



April 7, 2005

Mr. Scott Stewart, C.E.T.  
General Manager, Public Works Department  
City of Hamilton  
320 – 77 James Street North  
Hamilton, ON  
L8R 2K3

Dear Mr. Stewart:

**Re: City of Hamilton Franchise Agreement**

We refer to our ongoing discussions and correspondence with regard to the execution of a new Model Franchise Agreement between Union Gas and the City of Hamilton ("the City"). We confirm that the parties have agreed to the interpretation of certain provisions of the Franchise Agreement and the City has asked Union Gas to confirm the interpretation in writing.

**Pipeline Relocation**

Section 12 of the Franchise Agreement deals with pipeline relocation and the costs and obligations of each party regarding pipeline relocation. Union Gas confirms that the costs and obligations of each party pursuant to this section is only applicable to the gas system, as defined in the Model Franchise Agreement located within a Highway as defined in the Agreement. All costs and other expenses relating to the relocation of the gas system outside of the Highway are governed either by the Easement held by Union Gas or similar documentation ("Rights") which provides Union Gas with the right to install and maintain its gas system.

Union Gas agrees that in the event the City acquires additional lands and incorporates those lands into a new Highway, that Union Gas will surrender any Rights which it holds within the new expanded Highway. Notwithstanding the surrender by Union of any Rights as aforementioned the parties agree that the City shall be solely responsible for all costs relating to the relocation of the gas system, in the first instance, and any subsequent relocation of the gas systems within the Highway will be governed by the terms and conditions of the Franchise Agreement.



### Costs of Relocations

Union Gas confirms that prior to commencing or undertaking any relocation of its gas systems in accordance with the requirements of the Franchise Agreement, Union Gas shall provide the City with an estimate of the costs for its information only. Union will be pleased to provide information to the City to satisfy the municipality that costs are reasonably and diligently constructed.

### Dispute Resolution

Union Gas has a long and respected practice of working with municipalities in the event of issues arising with respect to the application of the terms of the franchise agreement and other operational matters. It is Union's intent to continue to maintain this commitment through dialogue and consultation in order to resolve issues without recourse to other means. However, Union is willing to commit to utilizing an alternative dispute resolution mechanism in the event the parties cannot come to a mutually agreed upon solution. This could include mediation or other means as agreed to by the parties in advance of proceeding to an alternative mechanism to resolve a dispute.

### Locate information

Union Gas shall continue to meet all its statutory and regulatory obligations for line locates including the requirements of the Technical Standards Safety Authority pursuant to Section 9(2) of Ontario Regulation 210/01 under the Technical Standards and Safety Act, 2000 S.O. 2000, c.16.

In the current circumstance, upon receiving a locate request through Ontario One Call from the City, or the City's authorized agent, Union Gas shall, at no cost to the City, make best efforts to provide locations of its gas system as follows:

1. Within two hours in the event of an emergency;
2. Within four days, 90 percent of the time, in all other cases.

The City and Union Gas acknowledge that these locational time lines may be varied from time to time.

The locations provided by Union Gas to the City shall contain sufficient information, consistent with industry practises. These practises may be varied from time to time.

Union Gas shall provide and identify to the City's engineer an individual who shall be Union Gas' contact person for the purpose of the requirements for locate process information. Each Party shall also provide to the other Party an emergency contact number at which personnel shall be available at all times and shall ensure that the aforementioned number is current.



Insurance

Pursuant Section 10 of the Franchise Agreement, Union Gas shall provide the City with a Certificate of Insurance with comprehensive and general liability insurance in the amount of Fifty Million Dollars (\$50,000,000.00), or such other amounts as Union Gas is obligated to indemnify the City pursuant to Section 9 of the Franchise Agreement.

Union Gas has a long and positive relationship with the City of Hamilton, from both an operational and community perspective. We are committed to working closely with municipal staff to our mutual benefit in meeting the needs of your citizens and our customers.

In closing, as previously high lighted the 2000 Model Franchise Agreement has been approved by the AMO and the OEB. Currently, approximately one hundred other municipalities are operating under this revised model and as renewals occur with other municipalities this model will be the standard for the province.

Should you have any questions or if we can assist further in this process please call.

Yours very truly,

Frank Scremin, P. Eng.  
Manager of Operations, Hamilton  
**UNION GAS LIMITED**

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cc: Paul Rietdyk  
Frank Varga  
Max Hagerman  
Mark Murray  
Lynn Marentette