

**ATTACHMENT “1”
COMMERCIAL TERMS OF BIOGAS PILOT PROJECT AGREEMENT**

Term: From the Commencement Date to the end of December 2013.

Commencement Date: July 2010

Biogas Supply: Biogas is generated from processing the City’s source separated organics material stream at the Dufferin organics processing facility (“DOPF”). The City will supply biogas to Enbridge Gas Distribution Inc.’s (“Enbridge”) Biomethane System (“BMS”) for the production of biomethane. The biomethane will be conveyed and injected into the regulated gas distribution system by Enbridge. The City cannot guarantee the quantity of the biogas supplied to Enbridge’s BMS. Enbridge may refuse receipt of biogas that does not meet the Biogas Quality Specifications at their discretion. Any biogas not supplied to Enbridge, including, for certainty, biogas not meeting the Biogas Quality Specifications, will be flared by the City.

Biogas Quality Specifications: The Biogas Quality Specification defines the quality of the biogas to be produced at the DOPF and supplied to Enbridge’s BMS for production of biomethane during the Pilot Project. The Biogas Quality Specifications will be determined during negotiations and will be based on previous measurements of the quality, and variations in quality, of the biogas produced at the DOPF.

Biomethane System: Except as set out in this section, Enbridge will supply, install, own and operate the BMS at its cost. The BMS will be comprised of the following components:

1. biogas refining system including treatment of the tail gas stream;
2. gate station which will include compression equipment, meters, valves and the gas odourization system;
3. on-site biomethane pipeline; and,
4. off-site biomethane pipeline and injection point into the regulated natural gas network.

The City will provide the electrical feed, water drain, clean water, machine air, supporting foundation and biogas piping to the BMS. The City will provide electricity and water to the BMS during operations.

Biomethane: Biomethane is a gas produced from the biogas supplied by the City by removing the carbon dioxide, moisture and trace contaminant components of the biogas. Enbridge will employ the BMS to convert biogas supplied by the City, and meeting the Biogas Quality Specifications, into biomethane. The quality of the biomethane produced by the BMS will be suitable for distribution through the regulated gas distribution system. Enbridge shall deliver and inject the biomethane into the regulated gas distribution system. Enbridge shall use reasonable commercial efforts to utilize all the biogas supplied by the City meeting the Biogas Quality Specifications

Monitoring and Metering: Monitoring and metering equipment necessary to control and measure the flow and relevant characteristics of the biogas supplied, biomethane produced and also the waste effluent and tail gas streams will be supplied, installed, and maintained by Enbridge as part of the BMS. Enbridge will provide monitoring and metering information to the City as required for the proper administration of the Biogas Pilot Project Agreement

Natural Gas Displacement: The City and Enbridge will negotiate any arrangements necessary to determine and communicate to City brokers the quantity of natural gas displaced by the quantity of biomethane produced and added to the natural gas distribution system network in order to ensure that the City's cost of natural gas supply is reduced by the biomethane entering the distribution system

Efficiency and Reliability: The BMS will be able to receive and process biogas supplied by the City, and meeting the Biogas Quality Specifications, a minimum of eighty percent (80%) percent of the time over the term of the Pilot Project.

The BMS will be able to recover 96% percent of the methane present in the biogas supplied by the City and meeting the Biogas Quality Specification, for production of biomethane.

Payment: Enbridge will be paid on a unit price basis for services to refine the biogas to produce biomethane and to supply and inject the biomethane into the regulated gas distribution system. The unit price for the services rendered will not exceed \$10 per Gigajoule (\$/GJ) [exclusive of applicable taxes] of biomethane supplied to the regulated gas distribution system. The quantity of biomethane supplied to the regulated gas distribution system will be measured at the gate station by Enbridge and reported on a monthly basis. Payments will be made on the basis of monthly invoices submitted by Enbridge.

Emission Reductions: The City will retain its rights to all emission reductions created by the Pilot Project in keeping with established City policy, and specifically including the right to hold, retire or otherwise deal with its emission credits (sometimes referred to by others as “environmental attributes”) from the collection and treatment of SSO including all the activities of the BMS and the City’s subsequent use of the biomethane produced.

Permits, Licences and Approvals: Enbridge shall be responsible, at its sole expense, for obtaining and maintaining any permits, licences, easements and approvals necessary for the project except for those approvals obtained by the City. The City shall be responsible for obtaining Ministry of Environment (MOE) approvals necessary for the Pilot Project.

Effluent: Effluent consisting of only water or condensate removed from the biogas by the BMS shall be returned to the City, if the effluent meets the City’s effluent quality specifications. Effluent quality specifications will be determined during negotiations. Pre-treatment of the effluent, as may be required to satisfy the City’s effluent quality

specifications, and if feasible shall be provided by Enbridge at no additional cost to the City. If the effluent does not satisfy the City's effluent quality specifications and pre-treatment is not feasible, Enbridge shall dispose of the effluent in accordance with applicable environmental laws and regulations and at its cost.

Tail Gas: The Tail Gas consists of only the carbon dioxide, moisture and trace contaminant components separated from the biogas by the BMS. The Tail Gas shall be returned to the City for treatment in the DOPF's biofilter provided that the quantity and quality of the Tail Gas meet the City's quality specifications and will not damage, or inhibit the expected performance of, the biofilter or the normal operation of the DOPF. Pretreatment of the Tail Gas, for removal of hydrogen sulphide or other constituents, as may be required to satisfy the City's quality specifications, shall be provided by Enbridge at no additional cost to the City

Operators of the BMS: Enbridge must obtain the City's consent to any subcontractor retained by Enbridge to operate the BMS. The City will notify Enbridge of any unacceptable behaviour at the Dufferin Waste Management Facility by Enbridge, its employees, agents, contractors or others for whom it is in law responsible and Enbridge will take appropriate action to resolve the issue, including, if appropriate, replacement of the person. Enbridge shall be responsible for payment of all persons employed and for any and all damage arising from acts, omissions, negligence or wilful misconduct by such persons.

Safety Protocols: The City and Enbridge shall enter into operation protocols designed to coordinate the supply of the biogas with the operation of the BMS.

Site Security and Access: The City will, at its cost, install a fence to secure the premises upon which the biogas refining system and gate station will be located. Enbridge will be responsible for any security systems, cameras or other security measures within the fenced-in area.

Disposition of the BMS upon Expiration or Termination: If Enbridge is not in default, upon the expiry of the Biogas Pilot Project Agreement, the City shall have the following options:

1. The option to continue production of biomethane by entering into a new agreement with Enbridge whereby Enbridge will continue to own, operate and maintain the BMS on the basis of a new unit cost to be negotiated by Enbridge and the City, subject to Council approval.
2. The option to continue production of biomethane by purchasing the biogas refining system component of the BMS and contracting for the continued operation of the biogas refining system through a competitive procurement process. Enbridge would continue to own and operate the other components of the BMS, specifically the gate station, on-site biomethane pipeline, off-site biomethane pipeline and injection point, in order to protect the natural gas distribution system. The

purchase cost would be based on the remaining undepreciated value of the entire BMS and determined by negotiations between Enbridge and the City, subject to Council approval.

3. The option to discontinue production of biomethane by decommissioning and removing the BMS, including removal of the biogas refining system, the gate station and the on-site biomethane pipeline and restoring the affected areas and facilities to the satisfaction of the City. The cost of this option would be based on the remaining undepreciated value of the entire BMS less the resale value of the biogas refining system and negotiations between Enbridge and the City, subject to Council approval.

If the Pilot Project is terminated early because of a material breach of the Biogas Pilot Project Agreement, which has not been remedied after notice, the City will require that Enbridge, at its cost, decommission the BMS, including removal of the biogas refining system, gate station and on-site biomethane pipeline, and to restore the affected areas and facilities to the satisfaction of the City.

Any disagreement related to the disposition of the BMS after expiration of the Pilot Project would be subject to the Dispute Resolution provisions

Assignment: Enbridge shall not assign the Biogas Pilot Project Agreement without the City's consent, which may be unreasonably withheld. A transfer of control with Enbridge related companies or internal restructuring of Enbridge will not constitute an assignment.

Insurance: Enbridge shall take out liability insurance in form and content satisfactory to the City, together with such other forms of insurance required by the City's Risk Management Division.

Indemnity: The City and Enbridge will negotiate and finalize an indemnity provision that includes Enbridge taking responsibility for any costs, damages, etc. related to or arising out of the refinement of the biogas into biomethane, the quality of the biomethane and the injecting of the biomethane into the natural gas distribution system.

Dispute Resolution: The City and Enbridge will agree to resolve disputes first by negotiation between the General Manager and senior executives of Enbridge. If that fails, the dispute may be referred to arbitration on consent of all parties.

Early Termination: The Biogas Pilot Project Agreement is conditional upon the following, failing which the Biogas Pilot Project Agreement may be terminated by either party:

1. Issuance by the Ministry of Environment to the City of an amendment to the existing approval certificate for Dufferin facility if required, permitting construction and operation of the BMS, on or before 31 March 2011; and,

2. Execution (and registration on title, where applicable) by Enbridge and any necessary third parties of all leases, licenses, permits, easements, encroachment agreements, road access or crossing agreements, and/or other agreements, as may be necessary, to permit Enbridge to construct and operate the off-site biomethane pipeline, on or before 31 March 2011.
3. Execution of a lease or license agreement with the City for use of land at the Dufferin Waste Management Site to install the BMS, on or before 31 December 2010.

Incentive Programs: Enbridge will cooperate with the City to identify available incentive programs and to complete and prepare related applications and documents.

Cooperation: The City will cooperate with Enbridge to obtain easements and other approvals required for the BMS.

Natural Gas Distribution System: The means of injecting biomethane into the regulated natural gas distribution system and the location of the injection point will be determined by Enbridge at its sole discretion.