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August 8, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Section 71 of *Utilities Commission Act* (UCA) and British Columbia Utilities Commission (the BCUC) Rules for Natural Gas Energy Supply Contracts

Filing of Biomethane Purchase Agreements between FEI and Tidal Energy Marketing Inc. (Tidal Energy) - REDACTED

On June 3, 2019, FEI filed the Application noted above. On July 18, 2019, the BCUC issued a letter directing FEI to file a redacted version of the Application, pursuant to section 18.01(b) of the BCUC's Rules of Practice and Procedure (Rules) regarding confidential documents, and to include a brief description of the nature of the confidential information in the Application and the reasons for the request for confidentiality.

In accordance with the BCUC's request and section 18.01(b) of the Rules, FEI has attached a redacted public version of the Application. FEI respectfully provides the following description of the nature of the commercially sensitive and customer confidential information which has been redacted in the Application and reasons for confidentiality. FEI has divided the description of the redacted material into sections according to the filing. These sections are the application letter, the GasEDI (with special provisions) and the Transaction confirmation.

With respect to the application letter, commercial information regarding the upstream parties not directly contracting with FEI, the exact address, acquisition price, termination payments, volumes and carbon intensity have been redacted. Each of these items is described below.

Commercial relationships and address: FEI has redacted any reference to Tidal Energy's existing relationship with its counterparties and the project addresses because FEI does not have explicit permission from Tidal Energy to disclose the locations and relationships publicly.

Price: Given that FEI enters into commercial negotiations regarding supply projects in order to obtain the lowest possible price for RNG supply, public disclosure of this commercially sensitive information will hamper FEI's ability to negotiate favourable pricing for future RNG supply. As such, public disclosure of this sensitive financial information has the potential to increase the overall costs of the Biomethane Program to the detriment of all FEI non-bypass customers.

Termination Payment: Termination payments are specific to each project and are the outcome of negotiation. Both FEI and Tidal Energy consider the amount of these payments as commercially sensitive. By disclosing them publicly, both parties lose the ability to negotiate the best possible payment for future agreements with other parties.

Volumes: The production volume is not necessary in any public disclosure. When combined with price, the volume can be used to estimate total annual purchase costs.

Carbon Intensity: Similarly, FEI wants to obtain RNG with the lowest possible carbon intensity for future projects, and if the limits are disclosed, it will set a new upper limit for future projects and limit FEI's ability to source the best possible RNG for its customers. This could hamper Tidal Energy's ability to competitively secure other sources of RNG.

Second, with respect to the GasEDI, FEI has redacted the transaction information on the cover sheet and the Special Provisions which are the result of a negotiation between Tidal Energy and FEI. The transaction information is used only for carrying on the transaction and it contains company specific information such as bank account numbers. The negotiated special provisions between Tidal Energy and FEI may contain concessions between parties that are not necessarily applicable to other parties and may hamper both FEI's and Tidal Energy's ability to negotiate these terms with other parties in the future.

Finally, with respect to the transaction confirmation, FEI has redacted the same information included in the application that is considered sensitive and subject to confidentiality.

If further information is required, please contact Sarah Smith, Director NGT, RNG, and Regional LNG at (604) 582-7528.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments



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CONFIDENTIAL

June 3, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
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V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
Section 71 of *Utilities Commission Act* (UCA) and British Columbia Utilities Commission (BCUC) Rules for Natural Gas Energy Supply Contracts
Filing of Biomethane Purchase Agreements between FEI and Tidal Energy Marketing Inc. (Tidal Energy) - **CONFIDENTIAL**

In accordance with section 71 of the UCA and the BCUC's Rules for Natural Gas Energy Supply Contracts, FEI files, for acceptance by the BCUC, the attached fully executed copies of two Biomethane Purchase Agreements between FEI and Tidal Energy, dated March 19 and April 29, 2019 (the BPAs). In this Application, FEI refers to the individual BPAs as the Niagara BPA and the London BPA based on the location of the project that will produce the biomethane.

A summary description of the BPAs is as follows:

- Niagara BPA: A BPA between Tidal Energy and FEI which establishes the terms and conditions for Tidal Energy's provision of biomethane to FEI at the Huntingdon interconnection point from Westcoast Energy Inc.¹ (Westcoast), originating from a landfill project which will be owned and operated by [REDACTED] and located in Niagara Falls, Ontario.

¹ A wholly owned subsidiary of Enbridge Inc.

- London BPA: A BPA between Tidal Energy and FEI which establishes the terms and conditions for Tidal Energy's provision of biomethane to FEI at the Huntingdon interconnection point from Westcoast, originating from an organic waste digestion project which will be owned and operated by [REDACTED] and located in London, Ontario.

The BPAs are included in Appendix A.

The acquisition of biomethane, also referred to renewable natural gas (RNG)³, under the BPAs qualifies as a prescribed undertaking under section 18 of the *Clean Energy Act*, pursuant to sections 2(3.7) and 2(3.8) of the of the Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR). The price for RNG in each of the BPAs is within the maximum price set out in section 2(3.8)(b) of the GGRR and the total additional biomethane production from the BPAs will be well within the annual maximum supply volume set out in section 2(3.8)(b) of the GGRR.

If practicable, FEI respectfully requests that the BCUC accept the BPAs for filing prior to August 1, 2019, so that FEI can begin purchasing the biomethane under the London BPA when the [REDACTED] project first begins injecting biomethane onto the system.

1. Project Descriptions

This section provides a brief overview of both projects that will supply biomethane to FEI under the BPAs.

1.1 [REDACTED] PROJECT DESCRIPTION (NIAGARA BPA)

Tidal Energy, a wholly owned subsidiary of Enbridge Inc., has entered into an exclusive agreement to purchase all the RNG produced from a project located at a privately-owned landfill site in Niagara Falls, Ontario (ON). Tidal Energy will buy and market all RNG from an entity entitled [REDACTED]. [REDACTED] is a company comprised of a partnership between [REDACTED] and [REDACTED] which is an affiliate of [REDACTED]. Currently the landfill gas (LFG) is captured and flared at the site.

[REDACTED] plans to construct, own and operate a facility capable of upgrading the LFG to RNG and injecting it into the Enbridge Gas distribution system in Niagara Falls, ON. The total maximum annual RNG production is estimated to be approximately [REDACTED] gigajoules

² [REDACTED]

³ RNG or Renewable Natural Gas is interchangeable with the term "biomethane" for this Application. In previous regulatory decisions, FEI and the BCUC have used biomethane and RNG, while the GGRR uses the term renewable natural gas.

⁴ [REDACTED]

(GJs), and of that amount, approximately [REDACTED] GJs per year will be sold to FEI as set out in the Niagara BPA. Tidal Energy will inject the RNG into the Enbridge Gas distribution system, and then deliver it to the FEI system by displacement at the Huntingdon interconnection point from Westcoast.⁵

[REDACTED] will build the upgrading plant on the landfill site in Niagara Falls and Enbridge Gas will add approximately 2 kilometers (km) of pipeline and increase the pressure capability of a section of pipe about 6 km long (up to 400 PSI). This pipe will tie into the high-pressure system in Niagara Falls. [REDACTED] expects to inject its first gas in the fall of 2020.

Figure 1: [REDACTED] Facility Location, [REDACTED], Niagara Falls, Ontario



1.2 [REDACTED] PROJECT DESCRIPTION (LONDON BPA)

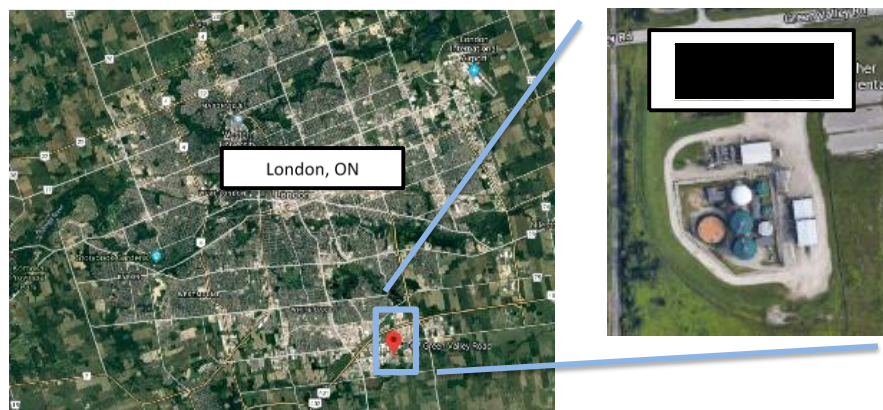
Tidal Energy has entered into a contract with [REDACTED] and [REDACTED] to purchase RNG produced from an anaerobic digestion biogas processing facility located in London, ON. [REDACTED] owns the anaerobic digestion facility, which currently annually processes [REDACTED] tonnes of industrial, commercial, and institutional organic waste into biogas. [REDACTED] will construct, own and operate a biogas upgrader and the associated interconnection station at the anaerobic digestion facility. After the construction and installation of the biogas upgrader and interconnection station, [REDACTED] will inject the RNG into the Enbridge Gas distribution system in London, ON and transport it to the [REDACTED] trading hub where it will be purchased by [REDACTED]. [REDACTED] will then deliver the RNG to the FEI System at the Huntingdon interconnection point from Westcoast. The total contractual maximum annual RNG production is approximately [REDACTED] GJs, with an expected initial production of about [REDACTED] GJs.

[REDACTED] expects the first date of pipeline injection of RNG to be [REDACTED], and, if approved by the BCUC, FEI is hopeful timing of approval allows FEI to secure the RNG for

⁵ Westcoast refers to the Westcoast Energy Inc, a wholly owned subsidiary of Enbridge Inc. The pipeline owned by Westcoast connects to FEI system at Huntingdon, an area within Abbotsford, BC.

customers prior to the first injection. For this reason, FEI respectfully requests that the BCUC accept the BPAs for filing prior to August 1, 2019.

Figure 2: [REDACTED] Facility Location, [REDACTED], London, Ontario



1.3 SUMMARY OF THE BPAs

FEI has agreed to the following basic terms for the Niagara BPA and London BPAs. The BPAs represent an approximate range of RNG supply from approximately [REDACTED] GJs to [REDACTED] GJs per year, with a combined expected annual amount of about [REDACTED] GJs. The volumes contemplated in the Niagara and London BPAs are significant: the current RNG projects in BC range from expected annual volumes of about 15,000 GJ (Salmon Arm Landfill) to about 100,000 GJ (Fraser Valley Biogas), for a total expected output from all five approved projects of about 250,000 GJ of RNG in 2018. The key elements of the BPAs are summarized in the table below:

Table 1: Key Elements of the BPAs

Item	[REDACTED]	[REDACTED]
RNG (Annual Supply)	Min. [REDACTED]	Min. [REDACTED]
	Max. [REDACTED]	Max. [REDACTED]
Delivery Point	Huntingdon	Huntingdon
Start date (First gas delivery)	Q1, 2020	Q3, 2019
Term (Total)	20 Years	20 Years
Biomethane Purchase Price	[REDACTED]	[REDACTED]
Estimated Carbon Intensity	[REDACTED] kgCO ₂ e/GJ	[REDACTED] kgCO ₂ e/GJ
Termination Payment (Reciprocal)	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]

The BPAs are described in more detail in the following sections.

1.4 *GAS ELECTRONIC DATA INTERCHANGE (GASEDI) STANDARD FORM OF CONTRACT FOR THE BPAs*

FEI and Tidal Energy have entered into GasEDI standard forms of contract for the BPAs (similar to FEI Rate Schedule (RS) 30 – Off-System Sales and Purchases Rate Schedule and Agreement (Canada and U.S.A.)). FEI has experience using RS 30 for acquiring out-of-province conventional natural gas, and the GasEDI standard form of contract offers an industry standard form of contract for FEI to purchase out-of-province RNG. FEI expects to use the GasEDI standard form of contract as a template for future biomethane purchase agreements for out-of-province RNG.

The elements of the contract specific to RNG are captured in a Transaction Confirmation (the Confirm) that is subject to the General Terms and Conditions (including special provisions) of the GasEDI. The terms and conditions of the GasEDI cover the elements of the BPAs that are common to all conventional natural gas transactions, while the Confirm elements address the following items:

- Term;
- Delivery point;
- Quantities;
- Nominations;
- Environmental attributes;
- Audit rights;
- Carbon Intensity; and
- Default termination payment.

Similar to previously-approved biomethane purchase agreements, FEI has entered into long term agreements with a counterparty that produces RNG and delivers it to the FEI System. As with BPAs for RNG from projects located within BC, a key element of the BPAs with Tidal Energy is that FEI has secured the rights to the environmental attributes, namely the greenhouse gas emission reduction benefits of the RNG, such that the full value of the RNG will be received by FEI and its customers. This is the same as FEI's agreements to purchase RNG from projects located within British Columbia. The environmental attributes, namely GHG reductions, associated with RNG are an essential element of the RNG program for customers.

Section 28.1 (Notional Gas) of the FEI General Terms and Conditions (GT&Cs) sets out that RNG Program customers must recognize that the location of generation facilities determines where RNG will be physically received onto the FEI System. Thus, customers participating in the RNG Program must recognize that although they may not receive actual RNG at their Premises, FEI may deliver an amount of RNG into FEI's system proportionate to the

customer's gas consumption. Because the environmental attributes of RNG are the same whether the RNG is produced within BC or outside BC, namely that GHG emissions are reduced, and because the environmental attributes are owned by FEI in all of the BPAs for RNG, these BPAs are consistent with FEI's approved GT&Cs.

There are some differences between the BPAs and FEI's other biomethane purchase agreements. These differences are as follows:

- Purchase Point and Nomination: In previous biomethane purchase agreements, FEI purchases raw biogas or RNG in BC, which is then delivered onto FEI's system (after being upgraded to RNG in the case of raw biogas). FEI's delivery of this RNG to individual RNG customers is notional in the sense that the molecules of RNG cannot be traced from the point of production to the customer's meter. In the case of the Niagara BPA and London BPA, Tidal Energy will deliver the biomethane from outside of the province to the Huntingdon interconnection point. As the molecules of RNG cannot be traced from the point of production to the purchase point, the exchange of RNG between FEI and Tidal Energy will in this sense be notional. As noted above, FEI has secured the rights to the environmental attributes and greenhouse gas emission reduction benefits of the RNG, such that the full value of the RNG will be received by FEI and its customers.
- Audit: FEI has an annual right to audit to verify quality, carbon intensity and volume of RNG injected into the Enbridge Gas system. In the event that FEI finds the biomethane unverifiable (through an audit), there is a "make whole" payment for the difference in value between RNG and conventional natural gas.
- Carbon Intensity: Tidal Energy has provided assurance that the carbon intensity of the delivered biomethane will be below a certain threshold and will remain below that threshold for the duration of the BPAs. The Niagara BPA sets out that the carbon intensity of biomethane will be ■ grams of CO₂ equivalent or less per Megajoule (MJ) and the London BPA sets out that the carbon intensity of biomethane will be ■ grams of CO₂ equivalent or less per MJ. Both thresholds are set out in Sections 9(b) of the BPAs. In previous BPA's FEI did not explicitly limit carbon intensity.
- Low Carbon Fuel: FEI has secured the ability to report directly to the Government of BC Greenhouse Gas Reduction Renewable and Low Carbon Fuel Requirements Regulation (BC-RLCFRA). This provides the benefit of creating value to FEI customers who may be eligible to use RNG as a low carbon fuel compliant with the BC Low Carbon Fuel Standard. This is a concept new to these BPAs that takes into account the growing demand from customers who can participate in the BC-RLCFRA. FEI also expects to add this concept to future in-province BPAs.
- Default: In the event of default, there is a reciprocal termination payment over the term of the BPAs. FEI wishes to ensure that the supplier meets its long-term

commitments to supply RNG while the supplier wishes to ensure FEI purchases RNG for the term of the agreement. The termination payment will help to address both these objectives. In the event of supplier default, the supplier is obligated to supply an equal amount of RNG from the market (if available) or pay FEI an amount equal to the value of that RNG up to the maximum limits established. In the event of FEI default, the supplier is entitled to payment for the unpurchased RNG if it cannot find another buyer. This is different than the existing BPAs for RNG projects within BC, where FEI has stranded asset risk. In these out-of-province BPA's, FEI does not have physical assets that are at risk of being stranded, but the supplier does, so the default clause for each of the Niagara and London BPAs has been adapted to account for this difference.

2. Out of Province RNG is Necessary to Meet Supply Objectives

FEI continues to advance RNG supply projects within BC. Currently, FEI holds an active prospect list of over 15 RNG projects within BC representing over one Petajoule (PJ) of incremental annual RNG supply. However, given the growing demand and increased policy pressure to increase RNG supply significantly over a relatively short time horizon, FEI believes that RNG supply obtained from out-of-province projects will need to make up part of the supply mix. Demonstrating the viability of supply from outside of BC will provide further opportunity to grow the program and reach the CleanBC target of 15 percent renewable gas. This section will provide additional background on the current RNG prospect potential and policy environment.

2.1 CURRENT DEMAND IS ROBUST AND OUTPACING SUPPLY

FEI is seeing continued growth in demand for RNG. The volume is driven primarily by interest in reducing GHG emissions from high volume commercial customers and from Natural Gas for Transportation (NGT) customers who are seeking to reduce GHG emissions even further than switching from diesel to conventional natural gas would achieve. Because these high volume customers are natural gas customers, they are able to elect to use RNG which allows them to reduce their emissions beyond their current levels. University of British Columbia and TransLink are examples of these types of customers.

Long-term, diversified RNG supply contracts are critical to support these high volume customers. These customers need certainty of supply in order to support their decisions to purchase RNG on a long-term basis. Thus, in order to continue to grow the program and continue to attract large organizations like TransLink and UBC, FEI will need to continue to build its portfolio of long-term biomethane supply contracts within and outside of BC.

FEI also continues to see an increase in the number of residential customers enrolling in the RNG program. Some of the out-of-province RNG supply projects that FEI is working on are in more mature states of development such that FEI could begin receiving additional RNG supply before the end of 2019. In the case of the London BPA, this could be as early as summer 2019. The earlier availability of this supply will support the growing demand for RNG.

Because these out-of-province projects are contractual in nature for FEI, they require less internal resources to develop. They do not require FEI engineering, construction or operating resources. This can in turn, allow FEI to develop these agreements in parallel with projects in BC and increase the pace of growing the RNG supply portfolio. FEI continues to develop RNG projects within BC alongside out-of-province projects such as those that are the subject of this application.

2.2 FEI'S REQUEST FOR EXPRESSIONS OF INTEREST IDENTIFIED SIGNIFICANT OPPORTUNITY FOR OUT OF PROVINCE RNG SUPPLY

To identify new RNG supply opportunities, FEI issued a Request for Expression of Interest (RFEOI), which opened to the market on June 29, 2018 and closed on July 30, 2018. An RFEOI package was distributed to over 160 contacts representing approximately 120 organizations. FEI also held two online information webinars on July 10 and 13, 2018 to increase the level of participant understanding for the process.

FEI received a total of 33 responses. Those responses were initially screened down to a total of 24 representing a total volume of about 4.4 PJs. A summary of these responses by region and price was developed and is included in Appendix B. Of the total respondents, 17 of the 24 were from out-of-province and about ninety percent (3.9 PJs) of the total volume was from outside of BC.

2.3 PROVINCIAL POLICY DRIVES NEED FOR GREATER SUPPLY

In December 2018, the BC Provincial Government issued the CleanBC plan. Among other items, it sets an aggressive mandate of 15 percent renewable gas by 2030. This amounts to an equivalent of as much as 30 PJs of RNG annually. Achievement of this target will require coordination between the provincial government and key stakeholders, including FEI.

In order to achieve a 15 percent renewable gas portfolio by 2030, FEI needs to consider sourcing RNG from out of the province. The supply potential study done in 2016 by Hallbar for the Province of BC⁶ indicated that there is between 8 and 12 PJs of RNG available in BC using existing methods for biogas generation. This represents about 5 percent RNG content based on current natural gas use in BC, which is well short of the 15 percent policy target.

RNG sourced from outside of BC would be an expedient and effective way to supplement RNG supply available from RNG projects within BC in order to reach the provincial government target. From a time-to-market perspective, there are well-developed projects in jurisdictions like Ontario that present an opportunity for FEI to grow the RNG supply portfolio at the pace necessary to reach the 15 percent policy target by 2030.

Based on responses FEI received for its RFEOI, FEI sees an opportunity to secure multiple long-term contracts ahead of other jurisdictions that have been slower in their adoption of

⁶ Resource Supply Potential for Renewable Natural Gas in BC, Figure 1
https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/resource_supply_potential_for_renewable_natural_gas_in_bc_public_version.pdf.

RNG. Because FEI is one of the first utilities to acquire RNG, it has the advantage of securing RNG at better prices than if it were competing for the gas with other jurisdictions. A lower price of acquisition from outside of BC will provide an opportunity to secure an overall lower average RNG supply pool cost.

FEI believes that in addition to the two BPAs named in this application, more biomethane purchase agreements will need to be finalized in the near future to take advantage of cost-effective RNG opportunities before other jurisdictions begin competing for the same RNG. This approach will ultimately benefit FEI's customers and help FEI meet the province's clean energy goals.

3. Benefits of Proposed Projects

The two BPAs presented in this application letter provide several benefits to FEI and its ratepayers.

First, these BPAs will reduce emissions in BC. GHGs are not a local issue; rather, climate change is a global issue and any actions taken to reduce GHGs and reduce climate change impacts benefit all, no matter their location. The BPAs reduce GHG emissions in BC by increasing the amount of RNG supply available to FEI's customers. The availability of RNG supply for those customers that wish to participate in FEI's voluntary RNG program means that customers that are currently precluded from signing up for FEI's voluntary program due to supply constraints will be able to subscribe. This is particularly true for large customers such as commercial, institutional and industrial customers, and for customers in the Natural Gas for Transportation (NGT) market segment. There are large NGT customers that wish to participate in the RNG program that are "on hold" until FEI can bring on more RNG supply. The use of RNG in the NGT market will reduce GHG emissions because customers seeking a GHG neutral transportation solution can switch to CNG in anticipation of electing to participate in FEI's RNG program. This switch to CNG from diesel in and of itself reduces GHGs by 10 – 30%⁷. Switching to RNG from conventional CNG further reduces GHG emissions by approximately 75%⁸.

Second, diversification of the RNG portfolio is beneficial to the reliability of RNG supply. Though FEI's total RNG volumes have been higher in recent years on a year-to-year basis, individual project volume has varied greatly. Based on this experience, having more supply projects from different suppliers will improve the overall reliability of the RNG supply portfolio. By adding two additional supply points, FEI is improving the reliability and stability of the RNG portfolio. Further, the risk of producing RNG lies with the suppliers for these BPAs which reduces FEI's operational risk.

Third, the supply developers are properly funded and reliable. With ████████ as a partner, both of these projects have the depth of financial resources and technical expertise to face

⁷ Switching from diesel to natural gas, taking into account efficiencies, energy density and carbon intensity. Weighted average Carbon intensity of diesel is just above 90gCO₂e/GJ vs about 65 gCO₂e/GJ for natural gas.

⁸ Switching to RNG as a drop-in replacement for CNG based on a weighted average carbon intensity of 20 gCO₂e/GJ.

challenges during construction. Because the two supply projects will be connecting to the local gas utility (Enbridge) and Enbridge consulted with FEI on design, FEI has confidence that the gas quality and volume measurement equipment will meet equivalent standards to those in BC. This will in turn give FEI confidence that the RNG will meet the same standards FEI's customers expect.

Lastly, the [REDACTED] project related to the London BPA is using existing infrastructure and [REDACTED] expect to produce RNG later in 2019. The existing digester and operational experience give FEI confidence that this timeline is realistic and achievable. Given the current supply and demand imbalance, the receipt of RNG from a reliable operator in a timely manner will be beneficial because it will reinforce the message to customers and stakeholders that there is a long-term and viable supply of RNG available.

4. Incremental Rate Impact

FEI has calculated an estimated rate impact to non-bypass customers resulting from the proposed BPAs. FEI estimates the levelized incremental cost to be [REDACTED] per GJ or about [REDACTED] per year at the current biomethane purchase prices and the expected volume of [REDACTED] GJs. The first year impact would be an incremental cost of [REDACTED] per GJ or [REDACTED] for the average retail customer using 90 GJs per year. This rate impact is no greater than FEI would expect for projects of similar volume and price located within BC.

5. Risks and Mitigation

FEI is not providing any capital investment to the [REDACTED] and the [REDACTED] RNG projects as part of the BPAs or otherwise. Therefore, FEI is assuming no capital risk. Due to the RNG projects being located out-of-province, FEI will rely on a third party (Tidal Energy) for assurance of RNG volumes and quality as well as environmental attributes. FEI also has the ability to audit the project in order to ensure accuracy of volumes, gas quality and carbon intensity.

FEI has included measures to mitigate risk to ensure that the BPAs are consistent with previous biomethane projects and established criteria for biogas or biomethane purchase agreements. The risks and associated mitigation measures taken to address the commercial risks are:

- The purchase of biomethane from an out-of-province source: FEI is purchasing RNG in the same manner as it purchases conventional natural gas from out-of-province. The GasEDI standard form of contract for the BPAs relies on established and tested terms and conditions used for many years across North America.
- Reliability of counterparty: FEI has an existing relationship with Tidal Energy for conventional natural gas and Tidal Energy is a reliable supplier. With [REDACTED] as stakeholders in the physical biomethane project locations, FEI is satisfied the risk associated with a long-term reliable supply is low.

⁹ Average residential customer using 90 GJs per year.

- Technical risk: FEI has provided guidance to the supplier based on FEI's experience gained in BC but will ultimately rely upon the project developers to choose upgrader technology that limits their risk. FEI is satisfied that technical competence of the supplier, the advice provided by FEI and the motivation to avoid performance issues will ensure that the upgrader technology is well suited for the project.
- Contract Term and Acquisition Price: The contract terms in the BPAs are for 20 years, which provides a reasonable period over which the biomethane suppliers can recover costs.
- Termination payment: FEI considered the long-term financial viability of the supplier and its parent company with respect to its ability to pay the termination payment in the event of default. FEI is satisfied that, in the event of default, the counterparty can reliably pay any default payment.
- Risk of stranded assets: FEI is not providing any capital investment to the [REDACTED] and the [REDACTED] biomethane projects; therefore, there is no risk to FEI of stranded assets.

6. Future Out-of-Province Supply may use a different Model

FEI will continue to evaluate out-of-province supply and expects to file additional out-of-province RNG supply agreements for BCUC acceptance. It is possible that FEI may use a different model with other counterparties that is more consistent with the renewal identification number (RIN) market in the United States where transportation costs are not managed in the same way as currently proposed in this application. FEI will ensure such a model provides traceability, emissions reductions and a contractual path to ensure that the emissions benefits can be passed onto FEI customers, similar to the RIN model which is monitored by the United States Environmental Protection Agency (EPA).

7. The Niagara BPA and London BPA should be Accepted

The Niagara BPA and the London BPA should be accepted because:

1. Both BPAs are prescribed undertakings;
2. Expansion of biomethane supply is in the public interest; and
3. The BPAs support the overall policy direction provided by the BC Government in the CleanBC plan.

These reasons are expanded further below.

7.1 THE BPAs ARE PRESCRIBED UNDERTAKINGS

On March 22, 2017, the Province of BC deposited LGIC OIC 161/2017 under BC Reg. 114/2017 (OIC 161) approving an amendment to the GGRR, a copy of which is provided in Appendix D. Section 2 (3.7) and (3.8) of the GGRR as amended by OIC 161-2017 state:

- (3.7) A public utility's undertaking that in the class defined in subsection (3.8) is a prescribed undertaking for the purposes of section 18 of the Act.

- (3.8) The public utility acquires renewable natural gas
- (a) for which the public utility pays no more than \$30 per GJ, and
 - (b) that, subject to subsection (3.9), in a calendar year, does not exceed 5% of the total volume of natural gas provided by the public utility to its non-bypass customers in 2015.

The supply purchase prices in the both the Niagara BPA and the London BPA are below the maximum acquisition price in section 2(3.8)(a) of the GGRR of \$30 per GJ.

The maximum volume of biomethane acquisition that would qualify under section 2(3.8)(b) of the GGRR is approximately 8,900,000 GJs. The current maximum supply contracted by FEI including the recently filed BPA for the City of Vancouver, totals 899,250 GJs annually. The actual production for all biomethane projects in 2018 was approximately 180,000 GJs. The combined total maximum supply from both the BPAs will increase the contracted maximum to [REDACTED] GJs annually, which remains below the prescribed amount for the GGRR.

7.2 EXPANSION OF BIOMETHANE SUPPLY IS IN THE PUBLIC INTEREST

It has been established that the Biomethane Program and increasing biomethane supply is aligned with the Province of BC's Energy Objectives in the *Clean Energy Act*. The BPAs provide further support to this by increasing FEI's biomethane supply with the delivery of biomethane to the FEI System by displacement, thereby growing FEI's Biomethane Program and benefitting BC's environment by reducing the requirement for conventional natural gas and reducing GHG emissions. The Province has further endorsed the use of biomethane to support its objectives by amending the GGRR through OIC 161/2017 as discussed above. FEI is working to expand the supply of biomethane, and acceptance of the BPAs will contribute to this objective.

7.3 THE BPAS SUPPORT THE CLEANBC PLAN

The CleanBC plan proposes a provincial target to achieve a 15 percent renewable gas blend in the downstream gas system by 2030. This target, which is calculated to be approximately 30 PJs per year, will require FEI to increase supply acquisition more quickly and broadly than the status quo. These two BPAs provide a reasonable acquisition price within a reasonable timeframe to support the provincial policy target.

8. Conclusion and Approvals Sought

The prices for the purchase of biomethane in the BPAs are below the prescribed undertaking maximum acquisition price of \$30 per GJ, and FEI's annual volumes of biomethane supply will remain well below the maximum volume of approximately 8,900,000 GJs prescribed by section 2(3.8)(b) of the GGRR. As such, the BPAs satisfy the identified criteria for biomethane acquisition in the GGRR and are a prescribed undertaking pursuant to section 18 of the *Clean Energy Act*. The BPAs have a modest rate impact and the acquisition prices and timing align with government policy and, as such, are in the public interest.

Therefore, FEI respectfully requests BCUC acceptance of the Niagara BPA and the London BPA under section 71 of the UCA. A draft form of the order sought is provided in Appendix C.

REQUEST FOR CONFIDENTIALITY

FEI is submitting this filing on a confidential basis pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents adopted by Order G-15-19, and Section 71(5) of the *Utilities Commission Act* and requests that the BCUC exercise its discretion under Section 6.0 of the Rules for Natural Gas Energy Supply Contracts and allow these documents to remain confidential. FEI believes this will ensure that market sensitive information is protected, protecting FEI's ability in the future to negotiate competitive pricing. Further, FEI is concerned that public disclosure of this filing could lead other existing biomethane suppliers to seek renegotiation of their biomethane purchase agreements, which could serve to increase overall costs of the Biomethane Program and potentially impact rates for all non-bypass customers.

If further information is required, please contact Scott Gramm, Manager, Renewable Natural Gas, at (604) 576-7242.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

Appendix A

FEI-TIDAL BIOMETHANE PURCHASE AGREEMENTS

FILED CONFIDENTIALLY

**GasEDI BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS
COVER SHEET**

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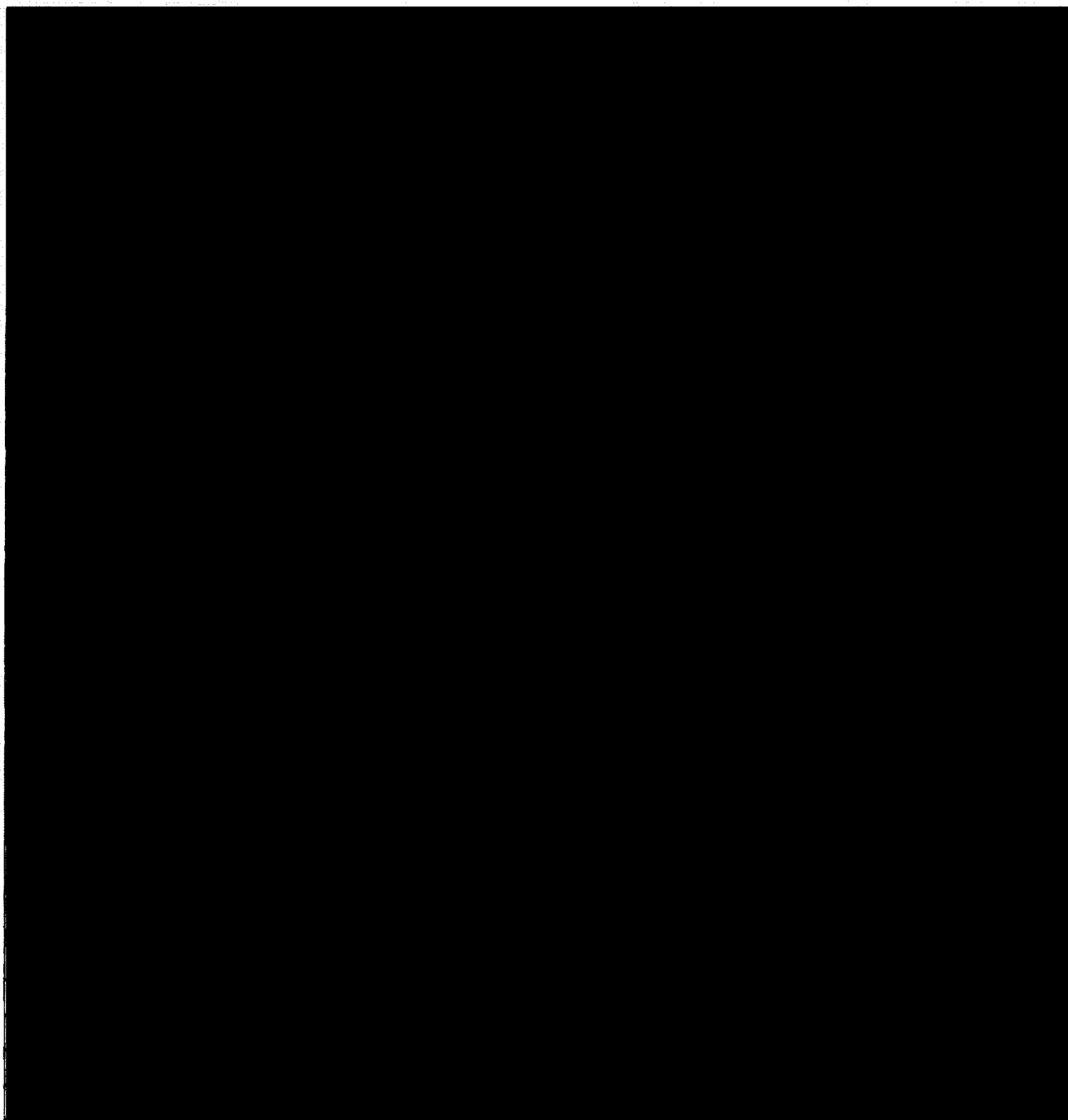
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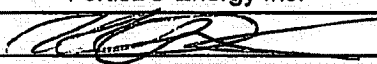
**GasEDI BASE CONTRACT FOR
SHORT-TERM SALE AND PURCHASE OF NATURAL GAS**

COVER SHEET

This Base Contract is entered into as of the following date: March 19th, 2019
The parties to this Base Contract are the following:



IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

PARTY A		PARTY B
Tidal Energy Marketing Inc.	Party	FortisBC Energy Inc.
 Judd Florence	Signature	
President	Name	
Tidal Energy Marketing Inc.	Title	Roger Dall'Antonia
04/04/2019	Date	March 14, 2019 President & CEO

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of sale, purchase or exchange of natural gas. This Contract is intended for interruptible transactions or firm transactions of one year or less and may not be suitable for transactions of longer than one year. Further, GasEDI does not mandate the use of this Contract by any party. GasEDI DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GasEDI's DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GasEDI KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GasEDI BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

GasEDI BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

COVER SHEET

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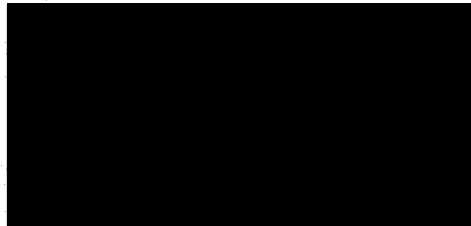
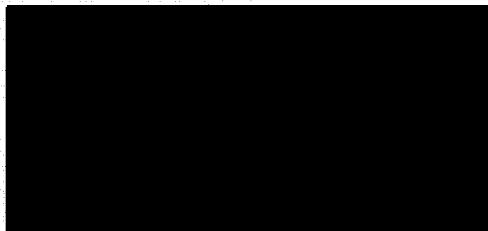
October 26, 2000

BANKING INFORMATION ADDENDUM

Canadian Banking Information

TIDAL ENERGY MARKETING INC.

FORTISBC ENERGY INC.



**GasEDI BASE CONTRACT FOR
 SHORT-TERM SALE AND PURCHASE OF NATURAL GAS**

GENERAL TERMS AND CONDITIONS

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SECTION 1 - PURPOSE AND PROCEDURES

1.1 These General Terms and Conditions are intended to facilitate Transactions on a Firm or Interruptible basis.

1.2.a Any Transaction may be effected orally or electronically with the offer and acceptance constituting the valid, binding and enforceable agreement of the parties. The parties are legally bound from the time they agree to Transaction terms. Any such Transaction is considered a "writing" and to have been "signed". Notwithstanding the previous sentence, the parties agree that Confirming Party shall confirm a Transaction by sending the other party a Transaction Confirmation by facsimile or mutually agreeable electronic means by the close of the next Business Day. Confirming Party adopts its confirming letterhead or the like as its signature on any Transaction Confirmation and as the identification and authentication of Confirming Party.

1.2.b If a Transaction Confirmation sent by Confirming Party is materially different from the other party's understanding of the agreement referred to in Section 1.2.a, that party shall give Confirming Party Notice clearly identifying such difference on Confirming Party's Transaction Confirmation and return the annotated Transaction Confirmation to the Confirming Party by the Confirm Deadline. The failure of the other party to so notify Confirming Party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the other party's acknowledgement that the terms of the Transaction described in Confirming Party's Transaction Confirmation are accurate.

1.2.c If the other party does not receive a Transaction Confirmation from Confirming Party by the deadline set out in Section 1.2.a, then the other party shall notify Confirming Party by sending its own Transaction Confirmation by the close of the Business Day following the deadline set out in Section 1.2.a. If a Transaction Confirmation sent by the other party is materially different from Confirming Party's understanding of the agreement referred to in Section 1.2.a, Confirming Party shall give the other party Notice clearly identifying such difference on the other party's Transaction Confirmation and return the annotated Transaction Confirmation to the other party by the Confirm Deadline. The failure of Confirming Party to so notify the other party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the Confirming Party's acknowledgement that the terms of the Transaction described in the other party's Transaction Confirmation are accurate.

1.2.d The entire agreement between the parties shall be those provisions contained in (i) an effective Transaction Confirmation, (ii) the oral or electronic agreement of the parties, (iii) the Base Contract, and (iv) these General Terms and

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Conditions (collectively, the "Contract"). In the event of a conflict among the foregoing, the terms shall govern in the priority listed in the previous sentence. The parties agree that all Transactions entered into shall form a single integrated agreement between the parties and each Transaction shall be merged into the Contract.

1.3 Communications occurring via a telephone conversation may be recorded by either party and each party consents to same without further notice to, or consent from, the other party. Each party shall, to the extent required by applicable law, give notice to, and obtain consent from, each of its employees, contractors and other representatives who may have their communications recorded hereunder. Any recordings of communications relevant to a Transaction may be used as evidence in any legal, arbitration or other dispute resolution procedure, and the parties hereby expressly waive all rights to, and expressly agree not to, contest or otherwise argue against such use of any recordings relevant to the disputed Transaction.

1.4 Each party shall be entitled, upon reasonable request, to access the other party's recording(s), if any, associated with a disputed Transaction.

1.5 The parties hereby expressly waive all rights to, and expressly agree not to, contest any Transaction, or assert or otherwise raise any defences or arguments related to any Transaction to the effect that such is not binding, valid or enforceable in accordance with its terms because either the employee(s) or representative(s) who entered into the Transaction on behalf of a party, and who appeared to have the requisite authority to do so, did not, in fact, have such authority or because the provisions of certain applicable laws require the Transaction to be in writing and/or executed by one or both parties.

SECTION 2 - DEFINITIONS

2.1 The following terms, when used herein, shall have the following meanings:

"10³m³" shall mean the quantity of Gas occupying a volume of 1000 cubic metres at a temperature of 15 degrees Celsius and at a pressure of 101.325 kilopascals absolute.

"Accelerated Payment Invoice" shall have the meaning set forth in Section 7.7.

"Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

"British Thermal Unit" or "Btu" shall mean the International Btu, which is also called the Btu(IT).

"Business Day" shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 13.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

"Buyer" refers to the party receiving Gas hereunder.

"Claims" shall have the meaning set forth in Section 8.3.

"Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Business Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

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GENERAL TERMS AND CONDITIONS

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"Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

"Contract" shall have the meaning set forth in Section 1.2.d.

"Contract Price" shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or U.S. Dollars per Dekatherm or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a Transaction.

"Contract Quantity" shall mean the quantity of Gas to be delivered and received pursuant to a Transaction.

"Contract Value" of a Transaction is the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of Gas remaining under a Transaction which the parties are obligated to transact, multiplied by (2) the Contract Price.

"Costs" shall mean all reasonable costs, legal fees and expenses incurred by the Non-Defaulting Party to replace a Transaction or in connection with termination of a Transaction pursuant to Section 10.

"Cover Standard" as referred to in Section 3.2 shall mean, if applicable, if there is an unexcused failure to take or deliver any quantity of Gas pursuant to the Contract, then the Performing Party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the Non-Performing Party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the Non-Performing Party.

"Day" shall mean 9:00 a.m. to 9:00 a.m. central clock time.

"Defaulting Party" shall have the meaning set forth in Section 10.2.

"Dekatherm" shall mean one million British Thermal Units.

"Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

"Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

"Early Termination Date" shall have the meaning set forth in Section 10.3.

"EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

"ETA" shall mean the Excise Tax Act (Canada).

"Event of Default" shall mean (i) the failure to make payment when due under the Contract, which is not remedied within 2 Business Days after receiving Notice thereof (except for a failure to pay an Accelerated Payment invoice which shall immediately constitute an Event of Default); (ii) the making of an assignment or any general arrangement for the benefit of creditors, the filing of a petition or otherwise commencing, authorizing, or acquiescing in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or having such petition filed or proceeding commenced against it, any bankruptcy or insolvency (however evidenced) or the inability to pay debts as they fall due; (iii) the failure to provide Performance Assurance in accordance with Section 10.1; (iv) a party's failure to deliver or receive Gas, unless excused by the other party's Non-Performance or prevented by Force Majeure, for the greater of 4 cumulative Days or 5% of the number of Days in a Delivery Period, rounded up to a full Day, in any one Transaction; or (v) the failure to perform any other material obligation under the Contract, other than a failure to deliver or accept delivery of

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Gas which remedy is as set forth in Section 7.7 (except as provided in part (iv) of this definition), if not remedied within 5 Business Days after receiving Notice thereof.

"Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is excused by the other party's Non-Performance or is prevented by Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

"Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

"GJ" shall mean 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

"GST" shall have the meaning set forth in Section 6.2.

"Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

"Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

"Joule" shall mean the joule specified in the SI system of units.

"Liquidation Amount" shall have the meaning set forth in Section 10.4.

"Market Value" of a Transaction is the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of gas remaining under a Transaction which the parties are obligated to transact, multiplied by (2) a market price for a similar transaction considering the remaining Delivery Period, Contract Quantity and Delivery Point; with such market price to be established by either (i) a bona fide offer accepted by the Non-Defaulting Party from a third party in an arms-length negotiation for a replacement transaction or (ii) quotations obtained by the Non-Defaulting Party, in good faith, from five Reference Market Makers, where the highest and lowest of such quotations shall be disregarded, and the arithmetic average of the three remaining quotations shall be the market price.

"MMBtu" shall mean one million British Thermal Units which is equivalent to one Dekatherm.

"Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

"Non-Defaulting Party" shall have the meaning set forth in Section 10.2.

"Non-Performance" shall mean the failure by a party to purchase and receive, or sell and deliver, Gas required by any Transaction hereunder which is not excused because of the non-performance (non-delivery or non-receipt, as applicable) of the other party, or by Force Majeure.

"Non-Performing Party" shall mean a party in relation to which a Non-Performance has occurred.

"Notice" shall have the meaning set forth in Section 9.1.

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"Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

"Performance Assurance" shall mean security in the form, amount and term reasonably specified by the party demanding the Performance Assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or performance bond or guarantee by an entity acceptable to the party demanding the Performance Assurance.

"Performing Party" shall mean, if a Non-Performance has occurred, the party which is not the Non-Performing Party.

"Potential Event of Default" shall mean any event or circumstance which would, with Notice, the passage of time, or both, constitute an Event of Default.

"Present Value Discount Rate" shall mean with respect to any Transaction: (i) if the amount payable is in Canadian currency, the yield of Canadian Government Treasury Bills with a term closest to the time remaining in the Delivery Period, plus 100 basis points; or (ii) if the amount payable is in United States currency, the "Ask Yield" interest rate for United States Government Treasury notes as quoted in the "Treasury Bonds, Notes, and Bills" section of the Wall Street Journal most recently published with a term closest to the time remaining in the Delivery Period, plus 100 basis points.

"Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

"Reference Market Makers" shall mean leading dealers in the physical gas trading market or the energy swap market, selected by the Non-Defaulting Party from among dealers of the highest credit standing, which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

"Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

"Seller" refers to the party delivering Gas hereunder.

"Spot Price" as referred to in Section 3.2 shall mean, if applicable, the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

"Taxes" shall have the meaning set forth in Section 6.1.

"Termination Payment" for a Transaction is the difference between the Market Value and the Contract Value, adjusted for Costs, as of the Early Termination Date. If the Non-Defaulting Party is Seller and Market Value minus Costs is greater than the Contract Value, the Termination Payment will be positive (gain) and if the Market Value minus Costs is less than the Contract Value, the Termination Payment will be negative (loss). If the Non-Defaulting Party is the Buyer and the Contract Value minus Costs is greater than the Market Value, the Termination Payment will be positive (gain) and if the Contract Value minus Costs is less than the Market Value, the Termination Payment will be negative (loss).

"Total Termination Payment" will be the sum of the Termination Payments for all Transactions terminated pursuant to Section 10. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty.

"Transaction" shall mean any gas sale, purchase or exchange agreement effected pursuant to the Base Contract.

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"Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a Transaction formed pursuant to Section 1 for a particular Delivery Period.

"Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction.

SECTION 3 - PERFORMANCE OBLIGATION

3.1 Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular Transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed in a Transaction.

The parties have selected either the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.

Cover Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s).

Spot Price Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

SECTION 4 - TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1 Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

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4.2 The parties shall coordinate their Gas nomination and scheduling activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior operational notice, sufficient to meet the requirements of all Transporter(s) involved in the Transaction, of the quantities of Gas to be delivered and purchased each Day. Such operational notice may be made by any mutually agreeable means, including phone, fax and email. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3 The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5 - QUALITY AND MEASUREMENT

5.1 All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of the Contract shall be specified as one MMBtu dry, one Dekatherm dry, one GJ or one 10³m³. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6 - TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

6.1 Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

6.1 Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the ETA or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding the selection made pursuant to Section 6.1, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

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6.3.a Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.b Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.a (i) to (iii).

6.3.c Without limiting the generality of Section 8.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.a or 6.3.b, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

SECTION 7 - BILLING, PAYMENT AND AUDIT

7.1 Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2 Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed.

7.3 In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2 above.

7.4 If a party fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum, compounded monthly; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum, compounded monthly; or (ii) the maximum applicable lawful interest rate.

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7.5 Payment shall be made in the currency of the Contract Price.

7.6 The parties shall net all same currency amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any credit support document or agreement shall be subject to netting under this or any other provision of the Contract. In the event that the parties have executed a separate netting agreement, the terms and conditions therein shall prevail.

7.7 A Performing Party may accelerate the payment owed by the Non-Performing Party related to a Non-Performance by sending to the Non-Performing Party an invoice (an "Accelerated Payment Invoice") for the amounts due it under Section 3.2, setting forth the calculation thereof and a statement that pursuant to this Section 7.7 such amount is due in 3 Business Days. If the Performing Party does not deliver an Accelerated Payment Invoice, amounts payable pursuant to Section 3.2 shall be invoiced and payable in accordance with Sections 7.1 and 7.2. The Non-Performing Party must pay the Accelerated Payment Invoice when due and the Non-Performing Party: (i) shall not be entitled to net amounts owed to it hereunder by the Performing Party against its obligation to make payment on an Accelerated Payment Invoice; and (ii) shall, notwithstanding Section 7.2, pay the full amount of the Accelerated Payment Invoice despite any dispute it may have as to the amount owing thereunder.

7.8 A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to Transactions. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

SECTION 8 - TITLE, WARRANTY AND INDEMNITY

8.1 Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3 Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable legal fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4 Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5, or Seller's warranty obligations pursuant to Section 8.2.

SECTION 9 - NOTICES

9.1 All Transaction Confirmations, invoices, payments and other communications made pursuant to the Contract ("Notices") shall be in writing and made to the addresses for Notices specified by each respective party from time to time.

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9.2 All Notices required hereunder may be sent by facsimile or mutually agreeable electronic means, a nationally recognized overnight courier service or hand delivered.

9.3 Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent electronically or by facsimile shall be deemed to have been received upon the sending party's receipt of confirmation of a successful transmission; if the day on which such electronic or facsimile Notice is received is not a Business Day or is after five p.m. on a Business Day, then such Notice shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party.

SECTION 10 - FINANCIAL RESPONSIBILITY, DEFAULTS AND REMEDIES

10.1 If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any obligation under the Contract, such party may demand Performance Assurance, whether or not an Event of Default, Non-Performance or Potential Event of Default has occurred, which Performance Assurance shall be provided by the other party by the end of the 5th Business Day after the demand is received. The Performance Assurance shall not exceed the amount calculated in accordance with the procedure for determining the Total Termination Payment, as of the date of the demand, as if all Transactions had been terminated plus all other outstanding amounts owed or accrued under the Contract.

10.2 If an Event of Default or Potential Event of Default occurs with respect to a party (the "Defaulting Party"), then the other party (the "Non-Defaulting Party") shall have the right to, in addition to any other remedies available hereunder: (i) upon 1 Business Day's Notice, suspend its performance under any or all Transactions under the Contract; and/or (ii) withhold any amounts owed to the Defaulting Party under the Contract, any Transaction or any other agreement between the parties (whether or not yet due) and setoff against such withheld amounts any amounts owed the Non-Defaulting Party hereunder (whether or not yet due).

10.3 In addition to the provisions of Section 10.2, upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default is continuing, terminate, accelerate and liquidate all Transactions then outstanding or not yet commenced in accordance with the provisions of this Section 10 by (i) providing Notice to the Defaulting Party, and (ii) establishing an early termination date, which date shall be between 1 and 20 Business Days following the Event of Default, on which all such Transactions shall terminate ("Early Termination Date"). If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount including detailed support for the Total Termination Payment calculation.

10.4 The Non-Defaulting Party may net the Total Termination Payment against all other amounts owing (whether or not yet due) between the parties under the Contract and any other agreements between the parties. This amount constitutes the "Liquidation Amount" payable by the Defaulting Party within 2 Business Days or payable by the Non-Defaulting Party on the 25th of the Month following the Early Termination Date, as applicable. A disputed amount hereunder shall be paid by the Defaulting Party, subject to refund.

10.5 In the event a party is a Non-Performing Party, the Performing Party shall have the right to, in addition to any other remedies available hereunder: (i) withhold any or all payments due the Non-Performing Party hereunder for the period of the applicable Non-Performance and net or set-off amounts due the Performing Party against such withheld amounts; (ii) during the period of the applicable Non-Performance, upon at least 1 Business Day's Notice, suspend its performance under any or all Transactions; and/or (iii) if the Non-Performing Party fails to pay any Accelerated Payment Invoice when due, the Performing Party may, without further Notice to the Non-Performing Party, declare an Early Termination Date with respect to the particular Transaction to which the Non-Performance relates in accordance with Section 10.3. The failure of the Performing Party to exercise any of the rights or remedies contained in this Section 10.5 shall not constitute a waiver of the Non-Performance, the requirement for payment as contemplated by Section 3.2 or any of the other rights or remedies of the Performing Party in connection therewith.

10.6 Each party reserves to itself all rights, set-offs, counterclaims, and other defences which it is or may be entitled to arising from the Contract.

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SECTION 11 - FORCE MAJEURE

11.1 Except with regard to a party's obligation to make payment due under the Contract, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure.

11.2 Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3 Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming Force Majeure failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4 Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5 The party whose performance is prevented by Force Majeure must provide notification to the other party. Initial notification may be given orally; however, Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12 - TERM

12.1 The Contract may be terminated on 30 days' Notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.8, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Contract.

SECTION 13 - MISCELLANEOUS

13.1 The Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of the Contract shall run for the full term of the Contract. No assignment of the Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed; provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of nor discharged from any obligations hereunder.

13.2 If any provision in the Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of the Contract.

13.3 No waiver of any breach of the Contract shall be held to be a waiver of any other or subsequent breach.

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13.4 The Contract sets forth all understandings between the parties respecting each Transaction, and any prior contracts, understandings and representations, whether oral or written, relating to such Transactions are merged into and superseded by the Contract and any effective Transaction Confirmation(s). The Base Contract may be amended only by a writing executed by both parties.

13.5 The interpretation and performance of the Contract shall be governed by the laws of the jurisdiction specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6 The Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, Province, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, or the Contract.

13.7 There is no third party beneficiary to the Contract.

13.8 Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes the Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

13.9 For currency conversions required under the Contract, to convert Canadian or United States currency to the other, the parties shall use the average of the Bank of Canada posted noon spot exchange rates as quoted for each Day during the Month during which Gas was, or was obligated to be, delivered and received.

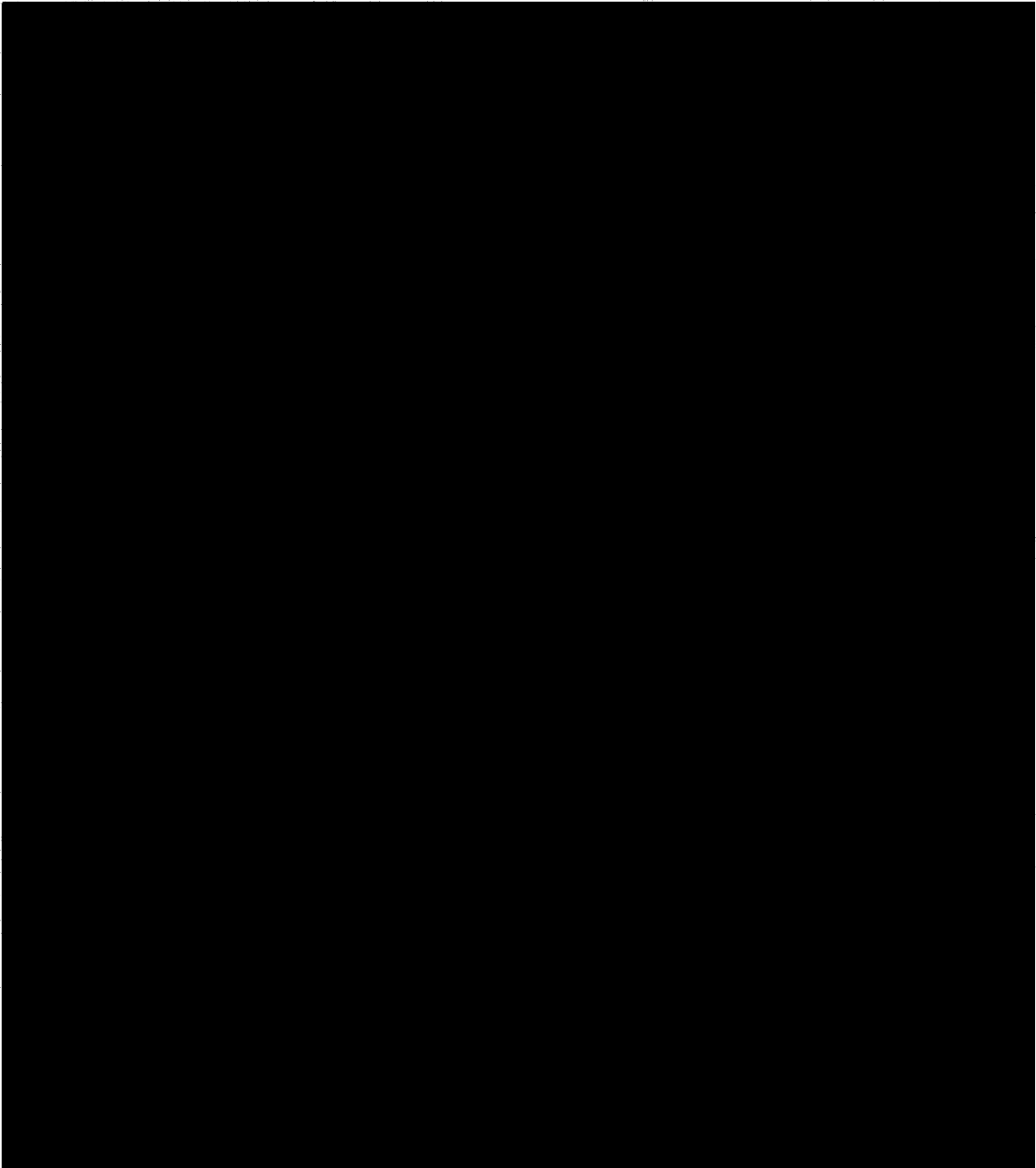
13.10 Any controversy or claim arising out of or relating to the Contract shall be determined by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association.

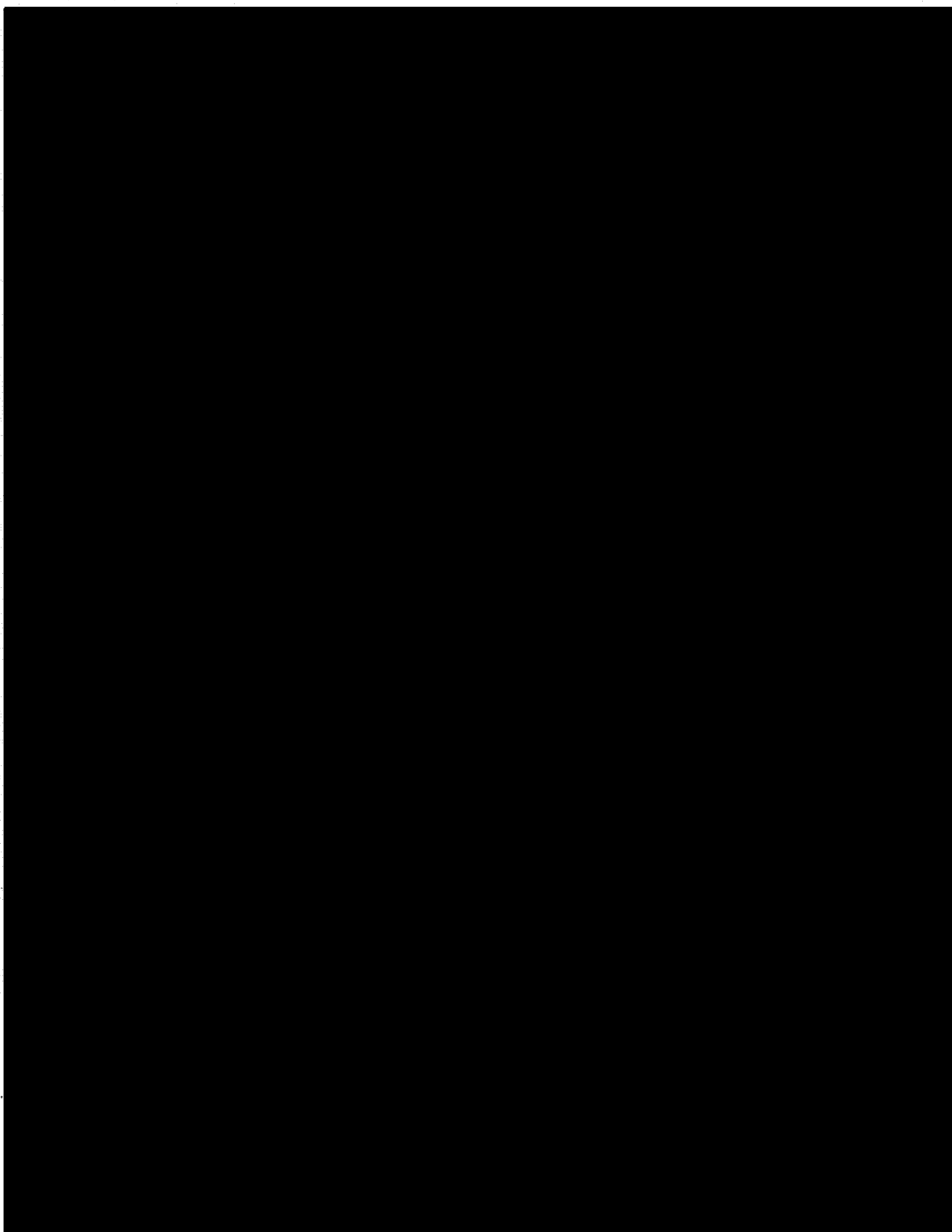
SECTION 14 - LIMITATIONS

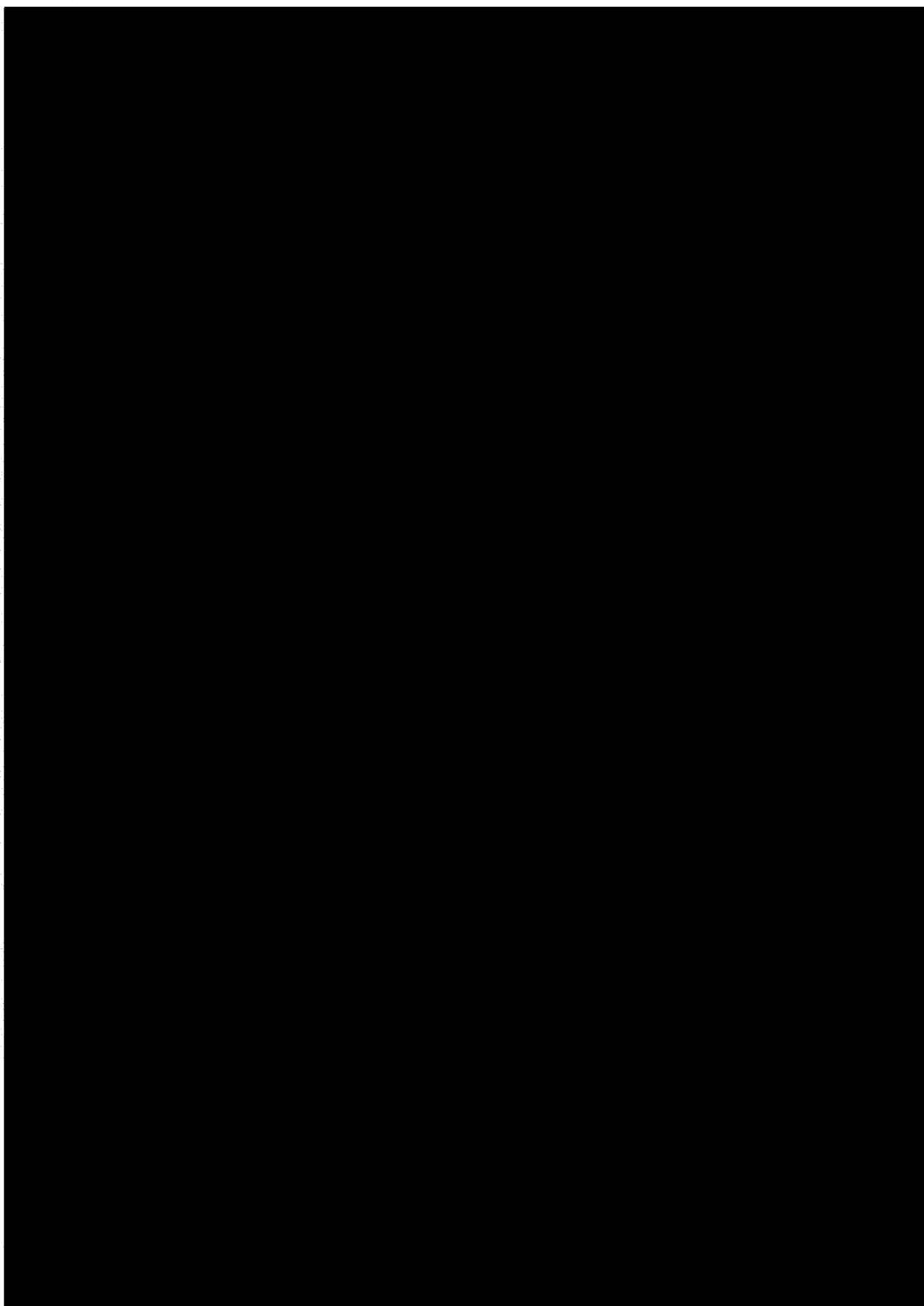
14.1 EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

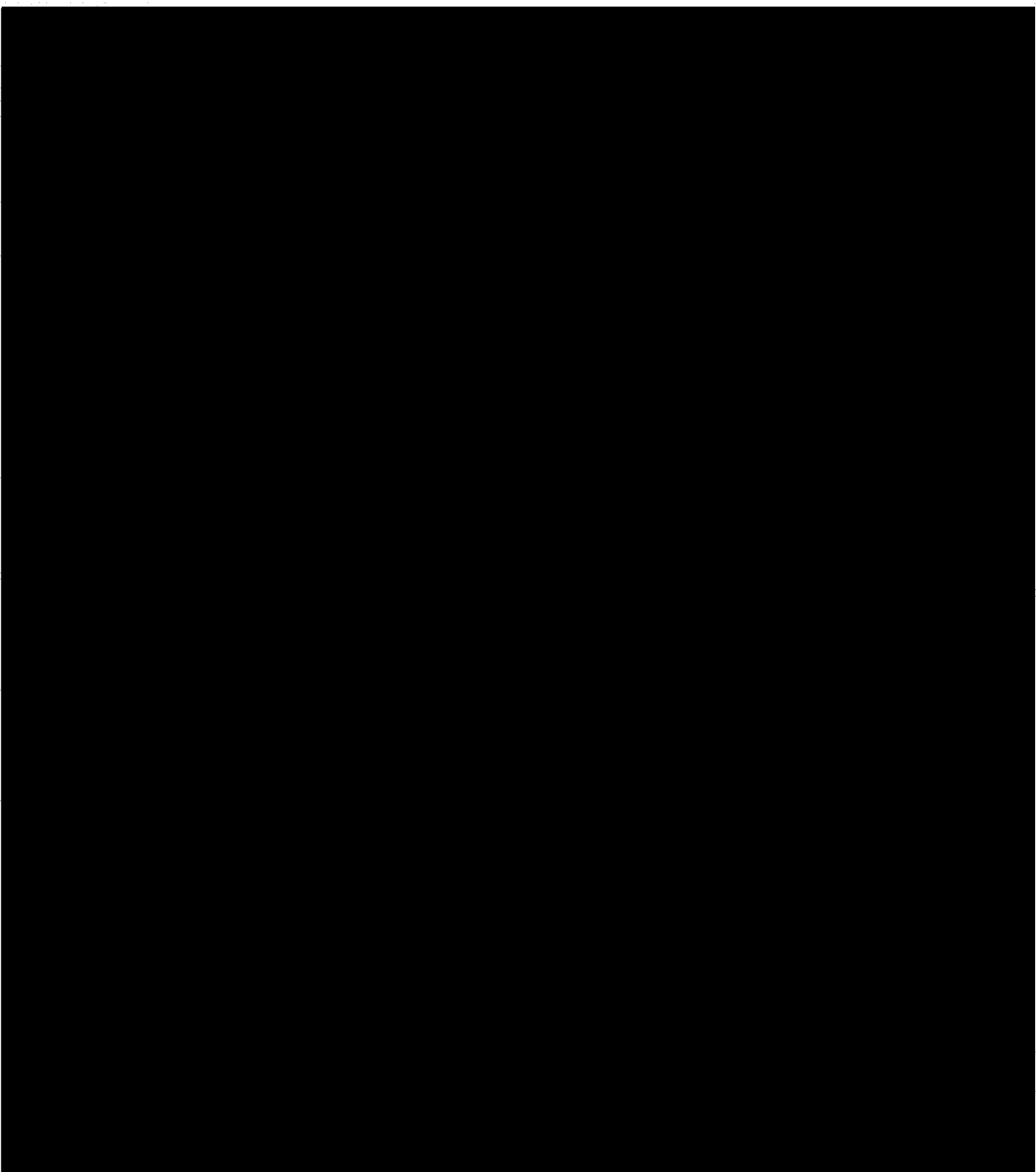
The [REDACTED] Standard Provisions to [REDACTED] of Natural Gas

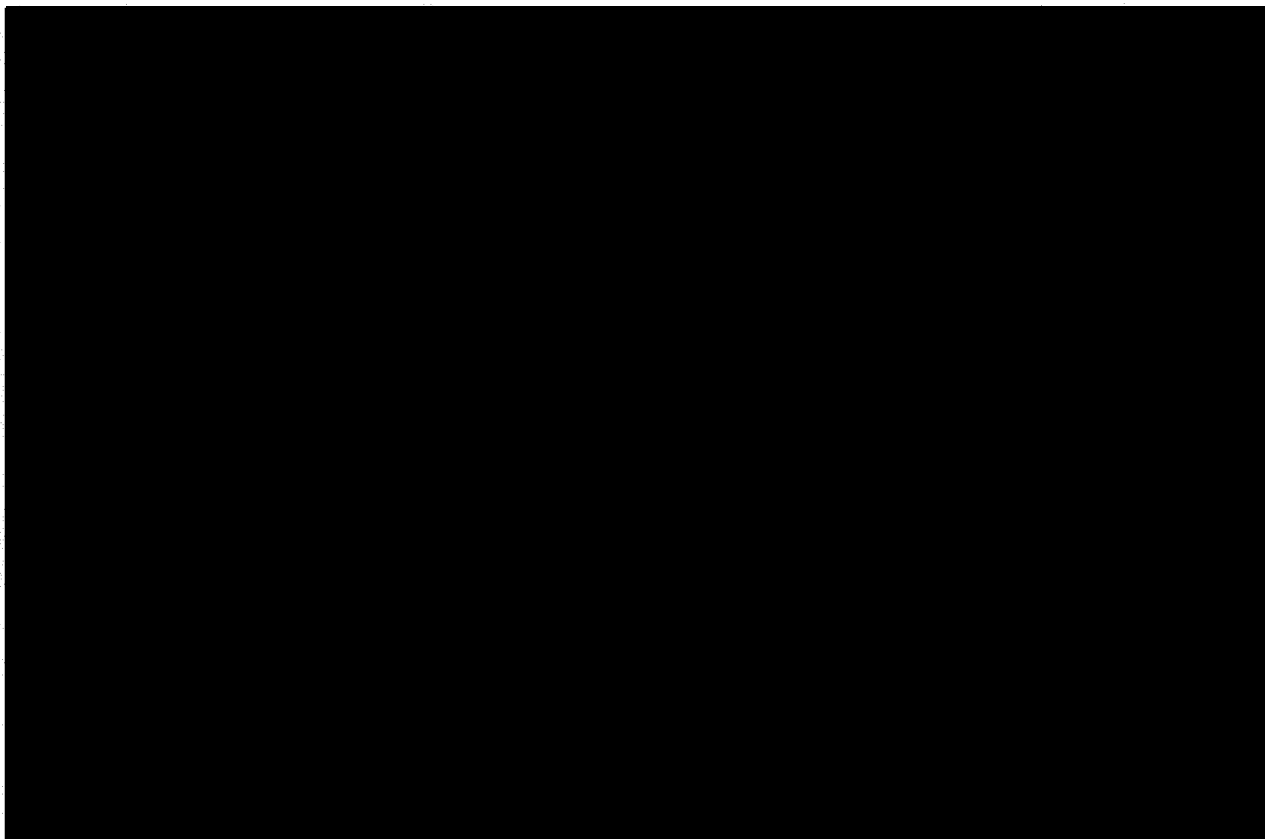
The General Terms and Conditions to the GasEDI Base Contract for Short-Term Sale and Purchase of Natural Gas dated March 19th, 2019 are hereby amended as follows:











TRANSACTION CONFIRMATION

Date: March 19th 2019
 ("Effective Date")

Transaction Confirmation #: _____

This is a Transaction under the GasEDI Base Contract for the Sale and Purchase of Blomethane dated March 19th, 2019 ("**Base Contract**") and the Special Provisions attached to the Base Contract made between the parties hereto and is made subject to the condition set forth in Section 15 of this Transaction Confirmation.

IT IS AGREED:

1. Definitions.

- (a) Capitalized terms used, but not defined in this Transaction Confirmation, have the meanings given to those terms in the General Terms and Conditions of the Base Contract and in addition:

"**Blogas**" means raw gas composed primarily of methane derived from the decomposition of organic matter.

"**Blomethane**" means pipeline quality Gas derived from the decomposition of organic matter. Pipeline quality means meeting the gas quality requirements of the receiving pipeline at the Delivery Point.

"**Carbon Offsets**" means, for the purposes of calculating Market Value, Offsets that are created from emissions reduction at a facility or project located in Canada and are verified using a standard that is at least equivalent to the protocols established under the British Columbia Greenhouse Gas Emission Control Regulation or a replacement standard which might include, but is not limited to, standards that are recognized by the International Carbon Reduction & Offset Alliance (ICROA) as compliant with the ICROA Code of Best Practice.

"**Commodity Cost Recovery Charge**" means the Buyer's cost to supply conventional Gas to its utility customers which shall be established by the Commodity Cost Recovery Charge set out in the Buyer's Table of Charges in Rate Schedule 1 for Residential Service as approved by the British Columbia Utilities Commission from time to time.

"**Condition**" means the condition set out in Section 15 of this Transaction Confirmation.

"**Condition Removal Date**" means the date set out for the removal of the condition in Section 15 of this Transaction Confirmation.

"Contract Quantity" shall mean the quantity of Biomethane to be delivered and received pursuant to this Transaction.

"Contract Year" means each twelve (12) consecutive month period starting on the Start Date.

"Director" means the British Columbia government employee designated as the director for the purposes of the RLCFRA.

"Environmental Attribute" means all attributes associated with, or that may be derived from, the equivalent displacement of gas by Biomethane in a gas system receiving the Biomethane including any existing or future credit, allowance, certificate, right, benefit or advantage or proprietary or contractual right whether or not tradable;

- (i) any existing or future instrument, including any environmental emission allowances and reduction credits, reduction right, allowance, certificate or other unit of any kind whatsoever, whether or not tradable and any other proprietary or contractual right, whether or not tradable, and any resulting from, or otherwise related to the actual or assumed reduction, displacement or offset of emissions associated with, or that may be derived from the displacement of gas by Biomethane in a gas system receiving the Biomethane; and
- (ii) all revenues, entitlement, benefits and other proceeds arising from or related to the foregoing.

"Facilities" means a landfill gas purification facility located in Niagara Falls, Ontario owned by the Upstream Seller.

"Green Premium" means the difference between the Contract Price and the Commodity Cost Recovery Charge.

"Market Value" The market value of the Transaction means the net present value (applying the Present Value Discount Rate) of the product of (1) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year, prorated) remaining under the Transaction set out in this Confirmation multiplied by (2) a market price for a similar transaction considering the Environmental Attributes of the Biomethane and the remaining Delivery Period, Contract Quantity and Delivery Point, either as follows:

- (i) in the case of default by Seller, at the Buyer's option, either as
 - (a) a transaction consisting of Biomethane; or,
 - (b) a transaction consisting of conventional Gas plus Carbon Offsets equal to the greenhouse gas reduction that would have been achieved by the Biomethane supply for the remainder of the Transaction; the number of Carbon Offsets to be equivalent to the product of (1) the difference between 0.05 metric tonnes of CO₂e/GJ (being the CO₂ equivalency of conventional Gas) and the carbon intensity of the Biomethane set out in Section 9 multiplied by (2) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year prorated)

remaining under the Transaction, provided such carbon Offsets with the required quality are readily available in the market, and

- (ii) In the case of default by Buyer, the higher of:
 - (a) a transaction consisting of Biomethane; or,
 - (b) a transaction consisting of conventional Gas plus Carbon Offsets equal to the greenhouse gas reduction that would have been achieved by the Biomethane supply for the remainder of the Transaction; the number of carbon Offsets to be equivalent to the product of (1) the difference between 0.05 metric tonnes of CO₂e/GJ (being the CO₂ equivalency of conventional Gas) and the carbon intensity of the Biomethane set out in Section 9 multiplied by (2) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year prorated) remaining under the Transaction, and

The Non-Defaulting Party shall determine the Market Value using good faith and in a commercially reasonable manner but is not required to actually enter into a transaction in order to determine the market price.

"Offset" means any credits, emission offsets or other tradable or recognized Instruments issued or granted by a government or program authority or recognized under a regulation, in recognition of emission reductions or sequestration that may be applied to achieving compliance with any emissions related obligations or commitments whether voluntary or mandatory.

"Production Audit" means the records and physical audit described in Section 12 of this Transaction Confirmation.

"Production Location" means Niagara Falls, Ontario.

"RLCFRA" means the British Columbia Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act and its regulations and amendments thereto.

"Upstream Seller" means Tidal Energy Marketing Inc. and [REDACTED]

"Start Date" means the start date for the delivery of Biomethane to the Buyer set out in Section 3.

- (b) For the purposes of this Transaction Confirmation, the definition of Event of Default set out in the General Terms and Conditions of the Base Contract shall be replaced by the definition set out below:

"Event of Default" shall mean

- (i) the failure to make payment when due under the Contract, which is not remedied within two (2) Business Days after receiving Notice thereof (except for a failure to make an Accelerated Payment Invoice which shall immediately constitute an Event of Default);

- (ii) the making of an assignment or any general arrangement for the benefit of creditors, the filing of a petition or otherwise commencing, authorizing, or acquiescing in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or having such petition filed or proceeding or cause under any bankruptcy or similar law for the protection of creditors commenced against it, any bankruptcy or insolvency (however evidenced) or the inability to pay debts as they fall due;
- (iii) the failure to provide Performance Assurance in accordance with Section 10.1;
- (iv) Seller's failure to deliver at least the Minimum Daily Quantity or the Minimum Annual Quantity unless:
 - (a) excused by supply interruption in accordance with Section 7 (Basis of Sale, Purchase) of this Transaction Confirmation,
 - (b) excused by Buyer's Non-Performance, or
 - (c) prevented by Force Majeure in accordance with Section 11 of the General Terms and Conditions as amended by the Special Provisions (Force Majeure);
- (v) Buyer's failure to receive up to the Maximum Daily Quantity or the Minimum Annual Quantity unless:
 - (a) excused by supply interruption in accordance with Section 7 (Basis of Sale, Purchase) of this Transaction Confirmation,
 - (b) excused by Seller's Non-Performance, or
 - (c) prevented by Force Majeure in accordance with Section 11 of the General Terms and Conditions as amended by the Special Provisions (Force Majeure);
- (vi) breach by Seller of any representation or warranty set forth in Section 9 (Environmental Attributes) of this Transaction Confirmation or its obligations under Section 13 (Part 3 Fuel under the RLCFA);
- (vii) a Buyer's finding or, in the case a dispute was arbitrated, an arbitrator's decision made pursuant to the Production Audit finds that the gas delivered hereunder does not meet the definition of Biomethane under Section 1 (Definitions);
- (viii) if Buyer is prevented from completing a Production Audit due to the actions or inaction of the Seller or Upstream Seller which is not remedied within ten (10) Business Days after receiving Notice thereof; or
- (ix) the failure to perform any other material obligation under the Contract, which is not remedied within ten (10) Business Days after receiving Notice thereof.

2. Parties.

Seller: Tidal Energy Marketing Inc.
Buyer: FortisBC Energy Inc.

3. Delivery Period.

Start Date:

- (a) Buyer acknowledges that Seller will source the entire quantity of Biomethane from the Upstream Seller's Facilities which are being designed and constructed;
- (b) Buyer shall provide Seller with written notice of the date on which the condition in Section 15 (a) is waived or satisfied;
- (c) Seller shall provide Buyer with written notice of the date on which the Facilities are fully operational and the Seller will begin to deliver Biomethane to the Buyer as soon as reasonably practicable (the "Start Date") but in any event the Start Date shall be no later than the earlier of (a) thirty-six (36) months after the date referred to in Section 3(b) and (b) thirty-six (36) months after the Condition Removal Date; if no such notice is provided by Seller to Buyer by six (6) months after the Condition Removal Date, then Buyer shall elect, at its sole and unfettered discretion, by written notice to Seller by seven (7) months after the Condition Removal Date either:
 - (i) terminating this Transaction Confirmation effective immediately by providing written notice to Buyer without penalty or further liability; or
 - (ii) specifying a later date as the amended Start Date; and
- (d) In the case of subsection 3(c)(ii) above, if the Seller cannot commence delivery of Biomethane on the amended Start Date, then Buyer shall elect to either: (i) terminate this Transaction Confirmation effective on the amended Start Date; or (ii) specify a later date as the amended Start Date. In the case of the latter, the provisions of this section shall apply to each additional amended Start Date, if any.

End Date: Twenty (20) Contract Years from the Start Date.

4. Delivery Point. Huntingdon, British Columbia

5. Contract Quantity of Biomethane. All Gas supplied by the Seller to the Buyer pursuant to this Transaction shall be exclusively Biomethane from the Facilities in the Contract Quantity below:

- (a) Minimum Daily Quantity: [REDACTED] per day.
- (b) Minimum Annual Quantity: [REDACTED] per Contract Year
- (c) Maximum Daily Quantity: [REDACTED] per day. Seller may exceed Maximum Daily Quantity on a case-by-case basis, at Buyer's discretion, in order to meet but not exceed Maximum Annual Quantity.
- (d) Maximum Annual Quantity: [REDACTED] GJ per Contract Year. Buyer, may, at its discretion, accept more than the Maximum Annual Quantity.

6. Nominations. At least two (2) Business Days prior to the start of each Month, Seller shall provide Buyer with the quantity of Biomethane that the Seller shall nominate for delivery at the Delivery Point on each Day for that Month. Without expanding or limiting the Seller's obligation to supply the Minimum Daily Quantity, the Seller may revise its daily nominations for that month in the event of unplanned maintenance of the Facilities or for reasons of Force Majeure (as set out in the General Terms and Conditions and the

Special Provisions). These obligations are in addition to those set out in Section 4.2 of the General Terms and Conditions.

7. Basis of Sale, Purchase. Firm, subject to the following: Seller shall not be considered to be in default of the Contract if its failure to supply the Minimum Daily Quantity is for the following reasons:

- (a) Upstream Seller is undertaking maintenance or repair on the Facilities;
- (b) an interruption of electricity service by the electric LDC that prevents the production of RNG; or
- (c) an interruption of service by gas utility serving the Facilities that prevents the production of RNG and on the conditions that:
- (d) Upstream Seller is diligently undertaking maintenance or repair on the Facilities or otherwise using reasonable efforts to minimize the supply interruption;
- (e) Seller provides as much notice to the Buyer as Seller is reasonably able, of supply interruptions and maintenance and repair, whether planned or unplanned, and the anticipated length thereof; and the number of days of actual or anticipated supply interruption does not exceed ninety (90) days in any one Contract Year.

In the event of Force Majeure, the Minimum Annual Quantity shall be reduced by an amount equal to the Minimum Daily Quantity multiplied by the number of Days on which a party is excused by reason of Force Majeure, in accordance with the conditions set out in Section 11 of the General Terms and Conditions (as amended by the Special Provisions) during the same Contract Year.

8. Contract Price.

- (a) Subject to subsection (b) below, the Contract Price payable for the Contract Quantity is [REDACTED] per GJ (the "Base Rate").
- (b) Subject to subsection (c) below, commencing from the November 1st occurring after the first anniversary of the Start Date and on every November 1st thereafter, the Base Rate will be adjusted by [REDACTED] over the previous year.
- (c) No adjustment will be made which results in the applicable rate payable by the Buyer exceeding the applicable of:
 - (i) the then current maximum RNG supply purchase price approved by the British Columbia Utilities Commission; or
 - (ii) the maximum RNG supply purchase price established by the Province of British Columbia.

9. Environmental Attributes and Representations.

- (a) Seller represents and warrants that the Biomethane produced is generated through the anaerobic digestion of organic matter and is not supplemented, replaced in whole or in part with fuels purchased or extracted other than from the Production Location.
- (b) Seller represents that the calculated carbon intensity of the Biomethane shall be [REDACTED] grams of CO₂ equivalent or less per mega joule (gCO₂e/MJ) and as soon as

commercially reasonable after the Start Date, shall provide the Buyer with a report as described in Section 11 (*Carbon Intensity Reports* below) calculating the carbon intensity and the calculated carbon intensity of the Biomethane shall not exceed [REDACTED] gCO₂e/MJ during the Term of the Contract.

- (c) Seller represents and warrants that, under the contractual agreement for the purchase of Biomethane with the Upstream Seller and, all Environmental Attributes that could be associated with the produced Biomethane at the time of delivery to Buyer are attached thereto and that neither the Biomethane nor the Environmental Attributes associated therewith have been sold more than once by either the Seller or, by the Upstream Seller, at any point between production and sale to Buyer whether by sales into carbon markets or otherwise.
- (d) Seller represents and warrants that Seller does not have and no third party has, any claim to the Environmental Attributes associated with the Biomethane purchased by Buyer under this Transaction Confirmation.
- (e) Seller represents and warrants that, up to the point of delivery to Buyer, neither the Environment Attributes nor the Biomethane have been used by Seller or the Upstream Seller to meet any federal, state, provincial or local renewable energy requirement, renewable energy procurement, renewable energy portfolio standard, or other renewable energy mandate.
- (f) Seller shall transfer to Buyer at the Delivery Point all Environmental Attributes, whether current or future, known or unknown at the time of delivery, associated with the Biomethane along with the transfer of title in the Biomethane.

10. Reports. Seller shall provide Buyer the following information, in respect of the Month of delivery, and supporting documentation acceptable in industry practice:

- (a) daily production volume of Biomethane produced at the Facilities;
- (b) daily Gas nominations made by Seller in total on the Enbridge Gas Inc. pipeline system; and
- (c) daily load balancing account activity.

11. Carbon Intensity Report. Seller shall provide Buyer with a report by January 15 of each Contract Year, certifying the carbon intensity of the Biomethane produced at the Facilities and delivered to the Buyer during the previous calendar year. The carbon intensity shall be calculated in accordance with the requirements of the government of British Columbia as set out in section 6(6) of the RLCFRA and shall be certified by the Upstream Seller's chief operating officer.

12. Production Audit.

- (a) Seller shall, upon reasonable request by Buyer provide the following:
 - (i) no more than twice in any 12-month period, records and other documentation; and
 - (ii) no more than once in any 12-month period, to provide Buyer and Buyer's consultant with reasonable and physical access to the Facilities;

for the purpose of confirming compliance with the obligations, representations and warranties regarding the Biomethane and the Environmental Attributes associated therewith.

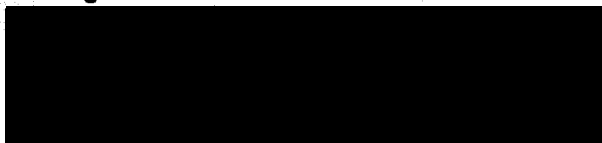
- (b) No more than twice in any 12-month period, Buyer may request Seller to confirm in writing that the representations and warranties concerning the Biomethane and Environmental Attributes associated therewith, as made by Seller, under Section 9 (*Environmental Attributes*) remain valid.
- (c) Seller agrees to cooperate and provide all reasonable assistance to Buyer regarding any audit of the Facilities for the purpose of confirming compliance with the obligations, representations and warranties regarding the Biomethane and the Environmental Attributes associated therewith and shall seek the co-operation and reasonable assistance of Upstream Seller to Buyer for the same purposes.
- (d) If Buyer, acting reasonably, finds that the obligations, representations or warranties regarding the Biomethane and the Environmental Attributes associated therewith are in non-compliance with this Transaction Confirmation, then Seller may, acting reasonably, dispute such finding. Each Party agrees to provide the other Party and Upstream Seller with its findings and supporting documentation and agrees to cooperate, in good faith, with each other and with Upstream Seller to resolve the dispute.
- (e) Any dispute of the nature described in, and not resolved under, subsection (b) above shall be resolved in accordance with Section 13.10 of the Special Provisions to the GasEDI Base Contract.

13. Part 3 Fuel under the RLCFRA.

- (a) Seller acknowledges that Buyer may wish to resell Biomethane purchased under this agreement to its customers in British Columbia who may intend to use Biomethane as a transportation fuel and Buyer and its customers wish to report such use under Part 3 of the RLCFRA.
- (b) Immediately following the Start Date, Seller shall apply under the RLCFRA for a determination by the Director of the carbon intensity of the Biomethane supplied to Buyer under this Agreement for the purposes of Part 3 of the RLCFRA and observe the requirements of the RLCFRA applicable to a producer of Part 3 fuel.
- (c) If the Seller becomes aware that the carbon intensity of the Biomethane will change or has changed, Seller shall promptly give written notice required by the RLCFRA and shall provide a copy of such notice to the Buyer.
- (d) Seller shall apply for new determination of the carbon intensity of the Biomethane changes or if the determination by the Director has expired.
- (e) Seller may authorize Buyer to act on its behalf in applying for a determination by the Director of the carbon intensity of the Biomethane.
- (f) Seller shall indemnify and hold Buyer, its directors, officers, agents and employees harmless from and against all actions, claims, damages, costs and expenses which may be brought against or suffered by Buyer, its directors, officers, agents and employees arising out of any failure by the Seller to comply with the provisions of this Section 13.

14. Remedies for Default.

- (a) Section 3.2 of the GasEDI Base Contract shall not apply to this Transaction.
- (b) For the purposes of this Transaction, the definition of Market Value set out in Section 2.1 of the GasEDI Base Contract shall not apply to this Transaction and the definition of Market Value set out in Section 1 (*Definitions*) of this Transaction Confirmation shall apply.
- (c) For the purposes of Section 10.1, 10.3 and 10.4 of the GasEDI Base Contract, the Total Termination Payment of this Transaction shall not exceed the limits set out below. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty. For certainty, the amounts set out below shall not include amounts owing by the Defaulting Party prior to Early Termination. If the termination occurs in a period below, then the Total Termination Payment shall be no greater than:



- (d) If Buyer's determination or, in the case a dispute was arbitrated, an arbitrator's decision made pursuant to the Production Audit, finds that the Gas delivered under this Transaction failed to meet the definition of Biomethane under Section 1 (*Definitions*) or the Environmental Attributes delivered were not associated with the Biomethane as represented and warranted under Section 9 (*Environmental Attributes*) then, Seller shall either not charge or return the Green Premium paid by Buyer in respect of such Gas.

15. Condition.

- (a) This Transaction shall be of no force or effect unless the following conditions ("**Conditions**") are satisfied or waived by Buyer on or before September 1 2019 ("**Condition Removal Date**"):
- (i) this Transaction has obtained the necessary regulatory approvals, if any, required to be obtained by Buyer to purchase energy, including but not limited to approval from the British Columbia Utilities Commission.
- (ii) the Seller has provided to the Buyer as Performance Assurance a guarantee from [REDACTED] guaranteeing payment of the Total Termination Payment.
- (b) In the event the Buyer has submitted an application to the British Columbia Utilities Commission for the approval of this Transaction no less than three (3) months before the Condition Removal Date, and the British Columbia Utilities Commission has not made its decision by the Condition Removal Date, the Condition Removal Date shall be automatically extended for another three (3) months.

- (c) Buyer shall make reasonable good faith efforts to satisfy or, shall waive, the Condition by the then-current Condition Removal Date. Buyer shall provide written notice of the satisfaction or waiver of the Condition, if any, on or prior to the Condition Removal Date.

TIDAL ENERGY MARKETING INC.
Signed _____

Judd Florence
Name **President**
Tidal Energy Marketing Inc.

Title _____

Date 04/04/2019**FORTISBC ENERGY INC.**
Signed: _____

Roger Dall'Antonia
Name **President & CEO**

Title _____

Date March 19th 2019

TRANSACTION CONFIRMATION

Date: APRIL 29th 2019
 ("Effective Date")

Transaction Confirmation #: _____

This is a Transaction under the GasEDI Base Contract for the Sale and Purchase of Biomethane dated March 19th, 2019 ("Base Contract") and the Special Provisions attached to the Base Contract made between the parties hereto and is made subject to the condition set forth in Section 15 of this Transaction Confirmation.

IT IS AGREED:

1. Definitions.

(a) Capitalized terms used, but not defined in this Transaction Confirmation, have the meanings given to those terms in the General Terms and Conditions of the Base Contract and in addition:

"Biogas" means raw gas composed primarily of methane derived from the decomposition of organic matter.

"Biomethane" means pipeline quality Gas derived from the decomposition of organic matter. Pipeline quality means meeting the gas quality requirements of the receiving pipeline at the Delivery Point.

"Carbon Offsets" means, for the purposes of calculating Market Value, Offsets that are created from emissions reduction at a facility or project located in Canada and are verified using a standard that is at least equivalent to the protocols established under the British Columbia Greenhouse Gas Emission Control Regulation or a replacement standard which might include, but is not limited to, standards that are recognized by the International Carbon Reduction & Offset Alliance (ICROA) as compliant with the ICROA Code of Best Practice.

"Commodity Cost Recovery Charge" means the Buyer's cost to supply conventional Gas to its utility customers which shall be established by the Commodity Cost Recovery Charge set out in the Buyer's Table of Charges in Rate Schedule 1 for Residential Service as approved by the British Columbia Utilities Commission from time to time.

"Condition" means the condition set out in Section 15 of this Transaction Confirmation.

"Condition Removal Date" means the date set out for the removal of the condition in Section 15 of this Transaction Confirmation.

"Contract Quantity" shall mean the quantity of Biomethane to be delivered and received pursuant to this Transaction.

"Contract Year" means each twelve (12) consecutive month period starting on the Start Date.

"Director" means the British Columbia government employee designated as the director for the purposes of the RLCFRA.

"Environmental Attribute" means all attributes associated with, or that may be derived from, the equivalent displacement of gas by Biomethane in a gas system receiving the Biomethane including any existing or future credit, allowance, certificate, right, benefit or advantage or proprietary or contractual right whether or not tradable;

- (i) any existing or future instrument, including any environmental emission allowances and reduction credits, reduction right, allowance, certificate or other unit of any kind whatsoever, whether or not tradable and any other proprietary or contractual right, whether or not tradable, and any resulting from, or otherwise related to the actual or assumed reduction, displacement or offset of emissions associated with, or that may be derived from the displacement of gas by Biomethane in a gas system receiving the Biomethane; and
- (ii) all revenues, entitlement, benefits and other proceeds arising from or related to the foregoing.

"Facilities" means a biogas production and purification facility located in London, Ontario.

"Green Premium" means the difference between the Contract Price and the Commodity Cost Recovery Charge.

"Market Value" The market value of the Transaction means the net present value (applying the Present Value Discount Rate) of the product of (1) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year, prorated) remaining under the Transaction set out in this Confirmation multiplied by (2) a market price for a similar transaction considering the Environmental Attributes of the Biomethane and the remaining Delivery Period, Contract Quantity and Delivery Point, either as follows:

- (a) in the case of default by Seller, at the Buyer's option, either as
 - i. a transaction consisting of Biomethane; or,

ii. a transaction consisting of conventional Gas plus Carbon Offsets equal to the greenhouse gas reduction that would have been achieved by the Biomethane supply for the remainder of the Transaction; the number of Carbon Offsets to be equivalent to the product of (1) the difference between 0.05 metric tonnes of CO₂e/GJ (being the CO₂ equivalency of conventional Gas) and the carbon intensity of the Biomethane set out in Section 9 multiplied by (2) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year prorated) remaining under the Transaction, provided such Carbon Offsets with the required quality are readily available in the market, and

(b) in the case of default by Buyer, the higher of:

i. a transaction consisting of Biomethane; or,

ii. a transaction consisting of conventional Gas plus Carbon Offsets equal to the greenhouse gas reduction that would have been achieved by the Biomethane supply for the remainder of the Transaction; the number of Carbon Offsets to be equivalent to the product of (1) the difference between 0.05 metric tonnes of CO₂e/GJ (being the CO₂ equivalency of conventional Gas) and the carbon intensity of the Biomethane set out in Section 9 multiplied by (2) the Minimum Annual Quantity for each Contract Year (or part of a Contract Year prorated) remaining under the Transaction, and

The Non-Defaulting Party shall determine the Market Value using good faith and in a commercially reasonable manner but is not required to actually enter into a transaction in order to determine the market price.

"Offset" means any credits, emission offsets or other tradable or recognized instruments issued or granted by a government or program authority or recognized under a regulation, in recognition of emission reductions or sequestration that may be applied to achieving compliance with any emissions related obligations or commitments whether voluntary or mandatory.

"Production Audit" means the records and physical audit described in Section 12 of this Transaction Confirmation.

"Production Location" means London, Ontario.

"RLCFRA" means the British Columbia Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act and its regulations and amendments thereto.

"Upstream Seller" means Tidal Energy Marketing Inc. and [REDACTED]

"Start Date" means the start date for the delivery of Biomethane to the Buyer set out in Section 3.

For the purposes of this Transaction Confirmation, the definition of Event of Default set out in the General Terms and Conditions of the Base Contract shall be replaced by the definition set out below:

"Event of Default" shall mean

- (i) the failure to make payment when due under the Contract, which is not remedied within two (2) Business Days after receiving Notice thereof (except for a failure to make an Accelerated Payment invoice which shall immediately constitute an Event of Default);
- (ii) the making of an assignment or any general arrangement for the benefit of creditors, the filing of a petition or otherwise commencing, authorizing, or acquiescing in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or having such petition files or proceeding or cause under any bankruptcy or similar law for the protection of creditors commenced against it, any bankruptcy or insolvency (however evidenced) or the inability to pay debts as they fall due;
- (iii) the failure to provide Performance Assurance in accordance with Section 10.1;
- (iv) Seller's failure to deliver at least the Minimum Daily Quantity or the Minimum Annual Quantity unless:
 - a. excused by supply interruption in accordance with Section 7 (Basis of Sale, Purchase) of this Transaction Confirmation,
 - b. excused by Buyer's Non-Performance, or
 - c. prevented by Force Majeure in accordance with Section 11 of the General Terms and Conditions as amended by the Special Provisions (Force Majeure);
- (v) Buyer's failure to receive up to the Maximum Daily Quantity or the Minimum Annual Quantity unless:
 - a. excused by supply interruption in accordance with Section 7 (Basis of Sale, Purchase) of this Transaction Confirmation,
 - b. excused by Seller's Non-Performance, or
 - c. prevented by Force Majeure in accordance with Section 11 of the General Terms and Conditions as amended by the Special Provisions (Force Majeure);
- (vi) breach by Seller of any representation or warranty set forth in Section 9 (Environmental Attributes) of this Transaction Confirmation or its obligations under Section 14 (Part 3 Fuel under the RLCFA);

(vii) a Buyer's finding or, in the case a dispute was arbitrated, an arbitrator's decision made pursuant to the Production Audit finds that the gas delivered hereunder does not meet the definition of Biomethane under Section 1 (Definitions);

(viii) if Buyer is prevented from completing a Production Audit due to the actions or inaction of the Seller or Upstream Seller which is not remedied within ten (10) Business Days after receiving Notice thereof; or

(ix) the failure to perform any other material obligation under the Contract, which is not remedied within ten (10) Business Days after receiving Notice thereof.

2. Parties.

Seller: Tidal Energy Marketing Inc.

Buyer: FortisBC Energy Inc.

3. Delivery Period.

Start Date:

- (a) Buyer acknowledges that Seller will source the entire quantity of Biomethane from the Upstream Seller's Facilities which are being designed and constructed;
- (b) Buyer shall provide Seller with written notice of the date on which the condition in Section 15 (a) is waived or satisfied;
- (c) Seller shall provide Buyer with written notice of the date on which the Facilities are fully operational and the Seller will begin to deliver Biomethane to the Buyer as soon as reasonably practicable (the "Start Date") but in any event the Start Date shall be no later than the earlier of (a) thirty-six (36) months after the date referred to in Section 3(b) and (b) thirty-six (36) months after the Condition Removal Date; if no such notice is provided by Seller to Buyer by six (6) months after the Condition Removal Date, then Buyer shall elect, at its sole and unfettered discretion, by written notice to Seller by seven (7) months after the Condition Removal Date either:
 - (i) terminating this Transaction Confirmation effective immediately by providing written notice to Buyer without penalty or further liability; or
 - (ii) specifying a later date as the amended Start Date; and
- (d) in the case of subsection 3(c)(ii) above, if the Seller cannot commence delivery of Biomethane on the amended Start Date, then Buyer shall elect to either: (i) terminate this Transaction Confirmation effective on the amended Start Date; or (ii) specify a later date as the amended Start Date. In the case of the latter, the

provisions of this section shall apply to each additional amended Start Date, if any.

End Date: Twenty (20) Contract Years from the Start Date.

4. **Delivery Point.** Huntingdon, British Columbia
5. **Contract Quantity of Biomethane.** All Gas supplied by the Seller to the Buyer pursuant to this Transaction shall be exclusively Biomethane from the Facilities in the Contract Quantity below:
 - (a) Minimum Daily Quantity: [REDACTED] GJ per day.
 - (b) Minimum Annual Quantity: [REDACTED] GJ per Contract Year
 - (c) Maximum Daily Quantity: [REDACTED] GJ per day. Seller may exceed Maximum Daily Quantity on a case-by-case basis, at Buyer's discretion, in order to meet but not exceed Maximum Annual Quantity.
 - (d) Maximum Annual Quantity: [REDACTED] GJ per Contract Year. Buyer, may, at its discretion, accept more than the Maximum Annual Quantity.
6. **Nominations.** At least two (2) business days prior to the start of each month, Seller shall provide Buyer with the quantity of Biomethane that the Seller shall nominate for delivery at the Delivery Point on each Day. Without expanding or limiting the Seller's obligation to supply the Minimum Daily Quantity, the Seller may revise its daily nominations for that month in the event of unplanned maintenance of the Facilities or for reasons of Force Majeure (as set out in the General Terms and Conditions and the Special Provisions). These obligations are in addition to those set out in Section 4.2 of the General Terms and Conditions.
7. **Basis of Sale, Purchase.** Firm, subject to the following: Seller shall not be considered to be in default of the Contract if its failure to supply the Minimum Daily Quantity is for the following reasons:
 - (a) Upstream Seller is undertaking maintenance or repair on the Facilities;
 - (b) an interruption of electricity service by the electric LDC that prevents the production of RNG; or
 - (c) an interruption of service by gas utility serving the Facilities that prevents the production of RNG

and on the conditions that:

- (d) Upstream Seller is diligently undertaking maintenance or repair on the Facilities or otherwise using reasonable efforts to minimize the supply interruption;
- (e) Seller provides as much notice to the Buyer as Seller is reasonably able, of supply interruptions and maintenance and repair, whether planned or unplanned, and the anticipated length thereof; and the number of days of actual or anticipated supply interruption does not exceed ninety (90) days in any one Contract Year.

In the event of Force Majeure, the Minimum Annual Quantity shall be reduced by an amount equal to the Minimum Daily Quantity multiplied by the number of Days on which a party is excused by reason of Force Majeure, in accordance with the conditions set out in Section 11 of the General Terms and Conditions (as amended by the Special Provisions) during the same Contract Year.

8. Contract Price.

- (a) Subject to subsection (b) below, the Contract Price payable for the Contract Quantity is [REDACTED] per GJ (the "Base Rate").
- (b) Subject to subsection (c) below, commencing from the November 1st occurring after the first anniversary of the Start Date and on every November 1st thereafter, the Base Rate will be adjusted by the percentage increase, if any, in the Consumer Price Index (Canada- all items, not seasonally adjusted) over the previous year.
- (c) No adjustment will be made which results in the applicable rate payable by the Seller exceeding the applicable of:
 - (i) the then current maximum RNG supply purchase price approved by the British Columbia Utilities Commission; or
 - (ii) the maximum RNG supply purchase price established by the Province of British Columbia.

9. Environmental Attributes and Representations.

- (a) Seller represents and warrants that the Biomethane produced is generated through the anaerobic digestion of organic matter and is not supplemented, replaced in whole or in part with fuels purchased or extracted other than from the Production Location.
- (b) Seller represents that the calculated carbon intensity of the Biomethane shall be [REDACTED] grams of CO₂ equivalent or less per mega joule (gCO₂e/MJ) and as soon as commercially reasonable after the Start Date, shall provide the Buyer with a report as described in Section 11 (*Carbon Intensity Reports* below calculating the carbon intensity and the calculated carbon intensity of the Biomethane shall not exceed [REDACTED] gCO₂e/MJ during the Term of the Contract.

- (c) Seller represents and warrants that, under the contractual agreement for the purchase of Biomethane with the Upstream Seller and, all Environmental Attributes that could be associated with the produced Biomethane at the time of delivery to Buyer are attached thereto and that neither the Biomethane nor the Environmental Attributes associated therewith have been sold more than once by either the Seller or, by the Upstream Seller, at any point between production and sale to Buyer whether by sales into carbon markets or otherwise.
- (d) Seller represents and warrants that Seller does not have and no third party has, any claim to the Environmental Attributes associated with the Biomethane purchased by Buyer under this Transaction Confirmation.
- (e) Seller represents and warrants that, up to the point of delivery to Buyer, neither the Environment Attributes nor the Biomethane have been used by Seller or the Upstream Seller to meet any federal, state, provincial or local renewable energy requirement, renewable energy procurement, renewable energy portfolio standard, or other renewable energy mandate.
- (f) Seller shall transfer to Buyer at the Delivery Point all Environmental Attributes, whether current or future, known or unknown at the time of delivery, associated with the Biomethane along with the transfer of title in the Biomethane.

10. Reports. Seller shall provide Buyer the following information, in respect of the Month of delivery, and supporting documentation acceptable in industry practice:

- (a) daily production volume of Biomethane produced at the Facilities;
- (b) daily Gas nominations made by Seller in total on the Enbridge Gas Inc. pipeline system; and
- (c) daily load balancing account activity.

11. Carbon Intensity Report. Seller shall provide Buyer with a report by January 15 of each Contract Year, certifying the carbon intensity of the Biomethane produced at the Facilities and delivered to the Buyer during the previous calendar year. The carbon intensity shall be calculated for the purposes of reporting under the RLCFRA and in accordance with the requirements of the government of British Columbia as set out in (i) section 6(5) of the RLCFRA or (ii) the ISO 14040 and 14044 standards for life cycle assessment as they relate to the carbon intensity of transportation fuels and shall be certified by an Officer of the Upstream Seller.

12. Production Audit.

- (a) Seller shall, upon reasonable request by Buyer provide the following:
 - (i) no more than twice in any 12-month period, records and other documentation; and

- (ii) no more than once in any 12-month period, to provide Buyer and Buyer's consultant with reasonable and physical access to the Facilities;

for the purpose of confirming compliance with the obligations, representations and warranties regarding the Biomethane and the Environmental Attributes associated therewith.

- (b) No more than twice in any 12-month period, Buyer may request Seller to confirm in writing that the representations and warranties concerning the Biomethane and Environmental Attributes associated therewith, as made by Seller, under Section 9 (*Environmental Attributes*) remain valid.
- (c) Seller agrees to cooperate and provide all reasonable assistance to Buyer regarding any audit of the Facilities for the purpose of confirming compliance with the obligations, representations and warranties regarding the Biomethane and the Environmental Attributes associated therewith.
- (d) If Buyer, acting reasonably, finds that the obligations, representations or warranties regarding the Biomethane and the Environmental Attributes associated therewith are in non-compliance with this Transaction Confirmation, then Seller may, acting reasonably, dispute such finding. Each Party agrees to provide the other Party and Upstream Seller with its findings and supporting documentation and agrees to cooperate, in good faith, with each other and with Upstream Seller to resolve the dispute.
- (e) Any dispute of the nature described in, and not resolved under, subsection (b) above shall be resolved in accordance with Section 13.10 of the Special Provisions to the GasEDI Base Contract.

13. Part 3 Fuel under the RLCFRA.

- (a) Seller acknowledges that Buyer may wish to resell Biomethane purchased under this agreement to its customers in British Columbia who may intend to use Biomethane as a transportation fuel and Buyer and its customers wish to report such use under Part 3 of the RLCFRA.
- (b) Immediately following the Start Date, Seller shall determine the carbon intensity of the Biomethane supplied to Buyer under this Agreement in accordance with Part 3 of the RLCFRA and observe the requirements of the RLCFRA applicable to a producer of Part 3 fuel.
- (c) If the Seller becomes aware that the carbon intensity of the Biomethane will change or has changed, Seller shall promptly give written notice required by the RLCFRA and shall provide a copy of such notice to the Buyer.
- (d) Seller shall make a new determination of the carbon intensity if the Biomethane changes or if the determination by the Director has expired.

- (e) In the event that Seller applies for a determination by the Director of the carbon intensity of the Biomethane, Seller may authorize Buyer to act on its behalf in applying for such a determination.
- (f) Seller shall indemnify and hold Buyer, its directors, officers, agents and employees harmless from and against all actions, claims, damages, costs and expenses which may be brought against or suffered by Buyer, its directors, officers, agents and employees arising out of any failure by the Seller to comply with the provisions of this Section 13.

14. Remedies for Default.

- (a) Section 3.2 of the GasEDI Base Contract shall not apply to this Transaction.
- (b) For the purposes of this Transaction, the definition of Market Value set out in Section 2.1 of the GasEDI Base Contract shall not apply to this Transaction and the definition of Market Value set out in Section 1 (*Definitions*) of this Transaction Confirmation shall apply.
- (c) For the purposes of Section 10.1, 10.3 and 10.4 of the GasEDI Base Contract, the Total Termination Payment of this Transaction shall not exceed the limits set out below. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty. For certainty, the amounts set out below shall not include amounts owing by the Defaulting Party prior to Early Termination. If the termination occurs in a period below, then the Total Termination Payment shall be no greater than:



- (d) If Buyer's determination or, in the case a dispute was arbitrated, an arbitrator's decision made pursuant to the Production Audit, finds that the Gas delivered under this Transaction failed to meet the definition of Biomethane under Section 1 (*Definitions*) or the Environmental Attributes delivered were not associated with the Biomethane as represented and warranted under Section 9 (*Environmental Attributes*) then, Seller shall either not charge or return the Green Premium paid by Buyer in respect of such Gas.

15. Condition.

- (a) This Transaction shall be of no force or effect unless the following conditions ("*Conditions*") are satisfied or waived by Buyer on or before September 1 2019 ("*Condition Removal Date*"):
 - (i) this Transaction has obtained the necessary regulatory approvals, if any, required to be obtained by Buyer to purchase energy, including

but not limited to approval from the British Columbia Utilities Commission.

- (ii) the Seller has provided to the Buyer as Performance Assurance a guarantee from [REDACTED] guaranteeing payment of the Total Termination Payment.

(b) In the event the Buyer has submitted an application to the British Columbia Utilities Commission for the approval of this Transaction no less than three (3) months before the Condition Removal Date, and the British Columbia Utilities Commission has not made its decision by the Condition Removal Date, the Condition Removal Date shall be automatically extended for another three (3) months.

(c) Buyer shall make reasonable good faith efforts to satisfy or, shall waive, the Condition by the then-current Condition Removal Date. Buyer shall provide written notice of the satisfaction or waiver of the Condition, if any, on or prior to the Condition Removal Date.

16. Change of Law. If on or after the date of this Agreement, there is any change to the methodologies prescribed by a governmental authority under applicable laws and regulations for calculating the carbon intensity of fuels (including, but not limited to, changes in quantification methods, emission factors, global warming potentials, and other input values) with which Buyer or Seller is required to comply and, as a result, a party is unable to comply with, or faces a materially negative impact from one or more provisions of this Agreement (a "Change"), then, at the written request of either party, the parties shall enter into good faith negotiations and may amend this Agreement to take account of the Change or, if agreed, take such other actions as commercially reasonable to take account of the Change, so that the Transactions contemplated hereunder can be completed in keeping with the intentions of the parties at the time of entry into the Agreement.

Executed by the Parties on the dates specified below.

Tidal Energy Marketing Inc.

Signed: [Signature]

Name: Judd Florence

Title: President

Title: Tidal Energy Marketing Inc.

Date: May 10, 2019

FortisBC Energy Inc.

Signed: [Signature]

Name: Roger Dall'Antonia

Title: President & CEO

Date: April 29, 2019

Appendix B

RNG RFEOI SUMMARY OF RESULTS

FILED CONFIDENTIALLY

RNG Request for Expression of Interest (RFEOI) Issued June, 2018

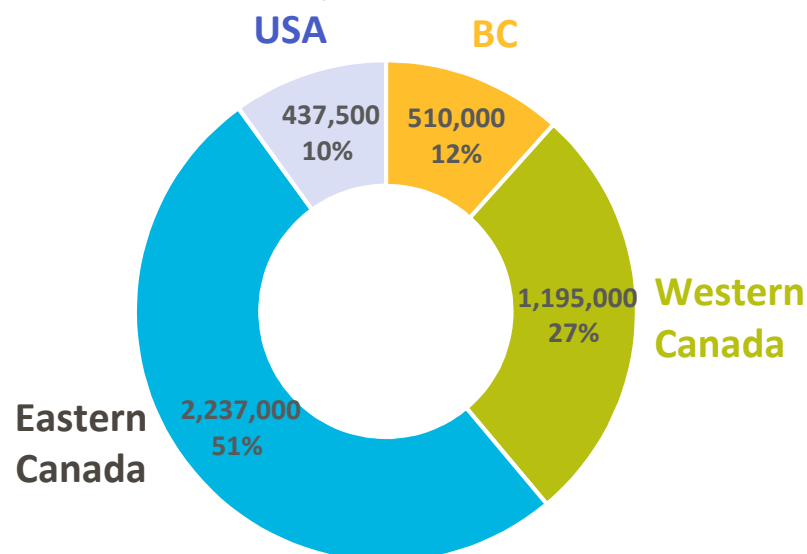
Summary of Results

April, 2019

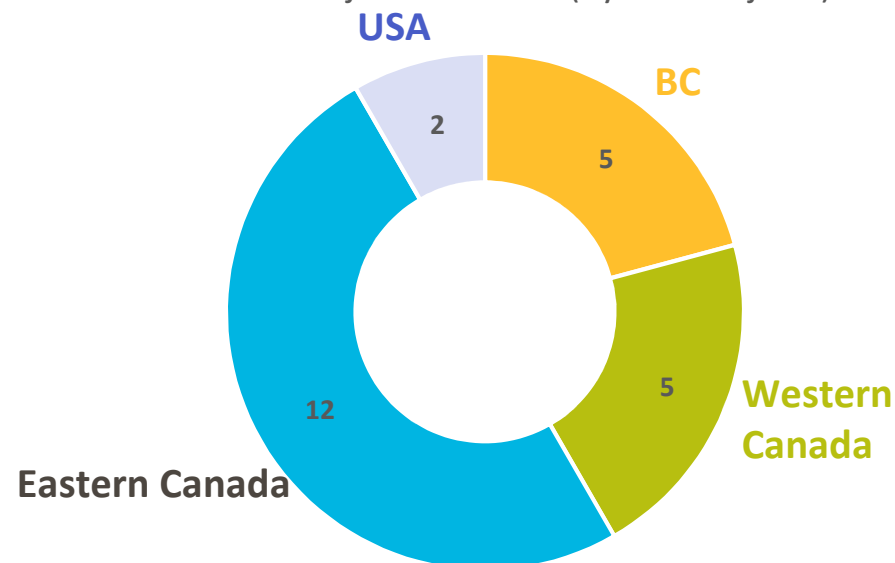
Screened Results

Responses: 24
Total Volume: 4,380,000 GJ (4.4 PJ)

Screened Potential Project (Location/Volume GJ)

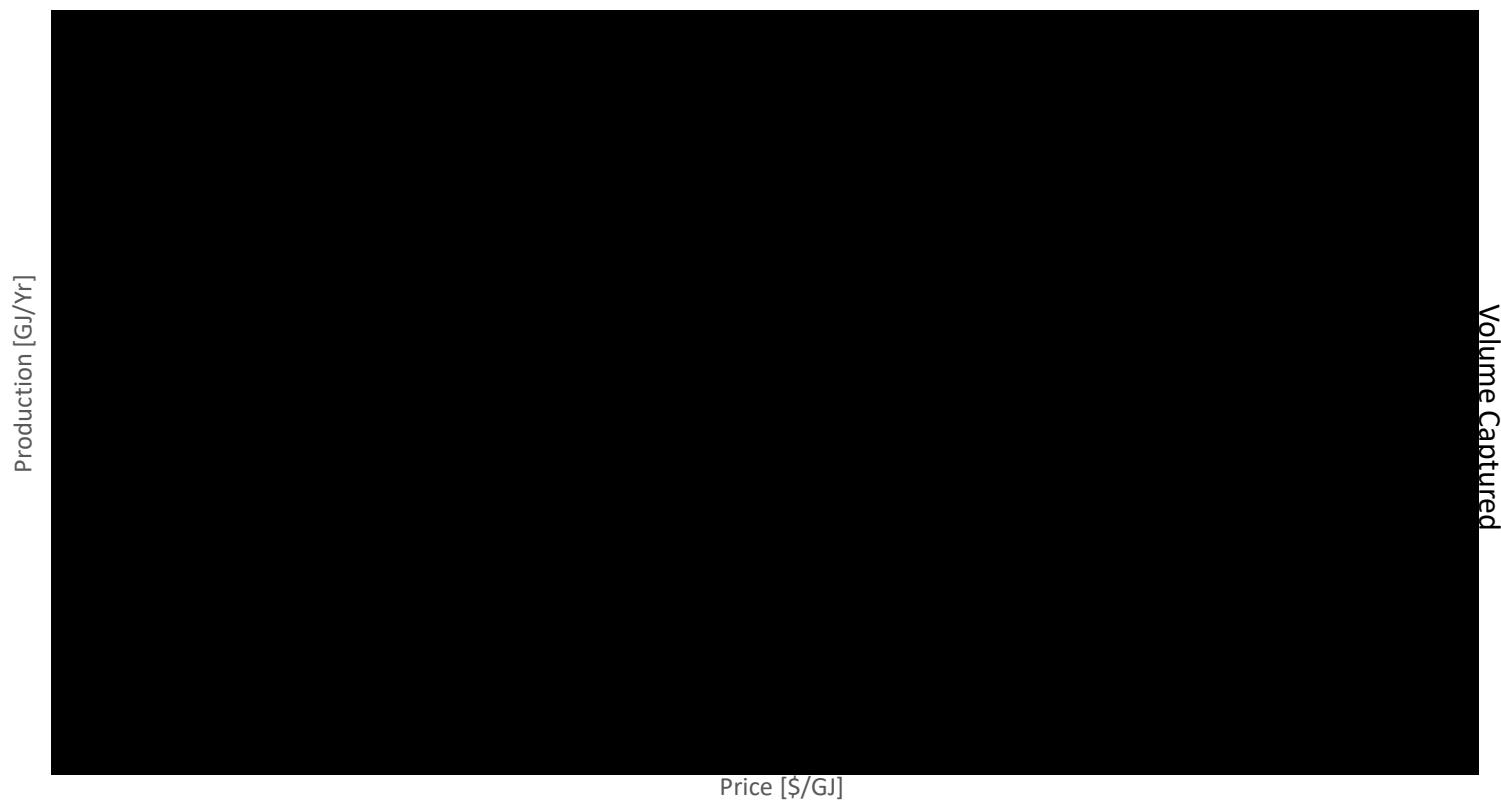


Screened Project Locations (By # of Projects)



Screened Results, Volume/Price

Screened Projects Price Distribution



Average cost \$24/ GJ



ORDER NUMBER

E-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Filing of Two Biomethane Purchase Agreements between
FortisBC Energy Inc. and Tidal Energy Marketing Inc.

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On June 3, 2019, pursuant to section 71 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC) an application for acceptance of two Biomethane Purchase Agreements (BPAs) between FEI and Tidal Energy Marketing Inc. (Tidal Energy) for two renewable natural gas (RNG) projects (Application);
- B. The Niagara BPA, dated March 19, 2019, relates to a landfill project which will be owned and operated by [REDACTED], and located in Niagara Falls, Ontario, and the London BPA, dated April 29, 2019, relates to an organic waste digestion project which will be owned and operated by [REDACTED] and located in London, Ontario;
- C. The Application satisfies the criteria for biomethane acquisition as a prescribed undertaking under the Greenhouse Gas Reduction Regulation (GGRR);
- D. By Order G-130-06 dated October 26, 2006, the BCUC approved the Rules for Natural Gas Energy Supply Contracts (Rules). The Rules are intended to facilitate the BCUC's review of natural gas energy supply contracts pursuant to section 71 of the UCA;
- E. On March 21, 2017, by OIC 161/2017, the LGIC approved an amendment to the GGRR, which among other things, indicated that the acquisition of renewable natural gas (RNG) is a prescribed undertaking subject to:
 - 1. the public utility paying no more than \$30/GJ; and
 - 2. the total volume of RNG purchased in a calendar year not exceeding 5% of the total volume of natural gas provided by a public utility to its non-bypass customers in 2015.

- F. Section 18(1) of the *Clean Energy Act* (CEA) describes a prescribed undertaking as “...a project, program, contract or expenditure that is in a class of projects, programs, contracts or expenditures prescribed for the purpose of reducing greenhouse gas emissions in British Columbia.”;
- G. Section 18(3) of the CEA states that “the commission must not exercise a power under the UCA in a way that would directly or indirectly prevent a public utility...from carrying out a prescribed undertaking.”;
- H. FEI requests that the Filing and associated documents remain confidential due to their commercially sensitive nature; and
- I. The BCUC has not reviewed the Application from a public interest perspective, as it is a prescribed undertaking.

NOW THEREFORE pursuant to section 71 of the UCA, the Rules and OIC 161/2017, the BCUC accepts for filing the BPAs between FEI and Tidal Energy dated April 1, 2019. The BCUC will keep the filing and appendices confidential as they contain commercially sensitive information.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Attachment (Yes? No?)