
GAS LIQUEFACTION, STORAGE AND DISPENSING SERVICE AGREEMENT

Between

FORTISBC ENERGY (VANCOUVER ISLAND) INC.

and

FORTISBC ENERGY INC.

GAS LIQUEFACTION, STORAGE AND DISPENSING SERVICE AGREEMENT

This GAS LIQUEFACTION, STORAGE AND DISPENSING SERVICE AGREEMENT made as of this _____ day of _____, 2013.

BETWEEN:

FORTISBC ENERGY (VANCOUVER ISLAND) INC. a company incorporated under the laws of British Columbia having an office at 16705 Fraser Highway, Surrey, British Columbia ("FEVI")

AND:

FORTISBC ENERGY INC. a company incorporated under the laws of British Columbia having an office at 16705 Fraser Highway, Surrey, British Columbia ("FEI")

as sometimes referred to herein jointly as the "Parties" and individually as a "Party".

WHEREAS:

- A. FEVI operates a Liquefied Natural Gas ("LNG") Storage Facility on Vancouver Island at Mount Hayes near Ladysmith.
- B. FEVI operates an integrated natural gas transmission and distribution system that serves customers on the Sunshine Coast and Vancouver Island.
- C. FEI wishes to contract with FEVI for gas liquefaction, storage and dispensing services for the benefit of FEI's customers under its Rate Schedule 46 - Liquefied Natural Gas Sales, Dispensing and Transportation Service.

NOW THEREFORE, in consideration of the promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS

In this Agreement:

"**Agreement**" means this Gas Liquefaction, Storage and Dispensing Service Agreement;

"**BCUC**" means the British Columbia Utilities Commission and any successor regulatory authority;

"**Day**" means any period of 24 consecutive hours beginning and ending at 12:00 midnight;

"FEVI System" means the FEVI transmission system;

"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 Agreement. Force Majeure events cannot be due to negligence of the party claiming Force Majeure;

"Interconnection Point" means the point where the FortisBC Energy System interconnects with the facilities of Westcoast Energy Inc. at Sumas;

"LNG" means liquefied natural gas;

"LNG Facility" is the LNG Production and Storage facility at Mount Hayes near Ladysmith on Vancouver Island;

"LNG Service" has the meaning set out in section 3;

"Service Charge" means the charge for LNG Service set out in section 7;

"Supplier of Gas" means a party who sells natural gas to FEVI or FEI;

"Tanker" means a cryogenic receptacle used for receiving, storing and transporting LNG, including without limitation, portable tankers, ISO containers, vessels or other similar equipment;

"Term" has the meaning set out in section 2; and

"Transporter" means Westcoast Energy Inc., FortisBC Huntingdon Inc., and any other gas pipeline transportation company connected to the facilities of FEI from which FEI receives natural gas for the purposes of natural gas transportation or resale.

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2. TERM

- 2.1 The commencement date for the provision of LNG Service under this Agreement is the later of June 1, 2014 or such date notified by FEVI to FEI pursuant to section 2.4 ("Commencement Date").
- 2.2 The term of this Agreement shall continue until termination or expiry of the Storage and Delivery Agreement made between the parties as of January 10, 2008 (the "Term") and as amended from time to time.
- 2.3 Notwithstanding Section 2.2, FEI may provide FEVI with two months' written notice of termination at any time during the term of the Agreement.
- 2.4 FEVI will provide 60 days written prior notice to FEI of the Commencement Date. FEVI will notify FEI in writing of any expected change in the Commencement Date due to delay in commencement of construction of the facility necessary to provide LNG Dispensing Service.

3. LNG SERVICE

- 3.1 During the Term of this Agreement, FEVI will liquefy gas supplied by FEI or FEI's customers for the purpose, and then store and dispense such LNG into Tankers (the "LNG Service") provided by FEI or FEI's customers. Title transfer shall occur at the inlet flange of the Tanker or at the outlet flange of the FEVI meter as applicable. FEI 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. FEI shall require of its customers that any personnel, vehicle or Tanker provided by its customers or their agents for LNG Service meets those requirements.
- 3.2 Notwithstanding section 3 above, FEVI may at its sole discretion refuse to provide LNG Service to any of FEI's customers, if in FEVI's opinion, the supply of LNG to such 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.
- 3.3 At least 24 hours in advance of the Day of FEI's or FEI's customer's desired loading time, FEI or FEI's customer or its agent, as the case may be, will provide FEVI by fax or email, prior to 12:00 a.m. Pacific Standard Time on each Day (or such other time as may be agreed to from time to time by the parties) such information as may be requested by FEVI, which will include, but is not limited to, FEI's and its customers' requested quantity

of LNG for the given Day. Loading of Tankers with LNG shall take place between 8:00 a.m. - 4:00 p.m. (Pacific Standard Time) Monday through Friday (excluding British Columbia statutory holidays) or such other times as agreed upon by the parties from time to time.

4. CONTRACT LEVELS

FEVI will make available to FEI a minimum of 17,600 Gigajoules per week of LNG Service at the LNG Facility or such other minimum or maximum weekly volumes as may be determined from time to time by FEVI with reference to the LNG requirements of each of the parties.

5. PERFORMANCE OBLIGATIONS

- 5.1 Subject to section 6, Force Majeure, FEVI shall provide LNG Service on each day except when planned maintenance of the LNG Facility prevents FEVI from providing the LNG Service.
- 5.2 FEVI will use reasonable commercial efforts to schedule planned maintenance such that planned maintenance does not interfere with providing the LNG Service. Prior to April 1 of each year in the Term, FEVI will provide FEI with a forecast schedule of planned maintenance to take place over the next 12 months.

6. FORCE MAJEURE

- 6.1 Except for FEI's obligation to make payments under this Agreement, if either Party is rendered unable, in whole or in part, by Force Majeure to carry out its obligations under this Agreement, then upon such Party's giving notice of the particulars of such Force Majeure to the other Party as soon as reasonably possible (with such notice to be confirmed in writing), the obligations of the Party giving such notice, from the inception of the Force Majeure, will be suspended and excused during the continuance of any inability so caused. The obligations of the affected Party will be suspended and excused for such time only to the extent they are affected by such Force Majeure. The cause of the Force Majeure will be remedied by the affected Party with all reasonable diligence and dispatch.

7. SERVICE CHARGE

Each month, FEI will pay to FEVI an amount (the "Service Charge") per gigajoule of LNG liquefied, stored and dispensed under this Agreement equal to the total of the Delivery Charge per Gigajoule (not including any premiums that may be charged by FEI to FEI's customers) set out in FEI's Rate Schedule 46 for FEI's Long-Term and Short-Term LNG Service, as adjusted or amended from time to time by FEI.

8. BILLING

- 8.1 FEVI will provide FEI by the 15th day of each month beginning in the month following the commencement of the term of this Agreement with an invoice for the Service Charges for LNG Service provided in the preceding month plus applicable taxes. In the event that FEI is late in paying the invoice then FEVI will assess FEI and FEI will pay to FEVI a late payment fee equal to the current prime interest rate charged by the Main Branch of the Toronto-Dominion Bank in Vancouver, British Columbia, to its most creditworthy commercial customers, plus 4%, per annum calculated on a daily basis.

9. NOTICES

- 9.1 Except as may be expressly provided otherwise in this Agreement, any notice, request, authorization, direction, or other communication under this Agreement will be made given in writing and will be delivered in person, or by facsimile transmission, properly addressed to the intended recipient as follows:

- a) If to FEI: FortisBC Energy Inc.
16705 Fraser Highway
Surrey, B.C. V4N OEB
Attention: VP, Energy Supply & Resource Development
Facsimile: 604-592-7420

- b) If to FEVI: FortisBC Energy (Vancouver Island) Inc.
16705 Fraser Highway
Surrey, B.C. V4N OEB
Attention: VP, Strategic Planning, Corporate Development
& Regulatory Affairs
Facsimile: 604-576-7074

Either Party may change its address specified above by giving the other Party notice of such change in accordance with this section 9.

10. GOVERNING LAW

- 10.1 This Agreement and the respective rights and duties of the Parties arising out of this Agreement will be governed by and construed, enforced and performed in accordance with the laws of the Province of British Columbia.

11. EFFECT OF WAIVER OR CONSENT

- 11.1 No waiver or consent by either Party, expressed or implied, or any breach or default by the other Party in the performance of any of such other Party's obligations under this Agreement will operate or be construed as a waiver or consent to any other breach or default hereunder. Failure of a Party to complain of any act of the other Party or to declare the other Party in breach or default with respect to this Agreement, irrespective

of how long that failure continues, does not constitute a waiver by the Party of any of its rights with respect to that breach or default.

12. HEADINGS

- 12.1 The headings for the sections of this Agreement are for convenience of reference only and in no way affect the meaning or interpretation of any of the provisions of this Agreement.

13. SEVERABILITY

- 13.1 Except as otherwise stated in this Agreement, any provision or section declared or rendered unlawful by a court of law or regulatory agency with jurisdiction over this Agreement, the Parties or either of them, or deemed unlawful because of statutory change, will thereupon be deemed to have been severed from this Agreement and will not otherwise affect the lawful obligations that arise under other provisions of this Agreement.

14. ASSIGNMENT

- 14.1 Subject to the provisions of this section 14, this Agreement will enure to and be binding upon the respective successors and permitted assigns of the Parties. Neither Party may assign this Agreement without the prior written consent of the other Party, which consent will not be unreasonably withheld, provided, that either Party may assign its interest under this Agreement (a) to any entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with such Party, (b) to any entity into which it consolidates or merges or (c) as security to the holder of any indebtedness, present or future, of such Party, without the prior written approval of the other Party, but no such assignment will operate to relieve the assigning Party of any of its obligations under this Agreement. Any Party's transfer or assignment in violation of this section 14 will be void.

15. RESPONSIBILITY FOR DAMAGE

- 15.1 As between the Parties, FEVI will be deemed to be in exclusive control and possession of gas which is the subject of this Agreement and will be responsible for any damage or injury caused thereby prior to the point of transfer of title set out in section 3. As between the Parties, FEI will be deemed to be responsible for any damage or injury or damage caused thereby after the point at which FEI or FEI's customers receives gas pursuant to this Agreement.

16. INDEMNITY

- 16.1 FEI hereby indemnifies and saves FEVI harmless from and against all claims by FEI's customers and any other third parties in respect to loss of life, personal injury, loss or damage to property relating to the provision of LNG Service to FEI's customers.

17. TERMINATION

- 17.1 If either Party is at any time in material breach of or default under this Agreement (the "Defaulting Party"), the other Party (the "terminating Party") will have the right to terminate this Agreement by giving the Defaulting Party written notice of such termination. Such termination will be effective upon the Defaulting Party's receipt of such notice of termination pursuant to this section 17. For the purposes of this section 17, a Party will be deemed to be in material breach if or default under this Agreement if such Party:

- a) fails to cure any material breach under this Agreement by such Party prior to the later of (i) the expiration of thirty days after the Terminating Party gives the Defaulting Party written notice of the breach or default; and (ii) the date upon which the Terminating Party gives the Defaulting Party written notice of termination;
- b) is unable to meet its obligations as they become due or such Party's liabilities exceed its assets in the aggregate; or
- c) makes a general assignment of substantially all of its assets for the benefits of its creditors, files a petition of bankruptcy, commences, authorizes or acquiesces in the commencement of a proceeding or cause under any bankruptcy, insolvency or similar law for the protection of creditors or have such petition filed or proceeding commenced against it, or seeks other relief under any applicable insolvency laws.

In no event will either Party incur any liability (whether for lost revenues or lost profits or otherwise) as a result of any termination of this Agreement pursuant to this section 17.

- 17.2 All rights and remedies of either Party under this Agreement and at law and in equity will be cumulative and not mutually exclusive and the exercise by one Party of one right or remedy will not be deemed a waiver of any other right or remedy available to that Party. Nothing contained in any provision of this Agreement will be construed to limit or exclude any right or remedy of either Party (arising on account of the breach or default by the other Party or otherwise) now or hereafter existing under any other provision of this Agreement.

18. WAIVER OF CERTAIN DAMAGES

- 18.1 Subject to the indemnity provided to FEVI in section 16, in no other event will either Party be liable to the other Party for consequential, incidental, punitive, special, exemplary or indirect damages, in tort, strict liability, warranty, contract, equity or otherwise.

19. DISPUTE RESOLUTION

- 19.1 All disputes arising under or relating to this Agreement, except only disputes with respect to which the BCUC has jurisdiction, which the BCUC is prepared to exercise, shall, after the parties have attempted in good faith to settle the dispute between themselves, be submitted to and finally settled by arbitration under the Commercial Arbitration Act. The arbitration will take place in Vancouver, British Columbia before a single arbitrator and will be administered by the British Columbia Commercial Arbitration Centre ("BCICAC") in accordance with its "Procedures for Cases under the BCICAC Rules.

20. ENTIRE AGREEMENT

- 20.1 This Agreement constitutes the entire agreement and supersedes all others between the Parties relating to the subject matter contemplated by this Agreement. There are no prior or contemporaneous agreements or representations (whether written or oral) affecting such subject matter. No amendment, modification or change to this Agreement will be enforceable, except as specifically provided for in this Agreement, unless reduced to writing and hereafter signed (which may be done by facsimile) by both Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized representatives as of the date first written above.

FORTISBC ENERGY (VANCOUVER ISLAND) INC.

BY: _____
(Signature)

(Name – Please Print)

(Title)

FORTISBC ENERGY INC.

BY: _____
(Signature)

(Name – Please Print)

(Title)