

PUBLIC SECTOR ENERGY CONSERVATION AGREEMENT

THIS ENERGY CONSERVATION AGREEMENT executed on the 8th day of June 2010.

BETWEEN:

British Columbia

As represented by: the Deputy Minister of the Ministry of Energy, Mines and Petroleum Resources; and, the Deputy Minister of Environment.

(Hereinafter called "the Province")

OF THE FIRST PART

AND:

Terasen Gas Inc., a body corporate duly incorporated under the laws of the Province of British Columbia, and having its registered office in the City of Vancouver, in the Province of British Columbia.

(Hereinafter called "Terasen Gas")

OF THE SECOND PART

BACKGROUND:

WHEREAS the Province is demonstrating leadership through action to reduce greenhouse gas emissions in provincial ministries, Crown corporations, agencies and authorities.

WHEREAS B.C. Government operations are to be carbon neutral for 2010, including government ministries and agencies, courthouses, prisons, schools, colleges, universities, health authorities and Crown corporations.

WHEREAS the Province is showing leadership through the Energy Efficient Buildings Strategy to enhance energy conservation, reduce operating costs in providing valuable services for British Columbians, promote energy self-sufficiency, and encourage alternative energy sources.

WHEREAS achievement of the above objectives necessitate the delivery of a wide range of energy solutions for British Columbians, with the right fuel used in the right application at the right time.

Public Sector Energy Conservation Agreement (PSECA)

The Province and Terasen Gas are entering into a comprehensive agreement to significantly increase energy conservation, and where feasible expand the use of alternative energy options across more than 6,500 public sector buildings in British Columbia, including Crown corporations, education and health care facilities, office buildings, social housing and other government operations. The Agreement will create benefits for all British Columbians by:

- Helping the Province to deliver valuable public services in accordance with its energy and environmental objectives in the most cost-effective, energy-efficient ways;
- Optimizing between existing and alternative energy sources to support the goal of making provincial government operations carbon neutral by 2010; and,
- Contributing to the Province's objectives of a 33 percent reduction in GHG emissions from 2007 levels by 2020.

Public Sector Energy Conservation Agreement

Pillar One: Engagement

The Province and Terasen Gas will explore and implement customer and employee engagement initiatives aimed at supporting the Province's desire to create a 'culture of conservation', including an initiative to encourage provincial government employees to be energy conservation leaders at work and at home.

Pillar Two: Enhanced energy assessment and portfolio audits

Terasen Gas will assist the Province with assessments of energy systems, PSECA projects and consumption in government facilities to:

- Achieve energy efficiency upgrades for heating systems that rely on natural gas;
- Broaden energy management expertise within the government through secondments and funding, training and ongoing advice delivered by 20 Terasen Gas Energy Specialists established across the public sector in 2010; and,
- Participate in an enhanced energy management assessment and audit program to support the Province's ongoing commitment to reduce its corporate emissions.

Pillar Three: Accelerated alternative energy and energy efficient natural gas equipment deployment and innovation.

The Province and Terasen Gas are committed to fostering alternative energy and the deployment of energy efficient natural gas equipment by:

- Leveraging existing PSECA and Government funding of approximately \$25 Million and Terasen rate base and energy efficiency and conservation investments to achieve an economic benefit of close to \$50 Million by identifying and supporting innovative, emerging and alternative energy technologies and demonstration projects;
- Targeting investments in at least one significant alternative energy project in each of the education and health sectors;
- Identifying and supporting government facilities as anchor customers in the development of Integrated Community Energy Systems; and,
- Identifying partnership opportunities to support energy efficiency retrofits in affordable housing units owned or subsidized by BC Housing and other public sector agencies.

Implementation

This Agreement will be directed by a Steering Committee including representatives from the Ministries of Energy, Mines and Petroleum Resources; and Citizens' Services; and the Climate Action Secretariat along with a representative from Terasen Gas.

Specific actions, responsibilities and accountabilities, including Terasen Gas' level of participation in an enhanced energy management assessment and audit program, will be defined through a separate 'Implementation Agreement' to be established following a clearer definition of the targets and strategies, including clarification of the devoted resource expectations on both sides.

The initial term of this agreement will be one year. The agreement will automatically continue from year to year after the expiry of the initial agreement unless cancelled by either Terasen Gas or the Province. Both parties may terminate this agreement with six months notice. Notwithstanding the above, the agreement will expire no later than December 31, 2020. Material amendments will be subject to the review and approval of the Parties to this Agreement.



Date

June 2/2010

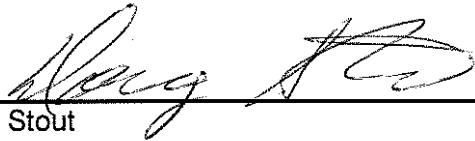
Doug Konkin
Deputy Minister
Ministry of Environment



Date

June 3, 2010

Les MacLaren
A/Deputy Minister
Ministry of Energy, Mines and Petroleum Resources



Date

June 3, 2010

Doug Stout
Vice President
Marketing and Business Development
Terasen Gas Inc.