



Janet P. Kennedy
Vice President, Regulatory Affairs & Gas Supply

Pacific Northern Gas Ltd.
950, 1185 West Georgia Street
Vancouver, BC V6E 4E6
Tel: (604) 691-5680
Fax: (604) 697-6210
Email: jkennedy@png.ca

Via E-Mail and Courier

June 16, 2015

B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2N3

File No.: 4.2 (2015)

Attention: Erica M. Hamilton
Commission Secretary

Dear Ms. Hamilton:

**Re: Pacific Northern Gas (N.E.) Ltd. – Dawson Creek Division
Application for Approval of AltaGas Ltd. Industrial Firm Transportation Service
Agreement and Proposed RS7 Industrial LNG Firm Transportation Service Tariff**

Introduction

Pacific Northern Gas (N.E.) Ltd. (“PNG(NE)”) hereby applies to the Commission under Sections 59 to 61 of the Utilities Commission Act for approval of the enclosed Industrial Firm Transportation Service Agreement between PNG(NE) and AltaGas Ltd. (“AltaGas”) dated June 10, 2015 (“AltaGas TSA”) (Appendix A) and the related proposed new RS7 Industrial LNG Firm Transportation Service Tariff (Appendix B).

This letter sets out the reasons why PNG(NE) considers the AltaGas TSA and the proposed RS7 Industrial LNG Firm Transportation Service Tariff to be in the public interest and should therefore be approved by the Commission.

Background

About AltaGas

With a diversified portfolio of energy businesses including utilities, power generating facilities, and gas processing activities, AltaGas has become a significant energy infrastructure company in North America. AltaGas’ business activities in British Columbia include the 195 MW Forrest Kerr Hydro Project, the 102 MW Bear Mountain Wind Park, the 16 MW Volcano Creek Hydro Project, the 66 MW McLymont Creek Hydro Project, the Taylor deep-cut gas processing facility, and the utility operations of Pacific Northern Gas Ltd. and PNG(NE) which were acquired in 2012. Further, AltaGas is a party to the

consortium that has proposed to develop the Douglas Channel Liquefied Natural Gas (“LNG”) Project to be sited near Kitimat, BC.

Regional LNG Strategy

There are several northern markets within BC, the Yukon and the NWT that are interested in contracting for service that would provide LNG as a fuel supply. However, all of these markets have similar challenging characteristics, including sparse remote locations, variable load sizes, and a need for supply security. Due to the logistical difficulties of providing LNG service to these remote markets, it is not practical for them to be served by existing LNG facilities located in the Lower Mainland of BC. Further, the load from these markets is not sufficient to support construction of a dedicated large-scale LNG facility in northern BC.

AltaGas has identified an opportunity to bridge this gap and serve the demand of these northern markets, and is actively moving forward with the development of a regional network of small scale LNG liquefaction facilities in northern BC. AltaGas’ regional LNG strategy is based on small liquefaction plants located much closer to the intended load thereby reducing the supply risk, increasing safety due to lower transport distances, and reducing GHG emissions. Such facilities provide the benefit of a lower capital cost and hence a lower risk to the proponent intent on serving these smaller markets. However, the downside of the smaller facilities is lower capital efficiency and a higher cost to produce LNG. Consequently, the producer must drive operational and cost efficiencies in order to achieve competitive pricing.

As noted, the market has shown strong interest and demand for distributed LNG services of this nature, particularly for remote industrial applications and as a source of supply for communities in northwest Canada and in parts of Alaska. To serve this market, AltaGas has determined that Dawson Creek, BC, will be the location of its first small-scale LNG facility. This siting was primarily chosen for its close proximity to identified potential demand for LNG as a fuel source. Other factors favouring the Dawson Creek location include: direct access to transportation routes to markets in Canada’s far north; an experienced work force in the natural gas processing industry; a secure and cost-effective gas supply; and close proximity to existing AltaGas’ facilities and skilled human resources, including those operating its Taylor gas processing plant.

Request for Service

An element key to the viability and success of AltaGas’ LNG liquefaction facility is the supply of natural gas. On November 21, 2014, AltaGas provided PNG(NE) with a written request for firm natural gas transportation service to the industrial site AltaGas acquired for its proposed LNG facility, including the following specifications:

Description of Use:	1) LNG feedstock 2) Gas for pre-treatment process 3) Fuel Gas
In Service Date:	June 30, 2015

Location:	LOT 10 SECTION 20 TOWNSHIP 78 RANGE 15 WEST OF THE SIXTH MERIDIAN PEACE RIVER DISTRICT PLAN EPP39999
Annual Volume:	980,000 GJ/year (2,685 GJ/day)
Delivery Pressure:	50 psi distribution pressure
Load Shape:	Winter (October to April): Flat Summer (May to September): Variable

AltaGas' original request for an in-service date of June 30, 2015 has shifted, and is now anticipated to be October 1, 2015.

The delivery point for service is the industrial site noted in the above table which was acquired by AltaGas for the proposed LNG facility. The site is adjacent to Air Liquide's liquid nitrogen manufacturing facility which is currently served via a dedicated high-pressure pipeline installed by PNG(NE) in December 2013.

Discussions on service arrangements ensued between PNG(NE) and AltaGas. AltaGas has indicated that it considers the LNG manufacturing project to be a long-term business initiative and has therefore requested a 10 (ten) year term for the firm transportation service agreement.

Capital Cost of Connection

In order to provide service to AltaGas, PNG(NE) would have to install approximately 75 metres of 8" distribution pipe, as well as metering facilities. The cost of placing this infrastructure into service has been estimated at \$300,000, as follows:

Contractor:	\$ 80,000
Materials:	10,000
Labour:	50,000
Inventoried Material (meter, pipe):	110,000
Non-Inventoried Material (fencing, fill, other):	50,000
Contingency (20%)	60,000
Total:	\$ 360,000

The foregoing cost estimates have been made by PNG(NE) personnel experienced in completing work of this nature and a 20% provision has been included for contingencies.

Proposed LNG Industrial Firm Transportation Service Rate (RS7)

AltaGas' request for service is as a transportation customer. PNG(NE) presently has an industrial gas sales service rate (RS4) and an industrial gas transportation service rate (RS5) for industrial customers in the Dawson Creek Division. The RS4 rate is applicable to firm gas supplied at a single premise for use in industrial operations for processing or manufacturing goods. The RS5 rate was tailored to serve a single customer, Air Liquide

Canada Inc., under the terms of a TSA dated October 9, 2012 and approved under Commission Order G-124-13, and is based on the same delivery rate as per the RS4 rate. Following the request for service, PNG(NE) and AltaGas engaged in negotiations on the appropriate rate for the service requested. During this process, AltaGas expressed concern that the economics of its business proposal would be constrained if it were required to pay the RS5 delivery rate. To this end, AltaGas indicated that it has the option of locating its proposed facility at an alternate site that would be served via a direct connection to Spectra Energy's pipeline, thereby bypassing PNG(NE) as a service provider. The comparative transportation toll presently available to AltaGas if connected directly to the Spectra Energy system is approximately \$0.115/GJ to \$0.125/GJ¹.

AltaGas reiterated that its preference is to locate its operations within the City of Dawson Creek. AltaGas submitted that coming to a fair compromise with PNG(NE) on a rate that is competitive with the alternative available would solidify the decision to do so, noting that such a solution has the potential to provide additional future benefits for both the City of Dawson Creek and for PNG(NE)'s existing customers, including:

Benefits for City of Dawson Creek

- Creation of employment opportunities for the community, including short-term employment related to construction activities and longer-term employment related to staffing of the facility
- Production and sale of LNG within the City of Dawson Creek provides a foundation for other new related business opportunities within the community and surrounding area
- A local supply of LNG aligns with the Provincial Government's Natural Gas Strategy as it will promote the use of natural gas in displacing diesel fuel in the oil and gas and mining sectors
- A local supply of LNG also aligns with the Green Energy Act and Low Carbon Fuel Standard by promoting a switch to lower-carbon fuels, thereby reducing emissions and improving air shed quality in northeastern BC
- Given the close proximity to customers, a local LNG supply has the potential to provide for increased safety and additional security of supply for customers in the region as a result of shorter trips and less time on the road
- Based on the foregoing, AltaGas' initiative has support from the City of Dawson Creek (Appendix C)

¹ Westcoast Energy Inc., Toll Schedules – Service, Firm Transportation Service – Northern (1-year term: \$0.1248/GJ; 5+ year term: \$0.115/GJ), rates effective April 1, 2015

Benefits for PNG(NE)'s Customers

- Proposed siting will make use of an existing, purpose-built, lateral pipeline asset for which the capital costs have been fully recovered, but which will soon be underutilized as the current customer is expected to drop service at the end of 2015 when sufficient electricity becomes available for its operations
- The incremental cost of providing the service is not significant and the payback period for recovering the initial cost is short
- The addition of a long-term, large-volume customer and the associated incremental margin will have positive rate impacts for all customers
- The availability of LNG has the potential to provide PNG(NE) with an alternative back up source to provide added security of supply in the event of scheduled or unscheduled outages in the northeastern region

Recognizing the benefits to PNG(NE)'s existing customers and to the City of Dawson Creek and surrounding area, while understanding the business constraints of the AltaGas project and the alternatives available to AltaGas to locate the facility on a direct connection to Spectra Energy, PNG(NE) and AltaGas have negotiated a 10-year TSA with the following characteristics:

Term:	10 (ten) years
Tariff:	\$0.205 per GJ (\$200,900 annual revenue)
Other Contractual Terms:	Take-or-pay on annual volume of 980,000 GJ

The anticipated average daily volume under the agreement is 2,685 GJs, which equates to 980,000 GJs per year. The TSA has been structured as a take-or-pay arrangement for 100% of the anticipated annual volume at a tariff rate of \$0.205 per GJ, equating to \$200,900 in annual revenue for PNG(NE). As the annual operating costs of providing service to AltaGas from the purpose-built 5-km lateral are expected to be minimal, much of this revenue will be realized as margin, which will be to the benefit of all other existing customers.

PNG(NE) notes that the negotiation and determination of these tariff conditions was based on careful consideration of the benefits to existing customers, the community, the applicant, and on the financial feasibility of offering service with these characteristics as assessed by PNG(NE)'s mains extension test. Given the circumstances, PNG(NE) observes that there are sufficient benefits and very low risk associated with entering into the negotiated arrangements with AltaGas. Consequently, PNG(NE) submits that the negotiated tariff is fair and reasonable, and compelling for PNG(NE) to enter into.

PNG(NE) is cognizant of the fact that in order to be non-discriminatory, this special LNG transportation tariff must be made available to other potential LNG liquefaction customers under the same terms granted to AltaGas. PNG(NE) would add the caveat that this tariff

would only be applicable to others on the condition that they attach to the same pipeline lateral in Dawson Creek that AltaGas will be served from. The capacity of this pipeline lateral under the current maximum operating pressure (MOP) is approximately 5 mmcf/d.

The service requested by AltaGas has a peak demand that is equal to approximately one-half of the lateral's current capacity. Potential exists to increase the MOP and therefore the capacity of this line to 7 mmcf/d. PNG(NE) notes that it has not received any other requests for service from small-scale LNG proponents in the last two years, nor has it received any requests for service that would involve utilization of the high pressure lateral in question. To assist with the evaluation of the benefits to PNG(NE)'s existing customers, PNG(NE) notes that had the extension to the AltaGas site been completed at the estimated cost, and had the service commenced on January 1, 2015, the rates for FSJ/DC residential and small commercial customers would have been \$0.061 and \$0.042 per GJ lower than otherwise.

Mains Extension Test

PNG(NE) conducted a mains extension test for AltaGas' service request based on the inputs noted above. The test results indicated that a maximum allowable investment by PNG(NE) of \$848,000 would be permitted to provide the requested service. As this amount is greater than the estimated capital expenditure of \$360,000, no contribution will be required from AltaGas.

Conclusion

PNG(NE) submits that the long-term contract provisions envisioned within the AltaGas TSA, as outlined in this application, provide for the full return of and return on the new capital to be invested and for the recovery of incremental operating costs of providing this service to AltaGas. The rate impact on PNG(NE)'s existing customers will be positive, with the additional margin from the service contributing to covering the cost to serve all customers. Should AltaGas extend its contract beyond the initial ten-year period, customers have an opportunity for continued upside benefits.

Further, that PNG(NE) will be able to serve AltaGas from the transmission pipeline facilities installed by PNG(NE) in 2013 in connection with a short-term contract with Air Liquide brings to fruition PNG(NE)'s assertion at the time that these facilities had the ability to generate future incremental revenues that would benefit all PNG(NE) customers in the FSJ/DC service area.

Based on the case presented above, PNG(NE) respectfully submits that Commission approval of the AltaGas TSA and the proposed new LNG Industrial Firm Transportation Service RS7 Tariff for this service are both in the public interest and in the best interests of PNG(NE)'s customers.

Please direct any questions regarding this letter and enclosures to my attention.

Yours truly,

A handwritten signature in cursive script that reads "Janet P. Kennedy". The signature is written in black ink and is positioned above the printed name.

Janet P. Kennedy

cc: Peter Eaton, AltaGas Ltd.

APPENDIX A

PNG(NE)/AltaGas Service Agreement for Industrial Firm Transportation Service

**SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE**

This Agreement is made as of the 10th day of June, 2015.

BETWEEN:

PACIFIC NORTHERN GAS (N.E.) LTD., a corporation under the laws of the Province of British Columbia, having its head office in the City of Vancouver

(the “**Transporter**”)

AND:

ALTAGAS LTD., a corporation amalgamated under the laws of Canada, having its head office in the City of Calgary

(the “**Shipper**”)

WHEREAS:

- A. The Transporter and Shipper wish to enter into a gas transportation service Agreement in Dawson Creek;
- B. The Shipper wishes to confirm its commitment for firm transportation service on the Transporters’ Pipeline on the terms and conditions set forth in this Agreement; and
- C. The Transporter and Shipper previously entered into a Service Agreement (the “**Previous Agreement**”) for Firm Transportation Service dated December 19, 2014 and they wish to replace the Previous Agreement with this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and intending to be legally bound, Transporter and Shipper agree as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Agreement, including the Schedules hereto, except as otherwise expressly provided in this Agreement or unless the context otherwise necessarily requires, the following words and phrases have the following meanings and if not defined herein, they have the meanings ascribed to them in the General Terms and Conditions for industrial firm transportation

service customers:

“Affiliate” means a Person (other than a Party) that directly or indirectly controls, is controlled by, or is under common control with, a Party, and for such purposes the terms “control”, “controlled by” and other derivatives shall mean the direct or indirect ownership of greater than or equal to fifty percent (50%) of the voting rights in a Person, or of the equivalent rights to determine the decisions of such Person;

“Agreement” and **“this Agreement”** means this Agreement, including the Schedules hereto, as it may from time to time be supplemented or amended;

“Approved Letter of Credit” means a letter of credit (including any amendments), all in a form satisfactory to Transporter, issued to Transporter as beneficiary by a financial institution with a credit rating of “A” or better by Standard & Poor’s Financial Services LLC, “A2” or better by Moody’s Investors Service, Inc., or “A” or better by DBRS Limited for the unenhanced long term senior unsecured debt of the financial institution providing the letter of credit and otherwise subject to the Uniform Customs and Practice for Documentary Credits 2007 Revision ICC Publication No. 600 or International Standby Practices ISP98 International Chamber of Commerce; provided that if the issuing financial institution is not listed in Schedule 1 of the Bank Act (Canada), the applicable letter of credit will: (i) be advised by a financial institution listed in Schedule 1 of the Bank Act (Canada); and (ii) specify that payment under it shall be available at the advisory financial institution;

“BCUC” shall mean the British Columbia Utilities Commission established by the Utilities Commission Act of British Columbia or any successor authority or authorities having jurisdiction over the approval, licensing, construction, operation or tolls of intraprovincial pipelines in Gas service in British Columbia;

“Commencement Date” means the first day after the later of: (i) the Pipeline is complete; (ii) leave to open has been received from the British Columbia Oil and Gas Commission; and (iii) the Pipeline is available to provide the service contemplated hereunder; (iv) the Shipper Service Request Date; and (v) the Shipper provides written notice to the Transporter that it has reached a final investment decision to proceed with the project to which the Service relates;

“Contract Demand” means the maximum volume of Gas that Transporter is obligated to transport without curtailment or interruption on any one day as specified in Schedules “A” and “B” attached hereto;

“Credit Support” means, unless otherwise specified in this Agreement, an Approved Letter of Credit for an amount equal to:

- (a) In the event that the annual Shipper’s Contract Demand is below 250,000 GJ, the sum of three (3) months of Demand Charges; or

- (b) In the event the annual Shipper's Contract Demand is equal to or greater than 250,000 GJs, the greater of:
- i. Sum of three (3) months equivalent of daily Demand Charges; or
 - ii. 25% of the amount of the expenditures on capital additions incurred by Transporter to provide Service hereunder, if any, such amount to be reduced by 5% of the capital addition required for Service for each Year following the Commencement Date so long as Shipper is not in default of any of its obligations under the Service Agreement;

"Creditworthy" means a Person that, as at the Effective Date of this Agreement and thereafter, for the term of this Agreement, has a credit rating for its unenhanced long term senior unsecured debt that meets the Minimum Acceptable Rating;

"Delivery Point" means the point of delivery from Transporter to Shipper as set out in Schedule "A" at which Transporter will deliver Shipper's Gas under the terms of this Agreement;

"Demand Charge" means the per GJ rate payable by Shipper to Transporter for Firm Service as set out in Schedule "A";

"Effective Date" means the date set forth at the top of page 1 of this Agreement;

"Existing Pipeline" means the Transporter's gas transmission pipeline facilities existing as of the date of the Agreement;

"Expansion" means the expansion of the Transporter's Existing Pipeline, such expansion to consist of a main extension and additions and/or modifications to the existing pipeline's compression facilities to increase Gas transportation capacity;

"Firm Service" means the Service offered to Shipper for the Shipper's Contract Demand, subject to interruption or curtailment, only as provided under the General Terms and Conditions;

"General Terms and Conditions" means Transporter's General Terms and Conditions – Industrial Firm Transportation Service, as filed with or otherwise approved by the BCUC and in effect from time and initially to be in the form of the General Terms and Conditions attached hereto as Schedule "C";

"Guarantee" means a guarantee substantially in a form reasonably acceptable to the Transporter, together with such supplementary documentation or Credit Support as may be reasonably required by Transporter to ensure the Guarantee is and will be enforceable from time to time against the Guarantor by Transporter, including, without limitation, the granting of additional security and the execution and delivery of any additional instruments or documents (by Shipper, Guarantor or any third party) to provide assurance to Transporter that

all of Shipper's obligations under this Agreement will be enforceable against an entity or entities that have sufficient assets to fully carry out and discharge such obligations;

"Guarantor" means a Creditworthy Person that guarantees the Shipper's payment obligations under this Agreement by executing and delivering the Guarantee;

"Interruptible Charge" shall mean the unit \$ per GJ rate payable by Shipper to Transporter for Interruptible Service as set out in Transporter's then current Toll Schedule;

"Interruptible Service" means Service offered to Shipper for Gas in excess of the Shipper's Contract Demand, if any, and which is subject to interruption or curtailment at the Transporter's discretion;

"Pipeline" means PNG's existing pipeline and necessary additions sufficient to accept Gas at the proposed receipt point and redelivery of such Gas to the delivery points specified in the Agreement;

"Lenders" means any banks or financial institutions which provide debt financing for the development, construction and operation of the Pipeline;

"Minimum Acceptable Rating" shall mean at least two of the following: (i) "BBB-" or better by Standard & Poor's Financial Services LLC; (ii) "Baa3" or better by Moody's Investors Service, Inc.; (iii) "BBB (low)" or better by DBRS Limited; or (iv) other equivalent rating(s) from a recognized rating agency or agencies acceptable to Transporter. In cases where ratings of the aforementioned rating agencies are different, the lowest credit rating shall be used to establish the applicable rating in respect of any entity. In the event none of the aforementioned rating agencies publish relevant ratings, Transporter, acting in its sole discretion, may determine whether the applicable entity would meet the relevant ratings if such rating agencies were to publish such ratings;

"Parties" means, collectively, Transporter and Shipper and their respective successors and permitted assigns, and **"Party"** means, individually, Transporter and its successors and permitted assigns or Shipper and its successors and permitted assigns;

"Person" shall mean an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

"Primary Term" means the period of time which commences on the Effective Date and ends on the tenth (10th) anniversary of the Commencement Date;

"Receipt Point" means the point of receipt from Shipper to Transporter as set out in Schedule "A" at which Transporter will receive Shipper's Gas under the terms of this Agreement;

“**Service**” shall mean the transportation of Gas by the Transporter from the Receipt Point to the Delivery Point and shall include both Firm Service and Interruptible Service;

“**Shipper Service Request Date**” means the earliest date, as set out in Schedule “A”, for which Shipper is willing to receive Service and be responsible for any Demand Charges and Interruptible Charges relating to that service;

“**Toll Schedule**” means Transporter’s toll schedule of Demand Charges and Interruptible Charges and in effect from time to time, as filed with or otherwise approved by the BCUC, in the form of Schedule “B” attached; and

“**Year**” shall mean a period of three hundred sixty-five (365) consecutive days commencing January 1st of any year; provided however, that any such year which contains a date of February 29 shall consist of three hundred sixty-six (366) consecutive days.

1.2 Interpretation Generally - Unless the context otherwise necessarily requires, the following provisions will govern the interpretation of this Agreement:

- (a) the words “hereof”, “herein” and “hereunder” and similar expressions will refer to this Agreement as a whole and not to any particular provision of this Agreement;
- (b) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and, where applicable, to a body corporate;
- (c) except as otherwise specified in this Agreement, each reference to a statute, requirement of law or governmental consent will be deemed to refer to such statute, requirement of law or governmental consent as the same may be amended, supplemented or otherwise modified from time to time;
- (d) where a term is defined, a derivative of that term will have a corresponding meaning;
- (e) the words “include”, “including” and similar expressions mean “including but not limited to”;
- (f) all references to “Articles”, “Sections” and “Schedules” are references to Articles and Sections of, and Schedules to and forming part of, this Agreement unless otherwise specified;
- (g) the division of this Agreement into Articles, Sections, Schedules and other subdivisions and the insertion of headings are for convenience of reference only and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;

- (h) subject to any restrictions on assignment set forth in this Agreement, any reference to a corporate or other business entity includes and is also a reference to any corporate or other business entity that is a successor to such entity; and
- (i) except as otherwise defined in such agreement, terms used in this Agreement that have well-known technical, trade or industry meanings will be interpreted in accordance with those well-known technical, trade or industry meanings.

1.3 Schedules - The following schedules are attached to and made part of this Agreement and each of the terms and provisions thereof, including any revisions thereto made by or necessary to comply with the requirements of any governmental authority, are accepted and agreed to by the Parties:

Schedule "A" – Contract Demand
Schedule "B" – Form of Tariff Schedule
Schedule "C" – General Terms and Conditions

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Transporter - Transporter represents and warrants that:

- (a) it is duly organized, validly existing and in good standing in its jurisdiction of organization and to its knowledge, no action has been taken relating to its insolvency, liquidation or bankruptcy;
- (b) the execution, delivery and performance of this Agreement by Transporter has been duly authorized by all necessary action on the part of such Party in accordance with its charter documents and do not and will not require the consent of any trustee or holder of any indebtedness or other obligation of Transporter or any other party to any other agreement with Transporter;
- (c) this Agreement constitutes a valid, legal and binding obligation of Transporter, enforceable in accordance with the terms hereof subject only to laws of general application applying to equitable remedies and the enforcement of creditor's remedies; and
- (d) there are no actions, suits or proceedings pending or, to its knowledge, threatened against or affecting Transporter before any court or governmental authority that might materially and adversely affect the ability of such Transporter to meet and carry out its obligations under this Agreement.

2.2 Representations and Warranties of Shipper - Shipper represents and warrants that:

- (a) it is duly organized, validly existing and in good standing in its jurisdiction of organization and to its knowledge, no action has been taken relating to its insolvency, liquidation or bankruptcy;
- (b) the execution, delivery and performance of this Agreement by Shipper has been duly authorized by all necessary action on the part of such Party in accordance with its charter documents and do not and will not require the consent of any trustee or holder of any indebtedness or other obligation of Shipper or any other party to any other agreement with Shipper;
- (c) this Agreement constitutes a valid, legal and binding obligation of Shipper, enforceable in accordance with the terms hereof subject only to laws of general application applying to equitable remedies and the enforcement of creditor's remedies;
- (d) as of the date hereof, it or, if applicable, its Guarantor is Creditworthy; and
- (e) there are no actions, suits or proceedings pending or, to its knowledge, threatened against or affecting Shipper before any court or governmental authority that might materially and adversely affect the ability of such Shipper to meet and carry out its obligations under this Agreement.

**ARTICLE 3
SERVICE AND COMMENCEMENT OF SERVICE**

3.1 Commencement of Service - Service hereunder for the Contract Demand shall commence on the Commencement Date. Upon the Commencement Date, Transporter shall provide Service and Shipper shall nominate Gas in accordance with the General Terms and Conditions.

3.2 Notice from Transporter - Transporter shall promptly notify Shipper of the last to occur of the events described in the definition of "**Commencement Date**" and will generally keep the Shipper apprised of all material developments prior to the Commencement Date.

3.3 Pressure of Gas - Transporter shall deliver Gas to Shipper at the pressure existing in the Pipeline from time to time at the Delivery Point but such pressure shall not be less than 345 kilopascals gauge (50 psig) or exceed 1,138 kilopascals gauge (165 psig) at the Delivery Point under normal operating conditions. The Shipper's normal operating range will be between 50-65 psig but at no time shall the supply pressure fall below 50 psig or exceed 165 psig.

ARTICLE 4 TERM OF AGREEMENT

4.1 Term - The term of this Agreement shall be from the Effective Date until the end of the Primary Term, plus any extension effected pursuant to Section 4.2, unless this Agreement is terminated earlier in accordance with the General Terms and Conditions.

4.2 Extension of Primary Term by Shipper - Shipper shall have the right to extend the term of this Agreement for any or all of the Contract Demand beyond the Primary Term for further periods of a minimum of one (1) year each by providing to Transporter notice to that effect not less than one (1) year prior to the expiration of the Primary Term, or six (6) months prior to the expiry of any extended term, as the case may be. There is no limitation on the number of times Shipper may exercise this right.

4.3 Waiver of Notice by Transporter - Transporter may in its sole discretion from time to time waive the requirement for written notice contained in Section 4.2 and substitute any shorter notice period.

ARTICLE 5 TOLLS

5.1 Shipper Responsible for Demand Charge - Shipper shall pay the Demand Charge for the Contract Demand from the Commencement Date and shall continue to pay such Demand Charge during the Primary Term, including any extension to the Primary Term effected pursuant to Section 4.2, in accordance with the Toll Schedule and the General Terms and Conditions. For greater certainty, and notwithstanding anything to the contrary herein, this obligation of Shipper to pay the Demand Charge shall not be abated, removed, limited, or otherwise reduced under any circumstances whatsoever. For greater certainty, in accordance with the General Terms and Conditions, Shipper shall pay the Demand Charge monthly in an amount equal to the Contract Demand set forth in Schedule "A" attached hereto multiplied by the days in the Month, multiplied by the Demand Charge.

5.2 Shipper Responsible for Interruptible Charge - Shipper shall be deemed to be taking Interruptible Service and shall pay the Interruptible Charge for deliveries on the Pipeline to the Delivery Point in excess of the Contract Demand on any Day in accordance with the Toll Schedule and the General Terms and Conditions.

5.3 Tolls for Service - The Parties agree that tolls payable by Shipper for Service under this Agreement will be as described in Schedule "B" attached hereto.

5.4 The Demand Charge calculated in accordance with Schedule "B" will be set forth in the Toll Schedule and any replacements thereof filed with the BCUC from time to time, subject to all approvals required by the BCUC.

5.5 Shipper Responsible for Preliminary Design, Engineering and Permitting - Shipper shall reimburse the Transporter for any preliminary design, engineering and permitting expenses necessary with respect to the Expansion and undertaken by Transporter

prior to the Commencement Date up to an amount not to exceed an aggregate of \$25,000, provided that Transporter provides backup documentation reasonably satisfactory to Shipper evidencing such expenses paid by Transporter.

ARTICLE 6 NOTICES

6.1 Notices - Except as herein otherwise provided, any notice, request, demand, statement, or invoice provided for in this Agreement, or any notice which either Party desired to give to the other, must be in writing and will be deemed to be received on the day immediately following the date when such notice was transmitted by fax or email to the other Party's address set forth below:

Shipper: **AltaGas Ltd.
1700, 355 4th Avenue SW
Calgary, AB T2P 0J1
Attn: Vice President General Counsel and Corporate
Secretary
Fax: 403-691-7508**

Transporter: **Pacific Northern Gas (N.E.) Ltd.
Suite 950 – 1185 West Georgia Street
Vancouver, BC V6E 4E6
Canada
Attn: Vice President, Regulatory Affairs & Gas Supply
Fax: 604-697-6215**

or at such other address as either Party designates by written notice. Routine communications will be deemed to be received five (5) days after the date when such communication was mailed by registered, certified, or ordinary mail. Any notice hereunder that, if provided, would create a right or obligation in one or both of the Parties shall be personally delivered and on the date of delivery, a copy thereof shall be transmitted by fax or email.

ARTICLE 7 ASSIGNMENT

7.1 No Assignments by Shipper without Consent - Except as set out in Section 7.2(b), Shipper shall have no right to assign its rights and obligations, or parts thereof, under the Agreement without the prior written consent of Transporter. If any assignment is consented to by Transporter, Shipper may, upon written request to Transporter, be released from all obligations and liabilities under this Agreement arising after the date of assignment with respect to the portion of the rights and obligations assigned subject to:

- (a) compliance by the assignee with the credit requirements set out in Article 10 of the General Terms and Conditions; and

- (b) the prior written approval of Transporter. For greater certainty, the Parties acknowledge that Transporter may withhold its approval if the creditworthiness of the assignee is less than the creditworthiness of Shipper or its Guarantor.

7.2 Permitted Assignments -

- (a) *By Transporter* - Transporter, without obtaining any approvals or consents from Shipper, shall have the right to assign its rights and obligations, or parts thereof, under this Agreement to any Person, provided that such Person owns and operates the Expansion and agrees in writing to be bound by all of the terms and conditions of this Agreement.
- (b) *By Shipper* - Notwithstanding the provisions of Section 7.1, Shipper may assign all, but not less than all, of its rights and obligations under this Agreement to an Affiliate, provided however, Shipper shall not be released of its obligations under this Agreement, unless: (i) prior to such assignment such Affiliate enters into an agreement directly with the Transporter under this Agreement under which such Affiliate agrees to assume, perform and observe the Shipper's obligations under this Agreement; (ii) such Affiliate is at least equal to the creditworthiness of the Shipper; and (iii) any Credit Support or Guarantee currently provided by or on behalf of the Shipper is also provided by or on behalf of such Affiliate.

7.3 Pledging By Transporter - The restrictions on assignment contained in this Article shall in no way prevent Transporter from pledging or mortgaging this Agreement or its rights hereunder, or any credit, guarantee or other security provided by Shipper to Transporter, as security for its indebtedness, provided such pledge or mortgage shall not affect Transporter's obligations under this Agreement. Shipper will execute all consents to assignment and acknowledgments as reasonably requested by the Lenders or Transporter of any security interests created in respect of this Agreement in favour of the Lenders. Any such consent and acknowledgement may provide that Shipper or, if applicable, Shipper's Guarantor shall:

- (a) consent to the grant to the Lenders of a security interest in Transporter's interest in this Agreement including, without limitation, any Guarantee;
- (b) agree to provide the Lenders with a copy of any notice of default, suspension, proposed termination or actual termination given by Shipper to Transporter and to give the Lenders or their designee a ten (10) day period to cure the circumstances giving rise to such default, suspension or proposed termination and, in the case of the bankruptcy or insolvency of Transporter, a thirty (30) day period to make alternative arrangements such that Shipper will continue to receive transportation service substantially in accordance with the terms hereof notwithstanding such bankruptcy or insolvency; and,
- (c) during the continuance of any default by Transporter under Transporter's financing:

- (i) agree to make payments directly to the Lenders or their designee (if so directed by the Lenders); and
- (ii) consent to the replacement of Transporter by a qualified assignee pursuant to the exercise of the Lenders' security interest.

7.4 Pledging By Shipper - The restrictions on assignment contained in this Article shall in no way prevent Shipper from pledging or mortgaging this Agreement or its rights hereunder as security for its indebtedness, provided such pledge or mortgage shall not affect Shippers' obligations under this Agreement. Transporter will execute all consents to assignment and acknowledgments as reasonably requested by Shipper's lenders or Shipper of any security interests created in respect of this Agreement in favour of Shipper's lenders. Any such consent and acknowledgement may provide that Transporter shall:

- (a) consent to the grant to Shipper's lenders of a security interest in Shipper's interest in this Agreement;
- (b) agree to provide Shipper's lenders with a copy of any notice of default, suspension, proposed termination or actual termination given by Transporter to Shipper and to give Shipper's lenders or their designee a ten (10) day period to cure the circumstances giving rise to such default, suspension or proposed termination and, in the case of the bankruptcy or insolvency of Shipper, a thirty (30) day period to make alternative arrangements such that Shipper will continue to receive transportation service substantially in accordance with the terms hereof notwithstanding such bankruptcy or insolvency; and
- (c) during the continuance of any default by Shipper under Shipper's financing:
 - (i) agree to make payments, if any, directly to Shipper's lenders or their designee (if so directed by such lenders); and
 - (ii) consent to the replacement of Shipper by a qualified assignee pursuant to the exercise of Shipper's lenders' security interest.

ARTICLE 8 CHOICE OF LAW AND JURISDICTION

8.1 Governing Law - This Agreement will be governed by, construed, interpreted, and performed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein, excluding such conflict of laws doctrines as may cause the laws of some other jurisdiction to apply; provided, however, that no law, theory, or public policy shall be given effect which would undermine, diminish or reduce the effectiveness of the waiver of indirect, special, consequential, incidental, exemplary, and punitive damages provided for in Section 9.8, it being the express intent, understanding, and agreement of the Parties that such waiver is to be given the fullest effect, notwithstanding a pre-existing defect, or the negligence (whether sole, joint or concurrent), gross negligence, wilful misconduct, strict liability or other legal fault or any Party, hereto, or otherwise.

8.2 Choice of Dispute Resolution - All disputes arising out of or in connection with this Agreement, or in respect of any defined legal relationship associated therewith or derived therefrom shall be resolved, at the agreement of both Transporter and Shipper, by arbitration through the British Columbia International Commercial Arbitration Centre. If either Transporter or Shipper does not agree to arbitration, either party may commence legal proceedings through the British Columbia courts system. In the event either Party wishes to initiate arbitration to resolve a specific dispute, it shall notify the other Party accordingly and, within ten (10) days of the other Party's receipt of such notice, the receiving Party shall notify the disputing Party of its choice to agree to arbitration or not.

8.3 Legal Proceedings through BC Courts - If either Party chooses to resolve a dispute arising out of or in connection with this Agreement by legal proceedings through the British Columbia courts system, the Parties hereby submit to the exclusive jurisdiction of any British Columbia court of competent jurisdiction and agree that all documents commencing an action for legal proceedings arising out of or relating to this Agreement shall be issued or filed at the clerk's office in the judicial centre of Vancouver and agree further that such courts shall be the exclusive forum for resolving any dispute or controversy under or with respect to this Agreement.

8.4 Arbitration - If the Parties agree to resolve a dispute arising out of or in connection with this Agreement by arbitration, the Parties agree that the dispute shall be referred to and finally settled under the Rules of Arbitration of the International Chamber of Commerce, in English, by one or more arbitrators appointed in accordance with the said Rules. The place of arbitration shall be Vancouver, British Columbia, Canada.

ARTICLE 9 MISCELLANEOUS PROVISIONS

9.1 No Waiver - No failure on the part of the Transporter to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right, nor shall any waiver of one provision be deemed to constitute a waiver of any other provisions (whether or not similar).

9.2 Amendments and Waivers to be Written - No amendment or variation of this Agreement shall be effective or binding upon the Parties unless such amendment or variation is set forth in writing and duly executed by the Parties. No waiver by a Party is effective unless such waiver is in writing and executed by the waiving Party.

9.3 Interpretation - Wherever possible, each provision of this Agreement will be interpreted in such a manner as to be effective, valid and enforceable under applicable law. If any provisions contained in this Agreement is for any reason held invalid, illegal or unenforceable by a court or regulatory agency of competent jurisdiction, such provision will be deemed to be severed from this Agreement to the extent of such invalidity, illegality or unenforceability and its invalidity, illegality or unenforceability will not affect the validity, legality or enforceability of the remaining provisions of this Agreement, unless such

invalidity, illegality or unenforceability materially and adversely affects the spirit or intent of this Agreement, in which case the Parties will work together in good faith to amend this Agreement so that it will carry out the intent of those provisions which are invalid, illegal or unenforceable.

9.4 Entire Agreement - The terms and conditions set forth in this Agreement constitute the entire agreement between Shipper and Transporter relating to the subject matter of this Agreement, supersede all previous agreements, negotiations and understandings with respect to the subject matter of this Agreement, including the Previous Agreement, and may not be contradicted by evidence of any prior or contemporaneous agreement, provided that, in the event of any conflict between this Agreement, the terms and conditions of this Agreement will take precedence. There are no representations, warranties, covenants, agreements, terms or conditions between the Parties with respect to the subject matters of this Agreement.

9.5 Remedies - Without prejudice to any other rights or remedies that a Party may have and subject to the provisions of Article 8, a Party shall not be precluded by this Article 9 from seeking the remedies of injunction, specific performance and any other equitable relief for any threatened or actual breach of the provisions of this Agreement in any court of competent jurisdiction, or from seeking to enforce a court order or judgment in any court of competent jurisdiction.

9.6 Joint Preparation - Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same.

9.7 No Partnership - Nothing contained in this Agreement will be construed as creating any partnership, joint venture or agency between the Parties.

9.8 Limitation on Liability - The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, are no greater than as explicitly stated in this Agreement. Further, neither Party nor any of its directors, officers, employees or agents, will be liable for or be entitled to recover from the other Party in connection with the matters provided for in this Agreement, whether in contract or in tort, under any indemnity or under any other theory of law, any damages incurred by the Parties, or their respective shippers, for business interruption or loss of actual or anticipated profits or any indirect, consequential, special, incidental, contingent, exemplary, penal or punitive damages whatsoever, including any loss or damage arising out of a failure to purchase, sell or deliver Gas, the cancellation of permits or certificates and the termination of contracts.

9.9 Survival - The rights obligations of the Parties and the restrictions and limitations set out in Article 8 and Section 9.8 shall survive termination of this Agreement.

9.10 No Third Party Beneficiary - Nothing herein expressed or implied is intended or will be construed to confer upon or give to any Person not a Party hereto any rights, remedies or obligations under or by reason of this Agreement.

9.11 Counterparts and Faxes - This Agreement may be executed by the Parties in any number of counterparts and by electronic facsimile transmission, each of which will be

deemed an original instrument, but all of which will together constitute one and the same instrument.

9.12 Further Assurances - Each Party will execute and deliver all such further documents and do all such acts and things as may be reasonably required from time to time by the other Party to give effect to the purpose and intent of this Agreement.

9.13 Time of Essence - Time is of the essence in this Agreement.

9.14 Enurement - This Agreement will enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

9.15 Several Liability - Each Party shall be responsible only for its individual obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement in counterpart by their duly authorized officers with effect as of the date first above written.

Janet P. Kennedy
Vice President
Regulatory Affairs & Gas Supply

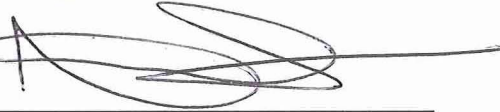
Anwar Chaudhry
Vice President
Finance & Business Development

Pacific Northern Gas (N.E.) Ltd.

Per:



Per:



AltaGas Ltd.

Per:

deemed an original instrument, but all of which will together constitute one and the same instrument.

9.12 Further Assurances - Each Party will execute and deliver all such further documents and do all such acts and things as may be reasonably required from time to time by the other Party to give effect to the purpose and intent of this Agreement.

9.13 Time of Essence - Time is of the essence in this Agreement.

9.14 Enurement - This Agreement will enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

9.15 Several Liability - Each Party shall be responsible only for its individual obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement in counterpart by their duly authorized officers with effect as of the date first above written.

Pacific Northern Gas (N.E.) Ltd.

Per:

Per:

AltaGas Ltd.

Per:



Schedule "A"
to the Service Agreement
Between
Pacific Northern Gas (N.E.) Ltd. and AltaGas Ltd.

Contract Demand

Contract Demand per Day:	2,685 GJ
Receipt Point:	Spectra Energy: MS52
Delivery Point:	NE Corner of Lot 10 Section 20 Township 78 Range 15 West of the Sixth Meridian Peace River District Plan EPP39999. PID 029-367-328
Shipper Service Request Date:	October 1 st , 2015

Schedule "B"
to the Service Agreement
Between
Pacific Northern Gas (N.E.) Ltd. and AltaGas Ltd.

Form of Tariff Schedule

Effective Date: •

Demand Charge: \$0.205/GJ

Interruptible Charge: \$0.205/GJ

Contract Demand: 2,685 GJ per Day

Filed: •

Acknowledged and Accepted:

British Columbia Utilities Commission

Schedule "C"
to the Service Agreement
Between
Pacific Northern Gas (N.E.) Ltd. and AltaGas Ltd.

General Terms and Conditions

GENERAL TERMS AND CONDITIONS


INDUSTRIAL FIRM TRANSPORTATION SERVICE

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G - 12415

ARTICLE 1

DEFINITIONS AND INTERPRETATION

1.01 Except where the context otherwise requires, the following terms when used in these General Terms and Conditions or in a Service Agreement shall have the following meaning:

"Authorized Overrun Service" means Gas in excess of the Contract Demand under a Service Agreement which PNG(N.E.) will, at its discretion when requested by Shipper, deliver subject to curtailment or interruption.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G-12413

"Contract Demand" means the maximum volume of Gas that PNG(N.E.) is obligated to transport without curtailment or interruption on any one day as specified in a Service Agreement.

"Cubic Metre" or "**m³**" means the volume of Gas which occupies one (1) cubic meter when such Gas is at a temperature of 15°C and at an absolute pressure of 101.325 kilopascals.

"Day" means a period of 24 consecutive hours beginning and ending at 08:00 PST. or such other period of 24 consecutive hours agreed to by PNG(N.E.) and Shipper.

"Delivery Point" means the point specified in a Firm Transportation Service Agreement where PNG(N.E.) delivers Gas to the Shipper.

"Delivery Volume" means the quantity of Gas actually delivered to the Shipper.

"Gas" means the residue remaining after natural Gas has been subjected to any or all of the following processes:

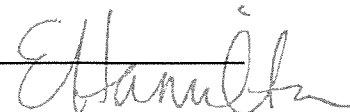
- (a) the removal of any constituent parts other than methane, and the removal of methane to such extent as is necessary in removing other constituents; and
- (b) the compression, regulation, cooling, cleaning or any other chemical or physical process to such extent as may be required in production, gathering, transmission, storage, removal from storage and delivery, provided that no dilutents such as air or nitrogen are added.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

"General Terms and Conditions" means these General Terms and Conditions for Industrial Firm Transportation Service as amended or supplemented from time to time.

"Gigajoule" or **"GJ"** means one billion Joules.

"Joule" means the amount of work done when the point of application of a force of 1 newton is displaced a distance of 1 metre in the direction of the force.

"Megajoule" or **"MJ"** means one million Joules.

"Month" means the period of time beginning on the first day of any month and ending on the first day of the next succeeding month.

"PNG(N.E.)" means Pacific Northern Gas (N.E.) Ltd.

"PNG(N.E.)'s Tariff Schedules for Industrial Firm Transportation Service" means PNG(N.E.)'s Tariff Schedules for Industrial Firm Transportation Service as filed with and approved by the British Columbia Utilities Commission from time to time.

"PST" means Pacific Standard Time.

"Reported Volume" or **"Nominated Volume"** means the quantity of Gas requested by the Shipper to be received by PNG(N.E.) and to be delivered to the Shipper.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

"Receipt Point" means the point specified in a Service Agreement where Shipper delivers Gas to PNG(N.E.).

"Service Agreement" means an agreement for the transportation of Gas entered into between PNG(N.E.) and a Shipper in accordance with PNG(N.E.)'s Tariff Schedules for Industrial Firm Transportation Service.

"Shipper" means any person who enters into a Service Agreement with PNG(N.E.).

"Tariffs" means, with respect to the charges payable under a Service Agreement, the charges prescribed by PNG(N.E.)'s Tariff Schedules for Industrial Firm Transportation Service as approved by the British Columbia Utilities Commission.

"Total Heating Value" means the number of Joules produced by the combustion at a constant pressure of 1 cubic metre of Gas, the Gas to be at a temperature of 15°C and at an absolute pressure of 101.325 kilopascals, and to be free of all water vapour, with air at the same temperature and pressure as the Gas and with the products of the combustion cooled to the initial temperature of the Gas and air, and when the water formed by the combustion is condensed to the liquid state. The heating value of the Gas purchased by the Shipper and delivered by PNG(N.E.) will be as determined by Westcoast for Gas delivered to PNG(N.E.).

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G-12415

"Transmission and Distribution System" means the Gas transmission and distribution pipeline facilities owned by PNG(N.E.) within the Province of British Columbia.

"Year" means a period of 12 consecutive months beginning on the first day of November and ending at the beginning of the next succeeding first day of November or any other 12 consecutive month period agreed to under a Service Agreement.

"10³m³" means 1,000 cubic metres of Gas.

"Westcoast" means Westcoast Energy Inc., carrying on business as Spectra Energy Transmission.

"Westcoast General Terms and Conditions" means the Westcoast General Terms and Conditions-Service as filed with or otherwise approved by the National Energy Board and in effect from time to time in accordance with the National Energy Board Act.

- 1.02 In a Service Agreement and these General Terms and Conditions words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and vice versa, and words importing persons shall include firms and corporations, and vice versa.
- 1.03 The division of a Service Agreement and these General Terms and Conditions into Articles and sections, the provision of an index and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of a Service Agreement or these General Terms and Conditions.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

1.04 A Service Agreement and these General Terms and Conditions shall be construed in accordance with the laws of British Columbia and a Service Agreement shall be treated in all respects as a contract made, entered into and to be wholly performed in British Columbia by parties domiciled and resident therein.

ARTICLE 2
PRIORITY OF SERVICES

- 2.01 PNG(N.E.) shall provide Transportation Service in accordance with the following priorities:
- (a) delivery of Contract Demand shall be given first priority;
 - (b) delivery of Authorized Overrun Service shall be given lowest priority.
- 2.02 PNG(N.E.) shall retain full and exclusive right to operate the Transmission and Distribution System in a manner which, in its sole discretion, is consistent with operating conditions and obligations as they may exist from time to time.

ARTICLE 3
DELIVERY OF GAS/CURTAILMENT

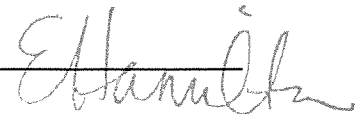
3.01 When PNG(N.E.) intends to curtail deliveries of Gas to Shippers to their Contract Demand, PNG(N.E.) shall notify all Shippers of such curtailment by telephone prior to 12:00 PST on

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 12473

the day prior to the day such curtailment is to take effect. If no new notification is given by PNG(N.E.), PNG(N.E.)'s notice last received by Shippers pursuant to this Section 3.01 shall continue in effect.

3.02 Shipper shall, each day prior to 12:00 PST notify PNG(N.E.) by telephone of the total volume of Gas which Shipper desires PNG(N.E.) to deliver to Shipper at the Delivery Point on the following day. If no new notification is given by Shipper, Shipper's notice last received by PNG(N.E.) pursuant to this Section 3.02 shall continue in effect.

3.03 Notwithstanding that a curtailment notice pursuant to Section 3.01 or 3.05 is in effect, PNG(N.E.) shall each day notify Shipper by telephone prior to 11:00 PST of the volume, if any, of requested Authorized Overrun Service that Shipper is authorized to receive on that day, provided that such volume shall not be less than the volume specified in any prior notice given by PNG(N.E.) pursuant to this Section 3.03 and in effect on that day.

3.04 Notwithstanding Section 3.03, Shipper shall immediately comply with any request by PNG(N.E.) to curtail Authorized Overrun Service for reason of force majeure or emergency.


3.05 PNG(N.E.) shall have the right at all times to curtail deliveries to the Shipper to the volume of Gas received by PNG(N.E.) from Shipper at the Receipt Point.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

3.06 PNG(N.E.) shall not be obligated to deliver in any one hour more than 5% of Shipper's Contract Demand.

ARTICLE 4

NOMINATION AND TRANSPORTATION OF GAS

4.01 PNG(N.E.) shall deliver Gas to Shipper at the pressure existing in the PNG(N.E.) Transmission and Distribution System from time to time at the Delivery Point but such pressure shall always be within the limits set out in the Service Agreement.

4.02 Shipper shall deliver or cause to be delivered to the Receipt Point the daily nominated quantity of Gas.

4.03 The parties shall co-operate in notifying Westcoast of the daily nomination in accordance with the approved operating practices of Westcoast.

ARTICLE 5

GAS IMBALANCES

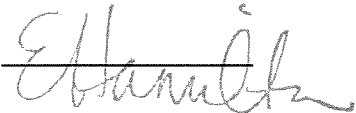
5.01 Westcoast shall be notified by PNG(N.E.) prior to 16:00 PST each day of Shipper's best estimate of the total volume received for the preceding day. The daily best

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G - 1 2 4 '13

estimates of volumes given to Westcoast shall be final as between Westcoast and Shipper, except during days of curtailment. PNG(N.E.) will provide Shipper with a summary of such estimates on a monthly basis.

Differences between the sum of the daily best estimates of firm and interruptible volumes and the sum of the billed firm and interruptible volumes over a given month shall be resolved by PNG(N.E.) adjusting, with notice to Shipper, one or more of the daily estimated volumes as soon as possible but within 120 days and at a time other than when a curtailment is in effect. Such adjustment will, to the extent possible, reduce the difference to zero.

On any day of curtailment, the volumes transported by PNG(N.E.) to Shipper shall be final as between Westcoast and Shipper. Shipper confirms that on any days that a curtailment is in effect, and Shipper uses less natural Gas than the curtailed volume, that the difference in volume between the curtailment volume and the actual usage is available to PNG(N.E.).

Gas balancing provisions are subject to revision from time to time as required to ensure that they function in a manner that is acceptable to PNG(N.E.) and is compatible with the policies and practices of Westcoast.

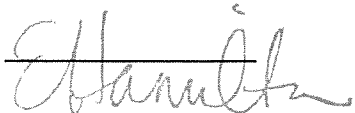
- 5.02 As soon as practicable after the termination of a Service Agreement Shipper and PNG(N.E.) shall reconcile any imbalance between monthly receipt volumes and monthly Delivery Volumes by:

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G - 7 2 4 '13

- (i) PNG(N.E.) purchasing from Shipper a volume of Gas equal to the amount by which the monthly receipt volume exceeds the monthly Delivery Volume for a price equal to PNG(N.E.)'s lowest cost paid for Gas during the last month of the term of the Service Agreement, or
- (ii) Shipper delivering to PNG(N.E.), at no cost to PNG(N.E.), a volume of Gas equal to the amount by which the monthly Delivery Volume exceeds the monthly receipt volume.

ARTICLE 6
CONTRACT DEMAND CREDITS

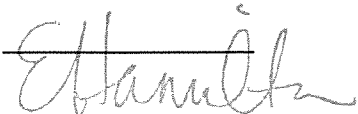
6.01 If Tariffs incorporating a Contract Demand charge become effective and if for any reason PNG(N.E.) on any day fails or is unable to deliver at the Delivery Point a minimum of 95% of the volume of Gas that Shipper has in good faith requested PNG(N.E.) to deliver up to the Contract Demand, then in respect of such day a credit equal to the delivery charge set forth in the Tariff times the difference between 95% of the volume so requested and the volume of Gas delivered by PNG(N.E.) shall be applied to the monthly bill rendered by PNG(N.E.) pursuant to these General Terms and Conditions, but no such credit shall be given if such failure or inability to deliver by PNG(N.E.) resulted from:

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

- (i) Shipper being unable to deliver Gas at the Receipt Point, or
 - (ii) any downstream event of force majeure which renders PNG(N.E.) unable to deliver Gas to Shipper.
- 6.02 Notwithstanding Section 6.01, no credit to the monthly bill shall be made where the cause of PNG(N.E.)'s failure or inability to deliver results from PNG(N.E.) or Westcoast carrying out planned maintenance.

ARTICLE 7
CHARGES FOR UNAUTHORIZED SERVICE

- 7.01 If Shipper on any day takes Gas in excess of the volume specified by PNG(N.E.) pursuant to Sections 3.01, 3.03, 3.04 or 3.05, then Shipper shall, in addition to all other amounts payable by Shipper to PNG(N.E.) under a Service Agreement, pay PNG(N.E.) any resulting costs incurred by PNG(N.E.).
- 7.02 Payments made by Shipper to PNG(N.E.) pursuant to section 7.01 shall not under any circumstances be considered as giving Shipper the right to transportation in excess of the volume specified by PNG(N.E.), nor shall payment thereof exclude or limit any other remedies available to PNG(N.E.) against Shipper for failure to limit its taking of Gas to such specified volume.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 124 '13

ARTICLE 8
STATEMENTS AND PAYMENTS

- 8.01 PNG(N.E.) shall, on or before the 10th day of each month, deliver to Shipper:
- (a) a statement setting out the volume of Gas delivered by PNG(N.E.) to Shipper during the preceding month and the total heating value thereof; and
 - (b) a statement of the amount payable by Shipper for all transportation services and sales provided by PNG(N.E.) to Shipper during the preceding month at the prices specified in PNG(N.E.)'s Tariffs.
- 8.02 All payments to PNG(N.E.) under a Service Agreement shall be made in Canadian funds to PNG(N.E.) at its Vancouver, British Columbia, office, or such other place in Canada as it shall designate, on or before the 20th day of the month following the month in which the services in question were made by PNG(N.E.) provided, however, that if the 20th day of the month falls on a Saturday, Sunday or statutory holiday, then the date for payment shall be on or before the first business day following the 20th day of the month. If Shipper fails to make such payment, or any portion thereof, to PNG(N.E.) when due, a late payment charge of 1.5% of the outstanding amount or such charge as may be approved by the British Columbia Utilities Commission from time to time will be applied. In addition to any other remedies

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

PNG(N.E.) may have, PNG(N.E.) may suspend deliveries of Gas upon giving verbal or written notice of its intention to do so to Shipper, if such default by Shipper continues for 45 days, then in addition to any other remedies PNG(N.E.) may have, PNG(N.E.) may terminate the Service Agreement with Shipper. PNG(N.E.) may upon 15 days notice in writing terminate the Service Agreement with Shipper provided however that such termination shall not occur if Shipper pays the full amount due to PNG(N.E.) within that 15 day period.

- 8.03 If any error is discovered in a statement rendered, such error shall be adjusted within 30 days from the date of discovery of such error; provided, however, that there will be no adjustment made for any error discovered more than 24 months after the receipt of a statement.
- 8.04 Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions of these General Terms and Conditions.

ARTICLE 9

QUALITY

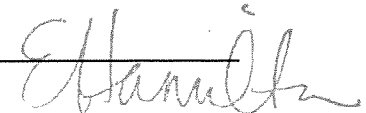
- 9.01 Gas delivered to PNG(N.E.) at the Receipt Point and to the Shipper at the Delivery Point shall conform to Westcoast specifications as follows:

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

- (a) not contain sand, dust, gums, crude oil, impurities or other objectionable substances in such quantities as may be injurious to Shipper's equipment or may interfere with the commercial utilization of Gas;
- (b) have a total daily average heating value of not less than 36.00 MJ per m³;
- (c) not contain more than 6 milligrams per m³ of hydrogen sulphide;
- (d) not contain more than 23 milligrams per m³ of total sulphur (hydrogen sulphide and mercaptan sulphur);
- (e) not contain more than 2% by volume of carbon dioxide;
- (f) not have a hydrocarbon dewpoint in excess of -9°C at the delivery pressure; and
- (g) be as free of oxygen as PNG(N.E.) can keep it through the exercise of all reasonable precautions and shall not in any event contain more than .4% by volume of oxygen.

9.02 Whenever any Gas delivered by PNG(N.E.) fails to conform with any of the specifications set forth in this Article, Shipper may, without prejudice to any other right it has, refuse to take delivery of such Gas in which case:

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G- 124 '13

- (a) Shipper shall give notice of such refusal to PNG(N.E.) setting forth the reasons therefore; and
- (b) Shipper shall accept deliveries of such Gas when the failure to conform has been remedied and notice therefore has been given to Shipper.

9.03 The Gas quality specifications are subject to revision from time to time in accordance with Westcoast standards.

ARTICLE 10
LETTER OF CREDIT


10.01 In order to secure the prompt and orderly payment of the charges to be paid by Shipper to PNG(N.E.) under a Service Agreement, PNG(N.E.) may require Shipper to provide, and at all times maintain, an irrevocable letter of credit in favour of PNG(N.E.) issued by a financial institution acceptable to PNG(N.E.) in an amount equal to the maximum amount payable by Shipper under a Service Agreement for 62 days of service. Where PNG(N.E.) requires Shipper to provide a letter of credit and Shipper is able to provide alternative security acceptable to PNG(N.E.), PNG(N.E.) will accept such security in lieu of a letter of credit.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G- 124 '13

- 10.02 PNG(N.E.) may in any month draw on the letter of credit in an amount necessary to satisfy the charges due for the previous month when Shipper has not paid such charges within the time and in the manner provided for in Section 8.02.
- 10.03 Where PNG(N.E.) requires Shipper to provide and maintain a letter of credit pursuant to Section 10.01, such letter of credit or any replacement thereof must have a term which extends for a period of one month beyond the last month during which Shipper desires service.

ARTICLE 11
MEASUREMENT

- 11.01 The unit of volume of Gas for all purposes hereunder shall be a cubic metre measured at an absolute pressure of 101.325 kilopascals and at a temperature of 15°C or the equivalent expressed in thousands of cubic feet.
- 11.02 All Gas delivered by Shipper to PNG(N.E.) at the Receipt Point and all Gas delivered by PNG(N.E.) to Shipper at the Delivery Point shall be measured in accordance with the measurement provisions set forth in the Westcoast General Terms and Conditions.
- 11.03 Correction shall be made for the deviation from Boyle's Law at the pressure and temperature at which the Gas is metered. To determine the factors for such correction, the quantitative

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
British Columbia Utilities Commission

AUG 15 2013

Effective: July 1, 2013

Commission Order No: G - 124 '13

analysis of the Gas as provided by Westcoast will be accepted, and such factors shall be obtained from data contained in AG A Manual for Determination of Supercompressibility Factors for Natural Gas - Par Research Project NX - 19 completed December, 1962 as published by the American Gas Association, or any subsequent revisions thereto acceptable to both PNG(N.E.) and Shipper or directed for use by the Federal Consumer and Corporate Affairs Electricity and Gas Inspection Branch. If positive or turbine type meters are used, the supercompressibility factor shall be squared.

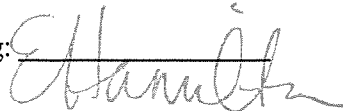
- 11.04 The relative density of the Gas delivered by PNG(N.E.) shall be determined by the method prescribed in the American Petroleum Institute "Publication 2529". and shall be accented as provided by Westcoast and shall be used in computing the volumes of Gas delivered.
- 11.05 The flowing temperature of the Gas in the meters shall be determined by means of an approved device to be installed and operated in accordance with the *Electricity and Gas Inspection Act (Canada)*, and the regulations thereunder. The volume of Gas computed for each day will be adjusted for the flowing temperature of the Gas delivered during such day.
- 11.06 The atmospheric pressure at the altitude of the Delivery Point shall be calculated in accordance with the *Electricity and Gas Inspection Act (Canada)*, and the regulations thereunder, and the results of such determination shall be used in computing the volumes of Gas delivered at such Delivery Point.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

11.07 PNG(N.E.) shall apply the heating value of the Gas as determined and provided by Westcoast for Gas delivered to PNG(N.E.).

ARTICLE 12

MEASURING EQUIPMENT

12.01 PNG(N.E.) shall install, maintain and operate, its own equipment necessary for the measurement of the volumes, and where deemed necessary and at its sole discretion, equipment necessary for the measurement of temperature, pressure and heating value of ail Gas delivered at the Delivery Point. Shipper shall have access in company with PNG(N.E.)'s personnel to the measuring equipment of PNG(N.E.) at reasonable hours, but the calibrating and adjusting of measuring equipment and the changing of charts shall be done only by PNG(N.E.).

12.02 PNG(N.E.) shall, through testing, verify the accuracy of its measuring equipment upon request by the Shipper. If upon a requested verification the measuring equipment is found to be registering correctly, subject to an inaccuracy of 2% as mentioned below, the cost of such requested verification shall be charged to, and borne by the Shipper; otherwise the cost of all such requested verifications shall be borne by PNG(N.E.). If upon any test, measuring equipment is found to be inaccurate but not by more than 2%, previous readings of such equipment shall be considered correct in computing deliveries. If, upon any test, any

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G - 124 '13

measuring equipment shall be found to be inaccurate by an amount exceeding 2%, then any previous readings of such equipment shall be corrected to zero error for any period which is known definitely or can be agreed upon, but if the period is not known definitely or cannot be agreed upon, such correction shall be for a period not exceeding the last half of the time elapsed since the date of the last test.

12.03 In the event the measuring equipment is out of service or out of repair so that the quantity of Gas is not correctly indicated by the reading thereof, the Gas delivered through the period such measuring equipment is out of service or out of repair shall be estimated and agreed upon on the basis of the best data available, using the first of the following methods which is feasible:

- (a) by using the registration of any secondary measuring equipment if installed and accurately registering;
- (b) by correcting the error if the percentage of error can be ascertained by calibration, test or mathematical calculations; or
- (c) by estimating the quantity of natural Gas delivered based on deliveries during the preceding periods under similar conditions when the meter was registering accurately.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G - 124 '13

ARTICLE 13
TITLE AND LIABILITIES

- 13.01 PNG(N.E.) shall be deemed to be in possession and control of, and responsible for all Gas received by it at the Receipt Point as if it were the owner thereof until such Gas is delivered by it at the Delivery Point and shall have the right at all times to commingle such Gas with other Gas in the Transmission and Distribution System.
- 13.02 Each party assumes full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party, or in connection with the presence of Gas deemed to be in the possession and control of the indemnifying party.

ARTICLE 14
CURTAILMENT OF SERVICE

- 14.01 If the Shipper fails to deliver Gas to the Receipt Point or fails to curtail Gas use to nominated and authorized levels and does not make prior arrangements with PNG(N.E.),

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G - 1 2 4 '13

PNG(N.E.) shall have the right to disconnect or shut-off service, notwithstanding Article 7.

ARTICLE 15
REPRESENTATIONS AND WARRANTIES

- 15.01 PNG(N.E.) represents and warrants that it is a body corporate duly constituted under the laws of British Columbia to engage in the business of purchasing, selling and transporting of natural Gas.
- 15.02 Shipper warrants that it has full right, power and authority to enter into a Service Agreement, that all Gas to be delivered thereunder shall be free of all liens and adverse claims and Shipper agrees to indemnify PNG(N.E.) and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to the Gas.

ARTICLE 16
FORCE MAJEURE

- 16.01 As used herein, the term "force majeure" means any event or occurrence not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limiting the generality of the foregoing, any act of God, strikes, lockouts, or other industrial disturbances, acts of the

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G - 1 2 4 '13

Queen's enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakages, or accidents to machinery or pipeline, hydrate obstructions of pipelines or appurtenances thereto, temporary failure of Gas supply, freezing of wells, or delivery facilities, well blowouts, cratering, inability to obtain materials or equipment, inability to obtain permits, orders, licences, certificates or other authorizations, order of any court, board or governmental authority having jurisdiction.

16.02 If either party fails to perform any obligation imposed pursuant to a Service Agreement and such failure is caused or materially contributed to by any occurrence of force majeure, such failure shall be deemed not to be a breach of the obligation of such party, but such party shall use reasonable diligence to put itself in a position to carry out its obligation. Provided, however, that the settlement of strikes or lockouts shall be entirely within the discretion of each party and that the foregoing requirement that any force majeure shall be remedied with the exercise of due diligence shall not require settlement of strikes or lockouts by acceding to the demands of opposing persons when such course is inadvisable in the discretion of the appropriate party.

16.03 Notwithstanding Section 16.02, force majeure shall not:

- (a) relieve Shipper from its obligation to make monthly payments under Article 4 of a Service Agreement or relieve PNG(N.E.) from its obligation to provide a Contract

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

Demand credit in accordance with Article 6 of these General Terms and Conditions;
or

- (b) relieve any party from any other obligation unless such party shall give notice of such cause in writing to the other party with reasonable promptness and like notice shall be given upon termination of such cause, nor shall such cause continue to relieve such party from such other obligation after the expiration of a reasonable period time within which, by the use of due diligence, such party could have performed its obligations.

ARTICLE 17

NOTICES

17.01 Any notice which shall or may be given, shall, unless otherwise specified herein, be in writing and delivered or sent by fax or courier to such party's address, as specified in the service Agreement, or at such other address as either party shall designate by written notice. Any notice delivered or sent by fax or courier shall be deemed to have been received by the addressee on the next day, excluding Saturdays, Sundays and statutory holidays, after it was so delivered or sent by fax or courier.

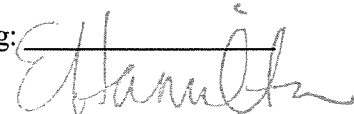
17.02 Any statement, bill or payment required to be delivered under Article 8 shall be deemed to have been delivered on the day on which it is received by the party to whom it is addressed.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G- 1 2 4 '13

ARTICLE 18
MISCELLANEOUS


- 18.01 No waiver by either party of any default by the other in the performance of any of the provisions of a Service Agreement shall operate or be construed as a waiver of any other or future default or defaults, whether or a like or of a different character.
- 18.02 A Service Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld.
- 18.03 A Service Agreement shall enure to the benefit of and be binding upon the parties thereto and their respective successors and permitted assigns.
- 18.04 Nothing herein contained shall prevent any of the parties from pledging or mortgaging its right under a Service Agreement as security for its indebtedness.
- 18.05 A Service Agreement together with these General Terms and Conditions and PNG(N.E.)'s Tariffs are incorporated therein by reference, constitutes the entire agreement between the parties and supersedes all previous agreements, understandings, negotiations and representatives between the parties.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G- 124 '13

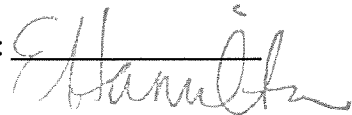
- 18.06 No amendment or variation of a Service Agreement shall be effective or binding upon the parties thereto unless such amendment or variation is set forth in writing and duly executed by the parties thereto.
- 18.07 A Service Agreement and the rights and obligations of the parties thereunder are subject to all present and futures laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over the parties.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas (N.E.) Ltd.
Suite 950,
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing:



Secretary
AUG 15 2013
British Columbia Utilities Commission

Effective: July 1, 2013

Commission Order No: G - 124 '13

APPENDIX B

Proposed RS7 LNG Industrial Firm Transportation Service Tariff

Pacific Northern Gas (N.E.) Ltd.
Fort St. John/Dawson Creek Division

INDUSTRIAL LNG FIRM TRANSPORTATION SERVICE RATE (RS7)

Applicable

AltaGas Ltd. ("AltaGas") - Dawson Creek Liquefied Natural Gas ("LNG") Plant

Conditions

As per the Industrial Firm Transportation Service Agreement dated June 10, 2015 ("TSA") and the General Terms and Conditions for Industrial Firm Transportation Service.

Rate

Monthly Fixed Charge	
Monthly Basic Charge	\$410.00
plus Monthly Minimum Delivery Charge	plus Daily Contract Demand multiplied by days in month multiplied by the Delivery Charge
Daily Contract Demand	2,685 GJ/day
Delivery Charge	\$0.2050 /GJ

Franchise Fees

Each bill rendered to customers within the City of Fort St. John, the City of Dawson Creek and the Village of Pouce Coupe municipal boundaries shall include an additional 3 percent fee on charges for the provision and distribution of gas consumed within the boundary limits of these municipalities in order to recover the franchise fee payable by the Company to each municipality.

Issued by:



Vice President, Reg. Affairs & Gas Supply
Pacific Northern Gas Ltd.
Suite 950
1185 West Georgia St.
Vancouver, B.C.
V6E 4E6

Accepted for Filing: _____

Secretary
British Columbia Utilities Commission

Effective: August 1, 2015

Commission Order: _____

APPENDIX C

Letter of Support – City of Dawson Creek

City of Dawson Creek

Box 150, Dawson Creek, BC V1G 4G4



Office of the Mayor

Tel: (250) 784-3616

Fax: (250) 782-3203

June 11, 2015

FILE NO.: 1-1-4

To Whom It May Concern

Re: Letter of Support

The City of Dawson Creek would like to offer its support to AltaGas Ltd. (AltaGas) for its regional liquefied natural gas (LNG) strategy, and its efforts to build a permanent LNG liquefaction facility within the city limits. The City would also like to offer its support to Pacific Northern Gas (N.E.) Ltd. (PNG) in creating and offering a competitive transportation tariff to ensure the economic viability of the proposed LNG facility.

AltaGas and PNG are both valued members of the business community. The community has benefited from the AltaGas Bear Mountain Wind Park, generating clean, renewable electricity for the rest of the province. The community has also benefited from the safe, secure natural gas service provided by PNG.

The local availability of LNG aligns with the City's guiding policies, offering both residents and the municipality the opportunity to reduce greenhouse gas emissions through the use of low carbon and alternative fuel supplies. The City supports LNG and wishes to encourage the development of a permanent liquefaction facility in Dawson Creek.

If you have any questions regarding this letter of support, please do not hesitate to contact me directly at (250) 784-3616 or via email at mayorbumstead@dawsoncreek.ca.

Yours truly,

Dale Bumstead
Mayor

/sh

N:\CONFIDENTIAL\Council Correspondence\2015 Council Correspondence\Letters of Support\PNG.doc