LNG Capacity is at least 35,000 Gigajoules per day:
- Customers with a daily prorated Contract Demand of less than 5,000 GJ/day shall pay a premium of \$0.15/GJ;
 - Customers with a Contract Term of less than 10 years shall pay a premium of \$0.25/GJ; and
 - Customers with a daily prorated Contract Demand of less than 5,000 GJ/day and a Contract Term of less than 10 years shall pay a premium of \$0.40/GJ.
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LIQUEFIED NATURAL GAS SALES AND DISPENSING SERVICE AGREEMENT

This Agreement (LNG Natural Gas Sales and Dispensing Agreement or LNG Agreement) is dated _____, 20____ (Effective Date) between FortisBC Energy Inc. (FortisBC Energy) and _____ (Customer).

WHEREAS:

- A. FortisBC Energy owns and operates the FortisBC Energy System in British Columbia.
- B. The Customer has requested that FortisBC Energy provide services for liquefaction of natural Gas and Dispensing of LNG from the LNG Facilities.

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

1. Specific Information

Applicable Rate Schedule:	46
Type of Service:	<input type="checkbox"/> Long Term <input type="checkbox"/> Short Term <input type="checkbox"/> Spot
Dispensing Point Preferred by Customer:	<input type="checkbox"/> Tilbury <input type="checkbox"/> Mt. Hayes <input type="checkbox"/> Other
Contract Demand:	_____ Gigajoules per Year
Contract Demand Allocation	<input type="checkbox"/> Daily <input type="checkbox"/> Monthly
Biomethane Percentage Selection:	_____
Commencement Date:	_____
Expiry Date:	_____
Service Address:	_____
Account Number:	_____

2. Incorporation of Rate Schedule

- 2.1 **Additional Terms** – All rates, terms and conditions and definitions set out in the LNG Sales, Dispensing and Transportation Service Rate Schedule as any of them may be amended in accordance with section 2.2 (Amendment of Rate Schedule) of this Rate Schedule and in the General Terms and Conditions of FortisBC Energy as any of them may be amended by FortisBC Energy and approved by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this LNG Agreement and form part of this LNG Agreement and bind FortisBC Energy and the Customer as if set out in this LNG Agreement.
- 2.2 **Conflict** – Where anything in this LNG Agreement conflicts with either the other terms in Rate Schedule or the General Terms and Conditions of FortisBC Energy, the provisions of this LNG Agreement govern. Where anything in the Rate Schedule conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the provisions of the Rate Schedule govern.

3 General

- 3.1 **Amendments to be in Writing** – Except as otherwise set out in the Rate Schedule, no amendment or variation of this LNG 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.
- 3.2 **Notice** – Any notices or other communication which may be or is required to be given or made pursuant to the Agreement shall, unless otherwise expressly provided herein, shall be in writing and shall be personally delivered to or sent by facsimile to either party at its address set forth below:

If to FortisBC Energy

FORTISBC ENERGY INC.

MAILING ADDRESS:

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

If to the Customer

MAILING ADDRESS:

Attention: _____

- 3.3 **Severability** – If any provision of this LNG Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination does not impair or affect the validity, legality or enforceability of any other provision of this LNG Agreement.
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- 3.4 **Execution** – This LNG Agreement may be executed in counterparts, each of which shall be deemed as an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this letter by facsimile or electronic transmission hereof shall be as effective as delivery of an originally executed counterpart hereof.

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

FORTISBC ENERGY INC.

(here insert name of Customer)

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

BY: _____
(Signature)

(Title)

(Name – Please Print)

DATE: _____

LNG TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT (LNG Transportation Service Agreement or Agreement) is made effective as of the ____ of _____, 20__ (the Effective Date) between FortisBC Energy Inc. (FortisBC Energy) and _____ (the Customer).

NOW THEREFORE, in consideration of the mutual promises set out herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the parties agree as follows:

1. Incorporation by Rate Schedule

- 1.1 **Additional Terms** – All rates, terms and conditions and definitions set out in the LNG Sales, Dispensing and Transportation Service Rate Schedule (Rate Schedule 46) as any of them may be amended in accordance with section 2.2 (Amendment of Rate Schedule) of this Rate Schedule and in the General Terms and Conditions of FortisBC Energy as any of them may be amended by FortisBC Energy and approved by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Agreement and form part of this Agreement and bind FortisBC Energy and the Customer as if set out in this Agreement.
- 1.2 **Conflict** – Where anything in this Agreement conflicts with either the other terms in Rate Schedule 46 or the General Terms and Conditions of FortisBC Energy, the provisions of this Agreement govern. Where anything in Rate Schedule 46 conflicts with any of the rates, terms and conditions set out in the General Terms and Conditions of FortisBC Energy, the provisions of Rate Schedule 46 govern.

2. Additional Definitions

- 2.1 **Approvals** – means those consents, permits, filings, orders or other approvals of any municipal, provincial, or federal governmental authority having jurisdiction over any aspect of the LNG Transportation Service.

3. Term

- 3.1 **Term** – The term of this Agreement (the Term) shall commence on the Effective Date and shall expire no later than the date the Customer's LNG Agreement expires or terminates.

4. LNG Transportation Service

- 4.1 Subject to the terms and conditions of Rate Schedule 46 and section 9 of this Agreement, FortisBC Energy shall perform the LNG Transportation Service:
 - (a) in accordance with good industry practices and in a good and workmanlike manner;
 - (b) in accordance with the requirements of applicable Approvals, laws, rules, regulations and orders of any legislative body, governmental agency or duly
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constituted authority now or hereafter, including, but not limited to, the federal *Transportation of Dangerous Goods Act*; and

- (c) in accordance with all reasonable safety procedures required by the Customer with respect to the Customer's property or designated location.

5. Request for LNG Transportation Service

- 5.1 Subject to section 6.2 (Availability of LNG Transportation Service) of Rate Schedule 46, if the Customer wishes to use LNG Transportation Service, the Customer or its agents shall notify FortisBC Energy by fax or email prior to 12:00 am Pacific Standard Time (or other such time as may be specified from time to time by FortisBC Energy) and provide FortisBC Energy with such information as may be requested by FortisBC Energy, which shall include, but is not limited to, the Customer's desired quantity of LNG and the desired date and time of arrival of LNG at the Customer designated location, provided FortisBC Energy receives such notice no later than 48 hours prior to the requested date and time of arrival of the Tanker at the Customer designated location.

6. Subcontracting

- 6.1 FortisBC Energy may, without prior consent of the Customer, retain the services of a qualified third party to perform some or all of its obligations under this Agreement.

7. Ownership of the Tanker and Rental of Tanker

- 7.1 **Ownership of the Tanker** – FortisBC Energy shall retain all right, title and interest in and to the Tanker whether or not the Tanker (or any part thereof) is affixed to the Customer's property and the Customer acknowledges and agrees that notwithstanding any rule of law or equity to the contrary, the Tanker shall not be considered a fixture. The Customer shall have no right, title or interest in the Tanker other than the right to rent and utilize the Tanker in accordance with the terms and conditions of this Agreement.
 - 7.2 With respect to storage of LNG in the Tanker at the Customer designated location, to the extent that FortisBC Energy has consented to such storage, the Customer shall:
 - (a) comply with the requirements of any applicable Approvals, laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter;
 - (b) be responsible for ensuring that the Tanker is provided with security satisfactory to FortisBC Energy in the form of locked fencing, video surveillance and periodic patrol outside of business hours;
 - (c) be responsible for all costs and expenses incurred by FortisBC Energy to repair:
 - (i) any and all damage to the Tanker arising directly or indirectly from the acts or omissions of the Customer or its agents or other persons for whom at law the Customer is responsible; and
 - (ii) any and all damage to the Tanker arising directly or indirectly from the acts or omissions of a third party.
 - 7.3 The Customer acknowledges and agrees that FortisBC Energy is not responsible for storage of LNG in the Tanker at the Customer designated location and is not obligated to
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consent to the Customer using the Tanker as storage at the Customer designated location.

8. LNG Tanker and Tanker Hauling Charges

- 8.1 **LNG Tanker Hauling Charge** – In addition to any fees or charges related to the supply of LNG pursuant to Rate Schedule 46, in exchange for performance by FortisBC Energy of the LNG Transportation Service, the Customer agrees to pay FortisBC Energy the LNG Hauling Charge as set out in the Table of Charges under Rate Schedule 46, as which may be amended in accordance with section 2.2 (Amendment of Rate Schedule) of the Rate Schedule..
- 8.2 **LNG Tanker Charge** – In addition to any fees or charges related to the sale and Dispensing of LNG pursuant to Rate Schedule 46 or the LNG Transportation Service, the Customer agrees to pay FortisBC Energy the LNG Tanker Charge as set out in the Table of Charges under Rate Schedule 46, as which may be amended in accordance with section 2.2 (Amendment of Rate Schedule) of the Rate Schedule, for each Day or partial Day that the Tanker is in use for providing the LNG Transportation Service to the Customer, including Days or partial Days that the Tanker is used to provide storage of LNG at the Customer designated location.

9. Access to the Customer Location

- 9.1 **Access** – The Customer shall provide cleared and graded lands at the Customer designated location satisfactory to FortisBC Energy to allow FortisBC Energy to perform the LNG Transportation Service. The Customer shall ensure that there is no traffic at the Customer designated location within a 15 metre perimeter of the Tanker during any unloading of LNG.

10. Permits and Approvals

- 10.1 **FortisBC Energy Approvals** – Except as otherwise specified herein, FortisBC Energy shall be responsible, at its sole cost, for obtaining and maintaining the necessary Approvals with respect to the LNG Transportation Service and maintenance of the Tanker, including the necessary approvals of the British Columbia Utilities Commission, and shall ensure such Approvals are duly transferred or provided to the Customer where appropriate. The Customer shall use its commercially reasonable efforts to assist FortisBC Energy in obtaining such Approvals where necessary.
- 10.2 **The Customer Approvals** – The Customer shall be responsible, at its sole cost, for obtaining and maintaining the necessary Approvals required for the storage of LNG in the Tanker at the Customer designated location and shall ensure such Approvals are duly transferred or provided to FortisBC Energy where appropriate. FortisBC Energy shall use its commercially reasonable efforts to assist the Customer in obtaining such Approvals where necessary.

11. Termination

- 11.1 A party to this Agreement shall be in default under this Agreement if such party becomes insolvent, files any proceeding in bankruptcy or acquires the status of a bankrupt, has a receiver or receiver manager appointed with respect to any of its assets or seeks the
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benefit of any statute providing protection from creditors. Subject to section 15 of this Agreement, a party to this Agreement shall also be in default under this Agreement if such party is in breach of a material term, covenant, agreement, condition or obligation imposed on it under this Agreement, including without limitation, failure to comply with applicable Approvals, laws and regulations as provided in this Agreement, provided:

- (a) the other party provides the defaulting party with a written notice of such default and a 30-day period within which to cure such a default (the Cure Period); and
- (b) the defaulting party fails to cure such default by the expiry of the Cure Period, or if such default is not capable of being cured within the Cure Period, fails to commence in good faith the curing of such default upon receipt of written notice from the other party and to continue to diligently pursue the curing of such default thereafter until cured.

11.2 If a party to this Agreement is in default of this Agreement, the other party may at its option and without liability therefore or prejudice to any other right or remedy it may have, terminate this Agreement, provided that the defaulting party pay any monies due and owing to the other party within 15 calendar Days of the other's party's written notice to terminate this Agreement.

11.3 Either party may terminate this Agreement at any time upon giving 120 calendar days prior written notice to the other party.

12. Additional Insurance Requirements

12.1 **Insurance Requirements of the Customer** – Without limiting section 7.4 (Required Insurance) of Rate Schedule 46, the Customer shall obtain at its own expense, maintain during the Term of the Agreement and provide proof to FortisBC Energy, the following insurance coverage:

- (a) Workers' Compensation Insurance in accordance with the statutory requirements in British Columbia for all its employees engaged in any of the work or services under this Agreement; and
- (b) a minimum of \$5 million of automobile liability insurance and any other insurance coverage required by law.

All insurance policies required herein shall provide that the insurance with respect to this Agreement shall not be cancelled or changed without the insurer giving at least 10 calendar days written notice to FortisBC Energy and shall be purchased from insurers registered in and licensed to underwrite insurance in British Columbia. Where the Customer fails to comply with the requirements of this section 12, FortisBC Energy may take all necessary steps to affect and maintain the required insurance coverage at the Customer's expense.

12.2 **Insurance Requirements of FortisBC Energy** – FortisBC Energy shall obtain at its own expense, maintain during the Term of the LNG Transportation Service Agreement and provide proof to the Customer upon request, the following insurance coverage:

- (a) Workers' Compensation Insurance in accordance with the statutory requirements in British Columbia for all its employees engaged in any of the work or services under this Agreement; and
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- (b) General Commercial Liability Insurance for bodily injury, death and property damage in the amount of \$5 million per occurrence naming the Customer as an additional insured with respect to this Agreement.

All insurance policies required herein shall provide that the insurance with respect to this Agreement shall not be cancelled or changed without the insurer giving at least 10 calendar days written notice to the Customer and shall be purchased from insurers registered in and licensed to underwrite insurance in British Columbia. Where FortisBC Energy fails to comply with the requirements of this section of this Agreement, the Customer may take all necessary steps to affect and maintain the required insurance coverage at FortisBC Energy's expense.

13. Environmental Covenant

- 13.1 "Contaminants" means collectively, any contaminant, toxic substances, dangerous goods, or pollutant or any other substance which when released to the natural environment is likely to cause, at some immediate or future time, material harm or degradation to the natural environment or material risk to human health, and includes any radioactive materials, asbestos materials, urea formaldehyde, underground or aboveground tanks, pollutants, contaminants, deleterious substances, dangerous substances or goods, hazardous, corrosive or toxic substances, hazardous waste or waste of any kind, pesticides, defoliants, or any other solid, liquid, gas, vapour, odour or any other substance the storage, manufacture, disposal, handling, treatment, generation, use, transport, remediation or release into the environment of which is now or hereafter prohibited, controlled or regulated by law.
- 13.2 The Customer acknowledges and agrees that FortisBC Energy and its employees, directors and officers are not responsible and shall not be responsible for any Contaminants now present, or present in the future, in, on or under the Customer designated location, or that may or may have migrated on or off the Customer designated location except to the extent that the presence of such Contaminants is a direct result of the negligent acts or omissions of FortisBC Energy or person for whom it is in law responsible in carrying out the LNG Transportation Service.

14. Limitation of Liability and Indemnity

- 14.1 The Customer acknowledges and agrees that FortisBC Energy and its employees, directors and officers are not responsible for and shall not be responsible for any claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) incurred by the Customer or any third party except to the extent such claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) are a direct result of FortisBC Energy's breach of this Agreement, or the negligence or willful misconduct of FortisBC Energy, its employees or contractors in performing the LNG Transportation Service.
- 14.2 The Customer shall indemnify and hold harmless FortisBC Energy and its employees, directors and officers from and against any and all claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) except to the extent such claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) are a direct result of FortisBC
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Energy's breach of this Agreement, or the negligence or willful misconduct of FortisBC Energy, its employees or contractors in performing the LNG Transportation Service.

- 14.3 FortisBC Energy shall indemnify and hold harmless the Customer and its employees, directors and officers from and against any and all claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of:
- (a) the negligence or willful misconduct of FortisBC Energy, its employees, or contractors; or
 - (b) the breach by FortisBC Energy of this Agreement.
- 14.4 FortisBC Energy's liability to the Customer and the Customer's liability to FortisBC Energy under section 15 of this Agreement for damages from any cause whatsoever including but not limited to a cause in the nature of a breach of a material term, covenant, agreement, condition or obligation imposed under this Agreement regardless of the form(s) of action, whether in contract or tort, including negligence or strict liability or otherwise, shall be limited to the payment of direct damages and such damages shall in no event in the aggregate exceed \$100,000 over the Term of this Agreement. Each party has a duty to mitigate the damages that would otherwise be recoverable from the other party pursuant to this Agreement by taking appropriate and commercially reasonable actions to reduce or limit the amount of such damages or amounts.
- 14.5 Notwithstanding the foregoing, in no event shall either party be responsible or liable under this Agreement for any indirect, consequential, punitive, exemplary or incidental damages of the other or any third party arising out of or related to the Agreement, including but not limited to loss of profit, loss of revenues, or other special damages, even if the loss is directly attributable to the negligence or willful misconduct of such party, its employees, or contractors.

15. Force Majeure

- 15.1 Except with regard to a party's obligation to make payment due under the Agreement, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set forth in this Agreement, such inability or failure shall be deemed not to be a breach of such obligation or covenant and the obligations of both parties under this Agreement shall be suspended to the extent necessary during the continuation of any inability or failure so caused by such Force Majeure.
- 15.2 The parties intend that the term "Force Majeure" shall have the same meaning as in the Rate Schedule, and without limiting that provision, Force Majeure under this Agreement also includes :
- (a) unavailability of LNG from the LNG Facilities by reason of curtailment or otherwise; and
 - (b) unavailability of the Tanker due to FortisBC Energy's use of the Tanker in providing emergency services as may be required in the event of FortisBC Energy's pipeline failure or other disruption to the FortisBC Energy System;
 - (c) disruption in third party hauling services.
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16. Survival

16.1 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.

17. General

17.1 **Amendments to be in Writing** – Except as otherwise set out in the Rate Schedule, no amendment or variation of this LNG Transportation Service 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.

17.2 **Notice** – Any notices or other communication which may be or is required to be given or made pursuant to the Agreement shall, unless otherwise expressly provided herein, shall be in writing and shall be personally delivered to or sent by facsimile to either party at its address set forth below:

If to FortisBC Energy

FORTISBC ENERGY INC.

MAILING ADDRESS:

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

If to the Customer

MAILING ADDRESS:

Attention:

17.3 **Severability** – If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination does not impair or affect the validity, legality or enforceability of any other provision of this Agreement.

17.4 **Execution** – This Agreement may be executed in counterparts, each of which shall be deemed as an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this letter by facsimile or electronic transmission hereof shall be as effective as delivery of an originally executed counterpart hereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

FORTISBC ENERGY INC.
by its authorized signatory:

THE CUSTOMER: _____
by its authorized signatory:
