

Excerpt of
Conditions of Service
and
Tariff
XXX

- Chapter 1 : Application
- Chapter 14 : Load Balancing
- Chapter 16 : Distribution

1. APPLICATION

1.1 APPLICATION

The provisions hereof establish the conditions of service and rates of Gaz Métro Limited Partnership (the distributor) in its exclusive distribution territory.

1.2 INFORMATION

The distributor shall inform its customers of these conditions of service and the application of various services and rates. In addition, when new conditions of service or rates come into effect, the distributor shall inform its customers of them in writing. It shall also inform them of the availability of different rates, of their right to avail themselves of the most advantageous Distribution Rate and to obtain free of charge copy of the *Conditions of Service and Tariff*.

1.3 DEFINITIONS

In this document, the following terms shall have the meaning ascribed to them:

AGREED DELIVERY POINT

Physical or geographical location where natural gas is delivered:

- to the distributor, at a point specified in the customer-provided natural gas supply service contract agreement; or
- within the territory on Gaz Métro's gas system or outside the territory (ex-territory) at a point specified at the time of the commitment to the nominated volume by a customer subject to Rate D_R.

BILLING ADDRESS

Address to which the customer's bill is sent.

CONNECTION

Connection of a new service address to the distribution system.

CONNECTION PIPELINE

Underground line belonging to the distributor connecting the distribution main to the connection point at the service address.

CONNECTION POINT

Point where the distributor's connection pipeline joins connects to the customer's pipes at the service address.

CONSUMPTION ZONE

Geographic zone extending from the point of interconnection with the TCPL/TQM system delimiting the portion of Gaz Métro's system connected to that interconnect point.

CONTRACT

Agreement between a customer and the distributor for one or more natural gas services supplied by the distributor to a service address.

CONTRACT PERIOD

Period of one year or less between two agreed upon dates.

CONTRACT YEAR

Period of 12 months beginning on the date agreed upon in the written contract.

CONTRIBUTION – GREEN FUND

The contribution to the Green Fund is an annual duty levied pursuant to Order in Council 1049-2007 of the government of Quebec.

CUBIC METRE OF NATURAL GAS (m³)

Quantity of natural gas contained in one cubic metre at an absolute pressure of 101.325 kilopascals and at a temperature of 15 degrees Celsius.

CUSTOMER

Any individual or legal person, partnership or body that has entered into a contract with the distributor.

CUSTOMER DELIVERY POINT

Point, immediately after the distributor's metering device, at which the distributor makes the natural gas available to the customer.

CUSTOMER GROUPING

Customers who form a group to purchase services provided for in the *Conditions of Service and Tariff*.

DAY

A 24-hour period beginning at 10:00 a.m. Eastern Standard Time (ET), in the absence of an agreed time.

DISTRIBUTION SYSTEM

Natural gas distribution system as provided in the *Act Respecting the Régie de l'énergie*. (R.S.Q., c. R-6.01).

DOMESTIC USE

Utilization of the natural gas service for applications related exclusively to the occupation of a personal residence or of apartments in a housing cooperative or non-profit housing organization, or to the use of common areas in a condominium.

FIRM SERVICE

Uninterrupted natural gas service.

GROSS HEATING VALUE

The total number of joules produced by the full combustion, at a constant pressure, of one cubic metre of natural gas in contact with air, under conditions such that the natural gas is free of water vapour; that the natural gas, air and combustion products are at normal temperature, and that all water produced by the combustion is condensed to a liquid state.

INVENTORY

Natural gas supply, compressor fuel and transportation held in inventory by the distributor and necessary for serving the customer during the contract year.

LOAD FACTOR

Ratio of average annual daily load to peak daily load.

METERING DEVICE

Any device or combination of devices used to measure the natural gas withdrawn or injected by the customer, including in particular a meter, with or without a remote reading device, or a chromatograph.

METERING POINT

One metering device, or more than one if the distributor deems appropriate to use more than one, measuring the natural gas withdrawn by a single customer and serving one or more buildings or facilities located at a single site occupied by that customer or measuring the natural gas injected by a customer.

MINIMUM ANNUAL OBLIGATION (MAO)

Minimum annual volume of natural gas, for each contract year, that a customer agrees to pay for, in accordance with the *Conditions of Service and Tariff*, whether or not it withdraws or injects the natural gas.

MULTIPLIER FACTOR

The coefficient applied to the measurement of the volume of natural gas withdrawn or injected by a customer, in order to take account of the characteristics of the metering device.

NATURAL GAS SERVICE

One or more of the distributor's following services: natural gas supply service, natural gas compressor fuel service, transportation service, load-balancing service and distribution service.

NOMINATED VOLUME

Volume the customer agrees to inject in the distribution network during a day at an agreed delivery point.

NORMALIZED ANNUAL CONSUMPTION

Average annual volume of the last 24 months after normalization.

NORTHERN ZONE

The Abitibi-Témiscamingue region served by the distributor.

PAYMENT AGREEMENT

Agreement between a customer and the distributor to spread the payment of unpaid amounts owing on the due date over a period of time and to provide for full payment of the bills issued during the period covered by the agreement.

PRESSURE FACTOR

The coefficient applied to the measurement of the natural gas volume withdrawn or injected by a customer in order to take account of atmospheric pressure and delivery pressure.

PRICE OF NATURAL GAS TRADED AT IROQUOIS

Price of natural gas according to the "Daily price survey" indicator published by Platts in Gas Daily under "Canadian Gas: Iroquois, receipts; Midpoint; Flow Date(s)."

RECEIPT POINT

Physical location where producers' facilities connect to Gaz Métro's connection pipelines to move natural gas to the gas system.

RECOGNIZED MARGINAL REDUCTION

For a customer who participates after October 1, 2004 in an energy efficiency program under the Global Energy Efficiency Plan (GEEP) or the Energy Efficiency Fund (EEF), the recognized marginal reduction is evaluated by calculating the difference between the typical consumption following the implementation of a higher-efficiency measure and the consumption following the implementation of a standard measure. This recognized marginal reduction and the period for which it will be recognized will be included in the contract documents governing the customer's participation in the energy efficiency program.

SERVICE ADDRESS

Address that is or will be connected to the distribution system, including the receipt point.

SOUTHERN ZONE

The territory served by the distributor with the exception of the Northern zone.

TARIFF

The schedule of rates and rate conditions applicable to the customer and the distributor, as set out in Sections III and IV.

TCPL/TQM TRANSPORTATION

Transportation of natural gas within Gaz Métro's territory between different consumption zones or outside Gaz Métro's territory, via the TCPL/TQM transmission system.

UNAUTHORIZED WITHDRAWALS DURING INTERRUPTIONS

All natural gas withdrawals at a service address not respecting the terms of the interruption notice issued by the distributor under Article 16.4.6 (3^o).

VOLUME DEFICIT

Portion of the minimum volume not withdrawn by a customer.

VOLUMES DELIVERED OUTSIDE THE TERRITORY

Delivery of natural gas to a point of interconnection with the TCPL/TQM system.

VOLUMES DELIVERED WITHIN THE TERRITORY

Delivery of natural gas to Gaz Métro's entire system.

WITHDRAWALS EXEMPT FROM GREEN FUND CONTRIBUTION

Volumes of biogas distributed by pipe used solely for biogas distribution;

Volumes of natural gas if they are used as raw materials without combustion of natural gas as declared by the customer in declarations received by the distributor no later than the third working day following the end of the month covered by the billing and as confirmed, at the end of the year, no later than October 15 of each year by sworn statement by the customer, or if the customer is a legal entity or a corporation, by an authorized officer thereof;

Volumes withdrawn by an emitter that is required to cover its greenhouse gas emissions with emission allowances within the meaning of the second paragraph of section 46.6 of the *Environment Quality Act* (chapter Q-2) and that is registered in accordance with the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances* (chapter Q-2, r. 46.1), as well as, if applicable, the perpetrators of those emissions. This exemption applies until December 31, 2014.

WORKING DAY

Monday to Friday with exception of public holidays.

14. LOAD BALANCING

14.1 DISTRIBUTOR'S SERVICE

14.1.1 APPLICATION

For any customer who wishes to purchase from the distributor, in whole or in part, the load-balancing service needed to manage on a daily basis the natural gas it withdraws at its facilities.

14.1.2 LOAD-BALANCING RATE

The load-balancing price may be periodically adjusted to reflect the actual cost of load balancing tools.

14.1.2.1 Price for Customers whose Annual Volume is Less than 75,000 m³

For each m³ of volume withdrawn, the unit price is 5.470€/m³.

Notwithstanding the above, a Distribution Rate D₁ customer who opts out of the distributor transportation service in accordance with Article 18.2.2 is subject to the load balancing price stipulated in Article 14.1.2.2.

14.1.2.2 Price for Other Customers and for Customers Subject, as of September 30, 2011, to Article 14.1.2.2 of *Conditions of Service and Tariff* in Effect as of December 1, 2010

For each m³ of volume withdrawn, excluding "Competitive Make-up Gas" and "Make-up Gas to Avoid an Interruption" volumes, the unit price in €/m³, as of August 1, 2013, is calculated as follows:

$$\frac{155.9 \times (\mathbf{P} - \mathbf{W}) + 2\,882.4 \times (\mathbf{W} - \mathbf{A})}{\text{Annual Volume}}$$

Where **A**: Annual Average Daily Load

W: Winter Average Daily Load (period from November 1 to March 31)

P: Peak Daily Load

The calculation of the **A**, **W** and **P** parameters is detailed in Article 14.1.3. For D₅ distribution service customers, the **A**, **W** and **P** parameters used in the formula are the parameters modified to take account of the interruption days.

However, the price may not be less than -1.561€/m³ nor greater than 7.638€/m³.

14.1.2.3 Average Price

Article 14.1.2.2 does not apply when the firm or interruptible service volume withdrawn between October 1, 2011 and September 30, 2012 is nil or does not represent 12 consecutive months of consumption.

These customers will be subject to an average unit price based on their distribution rate, in accordance with the following table as of August 1, 2013:

Distribution Rate	Price €/m ³
D ₁	5.470
D ₃	0.918
D ₄	0.580
D ₅ – Category A	-0.694
D ₅ – Category B	1.540

14.1.2.4 Contract Change

The load balancing price will be revised during the year, following any contract change to the distribution service D₅: Interruptible resulting in a sub-rate or category change, or if the customer transfers from firm service to interruptible service or vice versa.

The price will be set in accordance with the terms and conditions set forth in Articles 14.1.2.1 to 14.1.2.3, as applicable, based on the volume from October 1, 2011 to September 30, 2012.

14.1.2.5 Load balancing Service Settlement

A load balancing service settlement is billed when:

1. a customer ceases to use the distributor's load balancing service. The settlement is calculated at the moment it ceases to use the distributor's service as follows:
 - a) price based on volume of 12 months preceding the cessation of service, in accordance with Article 14.1.2.2, multiplied by the volume of the 12 months preceding the cessation; less
 - b) total amounts billed for load balancing during the 12 months preceding the cessation.
2. a customer subject to Articles 14.1.2.2 and 14.1.2.3 requests settlement. The settlement is calculated as of September 30, 2013 as follows:
 - a) price based on volume from October 1, 2012 to September 30, 2013, in accordance with Article 14.1.2.2, multiplied by the volume from October 1, 2012 to September 30, 2013; less
 - b) total amounts billed for load-balancing from October 1, 2012 to September 30, 2013.

To take advantage of this option, the customer must have, at the time of the settlement calculation, a history of consumption as well as consumption of more than 75,000 m³ for the period of October 1, 2012 to September 30, 2013.

The request must be sent in writing to the distributor before the beginning of the reference period used for the calculation of the settlement. The customer then remains subject to the load-balancing service settlement for a minimum of three years. Similarly, if the customer withdraws from this option, he must wait another three years to avail himself of it.

For any customer subject to Article 14.1.2.2 who requests a settlement, a load-balancing service settlement will be billed based on the volume from October 1, 2011 to September 30, 2012, in accordance with Article 14.1.2.2, in the case of a debit balance only.

14.1.3 CALCULATION OF PARAMETERS

Subject to Articles 14.1.2.1 and 18.2.3, the consumption parameters shall be calculated as follows:

14.1.3.1 Parameters for Distribution Rates D₁, D₃ and D₄ customers

$$A = \frac{\text{Volume from October 1, 2011 to September 30, 2012}}{\text{No. days from October 1, 2011 to September 30, 2012}}$$

$$W = \frac{\text{Volume from November 1, 2011 to March 31, 2012}}{\text{No. days from November 1, 2011 to March 31, 2012}}$$

$$P = \text{Maximum daily load from November 1, 2011 to March 31, 2012}$$

For Distribution Rates D₁ and D₃ customers except customers subject to rate combination D₃-D₅, the maximum daily load for the winter months is estimated as follows:

$$P = (\text{MaxDL}) \times \text{multiplier}$$

Where **MaxDL** = Highest of the average daily loads of each month from November 2011 to March 2012

Where **multiplier** = Maximum (2.1 – (1.1 x A ÷ MaxDL); 1)

14.1.3.2 Parameters for Distribution Rate D₅ Customers

Parameters **A**, **W** and **P** are modified as follows to consider interruption days:

$$A = \frac{\text{Volume from October 1, 2011 to September 30, 2012}}{\text{No. days from October 1, 2011 to September 30, 2012}} \times \left(\frac{\text{No. days from October 1, 2011 to September 30, 2012} - \text{MaxD}}{\text{No. days from October 1, 2011 to September 30, 2012} - \text{ActualID}} \right)$$

$$W = \frac{\text{Volume from November 1, 2011 to March 31, 2012}}{\text{No. days from November 1, 2011 to March 31, 2012}} \times \left(\frac{\text{No. days from November 1, 2011 to March 31, 2012} - \text{MaxD}}{\text{No. days from November 1, 2011 to March 31, 2012} - \text{ActualID}} \right)$$

$$P = \text{Maximum daily load from November 1, 2011 to March 31, 2012} \times \text{maximum} \left(\frac{80 - \text{MaxD}}{80}; 0 \right)$$

Where **MaxD** = Maximum number of interruption days referred to in Article 16.4.6

Where **ActualID** = Actual number of interruption days from October 1, 2011 to September 30, 2012

Volumes withdrawn under "Competitive Make-up Gas" service or "Make-up Gas to Avoid an Interruption" service are not considered in the parameter calculations.

14.1.4 VOLUME TRANSPOSITION

For customers subject to the load balancing price stipulated in Article 14.1.2.2, who supply the distributor with the natural gas or "Seasonal Make-up Gas" they withdraw at their facilities, or who have entered into an agreement with the distributor for fixed-price supply by a specific supplier, the calculation of the load balancing price is based on a transposed load profile determined as follows, subject to Article 18.2.3:

$$TL = L + TUD - DCV$$

Where **TL** = Transposed Load (monthly or daily, as the case may be)

L = Load (monthly or daily, as the case may be)

TUD = Theoretical Uniform Delivery (sum of the **DCVs** from October 1, 2011 to September 30, 2012 ÷ no. days from October 1, 2011 to September 30, 2012 having a DCV)

DCV = Daily Contract Volume (including "Seasonal Make-up Gas," as applicable)

The TUD and DCVs are calculated on a monthly basis for customers without daily readings.

14.1.5 TERMS AND CONDITIONS

14.1.5.1 Prior Notice of Entry

A customer who wishes to avail itself of the distributor's load balancing service must so notify the distributor in writing at least 60 days in advance. Notwithstanding the required prior notice, the customer may avail itself of the distributor's load balancing service only if it is possible for the distributor to provide it.

14.1.5.2 Prior Notice of Withdrawal

The customer who wishes to opt out of the distributor's load balancing service, in order to provide the full service itself, must so notify the distributor in writing at least 60 days in advance. On shorter notice, the customer may opt out of the distributor's load balancing service only if it is possible for the distributor to agree to it.

14.1.5.3 Contract Term

The term for written load balancing service contracts must be a minimum of 12 months, except for make-up gas service contracts for which the contract term may be less than 12 months.

14.2 CUSTOMER-PROVIDED SERVICE

14.2.1 APPLICATION

For any customer who wishes to provide, in whole or in part, with the load balancing service needed to manage on a daily basis the natural gas it withdraws at its facilities or it injects in the distribution system subject to Article 18.2.2.

A customer subject to Rate D₁, D₃ or D₄ who wishes to provide its full load balancing service shall agree to deliver to the distributor each day a DCV equal to its load for that same day; the terms and conditions shall be those relative to volume imbalances stipulated under the "Customer-Provided Service" Article under Supply Service.

A customer subject to Rate D_R is subject to Article 14.2.3.2 "Differences Between Nominated Volumes and Volumes Injected".

~~14.2.2. PRIOR NOTICE FOR NOMINATED VOLUME ADJUSTMENT~~

~~For customers subject to Rate D_R, nominated volumes may be adjusted only when it is economic and operationally possible for the distributor to agree to the adjustment.~~

~~A customer must address its request for a nominated volume adjustment to the distributor as soon as possible and no later than 10:00 a.m. (ET) on the day preceding the day on which the adjustment would take effect. On shorter notice, the nominated volumes can only be adjusted if the distributor agrees to it.~~

14.2.32 RATE

14.2.32.1 Service Price

The customer shall not be billed for the price of the load balancing service it provides for itself in whole or in part.

14.2.32.2 Differences Between Nominated Volumes and Volumes Injected

The charges for differences between nominated volumes and volumes injected are as follows:

Daily imbalances

No charges shall be required if the daily difference between the nominated volume and the volume injected is less than the greater of 75 GJ or 2% of the total nominated volume at a receipt point or the greater of 75 GJ or 2% of the total nominated volume in the consumption zone.

In the case where the daily difference between the nominated volume and the volume injected is higher than the greater of 75 GJ or than 2% in the consumption zone and at a receipt point:

1. No charges shall be required if the daily difference between the nominated volume and the volume injected at that receipt point by a customer is in the sense opposite to the daily difference between nominated volumes and volumes injected in the consumption zone;
2. Charges shall however be required when this difference is in the same sense as the daily difference in the consumption zone.

In the latter case, the daily imbalance of the consumption zone shall be allocated among all customers having a billable daily imbalance, in proportion to their individual imbalance in excess of the greater of 75 GJ or 2% of their nomination.

The daily imbalance prices are as follows:

Difference	<u>First</u> 2% to 4%	<u>Next</u> 4% to 8%	<u>Next</u> 8% to 10%	<u>Next Exceeding</u> More than 10%
Price (¢/m ³)	1.591 <u>1.311</u>	3.977 <u>3.276</u>	5.965 <u>4.915</u>	7.954 <u>6.553</u>

Cumulative difference account balance

The cumulative difference account balance shall be calculated by adding or deducting any daily difference to the previous cumulative difference account balance. This balance may be reduced in accordance with Article 16.5.8.

Charges shall be payable if the cumulative daily account balance is higher than the greater ~~more than~~ of 150 GJ or 4% of the greater of the nominated volumes or the average nominated volumes for the past 30 days.

The prices applicable to the cumulative differences are as follows:

Balance	<u>First</u> 4% to 6%	<u>Next Exceeding</u> More than 6%
Price (¢/m ³)	1.193 <u>0.983</u>	1.988 <u>1.638</u>

These prices may be periodically adjusted to reflect modifications to TransCanada Pipelines rates.

14.2.43 TERMS AND CONDITIONS

14.2.43.1 Prior Notice of Entry

A customer who wishes to provide its full load balancing service must so notify the distributor in writing at least 60 days in advance. On shorter notice, the customer may provide full load balancing service only if it is possible for the distributor to agree to it.

16. DISTRIBUTION

16.1 GENERAL PROVISIONS

16.1.1 RIGHT TO MOST ADVANTAGEOUS RATE

A customer is entitled to the most advantageous distribution rate according to the following conditions:

1. the distribution rate must be agreed upon for the entire term of the written contract, subject to subsequent amendments, agreed to by the parties, to the subscribed volume, the minimum annual obligation (MAO) and the agreed upon price;
2. A customer who has a verbal contract may change distribution rates on agreement with the distributor.

16.1.2 DEFAULT DISTRIBUTION RATE

Rate D_1 applies by default except in the case of customers who inject natural gas in the distribution system for whom Rate D_R applies by default.

16.1.3 CONTRACT TERM

The term for all written contracts must be a minimum of 12 months, except for make-up gas service contracts for which the contract term may be less than 12 months.

16.1.4 CUSTOMER GROUPINGS

Customer groupings are not permitted for distribution service.

16.1.5 SUBSEQUENT ADJUSTMENTS

The distribution rates are subject to rate modifications ordered by the Régie de l'énergie after they come into force to reflect any change in operating costs arising from the decision of a competent authority (legislator, governments, public agencies) ("fait du prince").

16.2 DISTRIBUTION SERVICE D_1 : GENERAL

16.2.1 APPLICATION

For any customer intending to withdraw, at its facilities, natural gas that must be moved within the distributor's territory.

For all withdrawals of firm service natural gas measured at a single metering point. A customer may not, from a single metering point, withdraw natural gas simultaneously under Rate D_1 and under another Distribution Rate.

16.2.2 DISTRIBUTION RATE D₁

16.2.2.1 Basic Fee

The basic fees per metering device depend on annual volume withdrawn as follows:

Volume Withdrawn m ³ /Year				Price ¢/Metering device/Day
from	0	to	10,950	49.217
from	10,950	to	36,500	100.280
from	36,500	to	109,500	119.612
from	109,500	to	365,000	126.229
from	365,000	to	1,095,000	165.563
from	1,095,000	to	3,650,000	218.158
	3,650,000		and over	542.659

The price is then multiplied by the number of days of the billing period.

16.2.2.2 Unit Prices by Volume Withdrawn

For each m³ of volume withdrawn at the levels below multiplied by the number of days in the billing period, the unit prices are as follows:

Volume Withdrawn m ³ /Day				Price ¢/m ³
first	30	from	0 to 30	24.630
next	70	from	30 to 100	16.835
next	200	from	100 to 300	15.209
next	700	from	300 to 1,000	11.505
next	2,000	from	1,000 to 3,000	8.524
next	7,000	from	3,000 to 10,000	5.983
next	20,000	from	10,000 to 30,000	4.821
next	70,000	from	30,000 to 100,000	3.996
m ³ exceeding	100,000		100,000 and over	3.314

16.2.2.3 Contribution – Green Fund

Unit price of the Green Fund Contribution:

1. For each m³ of volume withdrawn, the unit price is 0.711¢/m³;
2. A credit of 0.711¢/m³ will be applied to withdrawals that are exempt from the Green Fund Contribution.

16.2.3 RATE REBATES

16.2.3.1 Rate Rebate to Compete with Fuel Oil

If required by the competitive situation, the distributor and the customer may agree for up to 12 months, within the limits of the Rate Flexibility Program, a copy of which is available upon request, to a percentage reduction applicable to the Distribution Rate excluding the unit price of the Green Fund Contribution.

16.2.3.2 Rate Rebate to Compete with Dual Energy

If required by the competitive situation, the distributor and the customer may agree, within the limits of the dual energy section of the Rate Flexibility Program, a copy of which is available upon request, to a percentage reduction applicable to the Distribution Rate excluding the unit price of the Green Fund Contribution.

16.2.4 PEAK SERVICE SUPPLEMENT

16.2.4.1 Single-Family or Single-Dwelling Domestic Use Customers

For natural gas withdrawals by single-family or single-dwelling domestic use customers measured by a separate metering device (unless the distributor has other means to measure the load) and intended to supply facilities capable of using an energy source other than natural gas during off-peak periods:

the additional unit price is 40.0 ¢/m³.

16.2.4.2 Other Customers

For natural gas withdrawals by other customers measured at a single metering point when the customer has facilities capable of using an energy source other than natural gas during off-peak periods:

The additional unit price is established in column (1) of the following table:

From November 1 to March 31

Monthly Load Factor %	Unit Price Volumes <75,000 m ³ (1) ¢/m ³	Unit Price Volumes >75,000 m ³ (2) ¢/m ³
Over 50.0	0.0	0.0
50.0	38.2	5.4
40.0	43.7	10.9
30.0	54.8	22.0
25.0	65.6	32.8
20.0	86.1	53.3
18.0	100.0	67.2
16.0	120.8	88.0
14.0	153.8	121.0
12.0	212.4	179.6
10.0 and lower	250.0	217.2

The additional unit price for all load factors falling between the load factors shown in the table shall be interpolated linearly.

The monthly load factor (LF) shall be calculated as follows:

$$LF = \frac{VDM}{MDV \times D} \times 100 \quad \text{where:} \quad \begin{array}{l} VDM = \text{volume withdrawn during the month} \\ MDV = \text{maximum daily volume withdrawn during the month} \\ D = \text{number of days in the month} \end{array}$$

16.2.5 MINIMUM ANNUAL OBLIGATION (MAO)

The distributor may agree, with a customer whose service address is newly connected to the distribution system or with a customer who receives financial assistance, on an MAO for the entire contract term. If, at the end of a contract year, the customer has withdrawn a volume that is less than its MAO, it will be billed for the volume deficit at the lower of the average price of the Distribution Rate paid during the 12 months of the contract year or of the average price of the Distribution Rate resulting from the billing of the volume deficit uniformly distributed over the contract year.

16.3 DISTRIBUTION SERVICES D₃ AND D₄: STABLE LOAD

16.3.1 APPLICATION

For any customer intending to withdraw at its facilities, natural gas that must be moved within the distributor's territory.

Distribution service D₃:

For all withdrawals of firm and stable service natural gas measured at a single metering point when the customer's subscribed volume is at least 333 m³/day, when the customer's load factor, calculated as an A / P ratio according to the non-transposed parameters defined in the load balancing service, is at least 60% and when the annual volume of natural gas is at least 75,000 m³. A customer may, at a single metering point, withdraw natural gas simultaneously under Rate D₃ and under Rate D₅.

Distribution service D₄:

For all withdrawals of firm and stable service natural gas measured at a single metering point when the customer's subscribed volume is at least 10,000 m³/day. A customer may, at a single metering point, withdraw natural gas simultaneously under Rate D₄ and under Rate D₅.

Notwithstanding the foregoing, when a Distribution Rate D₃ or D₄ customer participates in an energy efficiency program under the Global Energy Efficiency Plan (GEEP) or the Energy Efficiency Fund (EEF) after October 1, 2004, the aforementioned threshold can be reduced to take into account the marginal reduction recognized by the program for the average length of time the efficiency measure is implemented. Where applicable, the new threshold is equal to the subscribed volume before the measure was implemented, less a volume equal to the daily marginal reduction recognized by the program.

16.3.2 DISTRIBUTION RATES D₃ AND D₄**16.3.2.1 Minimum Daily Obligation**

For each m³ of subscribed volume at the levels indicated below, the unit prices are as follows:

Subscribed Volume m ³ /Day				Price ¢/m ³ /Day
first	333	from 0	to 333	9.114
next	667	from 333	to 1,000	7.260
next	2,000	from 1,000	to 3,000	5.009
next	7,000	from 3,000	to 10,000	4.085
next	20,000	from 10,000	to 30,000	3.098
next	70,000	from 30,000	to 100,000	2.315
next	200,000	from 100,000	to 300,000	1.692
next	700,000	from 300,000	to 1,000,000	1.322
m ³ exceeding	1,000,000	1,000,000	and over	0.926

The result of the calculation is multiplied by the number of days in the billing period.

16.3.2.2 Unit Price by Volume Withdrawn up to the Subscribed Volume

For withdrawals up to the subscribed volume multiplied by the number of days in the billing period for a customer without daily readings and for daily withdrawals up to the subscribed volume for a customer with daily readings, the unit price is 0.350¢/m³.

16.3.2.3 Reduction According to Contract Term

The average unit price calculated pursuant to Articles 16.3.2.1 and 16.3.2.2 may be reduced by a percentage calculated as follows:

$$\text{Minimum (19\% X } \frac{\text{Contract Term in Months} - 12}{48}; 19\%)$$

plus, for contract terms longer than 60 months

$$\text{Minimum (5\% X } \frac{\text{Contract Term in Months} - 60}{120}; 5\%)$$

plus, for contract terms longer than 180 months

Minimum ($2\% \times \text{Contract Term in Months} - 180$; 2%)

60

The maximum percentage reduction is 26%.

16.3.2.4 Additional Reductions

In an initial contract negotiated with a customer whose service address is newly connected to the distribution system, the distributor and the customer may agree on a percentage reduction not exceeding 5%, additional to that calculated under Article 16.3.2.3, for the first year only.

A customer with a subscribed volume greater than or equal to 1,000,000 m³/day is entitled to an additional reduction subject to the prior authorization of the Régie de l'énergie.

16.3.2.5 Withdrawals in excess of 100% of the Subscribed Volume

For withdrawals in excess of 100% of the subscribed volume multiplied by the number of days in the billing period for a customer without daily readings, and for daily withdrawals in excess of 100% of subscribed volume for a customer with daily readings:

The average unit rate for each m³ exceeding the subscribed volume shall be established by means of the rate schedule below, beginning with the level corresponding to the subscribed volume, by weighting of the rates of each m³ in excess of the subscribed volume up to the average daily volume exceeding the subscribed volume.

Subscribed Volume and Daily Volume				Price
m ³ /Day				¢/m ³ /Day
first	333	from 0	to 333	15.209
next	667	from 333	to 1,000	11.505
next	2,000	from 1,000	to 3,000	8.524
next	7,000	from 3,000	to 10,000	5.983
next	20,000	from 10,000	to 30,000	4.821
next	70,000	from 30,000	to 100,000	3.996
m ³ exceeding 100,000		100,000	and over	3.314

16.3.2.6 Unauthorized Withdrawals

All withdrawals in excess of 150% of the subscribed volume multiplied by the number of days in the billing period for a customer without daily readings and all daily withdrawals in excess of 150% of the subscribed volume for a customer with daily readings, made from November 1 to March 31, are subject to a penalty of 50¢/m³ and to the price of natural gas traded at Iroquois.

For a customer providing its own supply service, unauthorized withdrawal volumes will be added to the sum of the DCVs to determine the volume imbalances for the contract period.

16.3.2.7 Contribution – Green Fund

Unit price of the Green Fund Contribution:

1. For each m³ of volume withdrawn, the unit price is 0.711¢/m³;
2. A credit of 0.711¢/m³ will be applied to withdrawals that are exempt from the Green Fund Contribution.

16.3.3 RATE REBATE TO COMPETE WITH FUEL OIL

If required by the competitive situation, under Rate D₃ only, the distributor and the customer may agree for up to 12 months, within the limits of the Rate Flexibility Program, a copy of which is available upon request, to a percentage reduction applicable to the Distribution Rate excluding the unit price of the Green Fund Contribution.

16.3.4 CONTRACT EXTENSION

A Distribution Rate D₃ or D₄ customer may extend its contract by one year and maintain the same reduction for the contract term provided it does so at least the following number of months prior to the expiry of its contract:

$$\frac{\text{Contract Term in Months} - 12}{2}$$

This time may not exceed 24 months.

16.3.5 REVISION OF SUBSCRIBED VOLUME

16.3.5.1 By the Customer

Except to replace natural gas by another energy source, a customer may in the course of the contract reduce its subscribed volume by up to 10% beginning with the second year and for each additional year. However, in the case of a new contract, the subscribed volume must at all times remain at least 75% of its initial level during the contract term. The customer must provide written notice of at least three months.

At all times, the customer's subscribed volume must be at least 333 m³/day under Rate D₃ and 10,000 m³/day under Rate D₄.

Notwithstanding the foregoing, the customer is required to comply, as applicable, with the minimum annual obligation terms agreed under Article 4.3.4.

16.3.5.2 Following Implementation of an Energy Efficiency Measure

Notwithstanding the foregoing, a Distribution Rate D₃ or D₄ service customer who has participated after October 1, 2004 in an energy efficiency program under the Global Energy Efficiency Plan (GEEP) or the Energy Efficiency Fund (EEF) is entitled to a reduction of its subscribed volume equal to the daily marginal reduction recognized by the energy efficiency program. In the case of a new contract, the initial subscribed volume may also be reduced by the value of the marginal reduction. This reduction of the subscribed volume will be effective from the date of implementation of the energy efficiency program for which the marginal reduction is recognized.

A customer wishing to benefit from the reduction in its projected annual volume must so notify the distributor no later than one year after the date of payment of the financial assistance.

16.4 DISTRIBUTION SERVICE D₅: INTERRUPTIBLE

16.4.1 APPLICATION

For any customer intending to withdraw, at its facilities, natural gas that must be moved within the distributor's territory.

For withdrawals of interruptible service natural gas measured at a single metering point when the sum of the subscribed volume under Rate D₃ or D₄ and 1/365th of the minimum volume for the contract period under interruptible service is at least 3,200 m³/day.

Notwithstanding the foregoing, when a Distribution Rate D₅ customer participates in an energy efficiency program under the Global Energy Efficiency Plan (GEEP) or the Energy Efficiency Fund (EEF) after October 1, 2004, the aforementioned threshold referred to below can be reduced to take into account the marginal reduction recognized by the program for the average length of time the efficiency measure is implemented. Where applicable, the new threshold is established using as the minimum volume for the interruptible service contract period the projected annual volume when the measure is implemented, as calculated in Article 16.4.3.3.2, multiplied by the agreed upon minimum annual obligation (MAO) percentage.

To be eligible for this service, the customer must use the distributor's transportation service.

A customer may choose Category A or B, depending on the desired guarantee for availability of service. However, the customer may avail itself of interruptible service under Category B only if it is economic and operationally possible for the distributor to agree to it. Article 16.4.6 indicates the maximum number of interruption days for each Category.

A customer may, at a single metering point, withdraw natural gas simultaneously under Rate D₅ and under Rate D₃ or D₄. However, a customer cannot withdraw natural gas, at a single metering point, under both Category A and Category B of Distribution Rate D₅ simultaneously.

The distributor and the customer may agree on a maximum daily volume of interruptible service.

16.4.2 **DISTRIBUTION RATE D₅**

16.4.2.1 Unit Prices by Volume Withdrawn

For each m³ of volume withdrawn, the unit price is a weighted average calculated on the basis of the sum of the subscribed volume under Rate D₃ or D₄ and 1/365th of the projected interruptible service volume. For a make-up gas service contract, the projected volume is divided by the number of days of the contract period.

This unit price is the result of the distribution of the volumes among the levels below:

For Each m ³ of Subscribed Volume under Firm Service and of Projected Daily Volume under Interruptible Service				Price
m ³ /Day				¢/m ³
first	3,000	from 0	to 3,000	12.653
next	7,000	from 3,000	to 10,000	8.939
next	20,000	from 10,000	to 30,000	8.135
next	70,000	from 30,000	to 100,000	5.427
next	200,000	from 100,000	to 300,000	4.632
m ³ exceeding 300,000		300,000	and over	3.910

16.4.2.2 Reduction According to Minimum Annual Obligation (MAO)

The average unit price calculated pursuant to Article 16.4.2.1 may be reduced by a percentage calculated as follows:

$$\text{Minimum (30\% X \% of MAO - 25\%; 30\%)} \\ 60\%$$

16.4.2.3 Reduction According to Contract Term

The average unit price calculated pursuant to Article 16.4.2.1 may be reduced by a percentage calculated as follows:

$$\text{Minimum (40\% X Contract Term in Months - 12; 40\%)} \\ 48$$

The reduction according to the contract term is only available when the customer commits to an agreed upon minimum annual obligation (MAO) percentage of at least 25%.

16.4.2.4 Additional Reduction

For the initial contract negotiated with a customer whose service address is newly connected to the distribution system, the distributor and the customer may agree on a percentage reduction, not exceeding 15%, additional to those calculated in Articles 16.4.2.2 and 16.4.2.3, for the first year only.

16.4.2.5 Unauthorized Withdrawals Exceeding Maximum Daily Volume

All natural gas withdrawals in excess of the maximum daily volume are subject to a penalty of 50¢/m³.

16.4.2.6 Unauthorized Withdrawals During Interruptions

All natural gas withdrawals made despite receipt of an interruption notice is subject to a penalty of 50¢/m³ and to the greater of the daily price index of Iroquois or n^o. 6 fuel oil delivered to Montreal as provided by the daily price N6NY2.OC Resid No. 6 NY 2 %S delivered in Montreal.

If a customer has a stable load service contract, it will pay this penalty and this market price on volumes in excess of subscribed volume plus 2% of the subscribed volume, this 2% being billed at the stable load service.

The daily volumes of natural gas withdrawn under "Make-up Gas to Avoid an Interruption" service or "Competitive Make-up Gas" service, up to 102% of the actual delivery of make-up gas during the interruption day plus 2% of the subscribed volume if the customer has a stable load service contract, are not subject to the penalty of 50¢/m³. The supply service terms and conditions are those of Article 11.2.3.3.1.

16.4.2.7 Emergency Service Premium

All natural gas withdrawals made by a customer after it has received an interruption notice but has received prior permission from the distributor to continue withdrawing are subject to an emergency service premium of 25¢/m³.

Customers under "Make-up Gas to Avoid an Interruption" service or "Competitive Make-up Gas" service may not avail themselves of the emergency service.

16.4.2.8 Contribution – Green Fund

Unit price of the Green Fund Contribution:

1. for each m³ of volume withdrawn, the unit price is 0.711 ¢/m³;
2. a credit of 0.711 ¢/m³ will be applied to withdrawals that are exempt from the Green Fund Contribution.

16.4.3 MINIMUM ANNUAL OBLIGATION (MAO)

The volume withdrawn during each contract year must be at least equal to the applicable MAO for the same period.

16.4.3.1 Establishment of MAO

The applicable MAO for each contract year is equal to the projected annual volume multiplied by the agreed upon MAO percentage.

At the end of the contract year, the MAO shall be adjusted by subtracting from it an agreed upon daily volume (or, failing that, 1/365th of the projected volume) for each interruption day, including the unauthorized withdrawal days and the emergency service days.

16.4.3.2 Billing of the Volume Deficit

At the end of the contract year, the volume withdrawn over the contract year shall be adjusted by subtracting from it the volumes withdrawn:

1. as unauthorized withdrawals during interruptions;
2. as emergency service;
3. under a "Make-up Gas to Avoid an Interruption" contract; and
4. under a "Competitive Make-up Gas" contract.

If at the end of a contract year a customer has withdrawn an adjusted volume that is less than its adjusted MAO, it will be billed for the volume deficit at the price determined in accordance with Articles 16.4.2.1 to 16.4.2.4, taking into account, where applicable, the competition rate adjustment described in Article 16.4.4.

16.4.3.3 Revision of MAO

16.4.3.3.1 By the Customer

Except to replace natural gas by another energy source, a customer may in the course of the contract reduce its initial MAO up to 20% beginning with the second year and, for each additional year, by an additional 5%. However, the MAO must at all times remain at least 50% of its initial level during the contract term. The customer must provide prior written notice of at least three months for a reduction of 20% or less and at least six months for a reduction of more than 20%.

When the MAO percentage is modified during the contract year, the volume deficit is calculated annually for each agreed upon MAO percentage. The two volume deficits obtained are prorated according to the number of days each MAO percentage was in effect.

Notwithstanding the foregoing, the customer is required to comply, as applicable, with the minimum annual obligation terms agreed under Article 4.3.4.

16.4.3.3.2 Following Implementation of an Energy Efficiency Measure

Notwithstanding the foregoing, when a Distribution Rate D₅ customer participates in an energy efficiency program under the Global Energy Efficiency Plan (GEEP) or the Energy Efficiency Fund (EEF) after October 1, 2004, a new projected annual volume is established. The new projected annual volume is equal to the volume used to calculate the MAO (initial projected volume) less the marginal reduction recognized by the program and is applied from the date the measure is implemented.

A customer wishing to benefit from the reduction in its projected annual volume must so notify the distributor no later than one year after the date of payment of the financial assistance.

For the contract year the measure is implemented:

The volume used to calculate the MAO is determined from the initial projected volume and the new projected annual volume prorated in accordance with the volumes withdrawn in the corresponding periods of the year preceding the implementation of the measure.

For each subsequent contract year:

The volume used to calculate the MAO is the new projected annual volume.

16.4.4 COMPETITION RATE ADJUSTMENT

The distributor and the customer may agree on a negotiated percentage adjustment applicable to the Distribution Rate calculated in accordance with Article 16.4.2.1.

16.4.5 COMBINATION OF RATES D₃ AND D₅ OR D₄ AND D₅

When a customer withdraws natural gas simultaneously under Rates D₃ and D₅ or D₄ and D₅, at a single metering point, the volume withdrawn during a day is first considered as volume withdrawn under Rate D₃ or D₄ up to the limit of the subscribed volume. The volume is subsequently considered withdrawn under Rate D₅.

16.4.6 INTERRUPTIONS

1. The distributor must, on an annual basis, give service priority to interruptible customers in ascending order of subrates and, to the extent possible, within each of the subrates in descending order of prices, while complying with the maximum number of interruption days.

Notwithstanding the foregoing, in the event of operational issues, the distributor is not required to comply with the order previously established.

The maximum number of interruption days is determined in accordance with the following table:

Subrate D ₅	Sum of Subscribed Volume under Firm Service and Projected Daily Volume under Interruptible Service		Maximum Number of Interruption Days*	
	Between m ³ /Day	and m ³ /Day	Category A	Category B
5.5	3,000	10,000	54	20
5.6	10,000	30,000	67	20
5.7	30,000	100,000	77	30
5.8	100,000	300,000	78	30
5.9	300,000	and over	84	30

* Applicable up to the limit of the projected volume

2. Notwithstanding 1. above, "Competitive Make-Up Gas" service customers are the first to be notified of an interruption day. These customers must then limit their withdrawals to the volume they are committed to deliver (DCV) during the planned interruption day;
The maximum number of days of limited consumption is 84 days;
3. Until otherwise notified, the customer must cease or decrease, as the case may be, its withdrawals of natural gas to the extent determined by the distributor, at the date and time indicated on the interruption notice received from the distributor. The distributor must give such interruption notice at least 2 hours before the beginning of the interruption;
4. Except for the "Competitive Make-Up Gas" service, natural gas service must be interrupted at least one full day per year;
5. Each year, the distributor must send to all its interruptible customers a copy of its interruption policy; a copy of the policy is also available to any customer who requests it;
6. In case of default by the customer to comply with the interruption notice issued by the distributor, the latter can proceed to an interruption at the service address without it being required to notify the customer in more details.

16.4.7 CONTRACT EXTENSION

A customer may extend its contract by one year and maintain the same reduction for the contract term provided it does so at least the following number of months prior to the expiry of its contract:

Contract Term in Months – 12
2

The time cannot exceed 24 months.

16.5 RECEIPT SERVICE

16.5.1 APPLICATION

For a customer who wishes to inject natural gas produced in the territory served by the distributor into the distributor's gas system.

16.5.2 RECEIPT RATE

16.5.2.1 Prices at Receipt Points

16.5.2.1.1 Minimum Daily Obligation

For each m³ of maximum contractual capacity (MCC), the unit prices shall be as follows, depending on the receipt point:

Receipt Point	Price – Investments section (¢/m ³ /day)	Price – Distribution section (¢/m ³ /day)
To be determined	To be determined	To be determined
(...)	(...)	(...)

16.5.2.1.2 Unit Prices by Volume Injected

For each m³ of volume injected, the unit prices shall be as follows, depending on the receipt point:

Receipt Point	Price (¢/m ³)
To be determined	To be determined
(...)	(...)

16.5.2.2 Prices at Delivery Points for Customer who Injects Natural Gas

16.5.2.2.1 Unit Prices for Volumes Delivered Within the Territory

For each m³ of volume delivered within the territory, the unit prices shall be as follows, based on the consumption zone:

Consumption Zone	Price (¢/m ³)
To be determined	To be determined
(...)	(...)

16.5.2.2.2 Unit Price for Volumes Delivered Outside the Territory

For each m³ of volume delivered outside the territory, the unit price shall be 0.70¢/m³.

16.5.3 CONTRACT RENEWAL AND INDEMNITY

The contract concluded with the customer may include a clause by which it is automatically renewed at its expiry or a clause requiring the customer to pay the distributor an indemnity at maturity of the term. The indemnity shall equal the book value of the assets at the end of the term.

If another customer who wishes to inject natural gas into the distributor's system requests access, during the period covered by the indemnity, to part of all of the MCC freed up by the customer who paid the indemnity, the indemnity may be partially reimbursed by the distributor in accordance with the agreement between the parties.

16.5.4 NATURAL GAS PRESSURE, COMPOSITION AND CALORIFIC VALUE

The customer's natural gas must be delivered at a pressure sufficient to allow natural gas to be injected in the distributor's system at the receipt point but shall not exceed the maximum pressure provided in the contract.

The natural gas injected by the customer must meet the TransCanada Pipelines, Canadian Mainlines criteria as approved by the National Energy Board.

If the natural gas injected does not comply with the required standards, the distributor may suspend receipt of the nonconforming gas without notice. The customer shall still be required to fulfill its obligations to the distributor. The customer shall also reimburse the distributor for all costs incurred by the nonconformity of the natural gas.

16.5.5 REVISION OF MAXIMUM CONTRACTUAL CAPACITY (MCC)

The MCC may be increased during a contract term if it is economic and operationally possible for the distributor to increase the capacity at the receipt point.

The MCC may not be decreased unless the distributor consents to the transfer of the portion of the MCC the customer wishes to dispose of is transferred to another customer who wishes to inject natural gas into the system.

In all cases, revision of the MCC requires an agreement between the parties.

16.5.6 DAILY OVERRUNS OF MAXIMUM CONTRACT CAPACITY (MCC)

A customer who wishes to inject, on a particular day, a natural gas volume that is greater than its MCC must request the distributor's permission beforehand.

If it is operationally possible for the distributor to accept this additional volume of natural gas from the customer, it shall be billed the sum of 110% X the price of the minimum daily obligation, the unit price for the volume injected applicable at the receipt point and the unit price for the volume delivered within the territory applicable to the consumption zone or the unit price for the volume delivered outside the territory, as the case may be.

If multiple requests to inject additional volumes of natural gas are made concurrently and said volumes exceed the distributor's ability to accept the natural gas, the available capacity shall be prorated according to the excess volumes requested.

16.5.7 POSSESSION AND CONTROL

Gas received by the distributor shall be deemed to be in the custody and under the control of the distributor from the time it is received into the distribution system until it is delivered outside of the distribution system.

16.5.8 REQUEST FOR NOMINATION

Subject to Article 16.5.6, requests for nomination or revision of nominated volumes can only occur when it is economic and operationally possible for the distributor to agree to it. If applicable, the last request received and accepted cancels the previous.

The request must be submitted in writing to the distributor by email or by fax if need be, by means of the form provided for this purpose. For purposes of this article, an email is deemed to be written.

A customer must address its request for a nomination or nominated volume revision adjustment to the distributor by the following deadlines:

<u>Nomination Windows</u>	<u>Beginning of Effective Gas Injection</u>	<u>Nomination Deadline</u>
<u>Timely</u>	<u>Next Gas Day at 10:00 EST</u>	<u>Day before at 11:00 ET</u>
<u>Evening</u>	<u>Next Gas Day at 10:00 EST</u>	<u>Day before at 18:00 ET</u>
<u>Intra-Day 1</u>	<u>Current Gas Day at 18:00 EST</u>	<u>Current day at 10:00 ET</u>
<u>Intra-Day 2</u>	<u>Current Gas Day at 22:00 EST</u>	<u>Current day at 17:00 ET</u>

16.5.9 SIMULTANEOUS INJECTION TO THE SAME RECEIPT POINT

16.5.9.1 Application

For any receipt point for which multiple customers simultaneously inject natural gas.

16.5.9.2 Designation of an Operator

An operator must be designated by customers injecting at a single receipt point.

The operator must provide daily the volumes nominated respectively for each customer of the same receipt point.

Prior to any simultaneous injection to the same receipt point, customers shall inform the distributor, in writing, of the identity of the operator. Customers shall also communicate in writing any change in the identity of the operator.

16.5.9.3 Nominated Volumes Reported by the Operator

The nominated volumes reported by the operator will be used to enforce the *Conditions of Service and Tariff* in respect of each customer injecting simultaneously to the same receipt point.

For the purposes of the application of the *Conditions of Service and Tariff*, customers who inject simultaneously to the same receipt point will remain responsible of the information provided to the distributor by the operator.