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December 21, 2022

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of a Five-Year Extension to the Transportation Service Agreement between FEI and the Vancouver Island Gas Joint Venture (Application)

Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1

On October 24, 2022, FEI filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-328-22 for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Mr. Carlo Dal Monte, VIGJV Chair (Carlo.DalMonte@catalystpaper.com)

FortisBC Energy Inc. (FEI or the Company) Application for Approval of a Five-Year Extension to the Transportation Service Agreement between FEI and the Vancouver Island Gas Joint Venture (Application)	Submission Date: December 21, 2022
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1.0 Reference: INTRODUCTION

Exhibit B-1, p. 1; Appendix A, pp. 1–2

Impact of the 5 Year Extension of Transportation Service Agreement

On page 1 of the Transportation Service Agreement (TSA) 5 Year Extension between FEI and the Vancouver Island Gas Joint Venture (VIGJV) Application (Application), FEI states that it is “requesting a five-year extension of the term of the TSA to November 1, 2027 (Extension Letter) with no changes to any of the other terms of the TSA.”

On page 1 of Appendix A of the Application, VIGJV states:

The Vancouver Island Gas Joint Venture (VIGJV) was formed in 1990. It started as a group of seven Pulp and paper mills owned by four different corporations on the Sunshine Coast and Vancouver Island to negotiate the conversion to natural gas from bunker fuel oil with the province and the pipeline proponent... The original 1991 Agreement provided a toll rate at Bunker Oil equivalent pricing for the VIGJV members. This was amended effective December 14, 1995, to set natural gas toll rates based on standard cost of service methodology.

On page 2 of Appendix A of the Application, VIGJV states that the “Agreement has been amended over the years to preserve fairness with respect to the unique nature of the pipeline system. We do not see any benefit for either party for the VIGJV members to transition to individual, modified, Rate 22 Agreements”

1.1 Please provide a copy of the most recently approved TSA and BCUC accepted toll rate, as applicable.

Response:

The VIGJV TSA is filed with the BCUC as a Tariff Supplement, a copy of which is provided in Attachment 1.1.

1.2 Please provide a summary of the TSA toll rates history, including a narrative description of the original TSA, and any approved amendments thereto. In the response, please provide details on any Orders in Council and BCUC orders respecting the TSA.

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Response:

Please refer to the response to BCUC IR1 1.1, Attachment 1.1 which contains the current VIGJV TSA Tariff Supplement, containing all of the agreement details, including amendments approved by the BCUC and the related BCUC orders noted in the footer. Additionally, please refer to the response to BCUC IR1 1.3 which provides a summary description of how the TSA and any approved amendments work.

In Attachment 1.2, FEI provides a copy of the firm and interruptible toll calculations pursuant to Schedule A - Demand Tolls, Firm Transportation Service and Schedule B – Interruptible Tolls, Interruptible Transportation Service within the original TSA.

The 2004 TSA Amendment continues to use the toll setting methodology in Schedules A and B; however, the amendment introduced tiers of interruptible tolls and this logic continues today.

Please see below for an example of the 2023 Tolls and the Tiers of tolls per the VIGJV TSA:

2023 Joint Venture Toll Calculation

- 2023 Firm Demand Toll—\$1.0717
- 2023 Interruptible Toll—\$0.8436

Therefore, applicable Toll Tiers for 2023 are as follows:

TIER	VOLUME RANGE	APPLICABLE TOLL	TOLL/GJ
Firm	13,000 GJ/day	Firm Demand Toll	\$1.0717/GJ
Tier 1 Interruptible	Volumes above Firm to 20,000 GJ/day	Firm Demand Toll	\$1.0717/GJ
Tier 2 Interruptible	Volumes from 20,000 to 30,000 GJ/day	Interruptible Toll	\$0.8436/GJ
Tier 3 Interruptible	Volumes in excess of 30,000 GJ/day	1.1 X Firm Toll	\$1.1788/GJ

If trying to compare the VIGJV Tolls to Rate Schedule (RS) 22, it is important to note that the VIGJV in addition to their tolls are also responsible for system gas costs. This is explained further in the response to BCUC IR1 1.3; however, to provide context, FEI estimates that the system gas costs could add in the range of \$0.25 per GJ to \$0.50 per GJ to the overall toll that the VIGJV currently pay based upon Sumas Gas prices of \$5 per GJ to \$10 per GJ, plus carbon tax and motor tax rates.

- 1.3 Please explain how the TSA works and why FEI considers continuation of the TSA to be appropriate.

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Response:

The VIGJV TSA provides for the natural gas needs of five pulp mills located on FEI's Vancouver Island/Sunshine Coast Transmission Pipeline system and currently provides for transportation service for a firm contract demand of 13,000 GJ per day plus interruptible capacity when required and available on the pipeline. The TSA was part of the Vancouver Island Natural Gas Pipeline Agreement, approved originally by Order in Council (OIC). The rate structure is comprised of a firm demand toll expressed in dollars per GJ of contract demand per day and the interruptible rates are expressed in dollars per GJ on any volumes consumed on a daily basis over their firm daily contracted capacity or contract demand per day.

In the response to BCUC IR1 1.2, FEI provides the historical toll calculations and explains the toll structure and current firm and interruptible tier pricing pursuant to the 2004 TSA Amendment. In addition to their delivery tolls/charges, the VIGJV is responsible for a portion of system gas, which includes line heater fuel, compressor fuel and unaccounted for gas, associated with transporting gas to Vancouver Island and the Sunshine Coast. The VIGJV is also charged a commodity toll for odorant and motor fuel tax. The VIGJV is responsible to provide to FEI an amount of natural gas to match their consumption at the mill sites plus the system gas requirements. They would procure their natural gas supply through their Energy Manager or Gas Marketer for the commodity costs which would include carbon tax on both the system gas and natural gas consumed at the mills. FEI would only invoice the VIGJV for delivery charges, including the commodity toll, and the gas marketer would invoice the VIGJV for any natural gas commodity charges. To provide context to the system gas costs the VIGJV are responsible for under their TSA, FEI estimates that the system gas costs could add in the range of \$0.25 per GJ to \$0.50 per GJ to the overall toll that the VIGJV currently pays based upon Sumas Gas prices of \$5 per GJ to \$10 per GJ, plus carbon tax and motor fuel rates.

FEI considers the continuation of the TSA to be appropriate as the TSA continues to provide benefits to customers while also considering that the VIGJV members were a key part of making the Vancouver Island/Sunshine Coast pipeline system economic when initially constructed and operated. When factoring in their tolls and the costs related to system gas, the overall costs to the VIGJV are similar to the rates under RS 22; thus, there is no significant benefit or penalty due to continuing with their current TSA. By continuing with the TSA, they continue to act as a joint venture and would like to retain this arrangement when discussing future terms and agreements for service beyond 2027.

1.4 Please provide a list of member corporations that currently comprise the VIGJV.

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Response:

The member corporations that currently comprise the VIGJV are as follows:

- Catalyst Paper Corporation (Crofton, Port Alberni and Powell River)
- Howe Sound Pulp & Paper Corporation (Port Mellon)
- Nanaimo Forest Products Limited (Harmac)

1.5 Please describe the “unique nature of the pipeline system” and how the TSA continues to provide fairness.

Response:

When the VIGJV stated that the TSA has been amended over the years to preserve fairness with respect to the unique nature of the pipeline system, they were referring to how FEI and the VIGJV have worked together over the years, and as a result the TSA has evolved to meet the evolving load requirements on the pipeline system. FEI and the VIGJV were able to balance each other’s needs as the VIGJV’s energy demands evolved from when they transitioned from bunker fuel oil to natural gas to help support and make the pipeline economic. Over time, the VIGJV requirements for natural gas have decreased as they have been able to transition some load over to biomass. As a result, the TSA has been amended over the years to meet the decreased contracting requirements of the VIGJV while helping to shift the capacity to help meet FEI’s core customer load growth combined with construction and contracting of significant capacity for BC Hydro Island Generation (TSA and peaking agreements). The system has also undergone the construction of the Mt Hayes LNG facility to help meet overall increasing loads on the constrained system. The Vancouver Island High Pressure Transmission line system is a unique system supported with an LNG facility located near its largest firm core load centre located at the tail end of the system. The VIGJV feels the current TSA has evolved over time to match the current operating conditions on the pipeline and, as such, continues to currently meets their needs. If the Woodfibre LNG facility is to move forward, the VIGJV sees that as the appropriate time to consider when to enter discussions toward negotiating agreements that would match the potential operating conditions of the pipeline at that time.

1.6 Please explain the cost-of-service methodology currently used for VIGJV members and provide the toll rate these customers currently pay. Please provide all supporting calculations and assumptions made in the response.

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1.6.1 Please explain why FEI considers this toll rate to remain just and reasonable pursuant to section 59(1) of the Utilities Commission Act

Response:

Please refer to the response to BCUC IR1 1.3 for the current toll rates for the VIGJV. FEI notes, as referenced in the preamble, the toll rates were originally set in the 1995 TSA Amendment which were based on the cost of service for these customers at that time. Please refer to Attachment 1.1 of BCUC IR1 1.1 for Schedule A and Schedule B of the 1995 TSA Amendment, which show the demand toll and interruptible toll from 1995 to 2005 with an annual adjustment based on inflation (Consumer Price Index or CPI). Starting from 2006, the annual escalation for the demand and interruptible tolls was based on one-half of the CPI increase over the 12-month period prior ending on September 30. This annual escalation has remained the same since 2006 as no changes were made in subsequent amendments and extensions. As such, the current toll rates for the VIGJV are not based on the current cost of service for these customers.

With respect to whether the toll rates remain just and reasonable, instead of evaluating the tolls based on the current cost of service for these customers, FEI considers the appropriate evaluation would be to compare the net revenue between the current toll rates and the net revenue FEI would receive if the VIGJV were taking service under FEI's RS 22 Large Volume Transportation Service¹ given the fact that, as discussed in the response to BCUC IR1 1.10, the most likely alternative for the VIGJV would be RS 22 (or a modified RS 22) if the BCUC were to not approve the 5-year TSA extension.

Please refer to Table 1 below which compares the estimated net revenue over the 5-year extension period between the toll rates of the existing TSA plus the annual escalation and RS 22 rates. As Table 1 demonstrates, on average, the revenue FEI estimates to recover from the VIGJV over the 5-year extension would be similar between the TSA and RS 22, with revenue under the TSA estimated to be slightly less than the revenue under RS 22 at 98 percent (i.e., Line 62 of Table 1). The average delivery rate impact over the 5-year period when compared to the approved 2023 delivery margin is approximately 0.02 percent. Given the small impact to FEI's customers due to the difference between the toll rates under the TSA and under RS 22, FEI considers the toll rates remain just and reasonable over the 5-year extension period. Additionally, as further explained in the response to BCUC IR1 1.8, FEI and the VIGJV have had a contract mechanism in place that has worked for both parties for many years and FEI does not consider adjusting the contract mechanism at this time to be efficient for either party given that the pipeline operating characteristics may change if and/or when Woodfibre LNG comes online.

FEI notes the estimated net revenues in Table 1 are calculated based on the following assumptions:

¹ RS 22 Firm Service as approved in FEI's 2016 Rate Design Application was derived as a cost-based firm rate for the then current RS 22, VIGJV and BC Hydro IG combined, based on cost allocation from the COSA model for this group of customers.

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- 1 • The aggregate annual volume by the VIGJV remains the same as actual from November
- 2 2021 to October 2022 over the 5-year extension period;
- 3 • The toll rates under the TSA are escalated annually at ½ of CPI, assuming that CPI is 3.5
- 4 percent for 2024 (October 1, 2023 to September 30, 2024) and is 2 percent annually
- 5 thereafter;
- 6 • Commodity toll for the system gas payable by the VIGJV under the TSA is estimated
- 7 based on GLJ forecast (as of October 1, 2022) at Huntingdon/Sumas Spot from 2023 to
- 8 2027.² As discussed in the response to BCUC IR1 1.3, the commodity toll includes the
- 9 commodity costs for the line heater fuel, compressor fuel, and unaccounted for gas
- 10 associated with transportation of gas to Vancouver Island and Sunshine Coast. It also
- 11 includes motor fuel tax and carbon tax on the system gas.³ FEI notes these costs are
- 12 recovered from the VIGJV under the existing TSA, therefore, are considered pass-through
- 13 costs in Table 1 for the revenue under the existing TSA. However, these costs are not
- 14 part of the RS 22 rates, therefore, they are a net cost against the RS 22 revenue in the
- 15 lower part of Table 1 (i.e., Line 57);
- 16 • Carbon tax is assumed to increase by \$15 per tonne each year until it reaches \$170 per
- 17 tonne by 2030 in accordance with Canada's Minimum National Carbon Pollution Price
- 18 Schedule;⁴
- 19 • The firm DTQ will remain at 13,000 GJ per day if under RS 22; and
- 20 • FEI's delivery rate increases for RS 22 have been estimated at 4 percent per year from
- 21 2024 to 2026.

² www.gljpc.com/historical-forecasts.

³ 1995 TAS Amendment, Section 2.01(b).

⁴ <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/carbon-pollution-pricing-federal-benchmark-information/federal-benchmark-2023-2030.html>

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Table 1: Comparison of Net Revenue Estimated under TSA Toll Rates and RS 22

Line	Particular	Reference	2023	2024	2025	2026	2027
1	Volume						
2	Total Daily Demand (GJ)	Actual (Nov 2021 to Oct 2022)	8,185,980	8,185,980	8,185,980	8,185,980	8,185,980
3							
4	TSA Volume (Revenue Calculation)						
5	Firm (GJ)	13,000 GJ/day	4,745,000	4,745,000	4,745,000	4,745,000	4,745,000
6	Tier 1 IT (GJ)	Above Firm to 20,000 GJ/day	1,969,851	1,969,851	1,969,851	1,969,851	1,969,851
7	Tier 2 IT (GJ)	Above Firm from 20,000 to 30,000 GJ/day	1,261,167	1,261,167	1,261,167	1,261,167	1,261,167
8	Tier 3 IT (GJ)	Excess of 30,000 GJ/day	250,158	250,158	250,158	250,158	250,158
9	Total TSA Volume (GJ)	Sum of Line 5 to Line 8	8,226,176	8,226,176	8,226,176	8,226,176	8,226,176
10							
11	Compressor Fuel (GJ)	Actual (Nov 2021 to Oct 2022)	177,822	177,822	177,822	177,822	177,822
12	Line Heater & UAF Gas (GJ)	Actual (Nov 2021 to Oct 2022)	47,578	47,578	47,578	47,578	47,578
13	Total System Gas (GJ)	Line 11 + Line 12	225,400	225,400	225,400	225,400	225,400
14							
15	TSA Toll Rates						
16	Firm	2023: BCUC IR1 1.2; 2024-2027: Prev Yr x (1 + Ln 21/2)	1.0717	1.0905	1.1014	1.1124	1.1235
17	IT (Tier 1)	Line 16	1.0717	1.0905	1.1014	1.1124	1.1235
18	IT (Tier 2)	2023: BCUC IR1 1.2; 2024-2027: Prev Yr x (1 + Ln 21/2)	0.8436	0.8584	0.8670	0.8757	0.8845
19	IT (Tier 3)	1.1 x Line 16	1.1789	1.1996	1.2115	1.2236	1.2359
20							
21	BC CPI		7.70%	3.50%	2.00%	2.00%	2.00%
22	Sumas Daily Index (\$CDN/GJ)	GLJ Forecast (Oct 2022)	6.835	5.267	5.097	5.142	5.173
23	Carbon Tax Rate (\$/GJ)		3.1065	3.8366	4.5668	5.2969	6.0271
24	Motor Fuel Tax (\$/GJ)		0.6128	0.6128	0.6128	0.6128	0.6128
25							
26	TSA Revenue						
27	Firm Toll (\$000s)	Line 5 x Line 16 / 1,000	5,085	5,174	5,226	5,278	5,331
28	Interruptible Toll (\$000s)	(Ln 6 x 17 + Ln 7 x 18 + Ln 8 x 19) / 1,000	3,470	3,531	3,566	3,602	3,638
29	Subtotal (\$000s)	Line 27 + Line 28	8,555	8,705	8,792	8,880	8,969
30	System Gas Recovery (\$000)	Line 13 x Line 22 / 1,000	1,541	1,187	1,149	1,159	1,166
31	Motor Fuel Tax (\$000s)	Line 11 x Line 24 / 1,000	109	109	109	109	109
32	Carbon Tax Rate (\$000s)	Line 13 x Line 23 / 1,000	700	865	1,029	1,194	1,358
33	Subtotal - Commodity Toll (\$000s)	Sum of Line 30 to Line 32	2,350	2,161	2,287	2,462	2,634
34	Total Revenue (\$000s)	Line 29 + Line 33	10,905	10,866	11,079	11,342	11,602
35	Less: Direct Costs (\$000s)	- Line 33	(2,350)	(2,161)	(2,287)	(2,462)	(2,634)
36	Net Revenue - TSA (\$000s)	Line 34 + Line 35	8,555	8,705	8,792	8,880	8,969
37							
38	RS 22 Volume (Revenue Calculation)						
39	Firm DTQ	13,000 GJ/day	13,000	13,000	13,000	13,000	13,000
40	Firm MTQ	Line 39 x 365 days	4,745,000	4,745,000	4,745,000	4,745,000	4,745,000
41	Interruptible	Line 2 - Line 40	3,440,980	3,440,980	3,440,980	3,440,980	3,440,980
42							
43	RS 22 Rate						
44	Basic & Administration Charge (\$/Month)		3,703.00	3,703.00	3,703.00	3,703.00	3,703.00
45	Firm Demand Charge (\$/GJ/Month)	2023: G-352-22; Prev Yr x (1 + Line 49)	32.199	33.487	34.826	36.219	37.668
46	Firm Delivery (\$/GJ)	2023: G-352-22; Prev Yr x (1 + Line 49)	0.193	0.201	0.209	0.217	0.226
47	Interruptible Delivery (\$/GJ)	2023: G-352-22; Prev Yr x (1 + Line 49)	1.252	1.302	1.354	1.408	1.464
48							
49	Assumed Annual Delivery Rate Increase			4.00%	4.00%	4.00%	4.00%
50							
51	RS 22 Revenue						
52	Basic & Administration Charge (\$000s)	Line 44 x 12 x 5 customers / 1,000	222	222	222	222	222
53	Firm Demand Charge (\$000s)	Line 39 x Line 45 / 1,000	5,023	5,224	5,433	5,650	5,876
54	Firm Delivery (\$000s)	Line 40 x Line 46 / 1,000	916	954	992	1,030	1,072
55	Interruptible Delivery (\$000s)	Line 41 x Line 47 / 1,000	4,308	4,480	4,659	4,845	5,038
56	Total Revenue (\$000s)	Sum of Line 52 to Line 55	10,469	10,880	11,306	11,747	12,208
57	Less: Direct Costs (\$000s)	Line 35	(2,350)	(2,161)	(2,287)	(2,462)	(2,634)
58	Net Revenue - RS 22 (\$000s)	Line 56 + Line 57	8,119	8,719	9,019	9,285	9,575
59							
60	Difference in Net Revenue (\$000s)	Line 36 - Line 58	436	(14)	(226)	(405)	(606)
61	Average Difference - 5-year (\$000)	Average of Line 60	(163)				
62	Average % Recovery (5-year)	Avg. of Line 36 / Avg. of Line 58	98%				
63							
64	2023 Delivery Margin (Non-bypass) (\$000s)	G-352-22	1,044,103				
65	Avg. Delivery Rate Impact due to difference	Line 61 / Line 64	0.02%				

2

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1.7 Please explain why FEI and VIGJV consider that no changes are needed to any of the other terms of the TSA.

Response:

FEI and the VIGJV consider that no other changes are needed to the TSA beyond extending the dates associated with the Renewal Period of the agreement because the VIGJV would like to continue with their Firm Contract Demand of 13 TJ per day and wish to continue receiving the same service currently provided under the TSA (there are no changes to service).

1.8 Please explain why FEI and VIGJV consider an extension of the TSA preferable to transitioning VIGJV members to “individual, modified, Rate 22 Agreements”.

Response:

FEI and the VIGJV consider an extension of the existing TSA is preferable as compared to transitioning the VIGJV members to possibly individual, modified RS 22 Agreements at this time. The VIGJV are happy with the current TSA and the overall tolls and costs are similar to RS 22. Therefore, there is no benefit at this time to switch to RS 22 and the preference is to continue with the current agreement while the pipeline continues to operate in a similar manner as to how it has historically operated under the current TSA. The VIGJV would like to extend the TSA to more closely align with when Woodfibre LNG may come into service as the operating conditions on the pipeline would change if the Woodfibre project moves forward. If the Woodfibre project moves forward, there will be a significant impact to the operating conditions on the pipeline, and it would be best for FEI and the VIGJV to better understand those conditions prior to entering discussions to negotiate a new agreement, whether in the form of a new TSA or a modified RS 22 agreement that would continue to work for the VIGJV and FEI at such time. Transitioning to new agreements now would likely be short term as the VIGJV may seek different terms in their future agreement if the Woodfibre project moves forward.

1.8.1 Please explain why “individual, modified, Rate 22 Agreements” would be required for these customers.

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1 **Response:**

2 The VIGJV TSA is an agreement where the multiple parties to the agreement share a contract
3 demand and manage the limits of this contract demand among themselves. This has served the
4 member mills of the VIGJV well for over 20 years. RS 22 is designed to serve individual customers
5 at one geographic location. There is no provision for RS 22 to serve a group of customers as a
6 collective. To have the VIGJV served as one group, a separate RS 22 tariff supplement agreement
7 would need to be written and approved by the BCUC. Additionally, the VIGJV may seek other
8 terms or conditions that their TSA has provided since it was originally negotiated and/or amended
9 over time. This solution would not be much different than the TSA in this Application.

10 Barring a tariff supplement agreement, each individual member of the VIGJV would need to sign
11 up for RS 22 service on their own.

12
13

14
15 1.8.2 Please describe if FEI sees any benefit for either party to transition to
16 Rate Schedule 22 or another applicable rate schedule.

17
18 **Response:**

19 Please refer to the response to BCUC IR1 1.8.

20
21

22
23 1.8.3 Please describe the impact to the rate, service, and other applicable
24 factors if VIGJV members were transitioned to Rate Schedule 22.

25
26 **Response:**

27 When factoring in their tolls and the costs related to system gas, the overall costs to the VIGJV
28 are similar to the rates under RS 22 so the VIGJV would see no real change (positive or negative)
29 to their costs by transitioning to RS 22 at this time.

30 If the members of the VIGJV were to transition to RS 22, they would likely need to do so as
31 individual RS 22 customers rather than as a joint venture as it does not make sense to enter into
32 negotiations with FEI on new RS 22 tariff supplement agreements when, with extending the
33 current TSA, they continue to act as a single customer/joint venture. Today under the VIGJV
34 agreement they share their firm contract demand and they are comfortable with how this TSA
35 functions for their needs. Under RS 22 it is unclear as to how they would want to contract if they
36 each had to hold individual RS 22 agreements. The VIGJV was formed in 1990 and they want to
37 continue negotiating together with a unified voice especially with potential changes to how the

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Vancouver Island/Sunshine Coast transmission pipeline may operate if and/or when Woodfibre comes online.

1.9 Please confirm, or explain otherwise, that members of the VIGJV are able to withdraw from the TSA before it expires.

1.9.1 If confirmed, please describe what impact, if any, an early withdrawal by one of the VIGJV members would have.

Response:

Not confirmed. The current TSA does not allow for the members of the VIGJV to withdraw from the TSA before it expires. However, they do retain the ability to reduce their firm contract demand down to the minimum Contract Demand during the Renewal period of 8,000 GJ per day. FEI notes that if the firm contract demand is reduced from the current level of 13,000 GJ per day to 8,000 GJ per day, the percent recovery between the TSA toll rates versus RS 22 remains at approximately 98 percent based on the same assumptions described in the response to BCUC IR1 1.6.

1.10 Please describe the impact to FEI, VIGJV and/or any other applicable parties if the British Columbia Utilities Commission were to not approve the 5-year TSA extension.

Response:

If the BCUC were to not approve the 5-year TSA extension, the VIGJV would not have a service agreement as the existing TSA will have expired. As such, the individual VIGJV members would need to immediately negotiate and seek an RS 22 interruptible agreement to ensure continued service, as well as request approval for continuation of the interim approval granted by Order G-308-22 for continuation of the existing TSA until such time as a new agreement is reached.

FEI and the VIGJV would then need to negotiate a new joint TSA, negotiate individual new RS 22 TSA Tariff Supplement agreements, or encourage individual VIGJV customers to sign RS 22 firm agreements (with firm capacity subject to capacity and negotiation). With the exception of a standard RS 22 interruptible agreement, any new TSA or RS 22 Tariff Supplement would likely have terms similar to the existing TSA. As the current costs to the VIGJV under their TSA are similar to the rates under RS 22, FEI assumes that the tolls under any new agreement would be similar. These alternative agreements would also require BCUC approval.

FortisBC Energy Inc. (FEI or the Company) Application for Approval of a Five-Year Extension to the Transportation Service Agreement between FEI and the Vancouver Island Gas Joint Venture (Application)	Submission Date: December 21, 2022
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2.0 Reference: Extension Letter

Exhibit B-1, Appendix A, p. 1, 2

Woodfibre LNG Facility

On page 1 of Appendix A of the Application, VIGJV states that “(t)he VIJGV Mills agreed to convert to natural gas, thus providing enough demand on the pipeline system to make it economical for other consumers on Vancouver Island and the Sunshine Coast.”

On page 2 of Appendix A of the Application, VIGJV states:

The Woodfibre facility is anticipated to have a dramatic impact on the capacity and flexibility of the system operation and therefore revised terms and conditions need to be in place for the VIGJV members before the LNG project proceeds. FortisBC offered options to preserve the reliable delivery of natural gas to the VIGJV despite the increased demand on the system from the new LNG facility. However this issue remains unresolved and the in-service date for the LNG project is now anticipated to be in late 2027... The extension to November 2022 contemplated operation of the Woodfibre LNG facility by this time, triggering a material change to the operation of the system. The delayed in-service date extends the operational framework that has existed since 1991 which has been well served by the existing arrangement. Therefore, extending the existing arrangement to coincide with the new in-service date provides stability for the VIGJV members and preserves the status quo for FortisBC.

2.1 Please discuss the impact the operation of the Woodfibre LNG facility will have on the capacity and flexibility of FEI’s system and the impact, if any, to VIGJV members and other consumers on Vancouver Island and the Sunshine Coast.

Response:

If the Woodfibre LNG facility moves ahead, there would be a much higher utilization rate of the capacity on the pipeline year-round. Over the last 10 years, the utilization of the pipeline has generally only been high during peak weather conditions and when BC Hydro has chosen to run Island Generation. Since Island Generation became dispatchable, capacity on the system has been freed up, which can be used by other customers on an interruptible basis. The VIGJV typically uses 13 TJ per day of firm capacity, after which interruptible capacity is utilized. BC Hydro has now entered into an RS 22 interruptible agreement releasing its firm capacity. The addition of Woodfibre, and its firm capacity, would result in little uncontracted capacity on the system, meaning little interruptible gas delivery availability. The VIGJV will need to revisit and address their firm capacity contracting and understand how the operation of the pipeline and interruptible capacity requests may change if the Woodfibre LNG project moves forward. It is too early to determine if a future agreement with the VIGJV would be through amendments to the TSA, a brand-new TSA, a Standard Rate Schedule (i.e., RS 22) or a Standard Rate Schedule with a Tariff Supplement, as the VIGJV may request some revised or different terms.

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2.2 Please explain why “revised terms and conditions need to be in place for the VIGJV members before the LNG project proceeds.”

2.2.1 Please describe the changes to the terms and conditions FEI anticipates and the timelines for such changes.

Response:

Please refer to the response to BCUC IR1 2.1.

2.3 Please confirm, or otherwise explain, that FEI anticipates the TSA with VIGJV would remain in place once the Woodfibre LNG facility is in service

Response:

Please refer to the response to BCUC IR1 2.1.

Attachment 1.1



TRANSPORTATION SERVICE AGREEMENT

BETWEEN

**FORTISBC ENERGY INC.
(formerly FortisBC Energy (Vancouver Island) Inc. and
Terasen Gas (Vancouver Island) Inc.)**

AND

THE VANCOUVER ISLAND GAS JOINT VENTURE

Effective December 14, 1995

Order No.: G-21-14

Issued By: Diane Roy, Director, Regulatory Services

Effective Date: January 1, 2015

BCUC Secretary: Original signed by Erica Hamilton

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TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT dated as of the 14th day of December, 1995

BETWEEN:

PACIFIC COAST ENERGY CORPORATION, a company
incorporated under the laws of British Columbia and having offices
in Vancouver, British Columbia

("Pacific Coast")

OF THE FIRST PART

AND

**MACMILLAN BLOEDEL LIMITED, HOWE SOUND PULP
AND PAPER LIMITED, FLETCHER CHALLENGE
CANADA LIMITED, WESTERN PULP LIMITED
PARTNERSHIP and HARMAC PACIFIC INC.**, each of which
is a corporation or limited partnership having offices in
Vancouver, British Columbia, operating for the purposes of this
Agreement as a joint venture called the "Vancouver Island Gas
Joint Venture"

("Shipper")

OF THE SECOND PART

WHEREAS Shipper has requested Pacific Coast to provide it with the Firm
Transportation Service and the Interruptible Transportation Service described in this Agreement
and Pacific Coast has agreed to provide Shipper with such services in accordance with and
subject to the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual agreements hereinafter
contained, the parties hereto agree as follows:

ARTICLE 1.

GENERAL TERMS AND CONDITIONS

1.01 Incorporation. The provisions of Pacific Coast's General Terms and Conditions for Gas
Transportation Service, other than Section 17.02 thereof, as accepted for filing by the
BCUC and in effect from time to time, are incorporated herein by reference and
constitute part of this Agreement. Unless otherwise defined herein, the terms and
expressions used in this Agreement have the same meaning as the corresponding terms
and expressions used in Pacific Coast's General Terms and Conditions for Gas
Transportation Service. If there is any conflict or inconsistency between the provisions
of this Agreement and the provisions of the General Terms and Conditions for Gas
Transportation Service, the provisions of this Agreement shall prevail.

Order No.: G-105-95/G-108-95

Issued By:

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Accepted for filing: December 8, 1995

BCUC Secretary: Original signed by R.J. Pellatt

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ARTICLE 2.DEFINITIONS

2.01 Definitions. In and for the purposes of this Agreement:

- (a) "Centra Distribution System" means the property and assets used by Centra Gas British Columbia Inc. and its subsidiaries in the gas distribution business carried on in the areas served by the Pacific Coast System, both as of the date of this Agreement and following the transfer of such property and assets to Pacific Coast whether by conveyance, assignment, merger, amalgamation or otherwise;
- (b) "Commodity Toll" means in respect of each Month in the term of this Agreement, including the Renewal Period, that toll, expressed in dollars per gigajoule, fixed by the BCUC in respect of:
 - (i) Motor Fuel Tax and other taxes payable by Pacific Coast in respect of System Gas;
 - any excise or other taxes payable by Pacific Coast in respect of gas transported and delivered through the Pacific Coast System; and
 - odorant costs payable by Pacific Coast to BC Gas in accordance with the Wheeling Agreement;
- (c) "Contract Demand Reduction" means in respect of each Month in the term of this Agreement, including the Renewal Period, that quantity of gas, in gigajoules per Day, equal to the quantity by which:
 - (i) the aggregate of the reductions in the Contract Demand effected by Shipper in accordance with Sections 3.04 and 3.05 hereof as of the first day of the Month exceeds
 - the aggregate of the reinstatements of the Contract Demand effected in accordance with Section 3.10 hereof as of the first day of the Month,
 subject to reduction for any part of that quantity of gas in respect of which a Third Party Shipper is paying tolls to Pacific Coast pursuant to a Service Agreement entered into by that other shipper with Pacific Coast.

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(d) "Demand Toll" means, in respect of each Month in the term of this Agreement including the Renewal Period, that toll, expressed in dollars per gigajoule of Contract Demand per Day, determined in accordance with Schedule A;

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- (e) "Expansion Project" means any project for the construction, installation or modification of facilities on the Pacific Coast System, which increases the capacity of the Pacific Coast System to transport and deliver additional gas under a Service Agreement providing for Firm Transportation Service;
- (f) "Fibre Supply Shortage" means those circumstances where, for any reason, one or more of Owners' Mills is unable to obtain sufficient fibre supply to operate at capacity and, as a direct result, the production level at any such mill is curtailed;
- "Initial Term" means the period commencing at the Transition Time and ending at 0800 PST on January 1, 2006;
- (h) "Interruptible Offset Account" means the account in respect of Interruptible Offset Gas maintained in accordance with Article 4;
- (i) "Interruptible Offset Gas" means the quantities of gas recorded in the Interruptible Offset Account in accordance with Article 4;
- (j) "Interruptible Toll" means, in respect of each Month in the term of this Agreement including the Renewal Period, that toll, expressed in dollars per gigajoule, determined in accordance with Schedule B;
- "Labour Disturbance" means a strike, lockout or other labour disruption affecting one or more of Owners' Mills;
- (l) "Market Out" means those circumstances where one or more of Owners' Mills is shut down or production curtailed by reason of lack of demand for the products produced at the mill and, as a direct result, the production level at such mill is curtailed;
- "Owners" means, collectively, the corporations and partnerships specified in the first column in Section 9.01, and such other corporations or partnerships as may become parties to this Agreement in addition to or in substitution for the corporations and partnerships specified in Section 9.01 pursuant to an amendment made in accordance with Section 9.03;
- (n) "Owners' Mills" means the seven pulp and paper mills and related facilities located on the sites owned by one or more of the Owners at Woodfibre, Port Mellon, Powell River, Elk Falls, Port Alberni, Harmac and Crofton, British Columbia, which mills are connected to the Pacific Coast System at the Delivery Points;
- "Participating Interest" means in respect of each of the Owners, that share of the total liability of Shipper under this Agreement allocated to each such Owner from time to time in accordance with Article 9;

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(p) "Renewal Period" means the five year period commencing at 0800 PST on January 1, 2006 and ending at 0800 PST on January 1, 2011;

"Revenue Deficiency" means for any period the amount by which the cost of service incurred in that period exceeds the actual revenues received for that period, whether recorded or not in a revenue deficiency or deferral account;

(r) "Schedule A" means the schedule entitled "Demand Tolls, Firm Transportation Service" attached to this Agreement;

(s) "Schedule B" means the schedule entitled "Interruptible Tolls, Interruptible Transportation Service" attached to this Agreement;

(t) "Schedule C" means the schedule entitled "Delivery Points" attached to this Agreement;

"Third Party Shipper" means any party other than Shipper, Pacific Coast, Centra Gas British Columbia Inc., or their respective successors;

"this Agreement" means this agreement and includes Pacific Coast's General Terms and Conditions for Gas Transportation Service, Schedule A, Schedule B and Schedule C; and

"Transition Time" means the Transition Time as defined in the Transition and Release Agreement dated as of December 14, 1995 among Pacific Coast, Shipper and Her Majesty the Queen in Right of British Columbia as represented by the Minister of Energy, Mines and Petroleum Resources.

ARTICLE 3.

FIRM TRANSPORTATION SERVICE

3.01 Firm Service. Subject to the provisions of this Agreement, Pacific Coast shall, on each Day in the term of this Agreement, provide Shipper with Firm Transportation Service to the Delivery Points in respect of that quantity of gas requested and supplied by Shipper at the Receipt Point not exceeding the Contract Demand.

Contract Demand - Initial Term. The Contract Demand for the Initial Term shall be 40,000 gigajoules of gas per Day,

(a) less any reduction in the Contract Demand effected in accordance with Sections 3.04, 3.07, 3.08 and 10.01; and

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- (b) plus any reinstatement of the Contract Demand effected in accordance with Section 3.10.

Contract Demand - Renewal Period. The Contract Demand for the Renewal Period shall be the Contract Demand in effect on the last Day of the Initial Term, less any reduction in the Contract Demand effected in accordance with Sections 3.05, 3.07, 3.08 and 10.01 during the Renewal Period.

Contract Demand Reduction by Notice - Initial Term. If there is a reduction, other than a temporary reduction, in:

- (a) the energy requirements of Owners' Mills; or
- (b) the gas requirement of Owners' Mills as a result of increased or more efficient usage of wood waste as a form of energy for any of Owners' Mills,

Shipper may, subject to Sections 3.09 and 10.01 and subject to giving notice to Pacific Coast in accordance with Section 3.06, reduce the Contract Demand in effect in accordance with this Agreement by a quantity of gas not exceeding 10,000 gigajoules per Day in aggregate, as follows:

- (c) 5,000 gigajoules per Day, by giving notice to Pacific Coast in accordance with this Section to be effective at any time during that part of the Initial Term ending on December 31, 2000; and
- (d) 5,000 gigajoules per Day, by giving notice to Pacific Coast in accordance with this Section to be effective at any time during the last five years in the Initial Term.

Contract Demand Reduction by Notice - Renewal Period. If in the Renewal Period there is a reduction, other than a temporary reduction, in:

- (a) the energy requirements of Owners' Mills; or
- (b) the gas requirements of Owners' Mills as a result of increased or more efficient usage of wood waste as a form of energy for any of Owners' Mills,

Shipper may, subject to giving notice to Pacific Coast in accordance with Section 3.06, reduce the Contract Demand in effect in accordance with this Agreement by a quantity of gas equal to:

- (c) that portion of the 10,000 gigajoules per Day available to reduce the Contract Demand under Section 3.04 which was not utilized during the Initial Terms to a maximum of 5,000 gigajoules per Day in aggregate; or

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if the Contract Demand is reduced in accordance with Subsection 10.01(e), that portion of the 10,000 gigajoules per Day available to reduce the Contract Demand under Section 3.04 which was not utilized during the Initial Term, less the sum of:

- (i) any reduction in the Contract Demand effected in accordance with this Section prior to any reduction being made to the Contract Demand pursuant to Subsection 10.01(e); and
- (ii) the reduction in the Contract Demand effected in accordance with Subsection 10.01(e).

No reduction in the Contract Demand shall be made in accordance with this Section if or to the extent that such reduction would reduce the Contract Demand to a quantity of less than 30,000 gigajoules per Day.

3.06 Notice and Effective Time. To effect a reduction in the Contract Demand pursuant to Sections 3.04 or 3.05, Shipper shall give Pacific Coast at least six months notice of any Contract Demand reduction not exceeding 3,000 gigajoules per Day, and at least 12 months notice of any Contract Demand reduction in excess of 3,000 gigajoules per Day, provided that Shipper shall not, during any period of 12 consecutive months, give two or more notices of Contract Demand reductions not exceeding 3,000 gigajoules per Day if the aggregate of those reductions would exceed 3,000 gigajoules per Day. Any notice given by Shipper pursuant to this Section shall set out sufficient information to permit Pacific Coast to determine the circumstances giving rise to the reduction in energy requirements and to assess the quantity of that reduction. A Contract Demand reduction effected by notice in accordance with Sections 3.04 and 3.05 shall come into effect at 0800 PST on the first Day of the Month immediately following:

- (a) the expiration of the six month notice period, in the case of a reduction not exceeding 3,000 gigajoules per Day; and

the expiration of the 12 month notice period, in the case of a reduction exceeding 3,000 gigajoules per Day.

Contract Demand Reduction - Cogeneration Plant. If a cogeneration plant, which utilizes gas transported through the Pacific Coast System, is brought into operation and if the operation of that cogeneration plant results in a reduction, other than a temporary reduction, in the gas requirements of one or more of Owners' Mills, Shipper may, by giving at least six months notice to Pacific Coast, reduce the Contract Demand then in effect by a quantity of gas, in gigajoules per Day, not exceeding the reduction in the gas requirements of Owners' Mills resulting from the operation of the cogeneration plant. Any notice given by Shipper pursuant to this section shall set out sufficient information to permit Pacific Coast to assess the quantity of the reduction in the gas requirements of Owners' Mills resulting from the operation of the cogeneration plant. Any reduction in

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the Contract Demand effected by notice in accordance with this Section shall come into effect at 0800 PST on the later of:

the first Day of the Month immediately following the expiration of the notice period; or

the Day on which that cogeneration plant has been commissioned and commences regular operation.

3.08 Contract Demand Reduction - Expansion Projects. If Pacific Coast proposes to proceed with an Expansion Project, Pacific Coast shall give notice to Shipper no more than 24 months prior to the planned in-service date for the Expansion Project, which notice shall set out the planned in-service date and the increase in the firm capacity of the Pacific Coast System, in gigajoules per Day, which would result from the Expansion Project. If Pacific Coast gives Shipper notice of an Expansion Project, Shipper shall have the right to reduce the Contract Demand in effect in accordance with this Agreement by a quantity of gas, in gigajoules per Day, not exceeding the capacity increase specified in the notice given by Pacific Coast, provided that notice of Shipper's election to so reduce the Contract Demand is given to Pacific Coast within 90 days of the receipt by Shipper of the notice given by Pacific Coast pursuant to this Section. Any Contract Demand reduction effected by Shipper in accordance with this Section shall be effective at 0800 PST on the earlier of the in-service date specified in the notice given by Pacific Coast or on the actual in-service date for the Expansion Project.

3.09 Limitation on Contract Demand Reductions. If Shipper reduces the Contract Demand by a notice given pursuant to Section 3.08 which becomes effective during either of the periods specified in Subsections 3.04(c) and (d), then Shipper's right to reduce the Contract Demand in either such period pursuant to Section 3.04 shall be reduced, effective the Day Shipper gives a notice pursuant to Section 3.08, by a quantity of gas, in gigajoules per Day, equal to the lesser of:

- (a) 25 percent of the reduction in the Contract Demand effected by Shipper in accordance with Section 3.08; and
- (b) that part of the 5,000 gigajoules of gas per Day for either such period in respect of which Shipper has not exercised its reduction rights under Section 3.04 as of the Day notice is given by Shipper pursuant to Section 3.08.

3.10 Reinstatement of Contract Demand. If Shipper has reduced the Contract Demand pursuant to any of Sections 3.04, 3.05, 3.07, 3.08 or 10.01, Shipper may, by giving notice to Pacific Coast, request the reinstatement of the Contract Demand to a quantity not exceeding 40,000 gigajoules per Day. Pacific Coast shall, following the receipt of a notice given by Shipper, reinstate the Contract Demand up to that quantity requested by Shipper, subject to firm capacity being or becoming available on the Pacific Coast System for the remainder of the term of this Agreement, including the Renewal Period,

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or, if such capacity is not so available, for such shorter period as may be specified by Pacific Coast. Such reinstatement of the Contract Demand shall become effective at 0800 PST on the first Day of the Month following the time at which such firm capacity becomes available, or at such earlier time as may be agreed upon by Shipper and Pacific Coast. Nothing in this Section shall be construed to require Pacific Coast to undertake or proceed with an Expansion Project.

Assignment of Contract Demand. Shipper shall have the right to assign all or part of the Contract Demand in effect under this Agreement to a Third Party Shipper provided Shipper has obtained the prior written approval of Pacific Coast for such assignment, such approval not to be unreasonably withheld or delayed. Shipper shall be relieved, for the period of the assignment, from its obligations under this Agreement in respect of the Contract Demand or part thereof so assigned with the approval of Pacific Coast.

Contract Demand Reductions. For greater certainty, nothing in this Agreement shall operate to limit the quantity of a reduction in the Contract Demand that may be effected by Shipper pursuant to and in accordance with Sections 3.07, 3.08, 3.11 and 10.01, except as provided in those Sections.

ARTICLE 4.

UNUTILIZED CONTRACT DEMAND AND INTERRUPTIBLE OFFSET GAS

4.01 Interruptible Offset Gas. Shipper shall be entitled during any year in the term of this Agreement, including the Renewal Period, to offset unutilized Firm Transportation Service with deliveries of gas under Interruptible Transportation Service in the manner and to the extent provided in this Article, if:

- (a) the operations of one or more of Owners' Mills are interrupted or curtailed by reason of a Market Out, a Fibre Supply Shortage or a Labour Disturbance;
- (b) as a result of such interruption or curtailment, the total quantity of gas delivered to Shipper on any Day pursuant to this Agreement is less than the Contract Demand in effect on such Day; and
- (c) Shipper has first given notice to Pacific Coast in accordance with Section 4.02.

4.02 Notice by Shipper. If Shipper anticipates that the operations of one or more of Owners' Mills is or will be interrupted or curtailed by reason of a Market Out, a Fibre Supply Shortage or a Labour Disturbance, Shipper shall give as much notice to Pacific Coast as is practicable specifying its intention to offset unutilized Firm Transportation Service in accordance with this Article, which notice shall:

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- (a) state which of Owners' Mills is or will be affected by an interruption or curtailment of operations;
- (b) state the date on which such interruption or curtailment of operations commenced or is to commence and its anticipated duration; and
- (c) describe the circumstances constituting the Market Out, Fibre Supply Shortage or Labour Disturbance giving rise to such interruption or curtailment of operations.

4.03 Quantity. Subject to the limitations set out in Section 4.04, the quantity of gas which may be added to the Interruptible Offset Account in respect of any Day from and including the Day specified in the notice given pursuant to Section 4.02 as being the Day upon which an interruption or curtailment in the operation of Owners' Mills is to commence, shall be that quantity of gas, in gigajoules, equal to the difference obtained by subtracting the actual quantity of gas delivered to Shipper on any such Day from the lesser of:

- (a) the Contract Demand in effect on that Day; and
- (b) the quantity of gas which would have been delivered to Shipper on that Day if such interruption or curtailment in the operations of Owners' Mills had not occurred,

provided that the difference shall not be less than zero. For the purposes of Subsection 4.03(b), the arithmetic average of the daily quantities of gas delivered by Pacific Coast to Shipper during the Month in which such Day occurred in each of the two immediately preceding years shall, subject to adjustment for Labour Disturbances and permanent changes in the production levels of Owners' Mills, be deemed to be the quantity of gas which would have been delivered to Shipper on any such Day.

4.04 Limitations. The quantity of gas in gigajoules which may be added to the Interruptible Offset Account in any year in the term of this Agreement, including the Renewal Period, shall not exceed:

- (a) 40 percent of the then current Contract Demand on up to 28 Days in any year; and
- (b) 20 percent of the then current Contract Demand on any other Day in the year,

provided that the total quantity of gas added to the Interruptible Offset Account in any year shall not under any circumstances exceed one million gigajoules.

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Monthly Statements. Pacific Coast shall include in the statement delivered to Shipper for each Month in accordance with Section 8.01 of the General Terms and Conditions, for Gas Transportation Service the following information respecting the Interruptible Offset Account:

- (a) the opening balance in the account at the beginning of the Month;
- (b) the quantities of gas added to, and delivered from, the account during the Month; and
- (c) the closing balance in the account at the end of the Month.

ARTICLE 5.

INTERRUPTIBLE TRANSPORTATION SERVICE

Interruptible Service. Subject to the provisions of this Agreement and to the availability of capacity on the Pacific Coast System, Pacific Coast shall, on each Day in the term of this Agreement including the Renewal Period, provide Shipper with Interruptible Transportation Service to the Delivery Points in respect of that quantity of gas in excess of the Contract Demand requested and supplied by Shipper at the Receipt Point.

ARTICLE 6.

TOLLS

Monthly Tolls - Firm Transportation Service. Shipper shall pay to Pacific Coast in respect of the Firm Transportation Service provided to Shipper in each Month in the term of this Agreement, including the Renewal Period, an amount equal to the sum of:

- (a) the product obtained by multiplying the Demand Toll by the product obtained by multiplying the Contract Demand in effect in each such Month by the number of Days in the Month; and
- (b) the product obtained by multiplying the Commodity Toll for each such Month by the total quantity of gas delivered to Shipper under such service at the Delivery Points in each such Month.

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Additional Monthly Demand Toll Amount. If Shipper reduces its Contract Demand in accordance with Section 3.04 or Section 3.05, Shipper shall, in addition to the Demand Tolls payable in accordance with Section 6.01, pay to Pacific Coast an additional Demand Toll amount determined for each Month in the term of this Agreement, including the Renewal Period, in accordance with the following formula:

$$ADT = 35/100 \times DT \times CDR \times DM$$

Where:

"ADT" is the additional Demand Toll amount payable for the Month;

"DT" is the Demand Toll in effect for the Month;

"CDR" is the Contract Demand Reduction for the Month; and

"DM" is the number of days in the Month.

Monthly Tolls - Interruptible Transportation Service. Shipper shall pay to Pacific Coast in respect of the Interruptible Transportation Service provided to Shipper in each Month in the term of this Agreement, including the Renewal Period, an amount equal to the sum of:

- (a) the product obtained by multiplying the Interruptible Toll by the quantity of gas, other than Interruptible Offset Gas, delivered to Shipper under such service in each such Month; and
- (b) the product obtained by multiplying the Commodity Toll by the total quantity of gas delivered to Shipper under such service in each such Month.

ARTICLE 7.

DELIVERY POINTS, TEMPERATURE AND PRESSURE

Delivery Points. The Delivery Points shall be at those points where the Pacific Coast System connects with the facilities of Shipper, as described in Schedule C.

Delivery Temperature and Pressure. Gas delivered by Pacific Coast to Shipper at the Delivery Points shall be at a pressure not exceeding 225 psig, and at a temperature of not less than 40 degrees Fahrenheit.

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[Signature] 2/15/96
G-4-96

SECRETARY

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BCUC Secretary: Original signed by R.J. Pellatt

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ARTICLE 8.

SHIPPER'S GAS SUPPLY MANAGER

Appointment and Functions. Shipper has appointed Inland Pacific Energy Services Ltd ("Inland") as Shipper's gas supply manager, and Inland will on behalf of Shipper:

- (a) arrange for Shipper's gas supply;
- (b) make nominations and administer curtailments for and on behalf of Shipper;
- (c) receive statements delivered by Pacific Coast for transportation services; and
- (d) arrange payments to Pacific Coast for and on behalf of Shipper.

Shipper acknowledges that Pacific Coast shall be entitled to deal with, and Shipper shall deal with, Inland as Shipper's gas supply manager on its behalf until notice of the revocation of Inland's appointment has been given by Shipper to Pacific Coast. Shipper may thereafter appoint another person as Shipper's gas supply manager, and shall give notice of such appointment to Pacific Coast.

ARTICLE 9.

LIABILITY

Several Liability. The parties hereto agree that each reference to Shipper in this Agreement shall include each of the Owners severally only, and that all covenants, agreements, representations, and warranties of Shipper contained in, and liabilities and obligations of Shipper under, this Agreement shall be deemed to be several covenants, agreements, representations, warranties, liabilities and obligations of each of the Owners, allocated as follows:

<u>Owner</u>	<u>Share of Total Liability</u>
Fletcher Challenge Canada Limited	36.72%
Howe Sound Pulp and Paper Limited	14.92%
MacMillan Bloedel Limited	27.23%
Western Pulp Limited Partnership	10.37%
Harmac Pacific Inc.	10.76%

as such allocation may be modified from time to time in accordance with Section 9.03

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Participating Interests. Shipper represents and warrants to Pacific Coast that, as of December 14, 1995, the respective Participating Interests (as defined in the joint venture agreement among the parties comprised in Shipper) in the Vancouver Island Gas Joint Venture are the same as the allocation of liability set forth in the second column in Section 9.01.

Change in Participating Interests. Shipper shall give notice to Pacific Coast each time there is any change in the corporations and partnerships having Participating Interests in the Vancouver Island Gas Joint Venture from those specified in the first column in Section 9.01, or in the respective Participating Interests of the Owners in the Vancouver Island Gas Joint Venture from those specified in the second column in Section 9.01. At the request of Shipper from time to time and with the consent of Pacific Coast, each such consent not to be unreasonably withheld or delayed, Pacific Coast and Shipper shall execute and deliver an amendment to this Agreement amending the list of Owners set forth in Section 9.01, or allocation of liability set forth in Section 9.01 to conform with the Participating Interests then existing in the Vancouver Island Gas Joint Venture.

ARTICLE 10.

DEFAULT BY OWNER

10.01 Default by Owner. If Shipper fails to pay the entire amount due in respect of any Month in the term of this Agreement within the time and in the manner provided in Section 8.02 of the General Terms and Conditions for Gas Transportation Service by reason of the failure of an Owner (the "Defaulting Owner") to perform its obligations under this Agreement, Shipper shall forthwith give notice to Pacific Coast identifying the Defaulting Owner. In addition to any other rights and remedies which Pacific Coast may have arising out of such failure by the Defaulting Owner, the following provisions shall apply:

(a) Pacific Coast shall give notice of the default in payment to Shipper. If Shipper has not, within two business days of the day upon which such notice is received from Pacific Coast, remedied the default in payment in accordance with Section 8.02 of the General Terms and Conditions for Gas Transportation Service, the provisions of Subsections 10.01(b) to (h), inclusive, shall apply.

(b) Pacific Coast may immediately suspend all further deliveries of gas to the Defaulting Owner.

(c) Shipper may, with the consent of Pacific Coast, such consent not to be unreasonably withheld or delayed, reallocate to one or more of the other Owners all or part of the Contract Demand, allocated in accordance with the Participating Interests specified in Section 9.01, to the Defaulting Owner (the "Defaulting Owner's Contract Demand"), provided that Shipper gives notice to Pacific Coast within five business days of the receipt of the notice given by Pacific Coast

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 SFC. INV.

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pursuant to Subsection 10.01(a), of such reallocation to the other Owners and of the change in the Participating Interests of the Owners (other than the Defaulting Owner) resulting from such reallocation.

- (d) The reallocation of the Contract Demand effected by Shipper in accordance with Subsection 10.01(c) shall take effect on the Day next following the day on which Shipper receives a notice from Pacific Coast consenting to:

- (i) the reallocation of all or part of the Defaulting Owner's Contract Demand made by Shipper in accordance with Subsection 10.01(c); and

the change in the Participating Interests of the other Owners in accordance with Section 9.03.

- (e) If the default in payment occurs during the Initial Term or the Renewal Period, that part of the Defaulting Owner's Contract Demand which has not been reallocated to the other Owners in accordance with Subsections 10.01(c) and (d), shall be applied:

- (i) as a reduction of the Contract Demand in effect pursuant to Article 3 as at the time of the default in payment by the Defaulting Owner;

- (ii) as a reduction of Shipper's right to reduce the Contract Demand in accordance with Section 3.04 in the manner provided in Subsection 10.01(f), if the default in payment occurs during the Initial Term; and

as a reduction of Shipper's right to reduce the Contract Demand in accordance with Section 3.05 in the manner provided in Section 3.05, if the default in payment occurs during the Renewal Period,

such reductions to be effective:

in the case where part of the Defaulting Owner's Contract Demand is reallocated to one or more of the other Owners in accordance with Subsections 10.01(c) and (d), on the Day upon which such reallocation becomes effective in accordance with Subsection 10.01(d); and

- (v) in any other case, at 0800 PST on the seventh business day following the day on which notice is given by Pacific Coast to Shipper in accordance with Subsection 10.01(a).

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BCUC Secretary: *[Signature]*
G-4-96

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- (f) If the Contract Demand is reduced during the Initial Term in accordance with Subsection 10.01(e), then, notwithstanding Subsections 3.04(c) and (d), Shipper may, at any time during the remainder of the Initial Term, reduce the Contract Demand in accordance with Section 3.04 by a quantity equal to 10,000 gigajoules per Day less the sum of:
- (i) any reductions in the Contract Demand effected by Shipper pursuant to Section 3.04 prior to the default in payment by the Defaulting Owner; and
 - (ii) the reduction in the Contract Demand effected in accordance with Subsection 10.01(e)
- provided that the quantity shall not be less than zero.
- (g) The Owners other than the Defaulting Owner, as Shipper, shall pay to Pacific Coast the additional Demand Toll amount, determined in accordance with Section 6.02, in respect of any reduction of the Contract Demand effected in accordance with Subsection 10.01(e) during the Initial Term or the Renewal Period to the extent those reductions reduce the Contract Demand to a quantity of not less than 30,000 gigajoules per Day, subject to reduction for any amounts recovered by Pacific Coast from the Defaulting Owner as a result of the failure of payment by the Defaulting Owner.

ARTICLE 11.

COVENANTS OF PACIFIC COAST

11.01 Covenants. Pacific Coast covenants with and in favour of Shipper that Pacific Coast:

- (a) shall not at any time seek to recover from Shipper, directly or indirectly, whether in tolls or otherwise, any Revenue Deficiency incurred prior to or during the term of this Agreement, including the Renewal Period, in the operations of the Pacific Coast System or in the operations of any gas distribution utility connected to the Pacific Coast System, and that Pacific Coast shall oppose any application or other proposal made by any party to seek any such recovery from Shipper;
- (b) shall, in respect of the tolls to be charged to any new Third Party Shipper of gas through the Pacific Coast System, apply to the BCUC for approval of tolls which are determined in accordance with the full fixed-variable cost of service methodology and which, in the case of the mainline sections of the Pacific Coast System, are determined on a rolled-in basis as opposed to an incremental basis; and

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- (c) Pacific Coast will operate the Pacific Coast System so as to provide Firm Transportation Service and Interruptible Transportation Service under the General Terms and Conditions for Gas Transportation Service on a non-discriminatory basis in respect of gas to be transported and delivered to Shipper, Third Party Shippers and to the Centra Distribution System.

- 11.02 Survival. Notwithstanding Section 14.01, the provisions of Subsection 11.01(a) shall survive the termination or expiration of this Agreement.

ARTICLE 12.

APPLICATION OF GENERAL TERMS AND CONDITIONS FOR GAS TRANSPORTATION SERVICE

- 12.01 Application of General Terms and Conditions. Pacific Coast agrees that, if the Centra Distribution System is transferred to Pacific Coast, then, following such transfer and for all purposes of this Agreement, the provisions of the General Terms and Conditions for Gas Transportation Service, other than Sections 5.03(b), 5.05, 5.06, 6.01 and 6.02, Article 7, Article 8, Article 9, Section 12.04, Article 13, Article 14, Article 16 and Article 17, shall apply to the transportation of gas through the Pacific Coast System to the Centra Distribution System as if the Centra Distribution System was a Third Party Shipper which had entered into a Service Agreement with Pacific Coast and, for that purpose, Pacific Coast shall be deemed to be entitled to Firm Transportation Service through the Pacific Coast System in respect of a Contract Demand equal to the total firm capacity of the Pacific Coast System, in gigajoules per Day, less the aggregate of the Contract Demands in effect from time to time under this Agreement and any Service Agreements with Third Party Shippers.

ARTICLE 13.

GENERAL

- 13.01 Address for Notices. The address of each of the parties hereto for the purpose of giving any notice in accordance with this Agreement is as follows:

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G-4-96
SECRETARY
B.C. UTILITIES COMMISSION

Order No.: G-105-95/G-108-95

Issued By:

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Pacific Coast:

Pacific Coast Energy Corporation
Suite 1700
1188 West Georgia Street
Vancouver, British Columbia
V6E 4A2

Telecopier: (604) 691-5136

Notices to Pacific Coast respecting statements and payments shall be sent to the attention of the Comptroller and all other notices shall be sent to the attention of the President.

Shipper:

Vancouver Island Gas Joint Venture
c/o Inland Pacific Energy Services Ltd.
Suite 1600
1095 West Pender Street
Vancouver, British Columbia
V6E 2M6

Attention: Gas Manager
Telecopier: (604) 895-3524

with a copy to each of:

MacMillan Bloedel Limited
22nd Floor
925 West Georgia Street
Vancouver, British Columbia
V6C 3L2

Attention: General Counsel
Telecopier: (604) 687-2314

Howe Sound Pulp and Paper Limited
30th Floor
Four Bentall Centre
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1B5

Attention: Vice President, Environment and Energy
Telecopier: (604) 661-5464

JAN 25 1996
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SECRETARY
B.C. UTILITIES COMMISSION

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Fletcher Challenge Canada Limited
9th Floor
Toronto Dominion Bank Tower
700 West Georgia Street
Vancouver, British Columbia
V7H 1J7

Attention: General Counsel
Telecopier: (604) 654-4132

Western Pulp Limited Partnership
c/o Western Pulp Inc., General Partner
Suite 2300
1111 West Georgia Street
Vancouver, British Columbia
V6E 4M3

Attention: Secretary - Treasurer
Telecopier: (604) 665-8806

Harmac Pacific Inc.
980 MacMillan Road
P.O. Box 1800
Vancouver, British Columbia
V9R 5M5

Attention: Vice-President, Manufacturing
Telecopier: (604) 722-4310

or at such other address as any party may from time to time designate by notice in writing to the others.

- 13.02 Counterpart Execution. This Agreement may be executed in any number of counterparts, and all of those counterparts shall, for all purposes, constitute one agreement binding on the parties notwithstanding that all parties are not signatory to the same counterpart.
- 13.03 Performance in Good Faith. In making any determinations or deciding whether to grant any consent or approval under and in accordance with this Agreement, and in performing their covenants and obligations under this Agreement, the parties shall act in good faith.

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G-4-86
SECRETARY
B.C. UTILITIES COMMISSION

Order No.: G-105-95/G-108-95

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BCUC Secretary: Original signed by R.J. Pellatt

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ARTICLE 14.

TERM

- 14.01 Term. The term of this Agreement shall be the Initial Term and, if Shipper exercises the option conferred by Section 14.02, the term shall be extended for the Renewal Period.
- 14.02 Renewal Option. Shipper shall have the option, exercisable in its exclusive discretion, to extend the term of this Agreement for the Renewal Period, provided such option is exercised by Shipper by giving notice to so extend the term of this Agreement at least 12 months prior to the expiration of the Initial Term.

ARTICLE 15.

SECURITY

- 15.01 Modification of General Terms and Conditions. Pacific Coast and Shipper agree that the provisions of Sections 9.01 and 9.02 of the General Terms and Conditions for Gas Transportation Service shall not apply to any of the Owners, and that, as between Pacific Coast and each of the Owners, the provisions of Sections 15.02, 15.03, 15.04 and 15.05 hereof shall apply.
- 15.02 Requirement for Security. In order to secure the prompt and orderly payment of the amounts to be paid by an Owner for service under this Agreement, if Pacific Coast determines, acting reasonably, that a change in the financial condition of an Owner has resulted in there being a serious risk that that Owner will not be able to make payments for service to be provided by Pacific Coast pursuant to this Agreement, Pacific Coast shall give notice to that Owner requiring that Owner to provide security for payment in accordance with this Section. Within four business days of the receipt of such notice from Pacific Coast that Owner shall either:
- (a) provide, and at all times maintain, an irrevocable letter of credit in favour of Pacific Coast issued by a financial institution acceptable to Pacific Coast in an amount not to exceed the maximum amount payable by that Owner, in accordance with its Participating Interest, for 90 days of service; or
 - (b) pay to Pacific Coast a prepayment for service in an amount not to exceed the maximum amount payable by that Owner in accordance with its Participating Interest, for 60 days of service.

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SEL. TAB. 6-4-96

Pacific Coast requires an Owner to provide a letter of credit or prepayment and the Owner is able to provide alternative security, Pacific Coast shall not unreasonably withhold or delay acceptance of the alternative security.

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- 15.03 Rescission of Requirement for Security. If Pacific Coast has required an Owner to provide security for payment in accordance with Section 15.02 and if Pacific Coast, acting reasonably, subsequently determines that the financial condition of the Owner has improved such that there is no longer a serious risk that the Owner will not be able to make payments as they become due in accordance with this Agreement, Pacific Coast will rescind the requirement that the Owner provide security in accordance with Section 15.02, without prejudice to Pacific Coast's right to require security at a subsequent time in accordance with Section 15.02.
- 15.04 Review by the BCUC. If an Owner has provided security for payment to Pacific Coast in accordance with Section 15.02, but disputes the determination by Pacific Coast to require that security be provided in accordance with Section 15.02 or a determination that the requirement for security not be rescinded in accordance with Section 15.03, that Owner may apply to the BCUC to review the determination made by Pacific Coast to require security. Pacific Coast and the Owner shall be bound by the determination made by the BCUC. If the BCUC determines on its review that Pacific Coast ought not to have required security from the Owner in accordance with Section 15.02 or ought to have rescinded the requirement in accordance with Section 15.03, Pacific Coast shall reimburse the Owner for all costs and expenses incurred in providing and cancelling such security, including, without limitation, all reasonable costs and expenses related to the proceedings before the BCUC. If the BCUC upholds Pacific Coast's requirement for such security or its decision not to rescind that requirement, the Owner shall reimburse Pacific Coast for all reasonable costs and expenses related to the proceedings before the BCUC.
- 15.05 Default in Payment. If Shipper defaults in the payment of the full amount due and owing for service in any Month and Pacific Coast has given notice to Shipper of that default in accordance with Section 10.01, and if the default is not remedied within two business days of the giving of such notice by Pacific Coast, Pacific Coast may then draw upon the letter of credit, prepayment or alternative security provided by the defaulting Owner in accordance with Section 15.02, in an amount necessary to satisfy the amount due and payable by such defaulting Owner for such Month.
- 15.06 General Terms and Conditions for Gas Transportation Service. For the purposes of Sections 9.03 and 9.04 of the General Terms and Conditions for Gas Transportation Service, each of the Owners shall be deemed to be a Shipper and each Owner shall comply with the requirements of those Sections in the same manner and to the same extent as if each Owner has entered into a separate Service Agreement with Pacific Coast.

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SECRETARY
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Effective Date: December 30, 1995

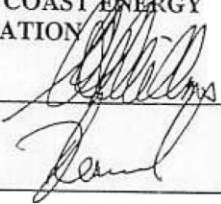
Accepted for filing: December 8, 1995

BCUC Secretary: Original signed by R.J. Pellatt


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

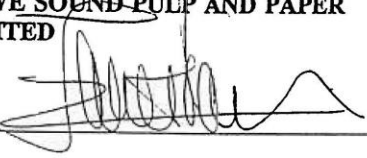
PACIFIC COAST ENERGY
CORPORATION



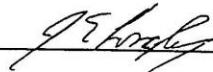
MACMILLAN BLOEDEL LIMITED



HOWE SOUND PULP AND PAPER
LIMITED



FLETCHER CHALLENGE CANADA
LIMITED

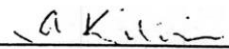


WESTERN PULP INC. as General
Partner of WESTERN PULP
LIMITED PARTNERSHIP



VICE PRESIDENT

HARMAC PACIFIC INC.



JAN 25 1996

Accepted for filing DEC - 8 1995

Effective: DEC 30 1995

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SECRETARY

B.C. UTILITIES COMMISSION

This is page 21 of the Transportation Service Agreement dated as of December 14, 1995 between Pacific Coast Energy Corporation and the Vancouver Island Gas Joint Venture.

Order No.: G-105-95/G-108-95

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Effective Date: December 30, 1995

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Schedule A

TO THE
TRANSPORTATION SERVICE AGREEMENT
DATED AS OF December 14th, 1995
BETWEEN
PACIFIC COAST ENERGY CORPORATION
AND
THE VANCOUVER ISLAND GAS JOINT VENTURE

**DEMAND TOLLS,
FIRM TRANSPORTATION SERVICE**

- 01 Demand Tolls - Initial Term. Subject to adjustment in accordance with Section 1.02 of this Schedule, the Demand Toll, in dollars per gigajoule of Contract Demand per Day, for each year in the Initial Term shall be:

YEAR	DEMAND TOLL (\$/GJ/Day)
1995	0.863
1996	0.863
1997	0.844
1998	0.845
1999	0.828
2000	0.843
2001	0.890
2002	0.890
2003	0.890
2004	0.910
2005	0.916

JAN 25 1996
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G-4-96
SECRETARY
B.C. UTILITIES COMMISSION

Cumulative Inflation Adjustment. The Demand Toll specified in Section 1.01 of this Schedule for 1997 and each subsequent year in the Initial Term shall be adjusted, effective January 1 of each such year, to reflect the difference, whether positive or negative, between an assumed annual inflation rate of 2 percent and the actual inflation rate, on a cumulative basis, in accordance with the method shown for the adjustment of the Demand Toll in the sample calculation set out on page 2 of this Schedule.

Demand Tolls - Renewal Period. The Demand Toll, in dollars per gigajoule of Contract Demand per Day, for 2006 and each subsequent year in the Renewal Period shall be equal to the Demand Toll in effect during 2005 in accordance with Sections 1.01 and 1.02 of this Schedule, escalated annually, effective January 1, 2006 and of each year thereafter, by a percentage amount equal to one-half the percentage increase in the CPI over the 12 month period ending on the September 30 immediately preceding each such year in the Renewal Period.

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- 1.04 Interpretation. In this Schedule, "CPI" means the All-Items Consumer Price Index for Vancouver, British Columbia (time base 1986 = 100) as published by Statistics Canada in Consumer Price Index (catalogue no. 62-001).

**SAMPLE CALCULATION OF CUMULATIVE
INFLATION ADJUSTMENT**

1 YEAR COMMENCING JANUARY 1	2 ANNUAL INFLATION RATE (%) ¹	3 ANNUAL INFLATION ADJUSTMENT (%) ²	4 CUMULATIVE INFLATION ADJUSTMENT (%) ³	5 CUMULATIVE INFLATION ADJUSTMENT FACTOR	6 DEMAND TOLL (\$/GJ/DAY) ⁴	7 ADJUSTED DEMAND TOLL (\$/GJ/DAY) ⁴
1997	4.000	1.000	1.000	1.01000	0.844	0.852
1998	3.500	0.750	1.758	1.01758	0.845	0.860
1999	2.000	0.000	1.758	1.01758	0.828	0.843
2000	1.000	-0.500	1.249	1.01249	0.843	0.854
2001	2.500	0.250	1.502	1.01502	0.890	0.903

Notes:

1. Annual Inflation Rate is the actual percentage change in the CPI for the 12 month period ending on the September 30 immediately preceding the year specified in column 1;
2. Annual Inflation Adjustment ("AIA") is one-half the difference between the Annual Inflation Rate, specified in column 2, and 2.0%, where:

$$\text{Annual Inflation Rate} = 2.0\%, \text{ AIA is nil}$$

$$\text{Annual Inflation Rate} > 2.0\%, \text{ AIA is a positive difference}$$

$$\text{Annual Inflation Rate} < 2.0\%, \text{ AIA is a negative difference}$$
3. Cumulative Inflation Adjustment in column 4 is the compounded Annual Inflation Adjustments from column 3; and
4. Adjusted Demand Toll in column 7 is the Demand Toll specified in column 6, multiplied by the Cumulative Inflation Adjustment Factor in column 5.

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[Signature] 6-4-96
SECRETARY
B.C. UTILITIES COMMISSION

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Schedule B

TO THE
TRANSPORTATION SERVICE AGREEMENT
DATED AS OF December 14th, 1995
BETWEEN
PACIFIC COAST ENERGY CORPORATION
AND
THE VANCOUVER ISLAND GAS JOINT VENTURE

**INTERRUPTIBLE TOLLS,
INTERRUPTIBLE TRANSPORTATION SERVICE**

- 1.01 Interruptible Tolls - Initial Term. Subject to adjustment in accordance with Section 1.02 of this Schedule, the Interruptible Toll, in dollars per gigajoule, for each year in the Initial Term shall be the applicable toll specified in Column 1, provided that, if Shipper takes delivery of a total quantity of gas in excess of 15.8 petajoules in any year after 1995, the Interruptible Toll, in dollars per gigajoule, for any gas taken in excess of that quantity in any such year shall be the applicable Incentive Toll specified in Column 2.

YEAR	COLUMN 1 INTERRUPTIBLE TOLL (\$/GJ)	COLUMN 2 INCENTIVE TOLL (\$/GJ)
1995	0.686	
1996	0.686	0.500
1997	0.669	0.488
1998	0.669	0.488
1999	0.655	0.477
2000	0.665	0.485
2001	0.701	0.511
2002	0.701	0.511
2003	0.701	0.511
2004	0.716	0.522
2005	0.721	0.525

1.02 Cumulative Inflation Adjustment. The Interruptible Tolls specified in Section 1.01 of this Schedule for 1997 and each subsequent year in the Initial Term shall be adjusted, effective January 1 of each such year, to reflect the difference, whether positive or negative, between an assumed annual inflation rate of 2 percent and the actual inflation rate, on a cumulative basis, in accordance with the method shown for the adjustment of the Demand Toll in the sample calculation set out on page 2 of Schedule A to this Agreement.

Order No. 15-105-95/G-108-95
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SH TADV
9-4-96

Order No.: G-105-95/G-108-95

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BCUC Secretary: Original signed by R.J. Pellatt

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Interruptible Toll - Renewal Period. The Interruptible Tolls, in dollars per gigajoule, for 2006 and each subsequent year in the Renewal Period shall be equal to the Interruptible Tolls in effect during 2005 in accordance with Sections 1.01 and 1.02 of this Schedule, escalated annually, effective January 1, 2006 and of each year thereafter, by a percentage amount equal to one-half the percentage increase in the CPI over the 12 month period ending on the September 30 immediately preceding each such year in the Renewal Period.

Interpretation. In this Schedule, "CPI" means the All-Items Consumer Price Index for Vancouver, British Columbia (time base 1986 = 100), as published by Statistics Canada in Consumer Price Index (catalogue no. 62-001).

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G-4-96
SECRETARY
B.C. UTILITIES COMMISSION

Order No.: G-105-95/G-108-95

Issued By:

Effective Date: December 30, 1995

Accepted for filing: December 8, 1995

BCUC Secretary: Original signed by R.J. Pellatt

Original Page 25

SCHEDULE C

TO THE
TRANSPORTATION SERVICE AGREEMENT
DATED AS OF December 14th, 1995
BETWEEN
PACIFIC COAST ENERGY CORPORATION
AND
THE VANCOUVER ISLAND GAS JOINT VENTURE

DELIVERY POINTS

<u>LOCATION</u>	<u>LEGAL DESCRIPTION</u>
Woodfibre	District Lot 2351, New Westminster Group 1 Land District. PID 015-910-717
Port Mellon	District Lot 1366, except Lot A, New Westminster Group 1 Land District. PID 008-044-333
Powell River	Block 43, except those portions of Plans 12273 and 14778, District Lot 450, Plan 8096, Municipality of Powell River. PID 002-554- 682
Elk Falls	Lot 1, District Lot 109, Sayward District Plan VIP 54479, District of Campbell River. PID 018-089-852
Port Alberni	Part of Lot 1, District Lot 1, Alberni District, Plan 15070, except that part in Plan 31593 included within Plan 51178. PID 016-994- 281
Harmac	West 60 acres of Section 22, Range 1, Cedar District, except that part shown outlined in red on Plan 1499 R. PID 003-926-516
Crofton	Part of Lot 3, Section 3, Ranges 10 and 11, Chemainus District, Plan 3161 included within Plan VIP 54480 PID 017-832-951

16407\31510\V22.HDD
12795\1319\WP51

Accepted for filing:

Effective:

Order No.:

SECRETARY

B.C. UTILITIES COMMISSION

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PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. **1224**, Approved and Ordered **DEC 11 2004**



Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that the attached Special Direction is made.


Minister of Energy and Mines


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- Vancouver Island Natural Gas Pipeline Act, R.S.B.C. 1996, c. 474, section 7 (3) and (4)

Other (specify):- _____

November 30, 2004

page 1 of 2

1527/2004/7

Order No.: G-113-04

Issued By:

Effective Date: December 11, 2004

BCUC Secretary: _____

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**VANCOUVER ISLAND NATURAL GAS PIPELINE
SPECIAL DIRECTION NO. 2 TO THE BRITISH COLUMBIA
UTILITIES COMMISSION**

Definitions

1 In this Special Direction:

- "Act"** means the *Vancouver Island Natural Gas Pipeline Act*;
- "commission"** means the British Columbia Utilities Commission;
- "Contract Demand", "Firm Transportation Service" and "Interruptible Offset Gas"** have the same meanings as they have in Article 3 of the TSA;
- "Joint Venture"** has the same meaning as in section 1.1 of Special Direction 1;
- "letter agreement"** means the letter agreement, dated October 27, 2004 and attached as Schedule "A" to this Special Direction, respecting the amendment to and extension of the TSA;
- "Special Direction 1"** means the Vancouver Island Natural Gas Pipeline Special Direction made under Order in Council 1510/95;
- "Terasen"** means Terasen Gas (Vancouver Island) Inc.;
- "transportation tolls"** has the same meaning as in Special Direction 1;
- "TSA"** means the Transportation Service Agreement dated as of the 14th day of December, 1995 and attached as Exhibit F to Special Direction 1.

Application

2 This Special Direction is issued to the commission under section 7 (3) and (4) of the Act.

Directions relating to the letter agreement

- 3** (1) Despite sections 3.6 and 3.7 of Special Direction 1 but without limiting any other power the commission may have, the commission must approve the letter agreement to the extent that it
- (a) varies the transportation tolls or other amounts payable to Terasen for the services provided to the Joint Venture under the TSA, and
 - (b) increases or decreases
 - (i) the Contract Demand for Firm Transportation Service determined in accordance with the TSA, or
 - (ii) the quantities of Interruptible Offset Gas that the Joint Venture is entitled to receive under the TSA.
- (2) Despite subsection (1), the direction contained in that subsection does not require the commission to approve any other agreements, including, without limitation, any further definitive amending agreements, whether or not those agreements do or purport to do either or both of the following:
- (a) incorporate any or all of the terms of the letter agreement;
 - (b) replace or supersede the terms of the letter agreement.



Terasen Gas
16705 Fraser Highway
Surrey, B.C.
V3S 2X7
Tel: (604) 576-7000

DELIVERED BY COURIER AND E-MAIL
October 27, 2004

Dave Hargreaves
Manager, Central Services
HOWE SOUND PULP AND PAPER L.P.
Port Melon, B.C.
V0N 2S0

Dear Mr. Hargreaves :

**Re : Amendment and Extension of Transportation Service Agreement and
Peaking Gas Management Services Agreement between Terasen Gas
(Vancouver Island) Inc. and the Vancouver Island Gas Joint Venture**

This letter agreement is further to our recent discussions regarding the principal terms for the amendment and extension of the Terasen Gas (Vancouver Island) Inc. ("TGVI")/ Vancouver Island Joint Venture ("VIGJV") Transportation Service Agreement and Peaking Gas Management Services Agreement (collectively, the "Agreements"). The purpose of this letter agreement is to set out, as set forth herein and in Appendix 1 attached (together, the "Letter Agreement"), the terms upon which TGVI and VIGJV are prepared to amend and extend the Agreements. While it is intended that the terms of this Letter Agreement shall be binding on TGVI and VIGJV once executed by the parties hereto, the parties acknowledge that they shall be executing further definitive amending agreements ("Amending Agreements") to the Agreements which will incorporate the terms of this Letter Agreement. Once executed, such Amending Agreements shall replace and supersede the terms of this Letter Agreement.

Upon the execution of this Letter Agreement by the VIGJV and TGVI, the VIGJV shall:

1. promptly adjourn or cause to be adjourned generally the hearing of the Petition filed in the Vancouver Registry of the Supreme Court of British Columbia ("Petition") under #S045062 and hold all litigation relating to this matter in abeyance until the terms of the Amending Agreements have received all necessary regulatory, governmental and other approvals and have become effective in accordance with Article 11 of Appendix 1 to this Letter Agreement; and
2. agree not to renew the agreement with BC Hydro for the assignment of 4 TJ/day of transportation capacity upon the expiration of that agreement and, pending and following receipt of all necessary regulatory, governmental and other approvals to make this Letter Agreement effective, not to take further steps to require that TGVI consent to the assignment contemplated by that agreement.

... 1

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005


BCUC Secretary: _____

Original Page 29

Once the requisite regulatory, governmental and other approvals have been obtained, VIGJV shall promptly cause the dismissal or discontinuance of the Petition as contemplated in Section 9.2 of Appendix 1 to this Letter Agreement.

As set out above, once executed by both parties, the terms set out in this Letter Agreement are intended to constitute a legally binding agreement amongst the parties hereto. By their respective signatures hereto, the parties acknowledge that they have all requisite corporate and other authority to enter into, execute and be bound by the terms of this Letter Agreement. Please sign below where indicated and return a fully executed copy to my attention. This Letter Agreement may be executed by facsimile and by counterparty.

Yours very truly,
TERASEN GAS (VANCOUVER ISLAND) INC.
Per:


Scott Thomson
Vice President Finance
Akf/akf
Encl.

Accepted this _____ day, of October, 2004

Pope and Talbot Ltd.

Per: _____
Name: _____
Title: _____

Western Pulp Limited

Per: _____
Name: _____
Title: _____

**Howe Sound Pulp and Paper Limited
Partnership**

Per: _____
Name: _____
Title: _____

Norske Skog Canada Limited

Per: _____
Name: _____
Title: _____

... 2

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005

BCUC Secretary: _____

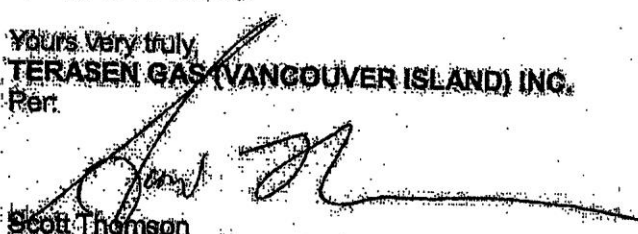
Original Page 30

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Yours Very truly,

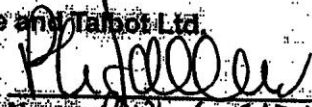
TERASEN GAS (VANCOUVER ISLAND) INC.
Per:


Scott Thompson
Vice President Finance
AKI/akr
End.

Accepted this 27 day, of October, 2004

Pope and Talbot Ltd.

Per:


Name: PAUL G. SADLER
Title: GENERAL MANAGER
P+T LTD

Western Pulp Limited

Per:

Name: _____
Title: _____

Howe Sound Pulp and Paper Limited
Partnership

Per:

Name: _____
Title: _____

Norske Skog Canada Limited

Per:

Name: _____
Title: _____

Once the requisite regulatory, governmental and other approvals have been obtained, VIGJV shall promptly cause the dismissal or discontinuance of the Petition as contemplated in Section 9.2 of Appendix 1 to this Letter Agreement.

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Yours very truly,
TERASEN GAS (VANCOUVER ISLAND) INC.
Per:

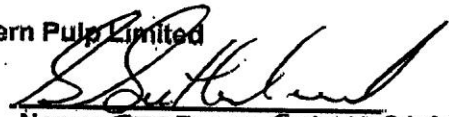

Scott Thomson
Vice President Finance
Akf/akf
Encl.

Accepted this _____ day, of October, 2004

Pope and Talbot Ltd.

Per: _____
Name:
Title:

Western Pulp Limited

Per: 
Name: STEPHEN SUTHERLAND
Title: PURCHASING MANAGER

Howe Sound Pulp and Paper Limited Partnership

Per: _____
Name:
Title:

Norske Skog Canada Limited

Per: _____
Name:
Title:

... 2

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005


BCUC Secretary: _____

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Once the requisite regulatory, governmental and other approvals have been obtained, VIGJV shall promptly cause the dismissal or discontinuance of the Petition as contemplated in Section 9.2 of Appendix 1 to this Letter Agreement.

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Yours very truly,
TERASEN GAS (VANCOUVER ISLAND) INC.
Per:


Scott Thomson
Vice President Finance
Akf/akf
Encl.

Accepted this 27th day, of October, 2004


Pope and Talbot Ltd.

Per: _____
Name: _____
Title: _____

Western Pulp Limited

Per: _____
Name: _____
Title: _____

**Howe Sound Pulp and Paper Limited
Partnership**

Per: 
Name: DAVE HARBOURS
Title: MANAGER, CENTRAL SERVICES

Norske Skog Canada Limited

Per: _____
Name: _____
Title: _____

... 2

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005

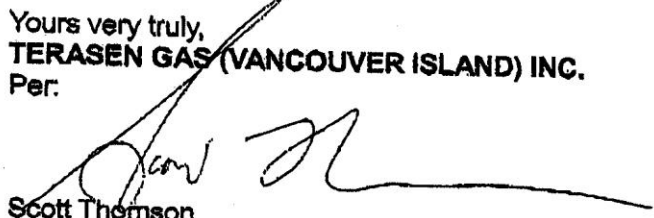
BCUC Secretary: _____

Original Page 33

Once the requisite regulatory, governmental and other approvals have been obtained, VIGJV shall promptly cause the dismissal or discontinuance of the Petition as contemplated in Section 9.2 of Appendix 1 to this Letter Agreement.

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Yours very truly,
TERASEN GAS (VANCOUVER ISLAND) INC.
Per:


Scott Thomson
Vice President Finance
Akf/akf
Encl.

Accepted this _____ day, of October, 2004

Pope and Talbot Ltd.

Per: _____
Name: _____
Title: _____

Western Pulp Limited

Per: _____
Name: _____
Title: _____

**Howe Sound Pulp and Paper Limited
Partnership**

Per: _____
Name: _____
Title: _____

Norske Skog Canada Limited

Per: 
Name: R. H. LINDSTROM
Title: VICE PRESIDENT, STRATEGY

... 2

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005

BCUC Secretary: _____

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TRANSPORTATION AND PEAKING GAS MANAGEMENT SERVICES

1. Parties

Vancouver Island Gas Joint Venture ("VIGJV") and Terasen Gas (Vancouver Island) Inc. ("TGVI") (together, the "Parties").

2. Purpose

- 2.1 The VIGJV is seeking to extend and amend its existing Transportation Service Agreement ("TSA") and the Peaking Gas Management Agreement ("PGMA") with TGVI.
- 2.2 TGVI owns and operates the natural gas transmission system from Eagle Mountain to Vancouver Island and the transmission and distribution system on Vancouver Island, and proposes to expand its system with a phased combination of system upgrades and liquefied natural gas ("LNG") storage.
- 2.3 TGVI proposes to amend and extend each of the existing TSA and the PGMA with the VIGJV for service from Huntingdon to the VIGJV mills based on the principal terms outlined in this term sheet. The TSA and PGMA are collectively the "Agreements". Unless otherwise defined in this term sheet, all capitalized terms shall bear the meanings set out in the Agreements.

3. Term of TSA

- 3.1 The Renewal Period in the TSA will be amended and extended to be from January 1, 2005 to December 31, 2012.
- 3.2 The TSA may be extended for a five year term beyond the Renewal Period as mutually agreed by the Parties prior to October 1, 2011.

4. Quantity

- 4.1 Firm Contract Demand for the Renewal Period under the TSA will be:
 - 4.1.1 20,000 gigajoules per day for the period January 1, 2005 to December 31, 2005.
 - 4.1.2 12,500 gigajoules per day for the remainder of the Renewal Period.
- 4.2 Where a minimum Contract Demand is specified in the TSA as 30,000 gigajoules per day, it shall be amended to 8,000 gigajoules per day.

5. Toll

- 5.1 The firm demand toll shall be the Demand Toll as expressed in Schedule A of the TSA.

page 1 of 5

Order No.: G-113-04

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Effective Date: January 1, 2005

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5.2 There will be three tiers of interruptible tolls for quantities each day in excess of the Contract Demand quantity.

5.2.1 For quantities of gas each day up to 20,000 gigajoules, the Interruptible Toll shall be paid on the positive difference between this quantity and the Contract Demand. The applicable Interruptible Toll for this gas shall be equivalent to the Demand Toll rate (firm demand rate). Quantities of gas delivered under this rate will be known as "Tier 1 IT".

5.2.2 For quantities of gas each day in excess of 20,000 gigajoules up to 30,000 gigajoules, the Interruptible Toll shall be paid as follows:

5.2.2.1 On the 1st 20,000 gigajoules of gas, the Interruptible Toll shall be paid on the positive difference between 20,000 gigajoules and the Contract Demand at the Tier 1 IT rate; and

5.2.2.2 On quantities between 20,000 gigajoules and 30,000 gigajoules the applicable Interruptible Toll payable on the quantity in excess of 20,000 gigajoules shall be as expressed in Schedule B of the TSA. Quantities of gas delivered under this rate will be known as "Tier 2 IT".

5.2.3 For quantities of gas each day in excess of 30,000 gigajoules, the Interruptible Toll shall be paid as follows:

5.2.3.1 On the 1st 20,000 gigajoules of gas, the Interruptible Toll shall be paid on the positive difference between 20,000 gigajoules and the Contract Demand at the Tier 1 IT rate;

5.2.3.2 On quantities between 20,000 gigajoules and 30,000 gigajoules the applicable Interruptible Toll payable on the quantity between 20,000 gigajoules and 30,000 gigajoules shall be at the Tier 2 IT rate; and

5.2.3.3 The applicable Interruptible Toll paid on the quantities in excess of 30,000 gigajoules shall be equivalent to the Demand Toll rate (firm demand rate) multiplied by 1.1. Quantities of gas delivered under this rate will be known as "Tier 3 IT".

6. Future Contract Demand Reinstatement or Reduction

6.1 All articles related to Contract Demand reduction will be removed from the TSA except the following:

6.1.1 The VIGJV shall have the right to reduce Contract Demand by up to 4,500 gigajoules per day during the Renewal Period. The notice period for all such reductions shall be a minimum of one year and notice will not to be given prior to January 1, 2006.

Notwithstanding the above, the minimum Contract Demand during the Renewal Period shall be 8,000 gigajoules per day.

6.1.2 The right to reduce Contract Demand as a result of Expansion Projects will remain, but will be suspended for any Expansion Projects that, when announced, are projected to have in-service dates prior to November 1, 2010. For clarity, this means that the VIGJV will not be able to reduce its Contract Demand for any Expansion Projects put in service prior to November 1, 2010

6.2 The TSA will be amended such that any reinstatement of Contract Demand above 12,000 gigajoules per day will be on an annual renewal basis (effective November 1 of each year). TGVI will give the VIGJV a minimum of six months notice as to availability of reinstatement of Contract Demand in each year. For clarity, nothing in this amendment would compel TGVI to add facilities to meet a VIGJV request for reinstatement of Contract Demand.

7. Peaking Gas Management Agreement (PGMA)

7.1 The PGMA will be amended so that after January 1, 2006 TGVI will only be able to call for Curtailment in situations of mechanical failure of TGVI facilities that would otherwise cause it to be unable to meet core market demand.

7.2 Curtailment in these circumstances will be covered under the rate and terms for Supplemental Curtailment Units under the PGMA.

7.3 TGVI will also be able to request Emergency Gas under those provisions in the PGMA (namely, only if the VIGJV is able to provide it).

7.4 The term of the PGMA will be extended to reflect the extended term of the TSA as set out in this term sheet.

8. Interruptible Offset Gas

8.1 Limitations to the size of the Interruptible Offset Gas Account in the TSA shall be amended so that the total quantity of gas in the Interruptible Offset Account shall not exceed 25 times the then current Contract Demand in any year.

8.2 When quantities are delivered from the Interruptible Offset Account for Tier 1 IT, Tier 2 IT and Tier 3 IT, removal from the Interruptible Offset Account shall be on a 1 to 1 basis.

9. Right of Assignment

9.1 The TSA will be amended to remove any right of assignment except to the new owner in the case of a change in ownership of the Owner's Mills. For clarity, this means that there will be no right to assign or otherwise extend the rights under the TSA for use anywhere other than the Owner's Mills. The Agreements shall be amended to clarify that except for such assignment, the VIGJV shall not be entitled to add, replace or substitute any entity to the VIGJV and thereby purport to

confer rights on such entity with respect to the Agreements notwithstanding any provision to the contrary in the Agreements.

9.2 The VIGJV shall promptly: (i) cause the VIGJV Petition to the Supreme Court of British Columbia, Vancouver Registry Number S045062, to be dismissed by way of consent dismissal order; or (ii) discontinue all further proceedings relating thereto; and in either case, each of TGVI and VIGJV shall bear its own costs and the parties will exchange a mutual release with respect to the claims set out therein.

9.3 There will be no other claims made to TGVI regarding any assignment of VIGJV Contract Demand under the Agreements.

10. Expansion Project Related to Service to ICP and CFT Outcome

The VIGJV agrees to not oppose TGVI's August 2004 CPCN application for an LNG facility for Vancouver Island.

11. Regulatory and Other Approvals

11.1 This term sheet and the amendments to the Agreements contemplated in this term sheet are subject to the approval by the British Columbia Utilities Commission ("BCUC") and receipt of other regulatory, governmental and other approvals as may be required.

11.2 TGVI shall proceed promptly and in good faith to apply to the BCUC for approval of this term sheet and the amendments and extension of the Agreements as contemplated in this term sheet and both parties shall support, through intervention, appearance of counsel, evidence and argument, such application. In addition, TGVI shall promptly and in good faith apply for and diligently seek all other regulatory, governmental and other regulatory approvals as may be required.

12. Requests by VIGJV for Additional Capacity which require Expansion Projects

The existing provisions in the TSA relating to Expansion Projects shall be amended to give effect to the following agreement between TGVI and the VIGJV with respect to Expansion Projects, including the provisions of Section 6.1.2 above. In the event the VIGJV requires additional firm capacity, which increase in firm capacity would require TGVI to undertake Expansion Projects, TGVI shall undertake such projects, subject to the approval of the BCUC, provided the following conditions are met:

12.1 **Ownership** – All Expansion Projects will remain the property of TGVI.

12.2 **Economic Test** – All requests for TGVI to undertake Expansion Projects will be subject to the Expansion Projects satisfying the following economic test. The economic test will be a discounted cash flow analysis of the projected revenue and costs associated with the Expansion Projects. Subject to the provisions of Section 12.5 below, Expansion Projects will be deemed to be economic and will be constructed if the results of the economic test indicate a zero or positive net present value.

page 4 of 5

Order No.: G-113-04

Issued By:

Effective Date: January 1, 2005

BCUC Secretary: _____

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12.3 **Revenue** – The projected revenue to be used in the economic test will be determined by TGVI by:

- (a) establishing consumption estimates for the VIGJV; and,
- (b) applying the appropriate revenue margins for such consumption.

12.4 **Costs** – The total costs to be used in the economic test include, without limitation, the following:

- (a) the full labour, material, and other costs necessary to construct the Expansion Project and any related facilities;
- (b) the appropriate allocation of TGVI's overheads associated with the construction of the Expansion Project; and,
- (c) the incremental operating and maintenance expenses associated with the carrying out and implementation of the Expansion Project.

In addition to the costs identified, the economic test will include applicable taxes and the appropriate return on investment to TGVI as approved by the BCUC.

12.5 **Contribution in Aid of Construction** – Notwithstanding the provisions of Section 12.2 above, if the economic test results indicate a negative net present value, TGVI will nonetheless proceed with the Expansion Project provided that the shortfall in projected revenue is eliminated by contributions in aid of construction made by the VIGJV. The total required contribution in aid of construction will be paid by the VIGJV prior to commencement of construction of the Expansion Project.



September 30, 2011

FortisBC (Vancouver Island) Inc.
16705 Fraser Highway
Surrey, B.C.
V3S 2X7

Attention: Kevin Hodgins

Dear Sir:

Re Extension of Transportation Service Agreement (the "TSA") between FortisBC (Vancouver Island) Inc. ("FortisBC") and Vancouver Island Gas Joint Venture (the "VIGJV")

This letter agreement is to confirm our recent discussion regarding the basis on which the term TSA will be extended.

By agreement made in October 2004 the Renewal Period of the TSA was extended to December 31, 2012. That agreement also provided that the TSA may be extended for a further five year term beyond the Renewal Period as mutually agreed by the parties before October 1, 2011. This letter confirms our mutual agreement to extend the Renewal Period for a five year term to expire on December 31, 2017.

The parties acknowledge that FortisBC may be amalgamated with certain of its affiliates during the Renewal Period and that such an amalgamation may result in changes in FortisBC's rate structures. In those circumstances, VIGJV will have the option to terminate the TSA without penalty provided that VIGJV applies for and agrees to receive gas transportation service pursuant to one of FortisBC's rate schedules available to large industrial customers. The parties acknowledge that this letter agreement is subject to the approval of the British Columbia Utilities Commission.

Except as expressly set out in this letter, all other provisions of the TSA will continue without amendment during the Renewal Period.

We would be grateful if you would please sign and return a copy of this letter to confirm our agreement. In turn, I will arrange for each of the participants in the VIGJV to provide to you a signed copy of this letter to confirm their agreement with its terms. Thank you.

Order No.:

Issued By:

Effective Date: September 30, 2011

BCUC Secretary: _____

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Yours truly,



Fred Fominoff
Chair, Vancouver Island Gas Joint Venture

The terms of this letter agreement are confirmed and accepted this ___ day of September, 2011

FORTISBC (VANCOUVER ISLAND) INC.

Per: 
(Authorized Signing Officer)

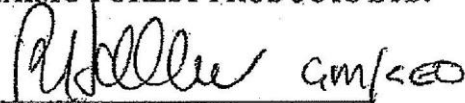
HOWE SOUND PULP & PAPER CORPORATION

Per: 
(Authorized Signing Officer)

CATALYST PAPER CORP.

Per: 
(Authorized Signing Officer)

NANAIMO FOREST PRODUCTS LTD.

Per:  gm/ceo
(Authorized Signing Officer)

Howe Sound Pulp & Paper Corporation
3838 Port Mellon Highway
Port Mellon, British Columbia V0N 2S0
Phone: (604) 884-5223 Fax: (604) 884-

Order No.:

Issued By:

Effective Date: September 30, 2011

BCUC Secretary: _____

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FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
www.fortisbc.com

December 15, 2017

HOWE SOUND PULP & PAPER CORPORATION

3838 Port Mellon Highway
Port Mellon, British Columbia
V0N 2S0

Attention: Fred Fominoff, General Manager, Fibre & Energy

CATALYST PAPER CORP.

3600 Lysander Lane
Richmond, British Columbia
V7B 1C3

Attention: Carlo Dal Monte, Director, Energy & Business Development

NANAIMO FOREST PRODUCTS LTD.

1000 Wave Place
Nanaimo, British Columbia
V9X 1J2

Attention: Russ Lang, Assistant Superintendent

(collectively, the "Vancouver Island Gas Joint Venture" or "VIGJV")

RE: Extension of Transportation Service Agreement (the "TSA") between FortisBC Energy Inc. ("FortisBC") and VIGJV

Under the terms of the TSA originally made between Pacific Coast Energy Corporation (now FortisBC) and the Vancouver Island Joint Venture dated December 14, 1995, FortisBC provides gas transportation service to the Joint Venture. The TSA was extended by a letter agreements dated October 27, 2004 and September 30, 2011 and will expire December 31st, 2017. Further to our discussions in regard to the extension of the TSA, FortisBC hereby offers, on and subject to the terms and conditions contained in this letter (the "Amending Agreement"), to further amend the TSA as follows:

1. Term of the TSA

The Renewal Period shall be extended until 0800 PST on November 1, 2022.

2. Quantity

The Contract Demand for that portion of the Renewal Period commencing at 0800 PST on January 1, 2018 and ending on 0800 PST on November 1, 2022 shall be 13,000 GJ/day.

Order No.: G-6-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: January 1, 2018

Accepted for Filing: January 19, 2018

BCUC Secretary: Original signed by Patrick Wruck

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3. Contract Demand Reduction

VIGJV's right to reduce Contract Demand by up to 4,500 gigajoules per day is amended to up to 5,000 gigajoules per day. Notwithstanding the foregoing, the minimum Contract Demand during the Renewal Period shall remain 8,000 gigajoules per day.

4. Early Termination

Each member of the VIGJV may provide FortisBC with written notice terminating the VIGJV TSA no more than 15 days from the date of the issuance of a decision by the BCUC approving FortisBC's 2016 Rate Design Application (the "Decision"). Any such notice from a member of the VIGJV will:

- (a) Terminate the VIGJV TSA without penalty effective the later of (a) the last day of the month following the date of such notice and (b) the date that the new rates become effective following the Decision; and
- (b) Each member of the VIGJV that continues to require gas transportation service will apply for service pursuant to one of FortisBC's rate schedules available to large industrial customers.

5. Other Terms

All other terms of the TSA shall remain unamended.

6. Regulatory Approvals

All obligations of the parties to this Amending Agreement are subject, as a condition precedent, to the acceptance for filing by the British Columbia Utilities Commission of the rates, terms and conditions set out herein.

Please indicate your acceptance by signing below where indicated and returning a copy of this Amending Agreement to FortisBC, attention: Kevin Hodgins, Manager, Industrial Accounts.

Yours truly,

FORTISBC ENERGY INC.



Roger Dall'Antonia
President & CEO

Order No.: G-6-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: January 1, 2018

Accepted for Filing: January 19, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 43

The terms of this Amending Agreement are confirmed and accepted this _____ day
of _____, 2017.

HOWE SOUND PULP & PAPER CORPORATION

Per:



Authorized Signatory

CATALYST PAPER CORP.

Per:

Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:

Authorized Signatory

Authorized Signatory

Order No.: G-6-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: January 1, 2018

Accepted for Filing: January 19, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 44

The terms of this Amending Agreement are confirmed and accepted this _____ day
of _____, 2017.

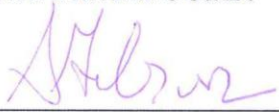
HOWE SOUND PULP & PAPER CORPORATION

Per:

Authorized Signatory

CATALYST PAPER CORP.

Per:



Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:

Authorized Signatory

Authorized Signatory

Order No.: G-6-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: January 1, 2018

Accepted for Filing: January 19, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 45

The terms of this Amending Agreement are confirmed and accepted this 21st day of DECEMBER, 2017.

HOWE SOUND PULP & PAPER CORPORATION

Per:

Authorized Signatory**CATALYST PAPER CORP.**

Per:

Authorized Signatory**NANAIMO FOREST PRODUCTS LTD.**

Per:




Authorized Signatory

Paul Sadler
CEO & General Manager



Authorized Signatory

Russ Lang
Asst. Supt. Power & Recovery



Malcolm Cieselski Director NFPPL

Order No.: G-6-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: January 1, 2018

Accepted for Filing: January 19, 2018BCUC Secretary: Original signed by Patrick Wruck

Original Page 46

August 2, 2018

HOWE SOUND PULP & PAPER CORPORATION
3838 Port Mellon Highway
Port Mellon, British Columbia
V0N2S0
Attention: Fred Fominoff, General Manager, Fibre & Energy

CATALYST PAPER CORP.
3600 Lysander Lane
Richmond, British Columbia
V7B 1C3
Attention: Carlo Dal Monte, Director, Energy & Business Development

NANAIMO FOREST PRODUCTS LTD.
1000 Wave Place
Nanaimo, British Columbia
V9X 1J2
Attention: Russ Lang, Assistant Superintendent

(collectively, the "Vancouver Island Gas Joint Venture" or "VIGJV")

Re: Extension to the Early Termination Clause in the Transportation Service Agreement (the "TSA") between FortisBC Energy Inc. ("FortisBC" and the VIGJV)

Under the terms of the TSA originally made between Pacific Coast Energy Corporation (now FortisBC) and the Vancouver Island Joint Venture dated December 14, 1995, FortisBC provides gas transportation service to the Joint Venture. The TSA was extended by letter agreements dated October 27, 2004, September 30, 2011, and December 15, 2017, and will expire November 1, 2022. Further to discussions in regard to the Early Termination clause in the December 15, 2017 amendment, FortisBC hereby offers, on and subject to the terms and conditions contained in this letter (the "Amending Agreement") to further amend the TSA as follows:

To replace section 4. Early Termination from the December 15, 2017 amendment with the following:

4. Early Termination

Each member of the VIGJV may provide FortisBC with written notice terminating the VIGJV TSA by December 31, 2018. Any such notice from a member of the VIGJV will:

Order No.: G-176-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: August 2, 2018

Accepted for Filing: September 24, 2018

BCUC Secretary: Original signed by Patrick Wruck

First Revision of Page 47

- (a) Terminate the VIGJV TSA without penalty effective the later of (a) the last day of the month following the date of such notice and (b) the date that the new rates become effective following the Decision; and
- (b) Each member of the VIG JV that continues to require gas transportation service will apply for service pursuant to one of FortisBC's rate schedules available to large industrial customers.

Please indicate your acceptance by signing below where indicated and returning a copy of this Amending Agreement to FortisBC, attention: Kevin Hodgins, Manager, Industrial Accounts.

Sincerely,

FORTISBC ENERGY INC.



Dennis Swanson
Vice President, Energy Supply & Resource Development

The terms of this Amending Agreement are confirmed and accepted this

Aug 27

HOWE SOUND PULP & PAPER CORPORATION

Per:

Authorized Signatory

CATALYST PAPER CORP.

Per:

Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:

Authorized Signatory

Authorized Signatory

Order No.: G-176-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: August 2, 2018

Accepted for Filing: September 24, 2018

BCUC Secretary: Original signed by Patrick Wruck

First Revision of Page 48

N

- (a) Terminate the VIGJV TSA without penalty effective the later of (a) the last day of the month following the date of such notice and (b) the date that the new rates become effective following the Decision; and
- (b) Each member of the VIG JV that continues to require gas transportation service will apply for service pursuant to one of FortisBC's rate schedules available to large industrial customers.

Please indicate your acceptance by signing below where indicated and returning a copy of this Amending Agreement to FortisBC, attention: Kevin Hodgins, Manager, Industrial Accounts.

Sincerely,

FORTISBC ENERGY INC.

Dennis Swanson
Vice President, Energy Supply & Resource Development

The terms of this Amending Agreement are confirmed and accepted this _____ day of 2018.

HOWE SOUND PULP & PAPER CORPORATION

Per:

A handwritten signature in blue ink, appearing to be "J. A. [unclear]", written over a horizontal line.

Authorized Signatory

CATALYST PAPER CORP.

Per:

Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:

Authorized Signatory

Authorized Signatory

Order No.: G-176-18 Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: August 2, 2018 Accepted for Filing: September 24, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 49

- (a) Terminate the VIGJV TSA without penalty effective the later of (a) the last day of the month following the date of such notice and (b) the date that the new rates become effective following the Decision; and
- (b) Each member of the VIG JV that continues to require gas transportation service will apply for service pursuant to one of FortisBC's rate schedules available to large industrial customers.

Please indicate your acceptance by signing below where indicated and returning a copy of this Amending Agreement to FortisBC, attention: Kevin Hodgins, Manager, Industrial Accounts.

Sincerely,

FORTISBC ENERGY INC.

Dennis Swanson
Vice President, Energy Supply & Resource Development

The terms of this Amending Agreement are confirmed and accepted this _____ day of 2018.


HOWE SOUND PULP & PAPER CORPORATION

Per:

Authorized Signatory

CATALYST PAPER CORP.

Per:



Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:

Authorized Signatory

Authorized Signatory

Order No.: G-176-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: August 2, 2018

Accepted for Filing: September 24, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 50



- (a) Terminate the VIGJV TSA without penalty effective the later of (a) the last day of the month following the date of such notice and (b) the date that the new rates become effective following the Decision; and
- (b) Each member of the VIG JV that continues to require gas transportation service will apply for service pursuant to one of FortisBC's rate schedules available to large industrial customers.

Please indicate your acceptance by signing below where indicated and returning a copy of this Amending Agreement to FortisBC, attention: Kevin Hodgins, Manager, Industrial Accounts.

Sincerely,

FORTISBC ENERGY INC.

Dennis Swanson
Vice President, Energy Supply & Resource Development

The terms of this Amending Agreement are confirmed and accepted this _____ day of 2018.

HOWE SOUND PULP & PAPER CORPORATION

Per:

Authorized Signatory

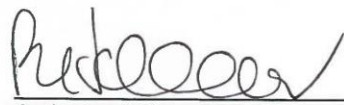
CATALYST PAPER CORP.

Per:

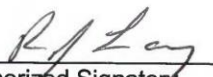
Authorized Signatory

NANAIMO FOREST PRODUCTS LTD.

Per:



Authorized Signatory
PAUL SADLER
CEO, HARMAC PACIFIC
NFP



Authorized Signatory
Russ Lang
Assistant Superintendent, Steam Plant

Order No.: G-176-18

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: August 2, 2018

Accepted for Filing: September 24, 2018

BCUC Secretary: Original signed by Patrick Wruck

Original Page 51

Attachment 1.2

JOINT VENTURE TOLL CALCULATION

FIRM DEMAND TOLL CALCULATION:

INITIAL TERM

1 YEAR COMMENCING JAN 1	2 ANNUAL INFLATION RATE	3 ANNUAL INFLATION ADJUSTMENT	4 CUMULATIVE INFLATION ADJUSTMENT	5 CUMULATIVE INFLATION ADJ. FACTOR	6 DEMAND TOLL PER 1.01	7 ADJUSTED DEMAND TOLL	8 CPI PRIOR SEP	9 CPI CURRENT SEP	10 CPI CURRENT INCREASE	WEI FORECAST
1997	0.506%	-0.747%	-0.747%	0.99253	0.844	0.838	138.3	139.0	0.506%	
1998	0.863%	-0.568%	-1.311%	0.98689	0.845	0.834	139.0	140.2	0.863%	
1999	0.143%	-0.929%	-2.228%	0.97772	0.828	0.810	140.2	140.4	0.143%	
2000	1.900%	-0.050%	-2.276%	0.97724	0.843	0.824	140.4	143.1	1.900%	1.90% Actual
2001	1.700%	-0.150%	-2.423%	0.97577	0.890	0.871	143.1	145.5	1.700%	1.70% Actual
2002	2.030%	0.015%	-2.408%	0.97592	0.890	0.869	145.5	148.5	2.030%	2.03% Actual
2003	1.800%	-0.100%	-2.506%	0.97494	0.890	0.868	148.5	151.1	1.800%	1.80% Actual
2004	1.900%	-0.050%	-2.555%	0.97445	0.910	0.887	151.1	154.0	1.900%	1.90% Actual
2005	2.100%	0.050%	-2.506%	0.97494	0.916	0.893	154.0	157.2	2.100%	2.10% Actual

RENEWAL PERIOD

1 YEAR COMMENCING JAN 1	2 PRIOR YEAR DEMAND TOLL	3 ANNUAL INFLATION RATE	4 1/2 ANNUAL INFLATION RATE	5 ADJUSTED DEMAND TOLL
2006	0.8930	2.10%	1.05%	0.9024
2007	0.9024	1.40%	0.70%	0.9087
2008	0.9087	2.10%	1.05%	0.9182
2009	0.9182	3.50%	1.75%	0.9343
2010	0.9343	-1.00%	-0.50%	0.9296
2011	0.9296	1.90%	0.95%	0.9385
2012	0.9385	2.30%	1.15%	0.9493
2013	0.9493	0.80%	0.40%	0.9531
2014	0.9531	0.30%	0.15%	0.9545
2015	0.9545	1.30%	0.65%	0.9607
2016	0.9607	1.20%	0.60%	0.9665
2017	0.9665	2.20%	1.10%	0.9771
2018	0.9771	2.30%	1.15%	0.9883
2019	0.9883	2.70%	1.35%	1.0017
2020	1.0017	2.30%	1.15%	1.0132
2021	1.0132	0.10%	0.05%	1.0137
2022	1.0137	3.60%	1.80%	1.0319
2023	1.0319	7.70%	3.85%	1.0717

INTERRUPTIBLE TOLL CALCULATION:

INITIAL TERM

1 YEAR COMMENCING JAN 1	2 ANNUAL INFLATION RATE	3 ANNUAL INFLATION ADJUSTMENT	4 CUMULATIVE INFLATION ADJUSTMENT	5 CUMULATIVE INFLATION ADJ. FACTOR	6 DEMAND TOLL PER 1.01	7 ADJUSTED DEMAND TOLL
1997	0.506%	-0.747%	-0.747%	0.9925	0.669	0.664
1998	0.863%	-0.568%	-1.311%	0.9869	0.669	0.660
1999	0.143%	-0.929%	-2.228%	0.9777	0.655	0.640
2000	1.900%	-0.050%	-2.276%	0.9772	0.665	0.649
2001	1.700%	-0.150%	-2.423%	0.9758	0.701	0.684
2002	2.030%	0.015%	-2.408%	0.9759	0.701	0.686
2003	1.800%	-0.100%	-2.506%	0.9749	0.701	0.683
2004	1.900%	-0.050%	-2.555%	0.9745	0.716	0.698
2005	2.100%	0.050%	-2.506%	0.9749	0.721	0.703

RENEWAL PERIOD

1 YEAR COMMENCING JAN 1	2 PRIOR YEAR DEMAND TOLL	3 ANNUAL INFLATION RATE	4 1/2 ANNUAL INFLATION RATE	5 ADJUSTED DEMAND TOLL
2006	0.7030	2.10%	1.05%	0.7104
2007	0.7104	1.40%	0.70%	0.7154
2008	0.7154	2.10%	1.05%	0.7229
2009	0.7229	3.50%	1.75%	0.7355
2010	0.7355	-1.00%	-0.50%	0.7318
2011	0.7318	1.90%	0.95%	0.7388
2012	0.7388	2.30%	1.15%	0.7473
2013	0.7473	0.80%	0.40%	0.7503
2014	0.7503	0.30%	0.15%	0.7514
2015	0.7514	1.30%	0.65%	0.7563
2016	0.7563	1.20%	0.60%	0.7608
2017	0.7608	2.20%	1.10%	0.7692
2018	0.7692	2.30%	1.15%	0.7780
2019	0.7780	2.70%	1.35%	0.7885
2020	0.7885	2.30%	1.15%	0.7976
2021	0.7976	0.10%	0.05%	0.7980
2022	0.7980	3.60%	1.80%	0.8124
2023	0.8124	7.70%	3.85%	0.8436