

SCHEDULE “2”
Terms And Conditions
Northern Gas Distribution Contract

1. UPSTREAM TRANSPORTATION CAPACITY AND COSTS

Where Customer contracts for T-service and Customer accepts an assignment of a portion of Union’s upstream capacity with TCPL (“Temporary Transportation Contract Assignment Agreement(s)” or “Assignment Agreement(s)”), the Assignment Agreement(s) shall continue in full force and effective for each Contract Year until Notice to terminate the Assignment Agreement(s) is provided by either Union or Customer. Such Notice must be delivered not less than twenty five (25) calendar months prior to the end of the Assignment Agreement(s). Customer agrees to execute any renewals of the Assignment Agreement(s) as required by either Union or TCPL.

2. RECEIPT AND DISTRIBUTION

2.01 Receipt

Where Customer contracts for T-service, Union agrees to receive a quantity of Gas at the Point of Receipt identified in Schedule 1. However, Union is not obligated to accept quantities of Gas that exceed any of the following:

- a) the sum of the receipts as confirmed by Union with the upstream Transporter, for that Day;
- b) an amount that would result in Customer exceeding the CBS Maximum Tolerance;
- c) an amount that would result in Customer exceeding the Maximum Storage Quantity Entitlement, if applicable;
- d) an amount that would result in Customer exceeding the Contracted Daily Storage Injection/Withdrawal Entitlement, if applicable.

2.02 Distribution to Point(s) of Consumption

Subject to the Maximum Hourly Volume parameters, Union agrees to distribute a quantity of Gas to the Point(s) of Consumption, not to exceed the sum of Firm Contract Demand and Interruptible Contract Demand for the applicable Point of Consumption. On any Day, Customer’s Gas usage shall be deemed as follows:

First Gas used	Gas up to the Firm Daily Contract Demand then in effect and, if applicable, prorated between contracted Firm services based on Daily Contract Demand
Next Gas used	Rate 25 (Interruptible) T-service, if applicable and available
Next Gas used	Rate 25 Sales Service (negotiated price), if applicable and available
Next Gas used	Rate 25 Sales Service (posted price), if applicable and available
Next Gas used	Overrun, whether authorized or unauthorized

When Customer contracts for T-service, quantities consumed by Customer will be applied to T-service parameters based on the quantity of Gas delivered by Customer. Gas delivered by Customer includes Gas withdrawn from Customer's CBS Account.

For Customers that have contracted for Rate 10, gas usage in excess of Rate 10 Firm Daily Contracted Demand shall be deemed to be Rate 10 Sales Service.

2.03 Type Of Service

The type of Distribution Service herein shall be a combination of Firm and Interruptible Service for each Point of Consumption as identified in Schedule 1.

Union may give Notice of Interruption on any Interruptible Services concurrently or independently.

2.04 Rate 25 Sales Service

Subject to Union's determination of its operational capability to provide Service, the Rate 25 Sales Service Daily Contract Demand for T-service customers shall, for the period October 1 through April 30, not exceed the greater of 15% of Customer's Firm Daily Contract Demand or thirty (30) 10³m³/Day, unless specifically authorized by Union, which authorization shall be granted at Union's sole discretion.

3. CUSTOMER BALANCING SERVICE ("CBS")

If Customer contracts for T-Service, Customer shall also contract for Customer Balancing Service (referred to as "CBS"), as defined herein.

If Customer has a Firm Daily Contract Demand of 1,200,000 m³/day or greater, and a Firm Hourly Quantity of 60,000 m³/hr or greater and Union, at its sole discretion, determines that Customer's operational requirements are such that Union's system operations could be put at risk, Customer shall contract for an hourly CBS ("Hourly CBS").

Otherwise, Customer shall contract for a daily CBS ("Daily CBS").

Customer's CBS parameters will be reviewed prior to each contract amendment and renewal period for any change in risk to Union's system operations.

The Daily CBS and the Hourly CBS may be collectively referred to as CBS.

3.01 CBS Account

- a) For Daily CBS Customers, the CBS Account shall mean the account used to track the daily differences arising between the quantities of Gas received by Union (excluding fuel and including storage withdrawal) at the Receipt Point from Customer, and the quantities of Gas distributed by Union to Customer's Point(s) of Consumption. Where the quantities received by Union exceed the quantities distributed by Union, the resulting change in the CBS Account balance shall be positive. Where the quantities delivered by Union exceed the quantities received by Union, the resulting change in the CBS Account balance shall be negative.

Unless authorized in advance by Union, the CBS Account balance cannot be higher than the Maximum Tolerance or lower than the Minimum Tolerance defined in Schedule 1. The difference between the Maximum Tolerance and the Minimum Tolerance shall not exceed the greater of Customer's Firm T-service Contract Demand or one thousand, one hundred thirty two (1,132) GJ/Day.

- b) For Hourly CBS Customers, the CBS Account shall mean the account used to track the hourly differences arising between the quantities of Gas received by Union (excluding fuel) at the Receipt Point from Customer, and the quantities of Gas distributed by Union to Customer's Point(s) of Consumption.
 - i) "CBS Hourly Injection" shall mean the quantities received by Union in excess of the quantities distributed by Union for any Hour in any Gas Day. Where quantities received by Union exceed the quantities distributed by Union, the resulting change in the CBS Account balance shall be positive.
 - ii) "CBS Hourly Withdrawal" shall mean the quantities distributed by Union in excess of the quantities received by Union for any Hour in any Gas Day. Where quantities received by Union exceed the quantities distributed by Union, the resulting change in the CBS Account balance shall be negative.

"Hourly Balancing Amount" shall mean the quantity of Gas, as quantified in Schedule 1, which Customer may inject into, or withdraw from, on any hour, the hourly CBS, without incurring overrun.

Unless authorized in advance by Union, the CBS Account balance cannot be higher than the Maximum Tolerance or lower than the Minimum Tolerance, both as defined in Schedule 1.

The difference between the Maximum Tolerance and the Minimum Tolerance shall not exceed Customer's Firm Hourly Quantity, multiplied by two (2).

3.02 CBS Operation Within and in Excess of Tolerances

- a) For Daily CBS Customers, CBS activity is considered within tolerance each Gas Day when the CBS Account balance is between the Minimum Tolerance and Maximum Tolerance.
- b) For Hourly CBS Customers, CBS activity is considered within tolerance each Hour in each Gas Day when the CBS Account balance is between the Minimum Tolerance and Maximum Tolerance, and the absolute value of the CBS Hourly Injection or the CBS Hourly Withdrawal, as the case may be, does not exceed the Hourly Balancing Amount.

Upon three (3) calendar days Notice from Union, any balance in excess of the Maximum Tolerance will be forfeited to Union without recourse.

The CBS Account balance will not be less than the Minimum Tolerance at any point in time.

3.03 CBS Interruptions

The Daily CBS and the Hourly CBS are Interruptible Services.

If, in Union's opinion, CBS is not available and if the CBS Account balance is positive, upon notification from Union, Customer must remove the balance within five (5) calendar days. If the CBS Account balance remains positive at the end of the five (5) calendar days, the positive balance will be forfeited to Union without recourse upon three (3) calendar days Notice from Union.

If, in Union's opinion, CBS is not available and if the CBS Account balance is negative, upon notification from Union, Customer must replace the balance within five (5) calendar days. If the CBS Account balance remains negative at the end of the five (5) calendar days, the negative balance will be purchased by Customer at a rate equivalent to the Unauthorized Gas Supply Overrun Rate as per Section 12.21 of the General Terms and Conditions.

When Notice of Interruption is given on injections into the CBS Account, any quantities injected shall be treated as quantities that exceed the Maximum Tolerance in Section 3.02 above.

When Notice of Interruption is given on withdrawals from the CBS Account, any quantities withdrawn shall be purchased by Customer at a rate equivalent to the Unauthorized Gas Supply Overrun Rate as per Section 12.21 of the General Terms and Conditions.

3.04 CBS Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a Contract for Storage Services with Union then, unless otherwise agreed to by Union, any positive CBS Account balance shall be immediately forfeited to Union without recourse.

Unless otherwise agreed to by Union, any negative CBS Account balance as of the date of termination or expiry shall be deemed to have been purchased by Customer at a rate equivalent to the Unauthorized Gas Supply Overrun Rate as per Section 12.21 of the General Terms and Conditions.

3.05 Termination of CBS Service

If the balancing agreement between Union and TCPL used to facilitate this Service terminates, the CBS may also be terminated by Union on the same date.

3.06 CBS Charges

- a) For Daily CBS Customers, charges are tiered and are determined depending upon the daily opening balance of the Customer's CBS Account. The associated charges are posted on Union's website.
- b) For Hourly CBS Customers, charges are tiered and are determined daily or hourly depending upon the Customer's CBS Account balance, and on CBS Hourly Injections and CBS Hourly Withdrawals. The associated charges are posted on Union's website.

3.07 Energy Conversion

Balancing of receipt by Union with distribution to Customer is calculated in energy. The distribution to Customer is converted from volume to energy using Union's standard practices.

4. T-SERVICE STORAGE SERVICE

If a Rate 20 or Rate 100 Customer contracts for T-service Storage Service, the injection, storage and withdrawal of Gas for Customer by Union will be subject to Union's agreements as amended from time to time for storage and transportation services with TCPL and the constraints imposed by virtue of those agreement(s) and the operational procedures and constraints on Union's system.

Further, should the OEB change the methodology used to determine storage parameters, any resulting changes to Customer's storage parameters would be reflected effective November 1 of the next Contract Year.

4.01 Storage Injection

Union agrees to inject a quantity of Gas to storage, provided Union is not obligated to inject a quantity of Gas that exceeds the Contracted Daily Storage Injection/Withdrawal Entitlement or exceeds the Maximum Storage Quantity Entitlement.

4.02 Storage Withdrawal

Union agrees to withdraw a quantity of Gas from storage, provided Union is not obligated to withdraw a quantity of Gas that exceeds the Contracted Daily Storage Injection/Withdrawal Entitlement or exceeds the quantity of Gas remaining in Customer's Maximum Storage Quantity Entitlement. If the total quantity of Gas remaining in Customer's storage is less than twenty percent (20%) of Customer's Maximum Storage Quantity Entitlement, Customer's withdrawal entitlement will be reduced to sixty seven percent (67%) of the Contracted Daily Storage Injection/Withdrawal Entitlement.

4.03 Storage Overrun

Unless Union specifically provides written authorization, in advance, to exceed Contract parameters, any excess shall be Unauthorized Overrun and, in addition to any other remedies Union may pursue, Customer shall incur charges as referenced in the applicable Rate Schedule.

4.04 Renewal of Storage Service

Unless otherwise agreed to by Union, the availability of storage will be determined by Union each year. Customer must request storage as part of the annual renewal process as provided for in Section 3 of the Contract.

4.05 Survival of Gas Storage Obligations

Upon the termination of this Contract, Customer shall have until the Storage Service end date, as set out in Section 3(c) of Schedule 1, to withdraw all Gas remaining in Customer's storage account. Any Gas remaining in the Customer's storage account, after the Storage Service end date, shall immediately be forfeited to Union without any recourse. The provisions of this Section 4.05 shall survive the termination of this Contract.

5. CHANGES TO CONTRACT PARAMETERS (SCHEDULE 1)

Any changes to End Use locations, consumption patterns, including exceeding contract parameters, or upstream supply may require a corresponding change to the parameters in

Schedule 1 as determined by Union. If there is a change, Customer will receive a revised Schedule 1 from Union prior to the effective date of the change. If Customer does not acknowledge and agree to the revised Schedule 1 in writing at least twenty five (25) calendar days prior to the effective date of the change then the Contract will be terminated.

6. MINIMUM ANNUAL VOLUME

6.01 Firm Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Adjusted Firm Minimum Annual Volume (“AFMAV”) as determined in the formula below.

The firm quantity not consumed in any Contract Year (the "Firm Deficiency Volume" or “FDV”) shall be as determined in the formula below.

Where:

$$\text{AFMAV} = \text{FMAV} \times [(U - D_F) / U]$$
$$\text{FDV} = \text{AFMAV} - (\text{FV} - \text{F})$$

And:

- FMAV** = Firm Minimum Annual Volume (as identified in Schedule 1)
- U** = number of days in the Contract Year
- D_F** = number of days of Force Majeure in the Contract Year
- FV** = total firm volume taken in the Contract Year
- F** = volumes delivered to the Points of Consumption during Force Majeure

The payment required for the FDV shall be calculated by multiplying FDV by the Monthly Firm Delivery Commodity Charge as of the last day of the Contract Year. This payment would only apply if the FDV was greater than zero.

6.02 Interruptible Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Adjusted Interruptible Minimum Annual Volume (“AIMAV”) as determined in the formula below.

The interruptible quantity not consumed in any Contract Year (the "Interruptible Deficiency Volume") (“IDV”) shall be determined in the formula below.

Where:

$$\text{AIMAV} = \text{IMAV} \times [(U - D_I) / U]$$
$$\text{IDV} = \text{AIMAV} - (\text{IV} - \text{I})$$

And:

- IMAV** = Interruptible Minimum Annual Volume (as identified in Schedule 1)
- U** = number of days in the Contract Year
- D_I** = number of days of Interruption in the Contract Year
- IV** = total interruptible volume taken in the Contract Year
- I** = volume delivered to Point of Consumption during an Interruption

The payment required for the IDV shall be calculated by multiplying IDV by the

Monthly Interruptible Delivery Commodity Charge as of the last day of the Contract Year. This payment would only apply if the IDV was greater than zero.