

4.1 A.M

**EXTENSION AGREEMENT TO THE
AMENDED AND RESTATED MASTER AGREEMENT**

THIS AGREEMENT (the "Extension Agreement") is made the ____ day of _____, 2012.

BETWEEN:

THE CITY OF KELOWNA, a municipality incorporated under the laws of the Province of British Columbia, having its offices at 1435 Water Street, Kelowna, British Columbia, V1Y 1J4

(hereinafter referred to as the "City")

AND:

FORTIS PACIFIC HOLDINGS INC., a company incorporated under the laws of the Province of British Columbia, having its offices at 5th Floor, 1628 Dickson Avenue, Kelowna, British Columbia, V1Y 9X1

(hereinafter referred to as "FPHI")

WITNESSES THAT WHEREAS:

- A. The City and FPHI are parties to an Amended and Restated Master Agreement made the 1st day of October, 2007 (the "Master Agreement").
- B. The Term of the Master Agreement terminates on September 30, 2012; and
- C. The City and FPHI wish to enter into this agreement (the "Extension Agreement") to extend the Term of the Master Agreement, all on the terms and conditions as set forth herein;

NOW THEREFORE in consideration of the respective covenants, agreements, representations and warranties of the parties hereto hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties hereto hereby agree as follows:

- 1. Capitalized terms used herein, including the recitals, and not otherwise defined in this Extension Agreement shall have the meaning ascribed thereto in the Master Agreement.
- 2. Section 11 of the Master Agreement is hereby deleted in its entirety and replaced with the following:

"11. TERM OF CONTRACT

11.1 Term

The term of this Master Agreement shall be for a period of six (6) years commencing on October 1, 2007 and terminating on September 30, 2013, unless earlier terminated as set out below, or unless extended in accordance with Section 11.2.

11.2 Extension

The City and FortisBC Inc. propose to enter into an asset purchase agreement, the form of which has been delivered to the City (the "APA"), providing for the sale by the City to FortisBC Inc. of the City's electrical utility. Under the APA, the parties will have various rights enabling each of them to terminate the APA prior to Closing (as defined in the APA). FPHI and the City hereby agree that if the APA is executed and delivered by the City and FortisBC Inc. and either (i) FortisBC Inc. terminates the APA prior to Closing, or (ii) the City terminates the APA prior to Closing pursuant to either of Sections 7.6(e)(ii) or 7.7(e)(ii) of the APA, then this Master Agreement shall be extended:

- (a) for a period of one year (unless earlier terminated as set out below) commencing upon the effective date of termination of the APA (the "Extension Term"); and
- (b) on the terms and conditions set out in this Master Agreement, except that for the portion of the Extension Term commencing October 1, 2013 and continuing until the expiry of this Master Agreement, the applicable rate(s) or costs to be set out in the relevant schedule(s) to the Master Agreement shall be as negotiated by the City and FPHI, acting reasonably.

If FPHI and the City cannot agree on the applicable rate(s) and/or costs referred to in Section 11.2(b) hereof within one (1) month of delivery of the written notice of termination of the APA as set forth in this Section 11.2, then the applicable rate(s) and/or costs for the portion of the Extension Term commencing October 1, 2013 and continuing until the expiry of this Master Agreement shall be decided by binding arbitration in accordance with Section 25.4 (expressly bypassing the processes set out in Sections 25.1, 25.2 and 25.3)."

3. This Extension Agreement is expressly made a part of the Master Agreement to the same extent as if incorporated therein, *mutatis mutandis*, and the parties hereto agree that all agreements, covenants, conditions and provisos contained in the Master Agreement except as amended or altered herein shall be and remain unaltered and in full force and effect. The parties hereby confirm and ratify the Master Agreement as extended hereby.
4. This Extension Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.
5. This Extension Agreement may be signed in counterparts which together constitute one and the same agreement and have the same effect as if the signatures on the counterparts were upon the same instrument. This Extension Agreement or any counterpart of it may be signed

by a party and delivered by facsimile or other electronic transmission and if so signed and delivered, this Extension Agreement or the counterpart is for all purposes as effective as if the party had signed and delivered this Extension Agreement bearing an original signature.

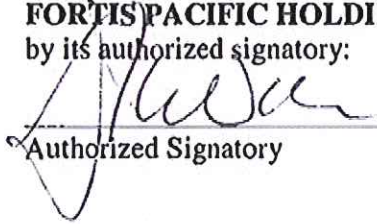
IN WITNESS WHEREOF the parties have executed this Extension Agreement.

CITY OF KELOWNA
by its authorized signatory:

Authorized Signatory

Authorized Signatory

FORTIS PACIFIC HOLDINGS INC.
by its authorized signatory:



Authorized Signatory