

Supply service

IN BRIEF

Natural gas supply service

The natural gas supply service covers all natural gas supplied as a fuel for customers' appliances.

The natural gas consumed on Énergir's territory comes from various Canadian and American production sites.

The natural gas is usually sold at the Alberta border, at a point called Empress, as well as at a point in Ontario called Dawn.



Supply service

COST OF NATURAL GAS SUPPLY SERVICE

Composition of the price of the natural gas supply service

The tariff for the Énergir natural gas supply, often called system gas, reflects the actual acquisition cost paid to suppliers. Énergir procures its natural gas from several suppliers under contracts that have various terms.

The same tariff is applied to all Énergir customers, regardless of the category, geographic location or volumes consumed.

Deregulated rates

Because the Canadian natural gas market is deregulated, the price fluctuates according to supply and demand.

Énergir does not make a profit on its natural gas supply service. It bills this service to its customers at the same price as its acquisition cost. The price of the natural gas supply may thus vary every month, depending on market price fluctuations.

The price of the Énergir natural gas supply service is subject to approval by the *Régie de l'énergie*, which ensures that the price accurately reflects the real cost of this service and sets the rate every month.

The natural gas supply price

Based on the actual acquisition cost assumed by Énergir, a unit supply rate is established monthly for Énergir customers.

To reduce monthly variations, the natural gas supply tariff accounts for the following factors:

- The forecast cost of natural gas over the next twelve months;
- The cumulative spread between the actual acquisition cost and the tariff in effect.

Total costs are divided by the required quantities of system gas forecast over the next twelve months. This gives the natural gas supply price forecast for the next twelve months and applicable to the current month.

The natural gas supply price in effect can be obtained by consulting the Énergir website, www.energir.com/texttariff.

PURCHASE OF NATURAL GAS

To mitigate the volatility of natural gas prices and reduce the overall acquisition cost, Énergir procures it from several suppliers under contracts that have various terms. These may be annual contracts made after calls for tenders, or daily, weekly or monthly contracts signed at the market price (spot purchases).

Supply service migration charges

Customers who do not use the distributor's supply service and who want to start using this service must give six months' written notice. If customers want to use Énergir's natural gas supply service without giving the six-month startup notice, they will be subject to migration charges.

The charges for migration to the distributor's supply service are billed to limit the impact of customer migration on the distributor's supply price. The migration price is reassessed monthly and applied to half of the customer's annual consumption. It is payable in a lump sum.

Fixed price supply agreement

Despite the efforts made to stabilize the natural gas supply price, it remains subject to market fluctuations. Customers who want to stabilize their energy costs can ask the distributor to arrange for a supplier to provide them with natural gas at a specific fixed price.

ACCESSIBILITY

The fixed price supply agreement is offered to customers with annual consumption ranging between 7,500 m³ and 1,168,000 m³. Customers to whom the fixed price supply service is not offered nonetheless have the option of providing the supply service themselves (see section entitled "Service providable by the customer").

Operation

Under a fixed price supply agreement, customers designate the supplier from which they want Énergir to obtain its supply.

- The supply service price and the term of the contract are agreed upon between the customer and the supplier.
- The undertaking document confirms the customer's choice to pay a specific price to Énergir for a fixed term.

- This document is transmitted to Énergir, which then purchases the natural gas from the supplier for the customer on the agreed-upon conditions.
- Énergir bills for the natural gas at the agreed-upon price for the term of the agreement.

The fixed price is not guaranteed by Énergir. If the supplier is unable to honor its commitments, the customer would then obtain a variable price supply service from Énergir.

Inventory-related adjustments

The natural gas purchased by Énergir can be stored temporarily before it is used by customers. The natural gas supply price in force at the time the natural gas is stored may be different from the price that will be in effect when it is consumed. To ensure that Énergir bills its customers for the natural gas supply service at the same price as the acquisition cost, the difference is billed or credited by means of the adjustment related to supply service inventories (see the Fact Sheet on “Inventory-related adjustments”).

SERVICE PROVIDABLE BY THE CUSTOMER

Since the natural gas supply price is deregulated, customers may deal with the supplier of their choice. They must then negotiate their natural gas supply contracts directly.

Two types of service

When customers provide their own supply service, they undertake to deliver a certain daily contractual volume (DCV) to Énergir, also known as nomination.

SERVICE WITH TRANSFER OF OWNERSHIP



SERVICE WITHOUT TRANSFER OF OWNERSHIP



Under certain conditions, customers may also choose to provide their own transportation service and deliver the natural gas from their supply service to the Québec border.

Two possibilities are available to customers: service with or without transfer of ownership.

SERVICE WITH TRANSFER OF OWNERSHIP

Customers purchase the natural gas supply from the supplier of their choice.

The natural gas supply is then purchased by Énergir at a delivery point, at the natural gas supply price in effect at the time of delivery, and the natural gas is transported and distributed by Énergir right to the customer's facilities.

Finally, Énergir resells the natural gas to the customers at the natural gas supply price then in effect. Customers are billed for the natural gas supply, as well as for transportation, load-balancing, inventory-related adjustments, distribution and cap-and-trade emission allowances system.

SERVICE WITHOUT TRANSFER OF OWNERSHIP

Customers purchase the natural gas supply from the supplier of their choice.

The natural gas thus is turned over to Énergir at the delivery point by the customer and transported by Énergir to the customers' facilities. The natural gas supply remains the property of the customers in this case.

Énergir receives the natural gas from the customer at an agreed-upon delivery point and transports it to the customer's facilities. The customer is not billed for the natural gas supply service, but continues to be billed for transportation, load balancing, distribution and cap-and-trade emission allowances system.

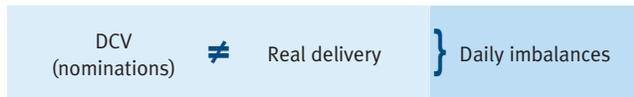
Inventory-related adjustments

Customers who opt for service with transfer of ownership are subject to the inventory-related adjustment for the supply service (see the Fact Sheet on “Inventory-related adjustments”).

Volume imbalances

The variances between the DCVs (nominations), the volumes actually supplied by the customer and the volume consumed by the customer are volume imbalances.

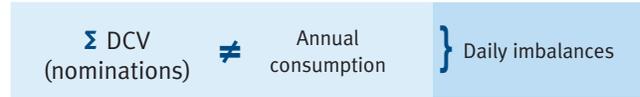
DAILY IMBALANCE



There is a daily imbalance when the volume actually delivered in a given day differs from the DCV.

- If the volume delivered exceeds the DCV, the surplus is purchased by Énergir.
- If the volume supplied is less than the DCV, the deficit is sold to the customer.

CONTRACTUAL PERIOD IMBALANCE



There is a contractual period imbalance when, during this period, the quantity of gas delivered by the customer (sum of the DCVs) differs from the quantity of gas withdrawn. This results in a financial settlement based on the following contingencies:

- If the sum of the DCVs is greater than the volume withdrawn, the surplus is purchased by Énergir.
- If the sum of the DCVs is less than the volume withdrawn, the deficit is sold to the customer.

The customer can carry over up to 5% of the imbalance to the next year

Énergir can provide an imbalance report every month so customers can track the changes in the variances between delivery and consumption.

DIAGRAM OF SUPPLY SERVICE

Here is a summary of the various options available to obtain a natural gas supply.

