

SCHEDULE “2”
Terms and Conditions
T1 or T2 Contracts

1 UPSTREAM TRANSPORTATION COSTS

Where Union is receiving Gas from Customer at a Point of Receipt upstream of Union’s system, Customer shall be responsible to Union for all direct and indirect upstream transportation costs including fuel from the Point of Receipt to Union’s system, whether Gas is received by Union or not for any reason including Force Majeure. Where actual quantities and costs are not available by the date when Union performs its billing, Union's reasonable estimate will be used and the appropriate reconciliation will be done in the following month.

2 DELIVERY, RECEIPT, DISTRIBUTION, STORAGE & BALANCING OBLIGATIONS

2.01 Delivery

Customer accepts the obligations to deliver the Obligated DCQ parameters in Schedule 1 to Union on a Firm basis. On days when an Authorization Notice is given, the DCQ parameters are as amended in the Authorization Notice. For all Gas to be received by Union at the Upstream Point of Receipt, Customer shall, in addition to the DCQ, supply on each day sufficient Compressor Fuel as determined by the Transporter.

2.02 Receipt

Union agrees to receive a quantity of Gas at the Points of Receipt identified in Schedule 1, on the terms as contained in Schedule 1, provided Union is not obligated to accept quantities of Gas that exceed any of the following:

- a) the sum of the Obligated DCQ as authorized for that Day;
- b) the amount properly nominated by Customer to Union for receipt by Union;
- c) an amount that would result in Customer exceeding the Firm Storage Space;
- d) an amount that would result in Customer exceeding the Firm Injection Right.

2.03 Distribution to Point(s) of Consumption

Union agrees to distribute a quantity of Gas to each Point of Consumption, not to exceed the sum of Firm Contract Demand and Interruptible Contract Demand, or the Firm Contract Demand only when an interruption is in effect, subject to the Maximum Hourly Volume parameters.

On any Day, any Gas in excess of 103% of the Contract Demand shall be overrun. Unless Union specifically provides written authorization 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 Rate Schedule.

The parties agree that any reference to Transportation Service in the Rate Schedule shall include the Distribution Parameters as set out in this Schedule 1.

On any Day during the Contract Year, Gas usage shall be deemed as follows:

First gas used	Firm Gas up to the Firm Contract Demand then in effect.
Next gas used	Interruptible Gas (if applicable) up to the Interruptible Contract Demand then in effect.
Next gas used	Overrun for quantities in excess of the parameters as specified in this Section.

2.04 Storage Space

Storage space available at cost will be re-determined for each Contract Year at contract renewal. Customer shall have the option of electing the storage space allocation method which best serves their needs. The allocation methods available are:

Aggregate Excess Methodology:

Space = total winter (November 1 to March 31) consumption – [total annual consumption x 151 winter days/365 days]

Under this method, the two (2) most recent twelve (12) month periods of historical consumption and twelve (12) months of forecast consumption are used to calculate three storage space values using the above noted formula; weighted 25%, 25% and 50%, respectively. Union will work with Customer to determine a reasonable forecast of consumption. If Customer does not provide a forecast of consumption for the forecast period then the most recent twelve (12) months of historical consumption will be used as the forecast.

If sufficient historical consumption does not exist or if Customer is forecasting a significant change in operations, the agreed upon forecast may get more weight in the calculation.

Fifteen (15) times Obligated DCQ Methodology:

Under this method, storage space available at cost will be calculated as fifteen (15) times the Obligated DCQ calculated for the Contract Year. Obligated DCQ will be calculated as $1/365^{\text{th}}$ of the forecast consumption for the Contract Year.

Under either methodology, the calculations will be performed and the greater entitlement will be incorporated into the Contract at each contract renewal date.

Customer may contract for less storage space than the amounts determined above.

2.05 Storage Injection/Withdrawal

Union agrees to inject a quantity of Gas to storage, provided Union is not obligated to inject a quantity of Gas if a customer exceeds their storage space.

Union agrees to withdraw a quantity of Gas from storage, provided Union is not obligated to withdraw a quantity of Gas that exceeds the quantity of gas remaining in the Customer's Firm Storage Space.

On any Day injection/withdrawal activity shall be deemed as follows:

First gas injected or withdrawn	Up to 103% of the injection/withdrawal as specified in Schedule 1, Section 4.
Next gas injected or withdrawn	Market Priced injection/withdrawal as specified in Schedule 1a – Supplemental Services Parameters
Next gas injected or withdrawn	Overrun injection/withdrawal for all other quantities.

Injection/withdrawal overrun will be authorized or unauthorized as indicated on Union's website and Unionline.

The maximum entitlement for storage injection/withdrawal available to Customer at cost is the greater of:

- Obligated DCQ; or
- Firm Contracted Demand less Obligated DCQ

Customer may contract up to the maximum injection/withdrawal entitlement using a combination of Firm injections and withdrawals, interruptible withdrawals or incremental firm injections as specified in Section (C) Storage Service on the applicable Rate Schedule.

Under either methodology, the calculations will be performed and the greater entitlement will be incorporated into the Contract at each contract renewal date.

Customer may contract for less storage injection/withdrawal than the amounts determined above.

2.06 Type of Distribution 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.

The Interruptible Contract Demand at a Point of Consumption is subject to interruption by Union and, in addition to Force Majeure, is limited to the Maximum Number of Days of Interruption during each Contract Year as identified in Schedule 1. Union shall provide Customer notice of interruption not less than the Notice Period for Interruption for each Point of Consumption, as identified in Schedule 1.

2.07 Transactional Balancing Services

Transactional Balancing Services are defined as those services used by customers to assist in balancing their storage accounts. The following services can be requested through the nomination process, all other services would require an authorization.

Services available and associated locations include:

- a) Diversions – Obligated Points of Receipt
- b) Suspensions - Obligated Ontario Points of Receipt

- c) Incremental Supply – Ontario Points of Receipt
- d) Ex-franchise transfers to a third party - Dawn
- e) In-franchise transfers - Dawn

Further definition of each Transactional Balancing Service and the associated fees are posted on Union’s web site.

These services are nominated by Customer, pursuant to the nomination process in Section 1 of the General Terms and Conditions.

These services may be subject to scheduling reductions or interruptions. Union shall advise the party who nominated on behalf of Customer only of such scheduling reduction or interruption.

Each Transactional Balancing Service is nominated separately and is independent of any other Transactional Balancing Service. Notwithstanding the scheduling of any Transactional Balancing Services, Customer bears the risk that the Transactional Balancing Service may result in overrun. Scheduling a particular Transactional Balancing Service does not constitute the authorization of any overrun of any Contract parameter.

3 MINIMUM ANNUAL VOLUME

3.01 Firm Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Firm Minimum Annual Volume (“FMAV”) in the formula below. The payment required for the firm quantity not consumed in any Contract Year (the "Firm Deficiency Volume" or “FDV”) shall be calculated by multiplying FDV by the Firm Transportation Commodity charge as of the last day of the Contract Year, if applicable. This payment would only apply if the FDV was greater than zero.

Where:

$$FDV = [FMAV \times [(U - D_F) / U]] - [FV - (F + O)]$$

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 where service is curtailed below the Firm Contract Demand, then in effect
- FV** = total firm volume taken in the Contract Year
- F** = volumes delivered to the Points of Consumption during Force Majeure
- O** = total Authorized and/or Unauthorized Overrun Gas taken in the Contract Year

3.02 Interruptible Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Interruptible Minimum Annual Volume (“IMAV”) in the formula below. The payment required for the

interruptible quantity not consumed in any Contract Year (the "Interruptible Deficiency Volume" or "IDV") shall be calculated by multiplying the IDV by the Interruptible Transportation Commodity charge as of the last day of the Contract Year. This payment would only apply if the IDV was greater than zero.

Where:

$$\text{IDV} = [\text{IMAV} \times [(U - D_I) / U]] - [\text{IV} - (\text{F} + \text{O})]$$

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 Force Majeure or interruption in the Contract Year where service is curtailed below the Firm Contract Demand, then in effect
IV	=	total interruptible volume taken in the Contract Year
F	=	volumes delivered to the Points of Consumption during Force Majeure or periods of interruption or curtailment
O	=	total Authorized and/or Unauthorized Overrun Gas taken in the Contract Year

3.03 Qualifying Annual Volume

The sum of the FMAV (net of the FDV) and the IMAV (net of the IDV) shall not be less than the qualifying annual volume defined in the Rate Schedule, where applicable.

4 CUSTOMER SUPPLIED DISTRIBUTION AND STORAGE COMPRESSOR FUEL

Customer shall have the option of supplying Compressor Fuel to Union for movement of Customer's Gas on Union's system for both Distribution and Storage services. Customer's right to supply Compressor Fuel herein shall only be effective where Schedule 1 and/or Schedule 1a states Customer has accepted this option.

4.01 Distribution Compressor Fuel Quantity

If Customer has elected to supply its own distribution compressor fuel, Union shall, on a daily basis, deduct the distribution fuel quantity from the Gas received from Customer. The distribution fuel quantity shall be equal to the quantity of Gas for which a distribution commodity charge applies multiplied by the distribution fuel ratio specified in the Rate Schedule.

4.02 Storage Compressor Fuel Quantity

If Customer has elected to supply its own storage compressor fuel, Union shall reduce Customer's storage inventory by a quantity equal to the "Storage Fuel Quantity". The "Storage Fuel Quantity" shall be the sum of the injection and withdrawal quantities for which a commodity charge applies, multiplied by the storage fuel ratio specified in the Rate Schedule.

5 ENERGY CONVERSION

Balancing of Gas receipts by Union with Gas distributed to Customer is calculated in energy. The distribution to Customer is converted from volume to energy at the Customer site-specific heat measurement value.

Site-specific heat measuring equipment will be supplied, installed and maintained by Union Gas at each Point of Consumption, or as determined necessary by Union Gas, at the Customer's expense. The resulting heat value adjustment quantity shall be applied to the Customer's storage account.

6 STORAGE SERVICES

6.01 Storage Injection and Withdrawal

Subject to Section 2, if on any Day the quantity of Gas Union receives from Customer exceeds the quantity distributed to Customer, the amount of such excess shall be deemed to have been injected into Customer's storage account.

Subject to Section 2, if on any Day the quantity of Gas Union distributed to Customer exceeds the quantity received from Customer, the amount of such excess shall be deemed to have been withdrawn from Customer's storage account.

6.02 Deliverability Inventory Provided By Customer

If Customer has agreed to supply their own deliverability inventory, Customer's right to withdraw Gas under the Firm Withdrawal Right shall be adjusted between January 1 and April 30. During this period, if Customer's inventory level in storage at the start of each Day is less than 20% of Storage Space entitlement then Customer's Firm Withdrawal Right will be adjusted in accordance with the following formula:

If: $I \geq CDI$,
Then: $AFW = FW$
However if: $I < CDI$
Then: $AFW = FW \times (I / CDI)$

Where:

AFW = Adjusted Firm Withdrawal
FW = Firm Withdrawal Right (Schedule 1, Storage parameters plus Schedule 1a, Supplemental Deliverability)
I = Actual Inventory at the beginning of each Day
CDI = Customer Deliverability Inventory (Lesser of: $0.2 \times SP$ or $FW/0.075$)
where: **SP** = Firm cost-based Storage Space

6.03 Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a contract for Storage Service with Union then, except as authorized by Union, any Gas balance remaining in Customer's Storage Space shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in the

applicable Rate Schedule. Customer shall incur such charge monthly until the Gas balance remaining has been reduced to zero.

7 CUSTOMER'S FAILURE TO DELIVER GAS

7.01 Customer's Failure to Deliver Obligated DCQ to Union

If on any Day, for any reason, including an instance of Force Majeure, Customer fails to deliver the Obligated DCQ to Union then such event shall constitute a Failure to Deliver as defined in the General Terms and Conditions. The Failure to Deliver rate in the R1 Rate Schedule shall apply to the quantity Customer fails to deliver. The upstream transportation costs (if any) (Section 1) shall also apply and be payable by Customer.

For Gas that should have been received, Union may make reasonable attempts, but is not obligated to acquire an alternate supply of Gas ("Alternate Supply Gas"). Union's costs and expenses associated with acquiring Alternate Supply Gas will be payable by Customer. For greater certainty, payment of the Failure to Deliver charge is independent of and shall not in any way influence the calculation of Union's costs and expenses associated with acquiring the said Alternate Supply Gas.

Union's obligation to deliver Gas to the Point(s) of Consumption shall be reduced to a quantity of Gas (the "Reduced Distribution Obligation") in aggregate not to exceed the sum of:

- a) The confirmed Nomination quantity of Gas to be delivered to Union;
- b) Alternate Supply Gas if acquired by Union;
- c) Customer's Firm Withdrawal Right subject to Section 6.02.

In addition to any rights of interruption in the Contract, if the Customer consumes Gas in excess of the Reduced Distribution Obligation, Union may immediately suspend deliveries of Gas to the Point(s) of Consumption. In addition, Union may direct Customer to immediately curtail or cease consumption of Gas at the Point(s) of Consumption.

Customer shall immediately comply with such direction. Such suspension or curtailment shall not constitute an interruption under the Contract.

Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of Union exercising its rights under this Section.

7.02 Notice of Failure

Each Party shall advise the other by the most expeditious means available as soon as it becomes aware that such failure has occurred or is likely to occur. Such notice may be oral, provided it is followed by written notice.

7.03 Customer Failure to Deliver Compressor Fuel

For Gas to be delivered by Customer to Union at an Upstream Point of Receipt, if Customer fails to deliver sufficient Compressor Fuel then in addition to any other remedy Union shall deem the first Gas delivered to be Compressor Fuel and Section 7.01 will apply.