

**LETTER OF UNDERSTANDING**

**- between -**

**TERASEN GAS INC.  
(the "Company")**

**- and -**

**LOCAL 213 OF THE  
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS  
(the "Union")**

**Re: Victoria Dependent Backhoe Contractors**

Whereas the Company has announced its intention to replace the Victoria Dependent Backhoe Contractors ("VDBC's") currently included in the Local 213 of the International Brotherhood of Electrical Workers ("IBEW 213") bargaining unit with Equipment Operator Distribution Mechanics ("EODMs");

Whereas the Company and IBEW 213 have been engaged negotiating an adjustment plan; and

Whereas, the Company is interested in maintaining the services of the incumbent VDBC's as EODMs and the Union is interested in maintaining the employment of the VDBC's by the Company;

The Parties hereby agree the following terms and conditions shall apply to this transition.

1. VDBC's who wish to become EODM in Victoria shall confirm their desire to become employees within two (2) weeks of signing this Agreement.
2. The Company shall offer all of the incumbent VDBC's EODM positions in the Victoria (Capital Regional District) Unit. These offers shall be subject to the Company's standard Distribution Apprenticeship pre-employment testing, as verification that the VDBC meets the bona fide occupational requirements ("BFORs") of an EODM, thereupon a formal confirmation of employment will be made to the successful VDBC's.
3. The Union agrees to reopen the selection period with respect to the position of EODM - Employment Bulletin No. IVI-01/2009 for 30 days, the day after formal confirmations of employment have been made to all the successful VDBC's.
4. Prior to having any VDBC accept the offer of EODM employment, the Company shall offer to purchase the backhoe, hoe-pack, standard digging bucket, and standard clearing bucket, as owned by the VDBC, and for which he now uses in the course of his employment with the Company, at "Fair Market Value". The Fair Market Value of such equipment shall be the average of three separate fair market value estimates provided by Finning (Canada), Brandt Tractor Ltd., and Parker Pacific Equipment Sales. The VDBC shall have the option of either selling such equipment to the Company or its delegate at the Fair Market Value or retaining ownership for his own purposes without prejudice to the Company's offer of employment as an EODM.
5. VDBC's who accept the offer of EODM employment shall upon the formal confirmation of employment in paragraph 2, above, be classified as an Equipment Operator 1 (EO1), paid the EO1 rate of pay; and shall be subject to a one-year probationary period as per clause 4.01 of the Collective Agreement. Upon completion of the mandatory minimum 24 month Distribution Apprenticeship ("DA") training (e.g. complete the required DA training and

logbook) they shall progress to the EODM classification and be paid the EODM rate of pay. They shall not be required to attain the Gas Utility Certificate Qualification as a condition of their progression to EODM or of their continued employment. Upon completion of the mandatory minimum 24 month DA training, these EO1s will not be denied progression to the EODM rate and classification due to lack of internal training opportunities and/or experience which are not attributable to the employee.

6. VDBC's who accept the offer of EODM employment shall initially have EO1 Classification Seniority as of the date of formal confirmation of employment in paragraph 2, above, which upon becoming an EODM shall be replaced by EODM Classification Seniority as of this same date. They shall be considered "new" employees for all purposes, including for establishing service entitlements, and will be placed on the new "Standard Model" and the TGVI Pension plan; except that they will be credited with Union Seniority and accredited service for the purposes of establishing annual vacation entitlement only from their last date of hire as VDBC's. The last date of hire for the four (4) existing VDBC are: Keith Davies (October 1, 1993); Rick Hannah (June 1, 1991); Steve Lodge (February 4, 2002); and, Gord Webb (January 15, 1992).
7. When the Company decides any VDBC's who have declined offers of EODM employment or who have been found unfit for EODM employment may be terminated, the Company will provide 30 days notice of termination or pay in lieu of notice under Clause 5.04 of Appendix F (2004-2006 Collective Agreement).
8. Following termination, the Company will offer any available hourly or "as and when required" contract backhoe work in the Victoria Unit to the former VDBC's by seniority before it engages any independent backhoe contractors to perform such work. Subject to Paragraph 9, below, this obligation shall cease 12 months following a former VDBC's termination as a dependent backhoe contractor.
9. Unless and until a former VDBC has been recalled for hourly or "as and when required" contract backhoe work in the Victoria Unit for more than six months, the Company is not obligated to provide the former VDBC with 30 days notice of a subsequent termination under Clause 5.04 of Appendix F (2004-2006 Collective Agreement) and a new period of first consideration for re-engagement under Clause 5.06 of Appendix F (2004-2006 Collective Agreement) is not established.
10. During the transition, should the Company require the use of an available backhoe supplied by a former VDBC who has become an employee and agrees to supply and operate such backhoe for the Company's benefit, the employee will be paid their regular EO1 rate of pay, plus the difference between the current effective VDBC Hourly Rate (including Dumptruck & Equipment) and their EO1 rate of pay.

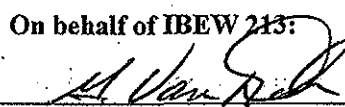
On behalf of Terasen Gas Inc.:

  
Jeff Marwick

Date

May 25, 2009

On behalf of IBEW 213:

  
Gord Van Dyck

Date

May 25/09