

Transportation service

OVERVIEW

Transportation service involves moving natural gas by pipeline from production sites to the territory served by Énergir.

The largest carrier is TransCanada PipeLines Limited (TCPL), the owner of the pipeline.

In addition, near the Ontario/Quebec border, two short sections of the transmission system owned by Champion Pipeline Corporation Limited (Champion) serve Abitibi-Témiscamingue.



COST OF TRANSPORTATION SERVICE

Price

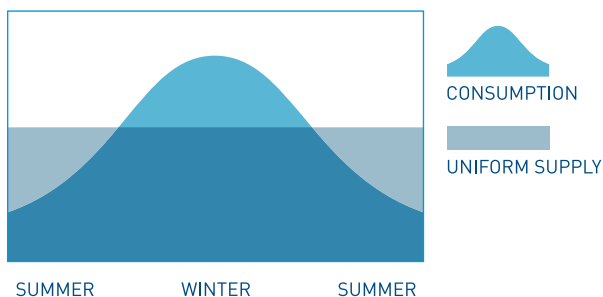
The price of the transportation service consists mainly of TCPL's transportation tolls. Énergir is billed according to the geographic zone where it receives the gas:

- Énergir's territory, except Abitibi-Témiscamingue, is billed at TCPL's Eastern Zone toll rates;
- The Abitibi-Témiscamingue region is billed at TCPL's Northern Zone toll rates.

Steady Transportation for Better Rate

To get the best possible rate for its customers, Énergir must use the transportation capacity it has contracted with TCPL continuously and uniformly throughout the year.

The diversity of its clientele and the utilization of various load-balancing tools (see "Load-balancing Service") enable Énergir to ensure it receives a uniform daily quantity of natural gas from TCPL, in spite of significant variations in summer and winter consumption.



Regulated Tolls

TCPL's transportation tolls are governed by the National Energy Board ("NEB"), an independent federal body that regulates various aspects of Canada's energy industry.

The prices of Énergir's transportation service are regulated by the *Régie de l'énergie*. When TCPL's transportation toll has been approved by the NEB, its impact on Énergir's transportation prices is submitted to the *Régie de l'énergie* for approval.

Énergir bills transportation to its customers at the same price it pays its suppliers. For this reason, every change in TCPL's tolls changes the price for Énergir's customers.

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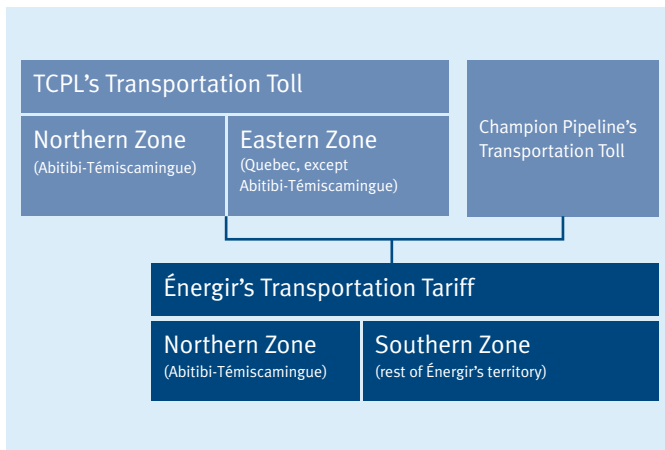
ÉNERGIR'S TRANSPORTATION TARIFF

Transportation Price

Énergir establishes a transportation tariff for its customers based on its transportation costs.

The tariff varies according to the geographic zone where the customers are located and is billed based on their consumption:

- The “Southern Zone” price applies in Énergir’s territory, except for Abitibi-Témiscamingue;
- The “Northern Zone” price applies in the Abitibi-Témiscamingue region.



Inventory-related Adjustment

Natural gas purchased by Énergir may be temporarily stored before it is used by customers. The transportation price when it is stored may be different than the price when it is consumed. To ensure Énergir bills transportation to its customers at the same price it pays its suppliers, the difference between these two prices is billed or credited by means of an inventory-related adjustment (see “Inventory-related Adjustment”).

Minimum Annual Obligations (MAO)

MAOs make it possible for Énergir to ensure that each customer pays its portion of the volume reserved on TCPL’s system.

This means customers may be obliged to consume a minimum volume depending on the applicable distribution tariff.

- Distribution Tariff D₃ and D₄ customers must make a commitment for 78% off their projected annual consumption;
- Distribution Tariff D₅ customers must make a commitment for the consumption stipulated in their distribution service contract.

If the obligation is not respected, the transportation price is billed for the volume deficit. However, Énergir does its best to sell transportation capacity acquired but not used by customers, who are only billed for the cost of transportation capacity that could not be sold. Customers that have a deficit because they switched to another energy source are billed the full transportation price.

CUSTOMER-PROVIDED SERVICE

As indicated above, the great diversity of customers and the load-balancing tools enable Énergir to get a good price for its transportation service, which lowers the price for all customers.

However, under certain conditions, customers having a firm service tariff may also provide their own transportation service, in which case they have to negotiate their transportation contracts directly and arrange for delivery of their natural gas to Énergir’s system for distribution to the customer’s facilities.