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CANADA

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-99-93

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AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

An Application by BC Gas Utility Ltd.

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) October 20, 1993

ORDER

WHEREAS:

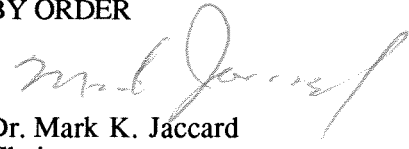
- A. On August 10, 1993, BC Gas Utility Ltd. ("BC Gas Utility") filed with the Commission for approval of its Buy/Sell Gas Purchase Contract, pursuant to Order No. G-13-93 and the Commission's Decision on the Rules concerning Natural Gas Supply Contracts; and
- B. Subsequent to the filing and at the request of Commission staff, interested parties including the Canadian Independent Gas Marketing Association ("CIGMA") and BC Gas Utility provided comments and discussion on the filed contract in an effort to reach consensus on a form of document that would be acceptable to all the parties; and
- C. On October 7, 1993 BC Gas Utility filed a revised Buy/Sell Gas Purchase Contract ("the Contract") for Commission approval replacing the August 10, 1993 filing; and
- D. On October 12, 1993 BC Gas Utility filed with the Commission for approval Reference Price Factors that will apply under the Buy/Sell Gas Purchase Contract to be effective commencing November 1, 1993; and
- E. The Commission has reviewed the Contract and is satisfied that approval is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves for BC Gas Utility the October 7, 1993 Buy/Sell Gas Purchase Contract including Schedule "A" for Points of Delivery at Station #2, Savona and Huntington and Schedule "B" showing the calculation of Daily Contract Quantity, attached as Appendix A to this Order.
- 2. The Buy/Sell Reference Price Factors, attached as Appendix B to this Order, effective November 1, 1993, as filed by BC Gas Utility on October 12, 1993.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of October 1993.

BY ORDER


Dr. Mark K. Jaccard
Chairperson

Attach.

BCUC/Orders/BCG-BuySellPurchContract

GAS PURCHASE CONTRACT

Among

BC GAS UTILITY LTD.

Buyer

- and -

CUSTOMERS OF BC GAS UTILITY LTD.

Customer

- and -

ABC GAS MARKETING LTD.

Agent

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THIS GAS PURCHASE CONTRACT ("CONTRACT") dated as of the _____ day of _____, 1993

AMONG:

BC GAS UTILITY LTD., a body corporate, having an office and carrying on business in the City of Vancouver, in the Province of British Columbia,

(hereinafter called "Buyer")

OF THE FIRST PART

AND:

THE CUSTOMERS OF BC GAS UTILITY LTD., as described in Schedule "B" hereto,

(hereinafter collectively called "Customer")

OF THE SECOND PART

AND:

ABC GAS MARKETING LTD., a body corporate, having an office and carrying on business in the City of Vancouver, in the Province of British Columbia,

(hereinafter called "Agent")

OF THE THIRD PART

WHEREAS Buyer operates a Gas distribution and transmission system in the Province of British Columbia;

AND WHEREAS Customer has entered into arrangements under which Customer shall purchase or otherwise acquire quantities of Gas and desires to sell that Gas to Buyer;

AND WHEREAS Agent has acted on behalf of Customer in acquiring those quantities of Gas and wishes to provide other services for Customer;

AND WHEREAS Customer and Agent (collectively the "Seller") will be jointly and severally liable to Buyer for the performance of all obligations of Seller under this Contract;

AND WHEREAS, subject to the provisions of this Contract, Buyer wishes to purchase from Seller each Contract Year a quantity of Gas approximately equal to the amount of Gas that Customer purchases from Buyer under Buyer's approved sales tariffs;

NOW THEREFORE in consideration of the covenants and agreements herein contained, the parties covenant and agree as follows:

ARTICLE I - DEFINITIONS

1.1 The following words and terms wherever and whenever used or appearing in this Contract shall have the following meaning unless the context otherwise requires:

- (a) "Annual Buyer's Quantity" means the quantity of Gas taken by and delivered to Buyer hereunder by Seller during the Contract Year.
- (b) "Annual Customer Quantity" means a quantity of Gas equal to the sum of the Gas estimated to have been consumed by the Customer during the Contract Year, such estimate to be prepared within one-hundred twenty (120) days of the end of the Contract Year and to exclude the allowance for peaking gas supply.
- (c) "Annual Variance" means for a Contract Year the extent to which the Annual Customer Quantity exceeds the Annual Buyer's Quantity, and is determined by subtracting the Annual Buyer's Quantity for the Contract Year from the Annual Customer Quantity for the Contract Year and expressing the difference as a percentage of the Annual Customer Quantity.
- (d) "BCUC" means the British Columbia Utilities Commission.
- (e) "Contract Year" means a period of twelve consecutive Months beginning with the Month of November, the first Contract Year to commence at 8:00 a.m. Pacific Standard Time on November 1, 1993.
- (f) "Cubic metre" or "m³" means the quantity of Gas which at Standard Reference Conditions occupies one (1) cubic metre.
- (g) "Daily Contract Quantity" or "DCQ" means a quantity of gigajoules per Day as detailed in Schedule "B" or such other quantity of Gas per Day as may result from revision, reduction, increase or other change pursuant to Article IV.
- (h) "Date of First Deliveries" means the Day that Seller commences deliveries of Gas to Buyer under this Contract, as in Schedule "B". That Day shall always be the first Day of the Month and in no event shall be later than the first Day of the first Contract Year.
- (i) "Day" means a period of twenty-four (24) consecutive hours, beginning and ending at 8:00 a.m. Pacific Standard Time.
- (j) "Fixed Charge Credit" means a credit per gigajoule set by Buyer and approved by the BCUC which reduces the Monthly Demand Charge payable by Buyer to Seller and which approximates the average reservation fee paid to Buyer's system baseload suppliers.
- (k) "Gas" means pipeline quality natural gas.
- (l) "Gigajoule" or "GJ" means one billion (1,000,000,000) joules.
- (m) "Joule" means the amount of work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force.
- (n) "Megajoule" or "MJ" means one million (1,000,000) joules.

- (o) **"Month"** means a period beginning at 8:00 a.m. Pacific Standard Time on the first Day of a calendar month and ending at 8:00 a.m. Pacific Standard Time on the first Day of the next succeeding calendar month.
- (p) **"Monthly Price"** means the price to be paid by Buyer to Seller for Gas sold, purchased and delivered hereunder determined pursuant to Article V.
- (q) **"Nominated Daily Quantity"** means the quantity of Gas nominated for a Day by Buyer or by Westcoast on behalf of Buyer, to Seller, or to Seller's suppliers, being from zero up to and including but not greater than the Daily Contract Quantity. For any Day for which Buyer or Westcoast, on behalf of Buyer, does not nominate, the last effective nomination shall be the nomination for said Day. Buyer shall use reasonable efforts to nominate in a fashion such that the Annual Buyer's Quantity matches the Annual Customer Quantity.
- (r) **"Point of Delivery"** means the point at which Gas is to be delivered pursuant to Schedule "B" hereof.
- (s) **"Price Regulation"** means any scheme of Gas price regulation in effect pursuant to the provisions of any Act of the Parliament of Canada or of the Legislative Assembly of the Province of British Columbia, or any Regulations, orders or determinations made thereunder, and having the effect of prescribing the price to be paid by Buyer for Gas sold, purchased and delivered hereunder.
- (t) **"Reference Price"** means the price per gigajoule estimated by Buyer from time to time as the load factor-adjusted cost of Gas and calculated by dividing the Unit Fixed Charge by the estimated system baseload load factor and adding the Unit Commodity Charge.
- (u) **"Standard Reference Conditions"** shall mean a temperature of fifteen degrees (15°) Celsius and an absolute pressure of one hundred and one and three hundred and twenty-five one-thousandths (101.325) kilopascals.
- (v) **"Substitute Supplies"** means substitute supplies of Gas, liquefied petroleum Gas or Gas mixed with liquefied petroleum Gas purchased by Buyer to replace quantities of Gas which Seller is obligated to deliver but does not deliver to Buyer at the Point of Delivery.
- (w) **"Unit Commodity Charge" or "UCC"** means the variable charge per gigajoule set by Buyer and approved by the BCUC from time to time for Gas purchased pursuant to this Contract.
- (x) **"Unit Fixed Charge" or "UFC"** means the fixed charge per gigajoule set by Buyer and approved by the BCUC from time to time for Gas purchased pursuant to this Contract.
- (y) **"Westcoast"** means Westcoast Energy Inc.
- (z) **"Westcoast General Terms and Conditions"** means the Westcoast General Terms and Conditions - Service in effect from time to time.
- (aa) **"10³m³"** means one thousand (1000) cubic metres of Gas.

ARTICLE II - CONDITIONS, REPRESENTATIONS, ETC.

2.1 Seller's Representations

- (a) Each of Customer and Agent represents and warrants that Customer and Agent will be jointly and severally liable unto the Buyer for the performance of all obligations of the Seller hereunder.
- (b) Seller represents that it is entitled to sell Gas to Buyer. Seller represents that Seller shall deliver Gas to Buyer in accordance with the provisions of this Contract.
- (c) Seller warrants that the Gas delivered to Buyer under this Contract meets, and shall continue to meet throughout the term of the Contract, all of the requirements set out by the BCUC for baseload supply contracts serving core market loads. Seller agrees to provide evidence to Buyer that reasonably demonstrates that the Gas delivered to Buyer under this Contract continues to meet the BCUC requirements. Buyer may request such verification at least once during each Contract Year or more frequently if Seller fails to perform in accordance with the provisions of this Contract.
- (d) If Seller, in Buyer's sole opinion, fails to maintain all of the requirements referred to in paragraph 2.1(b) above, Buyer may, in addition to all other remedies available to it by law or through other provisions of this Contract, upon five (5) days prior written notice to Seller, terminate this Contract. Seller may apply to the BCUC for a review of Buyer's decision, at which time any termination would be effective no later than two (2) days after a BCUC decision confirming that the requirements for supply have not been met.

2.2 Common Stream Delivery

Gas delivered hereunder may be delivered to Buyer in a common stream with other gas delivered to Buyer or to others at the Point of Delivery. Seller shall make all the necessary arrangements with other producers and shippers involved to enable Seller to deliver the Gas in the common stream and shall enter into agreements, with Buyer and such other parties as may be necessary, which set forth the arrangements for delivering the Gas in the common stream.

2.3 Conditions Precedent

The obligations of Seller and Buyer respectively to deliver and sell and to take and purchase Gas provided for in this Contract shall not arise:

- (a) unless, prior to _____, or such date as mutually-agreed by Buyer and Seller, Buyer shall have obtained the approval of this Contract by the BCUC; and
- (b) unless, prior to _____, or such date as mutually-agreed by Buyer and Seller, Seller shall have obtained the approval of the supply agreements, necessary to fulfill its obligations to Buyer, by the BCUC; and
- (c) unless, prior to _____, or such date as mutually-agreed by Buyer and Seller, Seller shall have obtained such gathering, processing and transportation arrangements with Westcoast as are necessary to fulfill its obligations under this Contract either by way of:

- (i) having the required Westcoast transportation capacity directly under contract with Westcoast for the term of this Contract, or
 - (ii) having provided Buyer with a warranty from Seller's suppliers that demonstrates to Buyer's satisfaction that such suppliers have the required capacity; and
- (d) unless, prior to _____, or such date as mutually-agreed by Buyer and Seller, Seller has demonstrated to Buyer that Seller has contracted for a minimum Gas supply reserve and deliverability extending over the term of this Contract that meets the BCUC requirements for such supply. The confirmation shall be provided through either a report from an independent third party expert verifying adequate reserves and deliverability dedicated to this Contract or by a corporate warranty acceptable to Buyer.

Forthwith following the execution of this Contract by Buyer and Seller, Buyer shall apply for the approval referred to in paragraph 2.3(a) above, Seller shall apply for the approval referred to in paragraph 2.3(b) above, and Seller shall apply for the arrangements referred to in paragraph 2.3(c) above. Each of the parties shall, at no cost to the other, co-operate with and assist the other to satisfy the conditions precedent for which such party is responsible.

ARTICLE III - RESERVATIONS OF SELLER

3.1 Seller's Facilities

Seller hereby expressly reserves unto itself and to the suppliers from whom Seller purchases Gas the right to operate facilities and lands free from any controls by Buyer in such manner as the suppliers pursuant to Seller's Gas purchase contracts in their sole discretion may deem advisable, including but without limiting the generality of the foregoing, the determination of whether or when any lease or well cannot economically produce Gas having regard to a supplier's cost of producing, processing and delivering such Gas.

3.2 Seller's Use of Gas

Seller and its suppliers reserve such Gas as may be required to operate facilities to produce, collect, process and deliver Gas to Buyer or others from suppliers' lands.

3.3 By-product Extraction

Seller or its suppliers may extract hydrocarbons, other than methane, and non-hydrocarbons, including sulphur, from the Gas to be delivered hereunder, and shall have the right to remove such methane as is necessarily removed from the Gas in recovering other constituents; provided that by such extraction the Gas shall not be rendered incapable of meeting any of the requirements of Article VI hereof.

ARTICLE IV - QUANTITY OF GAS

4.1 Seller to Deliver Gas

- (a) Commencing on the Date of First Deliveries, Seller agrees to make available and deliver to Buyer Gas in such quantities and of such quality as to ensure performance by Seller of this

Contract and to that end Seller agrees to ensure that its suppliers maintain sufficient deliverability unencumbered by prior sales commitments or otherwise to such an extent as to enable Seller to fulfill all its obligations to deliver Gas to Buyer hereunder.

- (b) Commencing on the Date of First Deliveries, and continuing throughout the term of this Contract, Seller shall sell and deliver to Buyer each Day a quantity of Gas at the Point of Delivery equal to the Nominated Daily Quantity.
- (c) Seller shall provide the name of the Westcoast shipper account from which the Gas is to be nominated no less than thirty (30) days from the Date of First Deliveries. Any changes to that Westcoast shipper account must be provided to Buyer in writing at least three (3) clear days prior to such change becoming effective.
- (d) Seller shall warrant to Buyer that a T-Account Priority Schedule(s) for Seller or Seller's supplier(s) has been provided to Westcoast that lists Buyer in such a manner that ensures that Buyer shall receive firm service up to the Daily Contract Quantity at all times. Seller warrants that such schedule(s) will remain in effect until the termination or expiry of the Contract.
- (e) Buyer shall have the right to notify Westcoast of the Nominated Daily Quantity.
- (f) If Westcoast should modify its gas control procedures then the parties shall modify this Article to accord with the modified procedures of Westcoast and to ensure that Buyer receives highest priority for the delivery of Gas gathered, processed or transported and to ensure that the Gas Control Department of Buyer controls the day-to-day movement of Gas purchased pursuant to the Contract to the points specified by Buyer.

4.2 Delivery Imbalances

- (a) Buyer shall use reasonable efforts to order a quantity of Gas from Seller over each Contract Year that, at a minimum, approximates the Annual Customer Quantity. If the Annual Buyer's Quantity is at least ninety-five per cent (95%) of the Annual Customer Quantity, there shall be no adjustment.
- (b) If the Annual Variance exceeds five per cent (5%), Buyer shall increase its purchase of Gas from Seller in the following Contract Year by the amount of the Annual Variance which exceeds the five percent (5%) tolerance. If the Annual Variance exceeds five per cent (5%) in the final Contract Year, Buyer and Seller shall mutually agree on a method to correct the imbalance.
- (c) The Annual Variance calculation shall be adjusted such that any Substitute Supplies purchased by Buyer for Seller's use shall be included in the calculation of the Annual Buyer's Quantity.

4.3 Adjustment in DCQ by Buyer

Buyer shall annually review the DCQ calculated in Schedule "B". If the DCQ requires adjustment to reflect any changes in consumption of Gas by Seller, Buyer shall make that adjustment on or before thirty (30) days prior to the end of each Contract Year to be effective the first (1st) Day of the following Contract Year.

4.4 Westcoast Fuel and Line Losses

Seller agrees to deliver to Westcoast Gas consisting of an appropriate allowance for fuel consumed in Westcoast transmission operations downstream of processing facilities and/or for Westcoast line and unaccounted for Gas losses pursuant to Westcoast General Terms and Conditions, and Seller shall so deliver said Gas and Buyer shall pay to Seller for said Gas as if said Gas had been delivered to Buyer hereunder at the Unit Commodity Charge pursuant to Section 5.2.

4.5 Substitute Supplies

Seller is obligated to deliver to Buyer at the Point of Delivery quantities of Gas nominated or requested by Buyer in accordance with the terms and conditions of this Contract (Buyer being able to take delivery of the Gas nominated or requested but for Seller's failure to deliver). For the purposes of this Section 4.5 the Daily Contract Quantity shall not be reduced and Seller's said obligation shall not be lessened by any occurrence other than an occurrence of an event of force majeure affecting facilities downstream of the Point of Delivery or an event of force majeure on Westcoast facilities upstream or downstream of or at the processing plants identified in Schedule "B" which significantly impairs the delivery of firm Gas to Seller pursuant to Seller's gas purchase contracts. In the event that at any time during the term of this Contract Seller defaults in its said obligation, Buyer shall have the right to immediately obtain Substitute Supplies in quantities thermally equivalent to the Gas which Seller so failed to deliver at the Point of Delivery. Forthwith following its said default Seller shall notify Buyer of the reasons for the default and the anticipated duration of the period of default and shall take all steps necessary to fully resume performance. Where Seller notifies Buyer of the anticipated duration of the period of default, Buyer may obtain Substitute Supplies for that period. Where Seller fails to so notify Buyer, Buyer may obtain Substitute Supplies for the period that Buyer anticipates that Seller shall remain in default.

4.6 Liability for Costs of Substitute Supplies

Agent and Customer shall be jointly and severally liable to reimburse Buyer for all reasonable costs paid by Buyer in acquiring and delivering Substitute Supplies, including any demand or commodity tolls or any other sums incurred for gathering, processing or transportation during such period, which cause the costs incurred by Buyer to acquire and deliver Substitute Supplies, including the ongoing obligations of Buyer pursuant to Schedule "A" to this Contract, to be greater than the costs that would have been incurred by Buyer in acquiring and delivering Gas from Seller under this Contract. Said costs that would have been incurred by Buyer shall be net of all credits to Buyer pursuant to Section 5.2 hereof.

4.7 Payment of Costs of Substitute Supplies

- (a) Buyer shall have the right to recover the reasonable costs of Substitute Supplies by deducting those costs from any amount that otherwise would have been payable to Seller pursuant to Article IX at any time after such costs are actually incurred by Buyer and have been paid by Buyer or are due and payable to a third party. Buyer shall have the further right to recover the reasonable costs of Substitute Supplies by claiming against any performance bond which exists to secure due performance by the Agent of its obligations under this Contract. Buyer shall also

have the right to apply a surcharge to any bill, rendered by Buyer to Customer for utility services, in order to recover the costs of Substitute Supplies.

- (b) The costs of Substitute Supplies that are recoverable by Buyer from Seller hereunder shall not exceed the costs that were or would have been incurred in acquiring and delivering the lowest cost Gas, liquified petroleum Gas or Gas mixed with liquified petroleum Gas acceptable to Buyer which was at the time available to Buyer in Buyer's service area and of which Buyer could reasonably have been expected to have been aware, given the immediacy of Buyer's Gas needs. Disputes between the parties as to the reasonableness of the costs of acquiring and delivering Substitute Supplies shall be resolved pursuant to the arbitration provisions in Article XII and in such case the arbitration shall be mandatory. Buyer shall not be entitled to recover any disputed amount from any performance bond posted with the BCUC until after the conclusion of the arbitration.

ARTICLE V - PRICE

5.1 Reference Price Determination and Redetermination

The Reference Price shall be set by Buyer in accordance with the terms of this Contract and, as approved by the BCUC, periodically over the term of this Contract.

5.2 Monthly Price

The Monthly Price shall be the price payable by Buyer to Seller for Gas sold, purchased and delivered hereunder in each Month during the term of this Contract and shall be comprised of the following components:

- (i) a Monthly Demand Charge determined in accordance with the following formula:

$$\text{Monthly Demand Charge} = \text{UFC} \times \text{DCQ for each Day} \times \text{number of Days in the Month}$$

and

- (ii) a Commodity Charge determined in accordance with the following formula:

$$\text{Commodity Charge} = \text{UCC} \times \text{number of GJ's in Gas delivered by Seller to Buyer in the Month as determined pursuant to Section 7.4 and Section 4.4.}$$

In the formulae set forth in (i) and (ii) above:

UFC is the Unit Fixed Charge as defined in Section 1.1.

UCC is the Unit Commodity Charge as defined in Section 1.1.

DCQ is the Daily Contract Quantity as defined in Section 1.1.

Where on any Day or Days in a Month Seller fails to deliver the Nominated Daily Quantity then there shall be a credit to Buyer equal to the Fixed Charge Credit times the quantity of Gas which Seller has failed to deliver on any Day in a Month. Said credit shall be applied to the billing statement for the Month rendered by Buyer pursuant to Section 9.1 hereof.

5.3 Price Regulation

Where the Monthly Price to be paid by Buyer for Gas sold, purchased and delivered hereunder is prescribed by Price Regulation the Monthly Price of Gas delivered hereunder in each Month shall be the same as the price prescribed for the Month by Price Regulation. Any and all other provisions of this Contract shall be deemed to be modified from time to time to the extent and in the manner rendered necessary to give effect to the Price Regulation or any part or parts thereof.

ARTICLE VI - QUALITY OF GAS

6.1 Specifications

The Gas delivered hereunder shall meet the quality specifications contained in the Westcoast General Terms and Conditions and shall be at a pressure when delivered hereunder meeting the delivery pressure required by the Westcoast General Terms and Conditions.

6.2 Failure to Meet Specifications

If any Gas offered for delivery hereunder fails to conform with any of the specifications required by Section 6.1, Buyer may, without prejudice to any other right it has under this Contract or otherwise, refuse to take delivery of said Gas, in which case:

- (a) Buyer shall give notice of such refusal to Seller setting forth the reasons therefore; and
- (b) Buyer shall thereafter accept deliveries of Gas in accordance with this Contract once the failure to conform has been remedied and notice thereof has been given to Buyer, provided that when Buyer has contracted for Substitute Supplies to replace said Gas Buyer shall not be required to accept delivery pursuant to this paragraph 6.2 (b) until the expiry of said contracts for Substitute Supplies.

6.3 Common Stream Specifications

The provisions of this Contract with regard to this Article VI and the specifications contained in Section 6.1 shall apply mutatis mutandis to Gas that is delivered hereunder in a common stream with other Gas ("common stream gas") and to the extent that all of the common stream gas meets the specifications of this Article VI, then Seller shall be deemed to have complied with its obligations under this Article VI and to the extent that all of the common stream gas fails to meet such specifications, Seller shall be deemed to have failed to comply with its obligations under this Article VI.

ARTICLE VII - MEASUREMENT

7.1 Measurement and Testing by Westcoast

- (a) All measurements and testing of the Gas shall be carried out by Westcoast and Seller in accordance with Westcoast's normal standards and procedures. Representatives of Buyer, Seller, or Seller's suppliers, and Westcoast shall each have the right to be present at the time of any installing, testing, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the measuring equipment used in measuring deliveries of Gas to Buyer. The parties hereby agree that all such measurements taken and the results of all such tests shall be accepted by the parties and used for all purposes of this Contract subject only to the right of Seller, Buyer, or both, to subsequently audit and verify all such measurements and/or test results. Any such audit and verification of Seller's or Buyer's records must commence within twenty-four (24) Months following expiration of the Contract Year in which the measurement or test was carried out and of Westcoast's records must commence as provided in Westcoast General Terms and Conditions.
- (b) Seller agrees to comply with all of Westcoast's operating procedures in effect from time to time for Westcoast's Gas gathering, processing and transmission system.

7.2 Measurement and Allocation of Commingled Gas

In the event that Seller's Gas is commingled with Gas of other suppliers at the Point of Delivery, the standards and procedures referred to in and set forth in Section 7.1 shall be applicable to the said commingled Gas and Seller shall cause Buyer to be advised as to how the commingled Gas taken by Buyer at such point shall be allocated between Seller and such other suppliers.

7.3 Measurement Changes by Law

If in order to comply with or by reason of any present or future law, rule, regulation, or order of any governmental authority having jurisdiction the basis or method of measurement of Gas delivered hereunder is changed then Buyer shall by written notice to Seller set out the changes which shall be necessary in this Contract in order to comply therewith. This Contract shall then be deemed amended and such deemed amendment shall become effective as Buyer shall provide in the aforesaid notice. If Seller is dissatisfied with any of the changes in the aforesaid notice and the parties cannot agree with respect to such changes then Seller may refer the matter to arbitration in accordance with the provisions of Article XII, such arbitration to be mandatory.

7.4 Sales Unit

The sales unit of Gas sold, purchased and delivered hereunder shall be one (1) gigajoule measured as provided in this Article VII and the quantity and GJ content of said Gas shall be determined from measurement at the Point of Delivery.

ARTICLE VIII - POINT OF DELIVERY

8.1 Point of Delivery

All Gas delivered hereunder shall be delivered at a point or points identified in Schedule "B" unless otherwise agreed by Buyer and Seller.

8.2 Title

Subject to Section 3.3, title to all Gas delivered hereunder shall pass from Seller to Buyer at the Point of Delivery. Until passage of title Seller shall be deemed to be in control or possession of, have title to, and be responsible for such Gas, and thereafter Buyer shall be deemed to be in control or possession of, have title to, and be responsible for such Gas.

ARTICLE IX - BILLINGS AND PAYMENTS

9.1 Billing

- (a) Commencing in the Month following the Month containing the Date of First Deliveries, and continuing in each Month thereafter during the term, by the twentieth (20th) Day of the Month following the Month of deliveries (herein called "Billing Month") Buyer shall render to Seller a statement showing:
- (i) the quantities of Gas delivered hereunder to Buyer in the Billing Month and the price payable therefore;
 - (ii) the quantity of the appropriate allowance for fuel consumed in Westcoast transmission operations and Westcoast line and unaccounted for Gas losses and the amount payable therefore for the Billing Month;
 - (iii) the information set forth in Schedule "A" to this Contract relating to the allowance for Westcoast charges for the Billing Month;
 - (iv) any adjustments to billing for prior Billing Months; and
 - (v) the net amount after accounting for any administrative fees approved by the BCUC due Buyer by Seller, plus any and all federal and provincial taxes applicable to Gas purchased by Buyer, including the Federal Goods and Services Tax (the "GST"), payable by Buyer or Seller, as the case may be, for the Billing Month.
- (b) Buyer or Seller, as appropriate, shall pay the applicable GST provided that the Seller's GST registration number, or the Buyer's GST registration number, has been furnished to the other party and provided that the nature and dates of supply of the goods and services have been identified.
- (c) In each Billing Month next following any Month in which Buyer obtained Substitute Supplies, Buyer shall render to Seller a statement showing the quantity of Substitute Supplies obtained by Buyer in the Billing Month, the thermal equivalent thereof, the GJ content thereof and the amount, plus any applicable tax, payable by Seller. To the extent permitted by this Contract,

Buyer may deduct the costs of any such Substitute Supplies from any funds due Seller in any Billing Month.

- (d) If an error is discovered in any said statement, an adjustment to correct the error shall be made in a subsequent statement. All claims for errors shall be made promptly upon discovery, but in no event more than twenty-four (24) Months after the date of the erroneous statement. No interest shall be paid by Buyer or Seller for adjustments correcting statement errors. The provisions of this paragraph shall survive the termination of this Contract.

9.2 Payment

Buyer shall pay to Seller, or Seller shall pay to Buyer, the net of the amounts payable set out in the Seller's statements on or before the latest of:

- (a) the twenty-fifth (25th) Day of the Month next following the particular Billing Month;
- (b) the fifth (5th) Day immediately following the issuance by Buyer of the statement referenced in Section 9.1; or
- (c) where the Price Regulation is in force, the seventh (7th) Day immediately following the receipt by Buyer of all appropriate pricing information which is to be furnished under the Price Regulation.

All payments shall be made by wire transfer to an account designated by Seller or Buyer.

9.3 Failure to Pay

- (a) If Buyer fails to pay any amount not in dispute due to Seller by the due date and if Buyer is at fault for such failure, then interest thereon shall accrue at a rate of interest one percent (1%) per annum over the rate of interest which is declared to be its "prime lending rate" by the Main Branch in Vancouver of the Bank of Montreal on such date, from such due date until the date paid and if such failure to pay continues for thirty (30) Days, Seller thereafter may suspend deliveries of Gas hereunder and if such failure continues for thirty (30) additional Days, Seller thereafter may, in addition to all other remedies available to it by law, terminate this Contract; provided, however, in order for Seller to have the right to suspend deliveries or terminate this Contract, Seller must after the expiry of the applicable thirty (30) Day period first have notified Buyer fifteen (15) Days prior to exercising either or both of such rights of its intent to do so and give Buyer the right to pay the amount so due to Seller within such fifteen (15) Day period. Either Seller or Buyer may submit to arbitration in accordance with Article XII hereof any dispute as to the amount due Seller for Gas delivered hereunder, such arbitration to be mandatory. Pending the arbitrators' award Seller's remedies hereinabove provided shall be suspended as to the amount in controversy.
- (b) If Seller fails to pay any amount not in dispute due to Buyer by the due date and if Seller is at fault for such failure, then interest thereon shall accrue at a rate of interest one per cent (1%) per annum over the rate of interest which is declared to be its "prime lending rate" by the Main Branch in Vancouver of the Bank of Montreal on such date, from such due date until the date

paid and if such failure to pay continues for thirty (30) Days, Buyer thereafter may recover such amount from any performance bond provided to the BCUC by Agent. If such failure continues for thirty (30) additional Days, Buyer thereafter may, in addition to all other remedies available to it by law, terminate this Contract; provided, however, in order for Buyer to have the right to terminate this Contract, Buyer must after the expiry of the applicable thirty (30) Day period first have notified Seller fifteen (15) Days prior to exercising either or both of such rights of its intent to do so and give Seller the right to pay the amount so due to Buyer within such fifteen (15) Day period. Either Seller or Buyer may submit to arbitration in accordance with Article XII hereof any dispute as to the amount due Buyer for Gas delivered hereunder, such arbitration to be mandatory. Pending the arbitrators' award Buyer's remedies hereinabove provided shall be suspended as to the amount in controversy.

9.4 Westcoast Penalties

Any penalties payable to Westcoast ("Westcoast Penalties") arising from either a failure by Buyer to purchase Gas nominated or a failure by Seller to supply Gas so nominated, or any said Westcoast Penalties arising for any other reason are to be borne by the party causing the Westcoast Penalties to be incurred.

9.5 Accuracy of Calculations

The price per sales unit shall be rounded to the nearest one-thousandth (1/1000th) of a cent and all calculations with respect to payments for Gas shall be carried to the nearest cent.

9.6 Audit

During normal business hours and through to the expiration of twenty-four (24) Months following the termination of the Contract Year in which a statement, charge, computation or demand is made hereunder, each party shall have the right, at its sole cost and expense, to have a third party auditor, who shall be a member of a national Canadian chartered accounting firm, audit the relevant books, accounts and records of the other party hereto to the extent necessary to verify the accuracy of any said statement, charge, computation or demand. Any claims or discrepancies disclosed by any such audit shall be reported, in writing, by the auditor in question and the parties shall resolve all such claims or discrepancies as soon as is reasonably possible following the completion of the audit. Any and all data and information, including the audit report, disclosed by the auditor to his client and obtained by the auditor during his audit of the other party's books, accounts and records hereunder shall be kept in strict confidence and used solely for purposes related to this Contract.

ARTICLE X - FORCE MAJEURE

10.1 Subject to the other provisions of this Article, if either party to this Contract is unable by reason of force majeure, as hereinafter described, to perform in whole or in part any obligation or covenant set forth in this Contract, the obligations of both parties, under this Contract shall be suspended to the extent necessary for the period of such force majeure condition.

- 10.2 For the purposes of this Contract, the term "force majeure" shall mean any acts of God, including therein, but without restricting the generality thereof, lightning, earthquakes and storms; and, in addition, shall mean any strikes, lockouts or other industrial disturbances, acts of the Queen's enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, floods, fires, washouts, arrests and restraints, civil disturbances, explosions, breakages of or accidents to machinery or lines of pipe, hydrate obstructions of lines of pipe, freezings of wells or delivery facilities, well blowouts, craterings, the orders of any court or governmental authority, any acts or omissions (including failure to take Gas) of a purchaser of Gas from, or a transporter of Gas to or for, Buyer, or of Westcoast which are excused by any event or occurrence of the character defined as constituting force majeure, or any other causes, whether the kind enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome. Notwithstanding the foregoing, acts or omissions (including failure to take Gas) of a purchaser of Gas from Buyer shall not constitute force majeure unless said purchaser is unable to take delivery of Gas from Buyer by reason of force majeure under its arrangements with Buyer.
- 10.3 Neither party shall be entitled to the benefit of the provisions of Section 10.1 under any or all of the following circumstances:
- (a) to the extent that the inability was caused by the contributory negligence of the party claiming suspension;
 - (b) to the extent that the inability was caused by the party claiming suspension having failed to remedy the condition, and to resume the performance of such covenants or obligations, with reasonable dispatch;
 - (c) to the extent that the inability was caused by lack of funds;
 - (d) unless as soon as possible after the happening of the occurrence relied upon 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 Contract, the party claiming suspension shall have given to the other party notice to the effect that such party is unable by reason of force majeure (the nature whereof shall be therein specified) to perform the particular covenants or obligations.
- 10.4 The party claiming suspension shall likewise give notice, as soon as possible after the force majeure condition shall have been remedied, to the effect that the same has been remedied and the claiming party has resumed, or is then in a position to resume, the performance of such covenants or obligations.
- 10.5 Notwithstanding anything to the contrary in this Article X expressed or implied, the parties agree that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the particular party involved therein and such party may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Section 10.1.

- 10.6 Where an occurrence or occurrences of force majeure is claimed by either party, the Daily Contract Quantity shall be reduced for each Day with respect to which force majeure is claimed by a quantity of Gas equal to the Daily Contract Quantity which would have been in effect if said force majeure had not occurred multiplied by the period, to the nearest hour, of force majeure during the Day divided by twenty-four (24) hours, less any quantity of Gas actually delivered during such period.

ARTICLE XI - WARRANTY OF TITLE AND RESPONSIBILITY OF SELLER

- 11.1 Seller represents and warrants that it has full right and authority to enter into this Contract. Seller further represents and warrants that it has title to the Gas to be sold and delivered hereunder and that all such Gas is owned and shall be delivered by Seller free from all liens and adverse claims, including liens to secure payment of any taxes. Seller shall be responsible for ensuring that payments have been made with respect to any royalties, production payments and other similar obligations owing on the Gas prior to its delivery to Buyer, including transportation charges incurred prior to the Point of Delivery. Seller agrees to indemnify, defend and save harmless Buyer from all suits, judgments, demands, debts, accounts, damages, costs, losses, liabilities and expenses arising from or out of claims of any or all persons to said Gas or to royalties, taxes or other charges thereon which attach to the Gas or which may be levied and assessed upon the sale thereof to Buyer, except that this indemnity shall not apply to any adverse claims of third parties if those claims arise from the terms or conditions of any contracts or any arrangements between Buyer and a third party for the subsequent sale or other disposition of the Gas delivered hereunder unrelated to Seller's warranty of title. Buyer may retain, as security for the performance of Seller's obligations with respect to such claim under this Section, the purchase price thereof up to the amount of such claim, without incurring liability for interest, until such claim has been finally determined or until Seller shall have furnished bond to Buyer conditioned for the protection of Buyer with respect to such claim.

ARTICLE XII - ARBITRATION

- 12.1 Any dispute respecting a matter arising from this Contract or arising from any of the schedules to this Contract shall be resolved by arbitration. The arbitration shall be conducted in accordance with the following procedures and principles.

A party may deliver written notice to the other party to the dispute to concur in the appointment of an arbitrator. If the party to whom notice is delivered does not within ten (10) days of receipt of such notice concur in the appointment of the arbitrator then the party who delivered the notice may apply to the Supreme Court of British Columbia for the appointment of an arbitrator.

The arbitrator selected to act shall be sufficiently qualified by education and training to decide the particular questions in dispute. Unless otherwise agreed, the arbitrator may not be a past or present employee, officer or director of any of the parties or their respective successors or affiliates, or of any supplier to Customer, Agent, or Buyer.

The arbitrator shall proceed immediately to hear and determine the matter in dispute. The decision of the arbitrator shall be made within forty-five (45) days after the appointment of the arbitrator, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, in the event the arbitrator fails to make a decision within sixty (60) days after the appointment then either party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed.

The decision of the arbitrator shall be drawn up in writing and signed by the arbitrator and shall be final and binding upon the parties and the parties shall abide by the decision and perform the terms and conditions thereof.

The compensation and expenses of the arbitrator shall be paid in equal proportions by Buyer and Seller.

Save as otherwise expressly provided herein or in any prevailing Reference Price Regulation the provisions of The Commercial Arbitration Act of British Columbia or successor legislation shall apply.

ARTICLE XIII - TERM OF CONTRACT

- 13.1 (a) Subject to the other provisions hereof, this Contract shall be effective from the date hereof and shall continue for a period of four (4) Contract Years notwithstanding that Buyer's obligation to take Gas and pay for such Gas shall commence on the Date of First Deliveries. This Contract shall continue for subsequent Contract Years unless terminated by written notice by Agent or Buyer to the others no later than November 1st of any Contract Year, such termination to be effective the third (3rd) following November 1st.
- (b) In the event that Buyer or Seller becomes bankrupt or insolvent or commits or suffers any act of bankruptcy or insolvency or enters into receivership ("Insolvent Party") pursuant to a statute or under a debt instrument or seeks protection from the demands of its creditors pursuant to any legislation enacted for that purpose, this Contract may be terminated forthwith by one party giving the other parties notice of such termination.
- (c) In the event the licensing of Agent by the BCUC ceases, or in the event that Agent fails to maintain the required performance bond with the BCUC, this Contract may be terminated by Buyer by giving the other parties notice of such termination.

ARTICLE XIV - MISCELLANEOUS PROVISIONS

14.1 Non-waiver of Future Default

No waiver by Seller or Buyer of any default by the other under this Contract shall operate as a waiver of a future default, whether of a like or different character.

14.2 Successors and Assigns

This Contract shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted and lawful assigns. This Contract may not be assigned by any of the parties except with the prior written consent of the other parties, which consent shall not be unreasonably

withheld. This Contract may not be assigned by Agent unless the party to whom Agent intends to assign is duly licensed by the BCUC and has posted a performance bond as required by the BCUC or unless such assignment is as the result of the exercise of the option provided for in Schedule "C" to this Contract. No assignment shall be effective unless and until the assignee shall have executed and delivered to the other parties an agreement in writing whereby the assignee agrees to be bound by the assignor's obligations under this Contract and no such assignment shall release the assignor from its duties and obligations under this Contract, unless expressly consented to in writing by the other parties.

14.3 Headings

The headings used throughout this Contract are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any Article nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

14.4 Notices and Statements

Unless specified otherwise, every notice and statement provided for in this Contract or correspondence pertaining to this Contract between the parties hereto shall be in writing directed to the party to whom given, made or delivered to such party's address or telefax number as follows:

CUSTOMER:

AGENT:

SELLER:

BUYER: BC Gas Utility Ltd.
1111 West Georgia Street
Vancouver, British Columbia
V6E 4M4
Attention: Vice-President, Gas Supply & Industrial Services

Telefax: (604) 443-6953

Any notice or statement provided for in this Contract:

- (a) if given or delivered by prepaid registered mail shall be deemed to have been effectively delivered to the addressee thereof at the end of the third (3rd) clear day following the day on which it was mailed; and
- (b) if given or delivered by telefax between 8:00 a.m. PST and 4:30 p.m. PST shall be deemed to have been effectively delivered to the addressee thereof on that day and, if not, on the first clear day following the day on which it was dispatched; and

(c) if given or delivered by hand to an officer of the addressee between 8:00 a.m. PST and 4:30 p.m. PST, it shall be deemed to have been effectively delivered to the addressee thereof on that day and, if not, on the first clear day next following such delivery to said officer.

The term "clear day" means any day excluding statutory holidays, Saturdays and Sundays and in the case of mailing, the day of mailing being the date of postmark and any day on which the post office is closed, and in the case of telefax, the day of dispatching, and in the case of hand delivery, the day of delivery by hand. If there is a disruption or threatened disruption affecting delivery of mail, all such delivery shall be made by telefax or by hand. If there is a disruption or threatened disruption affecting telefax services, all such deliveries shall be made by hand.

Either party may change its address or telefax number by giving notice to the other party; provided that for Gas purchased hereunder Buyer shall in no event be obligated to pay for the said Gas at a point outside of Canada or in currency other than Canadian currency.

14.5 Amendment in Writing

Except as provided, no amendment or variation of this Contract shall be effective or binding upon the parties hereto unless it is set forth in writing and has been duly executed by each of the parties hereto by its respective proper officers or authorized representatives in that behalf.

14.6 Time of Essence

Time shall be of the essence hereof.

14.7 Entire Agreement

This Contract, including the attached Schedules, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the subject matter hereof. The Schedules hereto are incorporated into and made part of this Contract by this reference as fully as though contained in the body of this Contract.

14.8 Further Assurances

Each of the parties hereto shall from time to time and at all times do such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the intent and purpose of this Contract.

14.9 Law and Jurisdiction

- (a) This Contract and the rights and obligations of the parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.
- (b) This Contract shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein, and the parties hereto attorn to the jurisdiction of the courts of British Columbia.

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

BUYER: BC GAS UTILITY LTD.

By: _____
Signature

Title

CUSTOMER: ABC GAS MARKETING LTD. (as agent for and on behalf of Customer)

By: _____
Signature

Title

By: _____
Signature

Title

AGENT: ABC GAS MARKETING LTD. (on its own behalf)

By: _____
Signature

Title

By: _____
Signature

Title

HUNTINGDON

SCHEDULE "A"

to the Gas Purchase Contract (the "Contract") made among BC Gas Utility Ltd., Customers of BC Gas Utility Ltd. and ABC Gas Marketing Ltd., and dated as of the _____ day of _____, 1993.

**REVISED CONTRACT
SUBMITTED TO BCUC
FOR APPROVAL
(93-10-07)**

ARTICLE I - DEFINITIONS

1.1 Unless otherwise defined herein, or unless the context otherwise requires, the words and terms defined in the Contract shall have the same meaning in this Schedule "A" as in the Contract.

1.2 The following words and terms wherever and whenever used or appearing in this Schedule "A" shall have the following meaning unless the context otherwise requires:

- (a) **"Capacity"** means the capacity on the facilities of Westcoast for which Buyer, Seller, or Seller's suppliers has contracted or will contract, or controls, and which is to be used primarily for the gathering, processing or transportation of the Gas purchased pursuant to the Contract.
- (b) **"Commodity Tolls"** means the Westcoast tolls in effect and approved from time to time by the National Energy Board, or other regulatory body having jurisdiction, for commodity service during the Month, expressed in dollars per 10³m³.
- (c) **"Daily Demand Charge"** means the fixed charge per gigajoule set by Buyer and approved by the BCUC from time to time.
- (d) **"Delivered Gas Volume"** means the volume of Gas purchased pursuant to the Contract which is delivered by Westcoast to the Lower Mainland Interconnection Points or to any other delivery point where Buyer may request Westcoast to deliver the Gas as agreed upon by Buyer and Seller.
- (e) **"Lower Mainland Interconnection Points"** means the interconnection points between the Lower Mainland facilities of Buyer and the pipeline facilities of Westcoast.
- (f) **"Raw Gas Transmission Service Agreement"** means a firm service agreement with Westcoast of sufficient capacity to provide for the gathering of Gas purchased pursuant to the Contract.
- (g) **"Service Agreements"** means the Raw Gas Transmission Service Agreement, the Transportation North Service Agreement, the Transportation South Service Agreement and the Treatment Service Agreement.
- (h) **"Service Area"** means the geographic area within British Columbia which, at any time this Schedule "A" is in effect, is provided with Gas service by Buyer or by a present or future subsidiary or affiliate of Buyer.
- (i) **"Shoulder Months"** shall mean any or all of the months of March, April, September, and October in any Contract Year.

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- (j) "Transportation North Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the transportation of Gas purchased pursuant to the Contract from a processing plant to compressor station No. 2 of Westcoast.
- (k) "Summer Months" shall mean any or all of the months of May, June, July, and August in any Contract Year.
- (l) "Transportation South Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the transportation of Gas purchased pursuant to the Contract from compressor station No. 2 of Westcoast to the international boundary at Huntingdon/Sumas, or to the Lower Mainland Interconnection Points.
- (m) "Treatment Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the processing of Gas purchased pursuant to the Contract.
- (n) "Winter Months" shall mean any or all of the months of November, December, January, and February in any Contract Year.

ARTICLE II - SERVICE AGREEMENTS

2.1 By _____, 199__ Seller or its suppliers shall enter into the Service Agreements with Westcoast, either directly or through assignment of capacity from Buyer, to be in effect not later than the date of the First Deliveries. If Seller is not the party which enters into the Service Agreements then Seller shall provide to Buyer a warranty acceptable to Buyer from the party(ies) providing the Capacity that the required Capacity is available to satisfy Seller's obligations under the Contract for the term of the Contract.

2.2 If the Daily Contract Quantity is reduced pursuant to a provision of the Contract or, if the Contract is terminated, then:

- a) If any portion of the Capacity of any of the Service Agreements was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.
- b) If any portion of the Capacity was not initially assigned by Buyer to Seller, and if any portion of that Capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.

- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that volume from each of the Service Agreements.

ARTICLE III - PAYMENT OBLIGATIONS

3.1 For each month from the Date of First Deliveries until the termination or expiry of the Contract, Buyer shall not be obligated to pay to Westcoast the Westcoast tolls associated with the Service Agreements.

3.2 For each Month from the Date of First Deliveries until the termination or expiry of the Contract Buyer shall reimburse Seller, in addition to the amounts specified in Article V of the Contract, an amount equal to:

- (a) the Commodity Tolls associated with the Transportation South Service Agreement and with the Delivered Gas Volume during the Month; and
- (b) the Commodity Tolls associated with the Transportation North Service Agreement and with the Delivered Gas Volume during the Month; and
- (c) the Commodity Tolls associated with the Treatment Service Agreement and with the Delivered Gas Volume during the Month; and
- (d) the Commodity Tolls associated with the Raw Gas Transmission Agreement and with the Delivered Gas Volume during the Month at a raw to residue ratio established by Buyer and approved by the BCUC.

3.3 In determining the amounts to be paid by Buyer to Seller, any credits received by Seller or its suppliers from Westcoast and relating to the Service Agreements shall be applied to reduce the Monthly Demand Charge referred to in Article V of the Contract.

3.4 Buyer shall not be responsible for payment of any charges arising from or related to the extraction of by-products from the Gas purchased by Buyer pursuant to the Contract. In addition, Buyer shall not be responsible for payment of any charges arising from or related to the fractionation, stabilization, pelletization, sale, storage, transportation or disposition of such by-products, whether or not those charges are included in the Westcoast tolls. Seller shall not receive reimbursement or payment of those charges from Buyer.

ARTICLE IV - MAINTENANCE OF SERVICE AGREEMENTS

4.1 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm gathering of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Raw Gas Transmission Service Agreement is no longer required to gather Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing gathering service for the assignment.

4.2 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm processing of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Treatment Service Agreement is no longer required to process Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Treatment Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Treatment Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing processing service for the assignment.

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4.3 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all firm service agreements with Westcoast to provide for the transportation of Gas purchased pursuant to the Contract to compressor station No. 2 of Westcoast remain in force and effect for the term of the Contract. If any portion of the Capacity of a Transportation North Service Agreement is no longer required to transport Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Transportation North Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Transportation North Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that Transportation North Service Agreement.

4.4 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all firm service agreements with Westcoast to provide for the transportation of Gas purchased pursuant to the Contract from compressor station No. 2 of Westcoast remain in force and effect for the term of the Contract. If any portion of the Capacity of a Transportation South Service Agreement is no longer required to transport Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Transportation South Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Transportation South Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.

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- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that Transportation South Service Agreement.

ARTICLE V - USE OF CAPACITY

5.1 The Capacity shall first be used for the gathering, processing and transportation of the Nominated Daily Quantity. If the Capacity is not being fully used for the Nominated Daily Quantity then the Capacity in excess of that required for the Nominated Daily Quantity may be used by Seller or its suppliers.

5.2 Notwithstanding article 5.1, Seller may not use the Capacity for any sale or movement of Gas, direct or indirect, actual or deemed, to a consumer within the Service Area of Buyer, including a Customer, without complying with article 5.5.

5.3 If on any Day Seller uses the Capacity to gather, process or transport Gas (the "Other Volume") pursuant to clauses 5.1 then, as partial compensation for the amounts reimbursed or paid by Buyer as the Monthly Demand Charge, Seller shall pay to Buyer an amount calculated on the following basis:

- (a) If the Day is within the Winter Months, Seller shall pay to Buyer one hundred (100%) percent of the Daily Demand Charge times the Other Volume.
- (b) If the Day is within the Shoulder Months, Seller shall pay to Buyer fifty (50%) percent of the Daily Demand Charge times the Other Volume.
- (c) If the Day is within the Summer Months, Seller shall pay to Buyer twenty-five (25%) percent of the Daily Demand Charge times the Other Volume.

5.4 Buyer shall have the right while the Contract is in force and effect, and within two (2) years after the termination or expiry of the Contract, to have independent accountants appointed by it examine the books of account and other records of Seller or its suppliers for the immediately preceding twenty-four (24) months which relate to the use of the Capacity, and to have the accountants so appointed receive such explanations from Seller, its suppliers, and their employees as reasonably required for the purposes of such examination. If as a result of such examination Buyer believes there should be an adjustment in any amount paid or payable to or by Buyer and Seller does not agree, the matter shall be submitted to arbitration.

5.5 If, pursuant to clauses 5.1 or 5.3 of this Agreement, Seller uses the Capacity, and if the billing procedures of Westcoast deem that Seller has made use of the Capacity for the sale or movement of Gas to a

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consumer of Gas, including Customer, within the Service Area of Buyer, then Seller shall pay to Buyer an amount equal to the interruptible service tolls of Westcoast which Seller would have incurred for that sale or movement of Gas if the sale or movement had taken place under an interruptible service agreement with Westcoast.

SAVONA

SCHEDULE "A"

to the Gas Purchase Contract (the "Contract") made among BC Gas Utility Ltd., Customers of BC Gas Utility Ltd. and ABC Gas Marketing Ltd., and dated as of the _____ day of _____, 1993.

**REVISED CONTRACT
SUBMITTED TO BCUC
FOR APPROVAL
(93-10-07)**

ARTICLE I - DEFINITIONS

1.1 Unless otherwise defined herein, or unless the context otherwise requires, the words and terms defined in the Contract shall have the same meaning in this Schedule "A" as in the Contract.

1.2 The following words and terms wherever and whenever used or appearing in this Schedule "A" shall have the following meaning unless the context otherwise requires:

- (a) **"Capacity"** means the capacity on the facilities of Westcoast for which Buyer, Seller, or Seller's suppliers has contracted or will contract, or controls, and which is to be used primarily for the gathering, processing or transportation of the Gas purchased pursuant to the Contract.
- (b) **"Commodity Tolls"** means the Westcoast tolls in effect and approved from time to time by the National Energy Board, or other regulatory body having jurisdiction, for commodity service during the Month, expressed in dollars per 10^3m^3 .
- (c) **"Daily Demand Charge"** means the fixed charge per gigajoule set by Buyer and approved by the BCUC from time to time.
- (d) **"Delivered Gas Volume"** means the volume of Gas purchased pursuant to the Contract which is delivered by Westcoast to the Interior Interconnection Points or to any other delivery point where Buyer may request Westcoast to deliver the Gas as agreed upon by Buyer and Seller.
- (e) **"Interior Interconnection Points"** means the interconnection points between the Interior facilities of Buyer and the pipeline facilities of Westcoast.
- (f) **"Raw Gas Transmission Service Agreement"** means a firm service agreement with Westcoast of sufficient capacity to provide for the gathering of Gas purchased pursuant to the Contract.
- (g) **"Service Agreements"** means the Raw Gas Transmission Service Agreement, the Transportation North Service Agreement, the Transportation South Service Agreement and the Treatment Service Agreement.
- (h) **"Service Area"** means the geographic area within British Columbia which, at any time this Schedule "A" is in effect, is provided with Gas service by Buyer or by a present or future subsidiary or affiliate of Buyer.
- (i) **"Shoulder Months"** shall mean any or all of the months of March, April, September, and October in any Contract Year.

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- (j) "Transportation North Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the transportation of Gas purchased pursuant to the Contract from a processing plant to compressor station No. 2 of Westcoast.
- (k) "Summer Months" shall mean any or all of the months of May, June, July, and August in any Contract Year.
- (l) "Transportation South Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the transportation of Gas purchased pursuant to the Contract from compressor station No. 2 of Westcoast to the Interior Interconnection Points.
- (m) "Treatment Service Agreement" means a firm service agreement with Westcoast of sufficient capacity to provide for the processing of Gas purchased pursuant to the Contract.
- (n) "Winter Months" shall mean any or all of the months of November, December, January, and February in any Contract Year.

ARTICLE II - SERVICE AGREEMENTS

2.1 By _____, 199__ Seller or its suppliers shall enter into the Service Agreements with Westcoast, either directly or through assignment of capacity from Buyer, to be in effect not later than the date of the First Deliveries. If Seller is not the party which enters into the Service Agreements then Seller shall provide to Buyer a warranty acceptable to Buyer from the party(ies) providing the Capacity that the required Capacity is available to satisfy Seller's obligations under the Contract for the term of the Contract.

2.2 If the Daily Contract Quantity is reduced pursuant to a provision of the Contract or, if the Contract is terminated, then:

- a) If any portion of the Capacity of any of the Service Agreements was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.
- b) If any portion of the Capacity was not initially assigned by Buyer to Seller, and if any portion of that Capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.

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- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that volume from each of the Service Agreements.

ARTICLE III - PAYMENT OBLIGATIONS

3.1 For each month from the Date of First Deliveries until the termination or expiry of the Contract, Buyer shall not be obligated to pay to Westcoast the Westcoast tolls associated with the Service Agreements.

3.2 For each Month from the Date of First Deliveries until the termination or expiry of the Contract Buyer shall reimburse Seller, in addition to the amounts specified in Article V of the Contract, an amount equal to:

- (a) the Commodity Tolls associated with the Transportation South Service Agreement and with the Delivered Gas Volume during the Month; and
- (b) the Commodity Tolls associated with the Transportation North Service Agreement and with the Delivered Gas Volume during the Month; and
- (c) the Commodity Tolls associated with the Treatment Service Agreement and with the Delivered Gas Volume during the Month; and
- (d) the Commodity Tolls associated with the Raw Gas Transmission Agreement and with the Delivered Gas Volume during the Month at a raw to residue ratio established by Buyer and approved by the BCUC.

3.3 In determining the amounts to be paid by Buyer to Seller, any credits received by Seller or its suppliers from Westcoast and relating to the Service Agreements shall be applied to reduce the Monthly Demand Charge referred to in Article V of the Contract.

3.4 Buyer shall not be responsible for payment of any charges arising from or related to the extraction of by-products from the Gas purchased by Buyer pursuant to the Contract. In addition, Buyer shall not be responsible for payment of any charges arising from or related to the fractionation, stabilization, pelletization, sale, storage, transportation or disposition of such by-products, whether or not those charges are included in the Westcoast tolls. Seller shall not receive reimbursement or payment of those charges from Buyer.

ARTICLE IV - MAINTENANCE OF SERVICE AGREEMENTS

4.1 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm gathering of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Raw Gas Transmission Service Agreement is no longer required to gather Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing gathering service for the assignment.

4.2 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm processing of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Treatment Service Agreement is no longer required to process Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Treatment Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Treatment Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing processing service for the assignment.

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4.3 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all firm service agreements with Westcoast to provide for the transportation of Gas purchased pursuant to the Contract to compressor station No. 2 of Westcoast remain in force and effect for the term of the Contract. If any portion of the Capacity of a Transportation North Service Agreement is no longer required to transport Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Transportation North Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Transportation North Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use its reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that Transportation North Service Agreement.

4.4 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all firm service agreements with Westcoast to provide for the transportation of Gas purchased pursuant to the Contract from compressor station No. 2 of Westcoast remain in force and effect for the term of the Contract. If any portion of the Capacity of a Transportation South Service Agreement is no longer required to transport Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Transportation South Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Transportation South Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.

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- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that Transportation South Service Agreement.

ARTICLE V - USE OF CAPACITY

5.1 The Capacity shall first be used for the gathering, processing and transportation of the Nominated Daily Quantity. If the Capacity is not being fully used for the Nominated Daily Quantity then the Capacity in excess of that required for the Nominated Daily Quantity may be used by Seller or its suppliers.

5.2 Notwithstanding article 5.1, Seller may not use the Capacity for any sale or movement of Gas, direct or indirect, actual or deemed, to a consumer within the Service Area of Buyer, including a Customer, without complying with article 5.5.

5.3 If on any Day Seller uses the Capacity to gather, process or transport Gas (the "Other Volume") pursuant to clauses 5.1 then, as partial compensation for the amounts reimbursed or paid by Buyer as the Monthly Demand Charge, Seller shall pay to Buyer an amount calculated on the following basis:

- (a) If the Day is within the Winter Months, Seller shall pay to Buyer one hundred (100%) percent of the Daily Demand Charge times the Other Volume.
- (b) If the Day is within the Shoulder Months, Seller shall pay to Buyer fifty (50%) percent of the Daily Demand Charge times the Other Volume.
- (c) If the Day is within the Summer Months, Seller shall pay to Buyer twenty-five (25%) percent of the Daily Demand Charge times the Other Volume.

5.4 Buyer shall have the right while the Contract is in force and effect, and within two (2) years after the termination or expiry of the Contract, to have independent accountants appointed by it examine the books of account and other records of Seller or its suppliers for the immediately preceding twenty-four (24) months which relate to the use of the Capacity, and to have the accountants so appointed receive such explanations from Seller, its suppliers, and their employees as reasonably required for the purposes of such examination. If as a result of such examination Buyer believes there should be an adjustment in any amount paid or payable to or by Buyer and Seller does not agree, the matter shall be submitted to arbitration.

5.5 If, pursuant to clauses 5.1 or 5.3 of this Agreement, Seller uses the Capacity, and if the billing procedures of Westcoast deem that Seller has made use of the Capacity for the sale or movement of Gas to a

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consumer of Gas, including Customer, within the Service Area of Buyer, then Seller shall pay to Buyer an amount equal to the interruptible service tolls of Westcoast which Seller would have incurred for that sale or movement of Gas if the sale or movement had taken place under an interruptible service agreement with Westcoast.

STATION NO. 2

SCHEDULE "A"

to the Gas Purchase Contract (the "Contract") made among BC Gas Utility Ltd., Customers of BC Gas Utility Ltd. and ABC Gas Marketing Ltd., and dated as of the _____ day of _____, 1993.

**REVISED CONTRACT
SUBMITTED TO BCUC
FOR APPROVAL
(93-10-07)**

ARTICLE I - DEFINITIONS

1.1 Unless otherwise defined herein, or unless the context otherwise requires, the words and terms defined in the Contract shall have the same meaning in this Schedule "A" as in the Contract.

1.2 The following words and terms wherever and whenever used or appearing in this Schedule "A" shall have the following meaning unless the context otherwise requires:

- (a) **"Capacity"** means the capacity on the facilities of Westcoast for which Buyer, Seller, or Seller's suppliers has contracted or will contract, or controls, and which is to be used primarily for the gathering, processing or transportation of the Gas purchased pursuant to the Contract.
- (b) **"Commodity Tolls"** means the Westcoast tolls in effect and approved from time to time by the National Energy Board, or other regulatory body having jurisdiction, for commodity service during the Month, expressed in dollars per 10^3m^3 .
- (c) **"Daily Demand Charge"** means the fixed charge per gigajoule set by Buyer and approved by the BCUC from time to time.
- (d) **"Delivered Gas Volume"** means the volume of Gas purchased pursuant to the Contract which is delivered by Westcoast to compressor station No. 2 or to any other delivery point where Buyer may request Westcoast to deliver the Gas as agreed upon by Buyer and Seller.
- (e) **"Raw Gas Transmission Service Agreement"** means a firm service agreement with Westcoast of sufficient capacity to provide for the gathering of Gas purchased pursuant to the Contract.
- (f) **"Service Agreements"** means the Raw Gas Transmission Service Agreement, the Treatment Service Agreement, and the Transportation North Service Agreement.
- (g) **"Service Area"** means the geographic area within British Columbia which, at any time this Schedule "A" is in effect, is provided with Gas service by Buyer or by a present or future subsidiary or affiliate of Buyer.
- (h) **"Shoulder Months"** shall mean any or all of the months of March, April, September, and October in any Contract Year.
- (i) **"Transportation North Service Agreement"** means a firm service agreement with Westcoast of sufficient capacity to provide for the transportation of Gas purchased pursuant to the Contract from a processing plant to compressor station No. 2 of Westcoast.
- (j) **"Treatment Service Agreement"** means a firm service agreement with Westcoast of sufficient capacity to provide for the processing of Gas purchased pursuant to the Contract.

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- (k) "Summer Months" shall mean any or all of the months of May, June, July, and August in any Contract Year.
- (l) "Winter Months" shall mean any or all of the months of November, December, January, and February in any Contract Year.

ARTICLE II - SERVICE AGREEMENTS

2.1 By _____, 199_ Seller or its suppliers shall enter into the Service Agreements with Westcoast, either directly or through assignment of capacity from Buyer, to be in effect not later than the date of the First Deliveries. If Seller is not the party which enters into the Service Agreements then Seller shall provide to Buyer a warranty acceptable to Buyer from the party(ies) providing the Capacity that the required Capacity is available to satisfy Seller's obligations under the Contract for the term of the Contract.

2.2 If the Daily Contract Quantity is reduced pursuant to a provision of the Contract or, if the Contract is terminated, then:

- a) If any portion of the Capacity of any of the Service Agreements was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.
- b) If any portion of the Capacity was not initially assigned by Buyer to Seller, and if any portion of that Capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the volume from each of the Service Agreements that is no longer required to gather, process or transport the reduced Daily Contract Quantity.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that volume from each of the Service Agreements.

ARTICLE III - PAYMENT OBLIGATIONS

3.1 For each month from the Date of First Deliveries until the termination or expiry of the Contract, Buyer shall not be obligated to pay to Westcoast the Westcoast tolls associated with the Service Agreements.

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3.2 For each Month from the Date of First Deliveries until the termination or expiry of the Contract Buyer shall reimburse Seller, in addition to the amounts specified in Article V of the Contract, an amount equal to:

- (a) the Commodity Tolls associated with the Transportation North Service Agreement and with the Delivered Gas Volume during the Month; and
- (b) the Commodity Tolls associated with the Treatment Service Agreement and with the Delivered Gas Volume during the Month; and
- (c) the Commodity Tolls associated with the Raw Gas Transmission Agreement and with the Delivered Gas Volume during the Month at a raw to residue ratio established by Buyer and approved by the BCUC.

3.3 In determining the amounts to be paid by Buyer to Seller, any credits received by Seller or its suppliers from Westcoast and relating to the Service Agreements shall be applied to reduce the Monthly Demand Charge referred to in Article V of the Contract.

3.4 Buyer shall not be responsible for payment of any charges arising from or related to the extraction of by-products from the Gas purchased by Buyer pursuant to the Contract. In addition, Buyer shall not be responsible for payment of any charges arising from or related to the fractionation, stabilization, pelletization, sale, storage, transportation or disposition of such by-products, whether or not those charges are included in the Westcoast tolls. Seller shall not receive reimbursement or payment of those charges from Buyer.

ARTICLE IV - MAINTENANCE OF SERVICE AGREEMENTS

4.1 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm gathering of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Raw Gas Transmission Service Agreement is no longer required to gather Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.

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- b) If any portion of the Capacity of that Raw Gas Transmission Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to gather the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing gathering service for the assignment.

4.2 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all agreements to provide for the firm processing of Gas purchased pursuant to the Contract remain in force and effect for the term of the Contract. If any portion of the Capacity of a Treatment Service Agreement is no longer required to process Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Treatment Service Agreement was not initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the portion of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- b) If any portion of the Capacity of that Treatment Service Agreement which was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to process the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers or any other party providing processing service for the assignment.

4.3 Until the termination or expiry of the Contract, Seller shall ensure or provide to Buyer warranties acceptable to Buyer from Seller's suppliers that ensure that all firm service agreements with Westcoast to provide for the transportation of Gas purchased pursuant to the Contract to compressor station No. 2 of Westcoast remain in force and effect for the term of the Contract. If any portion of the Capacity of a Transportation North Service Agreement is no longer required to transport Gas purchased pursuant to the Contract, then:

- a) If any portion of the Capacity of that Transportation North Service Agreement was initially assigned by Buyer to Seller, and if requested by Buyer, Seller shall reassign to Buyer the

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portion of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.

- b) If any portion of the Capacity of that Transportation North Service Agreement was not initially assigned by Buyer to Seller, and if that capacity would otherwise be released back to Westcoast, Seller shall, if requested by Buyer, use reasonable efforts to facilitate the assignment to Buyer of the Capacity no longer required to transport the Gas purchased pursuant to the Contract.
- c) If required, Seller shall use reasonable efforts to obtain the consent of Westcoast and Seller's suppliers for the assignment of that Transportation North Service Agreement.

ARTICLE V - USE OF CAPACITY

5.1 The Capacity shall first be used for the gathering, processing and transportation of the Nominated Daily Quantity. If the Capacity is not being fully used for the Nominated Daily Quantity then the Capacity in excess of that required for the Nominated Daily Quantity may be used by Seller or its suppliers.

5.2 Notwithstanding article 5.1, Seller may not use the Capacity for any sale or movement of Gas, direct or indirect, actual or deemed, to a consumer within the Service Area of Buyer, including a Customer, without complying with article 5.5.

5.3 If on any Day Seller uses the Capacity to gather, process or transport Gas (the "Other Volume") pursuant to clauses 5.1 then, as partial compensation for the amounts reimbursed or paid by Buyer as the Monthly Demand Charge, Seller shall pay to Buyer an amount calculated on the following basis:

- (a) If the Day is within the Winter Months, Seller shall pay to Buyer one hundred (100%) percent of the Daily Demand Charge times the Other Volume.
- (b) If the Day is within the Shoulder Months, Seller shall pay to Buyer fifty (50%) percent of the Daily Demand Charge times the Other Volume.
- (c) If the Day is within the Summer Months, Seller shall pay to Buyer twenty-five (25%) percent of the Daily Demand Charge times the Other Volume.

5.4 Buyer shall have the right while the Contract is in force and effect, and within two (2) years after the termination or expiry of the Contract, to have independent accountants appointed by it examine the books of account and other records of Seller or its suppliers for the immediately preceding twenty-four (24)

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months which relate to the use of the Capacity, and to have the accountants so appointed receive such explanations from Seller, its suppliers, and their employees as reasonably required for the purposes of such examination. If as a result of such examination Buyer believes there should be an adjustment in any amount paid or payable to or by Buyer and Seller does not agree, the matter shall be submitted to arbitration.

5.5 If, pursuant to clauses 5.1 or 5.3 of this Agreement, Seller uses the Capacity, and if the billing procedures of Westcoast deem that Seller has made use of the Capacity for the sale or movement of Gas to a consumer of Gas, including Customer, within the Service Area of Buyer, then Seller shall pay to Buyer an amount equal to the interruptible service tolls of Westcoast which Seller would have incurred for that sale or movement of Gas if the sale or movement had taken place under an interruptible service agreement with Westcoast.

SCHEDULE "B"

To the Gas Purchase Contract (the "Contract") made among BC Gas Utility Ltd., Customers of BC Gas Utility Ltd. and ABC Gas Marketing Ltd., and dated as of the ____ day of _____, 1993.

Customer	Meter No.	Estimated Normalized Annual Use (Gigajoules)
Acme Widgets	123	1,000
Universal Widgets	456	1,100
Vancouver Widgets	789	1,023
Total:		3,123 Gj/yr

$$\begin{aligned}
 \text{DCQ} &= \frac{3,123 \text{ Gj/yr} \times 97\% \text{ (baseload as \% of total supply)}}{83\% \text{ (forecast load factor)} \times 365 \text{ days/yr}} \\
 &= 10 \text{ Gj/day}
 \end{aligned}$$

POINT OF DELIVERY = Station #2

DATE OF FIRST DELIVERIES = November 1, 1993

DEEMED SOURCES OF GAS = Ft. Nelson: 50 %
McMahon: 50 %

SAMPLE

BC Gas Inc.
1111 West Georgia Street
Vancouver, British Columbia
Canada V6E 4M4

Tel (604) 443-6607
Fax (604) 443-6789

David M. Masuhara
Vice President
Legal and Regulatory Affairs

October 12, 1993

BC Gas

"Via Courier"

BRITISH COLUMBIA UTILITIES COMMISSION
6th Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Mr. R.J. Pellatt
Commission Secretary

Dear Sirs:

**Re: Direct Purchase Reference Prices,
and Price Factors (Revised)**

Please find enclosed 15 copies of BC Gas Utility Ltd.'s ("BC Gas") application respecting the reference price and price factors to be effective November 1st, 1993. This application replaces our previous filing dated October 5th, 1993 and BC Gas hereby retracts its previous filing, dated October 5th, 1993, respecting this matter. The revisions are based on discussions with Commission staff. BC Gas is hereby applying, pursuant to Section 67 of the Utilities Commission Act, for the Commission's approval of the price factors and reference prices.

1. PRICING PARAMETERS

The prices which BC Gas has presented in this filing incorporate a number of variables. They include:

(a) Gas Prices:

The figures tabled in this submission incorporate the gas prices renegotiated for the 1993/94 contract year.

(b) Westcoast Tolls:

The data contained herein utilizes the 1993 NEB-approved Westcoast tolls. The interim 1994 tolls (Westcoast tolls are set on a calendar year basis)

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have just been filed and may result in slightly different costs when incorporated into the Price Factors.

(c) Contract Load Factor:

The Price Factors as filed utilize a forecast annual load factor of 83%. The Reference Price is a function of the actual load factor since both a fixed and a variable component have been established. The load factor will also impact the forecasted amount of VIA and cost of service credits used in the calculations.

The only variable which may change over the current (1993/94) contract year should be the Westcoast tolls.

**2. REFERENCE PRICE AND PRICE FACTORS:
EFFECTIVE NOVEMBER 1ST, 1993**

Subject to the adjustments referenced in Section 1 above, BC Gas recommends the following estimated Price Factors for the contract year commencing November 1st, 1993. The terms coincide with those in the Gas Purchase Contract (also filed for Commission approval) to be used by BC Gas for its purchases of buy/sell (direct) baseload gas supplies.

Price Factor	Huntingdon ⁽¹⁾ (\$/Gj)	Savona ⁽²⁾ (\$/Gj)	Station #2 ⁽³⁾ (\$/Gj)
Reference Price ⁽⁴⁾⁽⁵⁾	2.533	2.433	2.307
Unit Fixed Charge ⁽⁵⁾⁽⁶⁾	1.102	1.019	0.915
Unit Commodity Charge ⁽⁷⁾	1.205	1.205	1.205
Fixed Charge Credit	0.516	0.516	0.516
Daily Demand Charge ⁽⁵⁾⁽⁸⁾	0.585	0.502	0.398
Westcoast Commodity Tolls ⁽⁵⁾⁽⁹⁾	0.012	0.008	0.002
Westcoast Raw to Residue Ratio ⁽¹⁰⁾	1.137	1.137	1.137

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- (1) Deliveries for Lower Mainland (Coastal Division) and Squamish customers. In the case of Squamish Gas, additional approvals concerning the Rate Stabilization Fund will be necessary from the Province in order to ensure all of the costs are recovered.
- (2) Deliveries for Interior Division customers.
- (3) Independent of customer location excluding the size of the requirement for fuel gas.
- (4) Average price assuming a forecasted annual load factor of 83 %, but excludes fuel costs and commodity tolls (which vary monthly).
- (5) Assume an average heat content of 38.51 Mj/m³.
- (6) Paid per unit of the Daily Contract Quantity (DCQ).
- (7) Paid for each unit of gas delivered to BC Gas plus any units delivered to Westcoast for fuel gas; excludes Westcoast commodity tolls.
- (8) Identified in the Schedule "A" to the gas purchase contract as the fee for use of unutilized Westcoast capacity.
- (9) Based on average tolls.
- (10) Based on the BC Gas average; used in commodity toll calculation.

The Price Factors have been calculated using the procedure identified by BC Gas during the BCUC hearing into the Domestic Natural Gas Supply Rules. The general criteria are as follows:

- ° The fixed costs are based on the total costs associated with the baseload supply purchased off the Westcoast system including the producer reservation fees and the Westcoast demand charges. The costs are net of the forecasted VIA credits but exclude any Schedule 10 or other on-system or off-system interruptible sales credits.
- ° The commodity charges are based on the BC Gas average variable cost of gas using the normalized budget forecast.
- ° The fixed charge credit is based on the average producer reservation fee payable under the system gas contracts. Any Westcoast credits will be captured at the

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approved tariff rates directly from the non-system baseload gas suppliers, when appropriate.

- ° Westcoast commodity tolls will be paid as incurred at the tariff rates using a heat content of 38.51 Mj/m³ (adjusted annually).
- ° Westcoast fuel gas volumes will be purchased as required by Westcoast at the Unit Commodity Charge.

3. BUY/SELLS ON THE COLUMBIA GAS SYSTEM

The customer lists submitted to BC Gas by the A/B/M's include a few customers in the Columbia service territory. Since the Columbia system is not served with gas supply off the Westcoast system, we cannot use the Reference Prices developed for the BC Gas Coastal and Interior service territories.

The supply costs for the Columbia system are currently being changed as a result of the Alberta and Southern Gas Co. Ltd. restructuring program. Once this restructuring is complete, a Columbia Reference Price can be calculated and filed with the Commission. This restructuring is unlikely to be completed prior to November 1st, 1993.

All of the above is respectfully submitted this 12th day of October, 1993.

Yours very truly,

BC GAS UTILITY LTD.

Per:



David M. Masuhara

DMM\djw
Encls.