

FE DOCKET NO.: 95-111-NG

APPLICANT(S): VERMONT GAS SYSTEMS, INC

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	VERMONT GAS SYSTEMS, INC	APPLICATION	Application for Long-Term Authority to Import Natural Gas	95-11-08	95-11-08
2 ✓	DOE/FE	ORDER	Order 1139--Granting Long-Term Authority to Import natural Gas	95-11-08	95-11-08



Vermont Gas

P.O. Box 467, Burlington, Vermont 05402
802-863-4511

NOV 03 1995

November 3, 1995

Mr. Clifford Tomaszewski
Director
Office of Fuels Programs - Natural Gas
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, D.C. 20585

95-11A-NG

RE: Application of Vermont Gas Systems, Inc. for Authorization to Import Natural Gas From Canada ("Application")

Dear Mr. Tomaszewski:

Enclosed for filing is an original and 15 copies of an "Application of Vermont Gas Systems, Inc. for Authorization to Import Natural Gas From Canada." Vermont Gas has also enclosed a check payable to the Treasury of the United States in the amount of \$50.00 in payment of the fee required by 10 CFR § 590.207.

Concurrent with the instant filing, Vermont Gas is also filing to amend its current import authorization under DOE/FE Opinion and Order No. 550 to reflect the reduction in contractual quantity from 32,000 Mcf to 21,000 Mcf per day to its gas sales contract with TransCanada Gas Marketing Limited. The Application will serve to substitute the referenced contract reduction. Accordingly, Vermont gas hereby requests that these two filings be considered simultaneously.

Respectfully submitted,

Eileen M. Simollardes
Director of Key Accounts & Planning

Enclosures

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY

100-112-1147

In the Matter of)
) FE Docket No. 95-112-NG
Vermont Gas Systems, Inc.)

APPLICATION OF VERMONT GAS SYSTEMS, INC.
FOR AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

Vermont Gas Systems, Inc. ("Vermont Gas") hereby applies to the Department of Energy's ("DOE") Office of Fuels Programs, Office of Fossil Energy, for authorization, pursuant to Section 3 of the Natural Gas Act ("NGA") and DOE's implementing regulations (10 C.F.R. § 590.201, et seq.) to import an authorized volume up to 19,000 Mcf per day of natural gas from Canada. The proposed import authorization is in accordance with an April 1, 1995 Gas Services Agreement ("Agreement") between Vermont Gas and Gaz Métropolitain Limited Partnership ("GMLP").

The Agreement, which has a 15-year term beginning April 1, 1995, serves to replace the import reduction¹ under Vermont Gas' gas sales contract with TransCanada Gas Marketing Limited ("TransCanada") and also provides Vermont Gas with the additional import capacity for peak demand periods. The Agreement provides for firm deliveries of a daily contract volume of up to 19,000 Mcf per day at the interconnection between the facilities of Vermont Gas and TransCanada PipeLines Limited ("TCPL") at the international border near Philipsburg, Quebec. No new facilities are required for the supply of the 19,000 Mcf per day.² Vermont Gas will utilize the gas proposed to be imported as the primary source of supply for its distribution system.

¹ Concurrent with the instant authorization filing, Vermont Gas also filed an application to amend its current import authorization under DOE/FE Opinion and Order No. 550 to reflect the reduction in contractual quantity from 32,000 Mcf to 21,000 Mcf per day to its gas sales contract with TransCanada Gas Marketing Limited (successor to Western Gas Marketing Limited).

² Because the proposed importation of natural gas will use existing pipeline facilities, granting authorization would not constitute a major federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 421, et seq.) and therefore an environmental impact statement ("EIS") or environmental assessment ("EA") is not required. See 40 C.F.R. §1508.4 and 56 Fed. Reg. 12474 (March 27, 1989).

Vermont Gas requests that the authorization sought herein be granted prior to November 1, 1995, which is the first date that Vermont Gas may begin withdrawal under the Agreement.

In support of this application Vermont Gas shows as follows:

I.

Communications regarding this application should be directed to the following:

John H. Marshall, Esq.
Downs Rachlin & Martin, P.C.
9 Prospect Street
St. Johnsbury, VT 05819-0099
(802) 748-8324

Eileen Simollardes
Director of Key Accounts & Planning
Vermont Gas Systems, Inc.
P.O. Box 467
Burlington, VT 05402
(802) 863-4511

II.

The exact legal name of the applicant is Vermont Gas Systems, Inc. The principal office of Vermont Gas is located at 85 Swift Street, South Burlington, VT 05403. Vermont Gas is a local distribution company which is incorporated under the laws of the State of Vermont and provides natural gas service to approximately 26,000 residential, commercial and industrial customers. All of the natural gas purchased by Vermont Gas is imported from Canada pursuant to authorization issued by the DOE (or predecessor authorizing agencies) pursuant to Section 3 of the NGA.

III.

Under DOE/FE Opinion and Order No. 550 issued on November 26, 1991, in Docket No. 91-54-NG, Vermont Gas currently is authorized to import up to 32,000 Mcf of natural gas at its existing interconnection with the facilities of TCPL located at the international border between Canada and the United States near Philipsburg, Quebec. The import authorization under Order No. 550 expires on October 31, 2006. However, with access to underground storage as provided by the Agreement, Vermont Gas is able to reduce its maximum daily quantity under its Gas Sales Contract with TransCanada from 32,000 Mcf per day to 21,000 Mcf per day. Thus, concurrent to the instant application, Vermont Gas has petitioned to reduce its current import authorization from 32,000 Mcf to 21,000 Mcf per day.

The Agreement replaces in part the above contract reduction and provides for additional import capacity to meet Vermont Gas' current requirements. This has the effect of releasing unutilized capacity on TCPL upstream of underground storage to other shippers. More importantly, the Agreement enables Vermont Gas to better manage its gas purchases to maximize its load factor by injecting gas into underground storage during low demand periods and withdrawing for customer use during peak periods, thus reducing the demand charges and average cost of gas borne by its customers.

The Agreement's major terms are summarized below:

1. Contractual Quantities.

(a) Space - The Agreement entitles Vermont Gas to an annual storage space volume ("Maximum Storage Balance" or "MSB") of up to 43,430 10^3M^3 or 1.5 Bcf.

(b) Transportation - Pursuant to the Agreement, GMLP is obligated at all times to transport from the point near Parkway, Ontario (the interconnection between TCPL and Union Gas Limited) to the international border near Philipsburg, Quebec (the interconnection between TCPL and Vermont Gas) up to 538 10^3M^3 or 19,000 Mcf per day ("Daily Transportation Quantity" or "DTQ"). Vermont Gas can transport, on any day, an actual quantity ("Nominated Daily Transportation Quantity" or "NDTQ") up to the DTQ.

(c) Injection/Withdrawal - The Agreement provides at all times a maximum injection quantity of 538 10^3M^3 or 12,000 Mcf per day ("Daily Injection Quantity" or "DIQ") and a maximum withdrawal (deliverability) quantity of 538 10^3M^3 or 19,000 Mcf (plus fuel) per day ("Daily Withdrawal Quantity" or "DWQ"). Actual quantities for injection and withdrawal are "Nominated Daily Injection Quantity" or "NDIQ" and "Nominated Daily Withdrawal Quantity" or "NDWQ", respectively.

2. Pricing.

The pricing structure in the Agreement includes (1) demand charges for total space, maximum daily withdrawal (deliverability), and transportation from storage; (2) commodity charges for injection into storage, withdrawal and transportation from storage; and (3) supply and storage deficiency charges:

(a) Space Charge - The Agreement provides for the payment by Vermont Gas of storage charges for the annual MSB which are calculated by multiplying the MSB by the applicable space reservation charge.

(b) Transportation Charge- The Agreement provides for the payment by Vermont Gas of transportation charges consisting of (1) the DTQ multiply by the transportation reservation (demand) charge; and (2) the NDTQ multiply by the transportation variable (commodity) charge.

(c) Injection/Withdrawal Charge- The Agreement provides for the payment by Vermont Gas of charges for (1) storage deliverability which is calculated by multiplying the DWQ (plus fuel) by the deliverability reservation (demand) charge; (2) injection into storage (NDIQ x injection variable charge); and (3) withdrawal from storage (NDWQ x withdrawal variable charge).

(d) Deficiency Charges - The Agreement provides for the payment by GMLP to

Vermont Gas charges of \$494.21 (US) per 10³M³ of supply deficiency (when GMLP fails to tender the quantities nominated by Vermont Gas) and \$77.66 (US) per 10³M³ of storage deficiency (when GMLP fails to receive the quantities nominated by Vermont Gas).

3. Re-Marketing/Assignment Provisions.

If Vermont Gas experiences a significant permanent loss in firm load that exceeds twenty (20) percent of the Maximum Storage Balance, at the request of Vermont Gas, GMLP will use reasonable efforts to resell or assign to suitable assignee a portion of the Daily Transportation Quantity. All revenues received from such re-marketing or assignment shall be retained by GMLP, which shall in turn credit to Vermont Gas an equivalent amount (less GMLP's administrative costs). However, any revenues received in excess of the amount Vermont Gas would have paid for the assigned or re-marketed quantity shall be retained by GMLP.

4. Arbitration Provisions.

Any dispute, controversy, difference or question arising from the Agreement that cannot be resolved in good faith through negotiation shall be subject to arbitration proceedings whose findings are exclusive, final and binding. If arbitration is necessary, it would be carried out in Toronto, Ontario, pursuant to Rules of Procedure of the British Columbia International Commercial Arbitration Centre ("BCICAC"). The arbitration procedures and criteria are consistent with existing contracts between Vermont Gas and other Canadian entities.

IV.

The pricing mechanisms included in the Agreement are comparable to other long-term storage arrangements with local distribution companies serving similar core markets and will remain competitive over the life of the Agreement.

V.

The proposed import is not inconsistent with the public interest and is fully consistent with DOE's import policy.³ DOE's import policy sets forth three criteria for granting import authorization. The application must show that: (1) the proposed import is competitive; (2) the natural gas proposed to be imported is needed; and (3) the supply of gas to be imported is secure. Guidelines, 49 Fed. Reg. at 6688. As outlined below, this application satisfies these three criteria:

1. The proposed import is competitive.

The provisions of the Agreement ensure that Vermont Gas' natural gas supplies will be imported on a competitive price basis. Presently, Vermont Gas purchases and pays for more capacity than it needs in the off-peak periods to ensure its peak-demand needs will be met. Under the

³ See New Policy Guidelines and Delegation Orders From Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to the Importation of Natural Gas ("Guidelines"). 49 Fed. Reg. 6684 (Feb. 22, 1984).

Agreement, Vermont Gas will be using this capacity during off-peak periods, thereby lowering the overall cost paid for gas import under a previously-approved contract. In addition, Vermont Gas will now possess the capability to purchase competitively-priced spot gas for injection into storage for later use. Vermont Gas may utilize this option more frequently now that it has the ability to reduce its firm purchases through substitution with purchases from new supply sources that will be negotiated at arm's length and filed for import approval with DOE. Therefore, Vermont Gas' gas costs will remain competitive over the duration of the Agreement.

2. The imported natural gas is needed.

Vermont Gas has purchased and imported Canadian gas since its pipeline system was originally constructed. Because Vermont Gas is not interconnected with the U.S. pipeline system, it cannot obtain domestic natural gas supplies directly. Vermont Gas' market requires the full quantity of gas proposed for import, up to 40,000 Mcf per day. Therefore, the authority to import the additional quantity is necessary to serve Vermont Gas' existing load.

3. The supply of gas is secure.

Natural gas purchased from TransCanada will be supplied by gas produced from reserves exclusively dedicated by producers to the supply pool maintained by TCPL and TransCanada. This supply pool is one of the largest in North America, with producers covering all the available reserve regions in Western Canada, and has over time demonstrated security and reliability. Neither TransCanada (and its predecessor Western Gas Marketing Limited) nor TCPL have ever stopped delivering natural gas supplies to a United States purchaser, and neither the Canadian nor the provincial governments have ever taken action resulting in the curtailment of service to a gas customer in the United States.

The proposed import is fully consistent with the public interest as Congress has determined in Section 3 of the Natural Gas Act. Under Section 3(c) of the NGA, importation of natural gas from Canada is deemed to meet Subsection 3(a)'s public interest test, and DOE is to grant authorization without modification or delay. See 15 U.S.C.A. §. 717b(c) (Supp. 1993).

In summary, the Agreement will enable Vermont Gas to continue to serve its customers with a flexible and reliable supply of natural gas at a competitive price, to maximize the utilization of the capacity on TCPL, to free up unutilized firm capacity on TCPL upstream of underground storage, and to pass through to its customers reduction in demand and gas commodity costs. Because the tests for competitiveness, need and security of supply are met, the proposed import authorization is warranted.

VI.

The following exhibits are appended hereto:

Exhibit I -- April 1, 1995 Gas Marketing Agreement between Vermont Gas and Gaz Métropolitain Limited Partnership.

Exhibit II -- Opinion of Council

VII.

Pursuant to 10 CFR § 590.103 (c) , the undersigned asserts that to his best knowledge, there are no related matters currently being considered by any other part of the DOE.

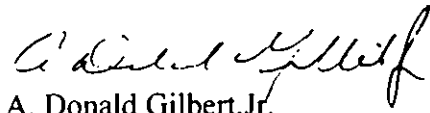
VIII.

WHEREFORE, in consideration of the foregoing, Vermont Gas respectfully requests that the Office of Fossil Energy

- (a) find that the terms and conditions for the proposed import of Canadian natural gas, as embodied in the Agreement, are not inconsistent with the public interest;
- (b) issue an order, pursuant to Section 3 of the Natural Gas Act, granting Vermont Gas authority to import from Canada up to 19,000 Mcf per day of natural gas through March 31, 2010, under terms as set forth in the Agreement; and
- (c) grant such other and further relief as may be necessary.

Respectfully submitted,

VERMONT GAS SYSTEMS, INC.



A. Donald Gilbert, Jr.

Vice President

Finance, Planning and Key Accounts

November 3, 1995

Exhibit I

GAS SERVICES AGREEMENT

THIS AGREEMENT MADE AND EFFECTIVE THIS 1st DAY OF April, 1995

BETWEEN : GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP, a commercial partnership, having its principal place of business at 1717, du Havre Street, in the City of Montreal, in the province of Quebec, acting to the present through its general partner GAZ MÉTROPOLITAIN, INC. a duly formed corporation, having its head office at the same location, represented hereby by its duly authorized officers, as they so declare.
(hereinafter referred to as "SELLER" or "GMLP")

AND: VERMONT GAS SYSTEMS, INC., a corporation, having its principal place of business at 85 Swift Street, South Burlington, in the state of Vermont, represented hereby by its duly authorized officers, as they so declare.
(hereinafter referred to as "BUYER")

WHEREAS Buyer desires to obtain from Seller, and Seller has available, gas Storage and transportation services for Buyer's general distribution system requirements; and

WHEREAS Buyer owns and operates a gas distribution system in the State of Vermont; and

WHEREAS the Parties hereto desire to enter into this Agreement which provides for the delivery of certain volumes of Gas owned by Buyer to Seller for the account of Buyer and the redelivery of Gas to Buyer; and

WHEREAS Seller and Buyer, wish to enter into this Agreement which will allow them to enter into Transactions from time to time, each such Transaction to be evidenced by a confirmed Notice of Transaction (Exhibit "A" hereto) setting forth the provisions of the Transaction.

NOW THEREFORE, in consideration of these premises and of the mutual covenants and agreements herein contained, the Parties hereto do agree as follows:



**ARTICLE I
DEFINITIONS AND INTERPRETATION**

- 1.1 In this Agreement the terms set forth below, when capitalized, shall have the following meaning:
- a) "Adjustment for Heating Content" shall mean Exhibit "B" attached hereto.
 - b) "Cubic Metres of Gas" shall mean the volume of gas that occupies one cubic metre when such gas is at a temperature of fifteen degrees Celsius (15°C), and at a pressure of 101.325 kilopascals absolute.
 - c) "10³M³" shall mean one thousand (1000) Cubic Metres of Gas.
 - d) "Agreement" shall mean this gas services agreement and Exhibits "A", "B" and "C" attached hereto and made a part hereof and all fully executed Exhibits "A" and "C";
 - e) "Alternate Receipt Point" shall mean the place designated in a Gas Supply Nomination Form where Gas may be delivered by Buyer to Seller on an interruptible overrun basis pursuant to a Transaction;
 - f) "Contract Year" shall mean the period commencing at 8:00 a.m. Eastern Time Zone on April 1 and ending at 8:00 a.m. Eastern Time Zone on April 1 of the succeeding calendar year;
 - g) "Daily Injection Quantity" or "DIQ" shall mean the maximum daily quantity of Gas in 10³M³ specified in a confirmed Notice of Transaction which Seller, subject to Article 16, is required to receive from Buyer on a firm basis at the Receipt Point, at all times, except in October or November;
 - h) "Daily Transportation Quantity" or "DTQ" shall mean the maximum daily quantity of Gas in 10³M³ specified in a confirmed Notice of Transaction which Seller, subject to Article 16, is required to transport at all times from the Receipt Point and tender to Buyer at the Delivery Point on a firm basis; provided, however, the DTQ shall be reduced (for purposes other than determining the Price pursuant to Article 8) by an amount equivalent to: (i) the reductions resulting under Article 2.9 or ii) the portion of Buyer's Nomination

described in Article 6.3(d) for tender to Buyer at the Receipt Point adjusted for the Fuel Ratio.

- i) "Daily Withdrawal Quantity" or "DWQ" shall mean the maximum daily quantity of Gas in 10^3M^3 derived in accordance with the formula in a confirmed Notice of Transaction which Seller, subject to Article 16, is required to withdraw from the Storage account at all times on a firm basis at the Receipt Point;
- j) "Day" shall mean a period of 24 consecutive hours commencing at 8:00 a.m. Eastern Time Zone;
- k) "Delivery Point" shall mean the place designated in a confirmed Notice of Transaction where Gas is tendered to Buyer pursuant to a Transaction;
- l) "Firm Service" shall mean Storage and transportation services provided without interruption or curtailment, except as provided in Article 16;
- m) "Force Majeure" shall have the meaning set forth in Article 16;
- n) "Fuel Ratio" shall be the percent amount initially stated in a confirmed Notice of Transaction, which may automatically adjust from time to time;
- o) "Gas" shall mean natural gas meeting or exceeding the quality and delivery pressure specifications of the Transporter transporting the gas to the Receipt Point or the Delivery Point, as specified in the Transporter's gas transportation tariff published and in effect during the Transaction;
- p) "Gas Supply Nomination Form" shall mean Exhibit "C" attached hereto and all fully executed Exhibits "C";
- q) "Invoice" shall have the meaning set forth in Article 9.1;
- r) "Maximum Storage Balance" shall mean the maximum cumulative quantity of Gas in 10^3M^3 Buyer is entitled to maintain in its Storage account on any Day;
- s) "Month" shall mean the period commencing at 8:00 a.m. Eastern Time Zone on the first day of a calendar month and ending at 8:00 a.m. Eastern Time Zone on the first day of the next succeeding calendar month;

- t) "Necessary Approvals" shall have the meaning set forth in Article 17.2;
- u) "Nominated Daily Injection Quantity" or "NDIQ" shall mean the quantity of Gas in 10^3M^3 , Buyer requests Seller to receive at the Receipt Point on any Day for Buyer's Storage account, in each case specified for Firm Service and/or Overrun Service in a Nomination sent by Buyer to Seller in accordance with Article 6 and subject to any tolerances of the Transporter pursuant to Transporter's tariff;
- v) "Nominated Daily Transportation Quantity" or "NDTQ" shall mean the quantity of Gas in 10^3M^3 , Buyer requests Seller to transport from the Receipt Point and tender to Buyer at the Delivery Point on any Day, in each case specified for Firm Service and/or Overrun Service in a Nomination sent by Buyer to Seller in accordance with Article 6 and subject to any tolerances of the Transporter pursuant to Transporter's tariff;
- w) "Nominated Daily Withdrawal Quantity" or "NDWQ" shall mean the quantity of Gas in 10^3M^3 , Buyer requests Seller to withdraw from the Storage account at the Receipt Point on any Day, in each case specified for Firm Service and/or Overrun Service in a Nomination sent by Buyer to Seller in accordance with Article 6 and subject to any tolerances of the Transporter pursuant to Transporter's tariff;
- x) "Nomination" shall mean a request by Buyer to Seller to receive Gas at the Receipt Point for Buyer's Storage account, to withdraw Gas at the Receipt Point from Buyer's Storage account, to transport and to tender Gas to Buyer at the Delivery Point, and/or to receive Gas at the Alternate Receipt Point for transportation to the Receipt Point;
- y) "Notice of Transaction" shall mean a copy of Exhibit "A", and Schedules 1 and 2 to Exhibit "A", attached hereto, and all fully executed Exhibits "A" and Schedules 1 and 2 attached thereto, containing the specific provisions of a Transaction, subject to this Agreement;
- z) "Overrun Service" shall mean interruptible services in excess of Firm Service, as well as interruptible receipts at the Alternate Receipt Point, supplied on a reasonable efforts basis and not resulting in a Storage Account Balance in

excess of the Maximum Storage Balance in the case of the Nominated Daily Injection Quantity;

- aa) "Party" shall mean either party hereto, individually, and "Parties" shall mean the parties hereto, collectively;
- bb) "Price" or "Pricing" shall be the charge for Firm Service and Overrun Service, stated in U.S. and/or Canadian funds, determined for a Transaction in accordance with Article 8 and specified in or derived in accordance with a confirmed Notice of Transaction;
- cc) "Receipt Point" shall mean the place designated in a confirmed Notice of Transaction where Gas is delivered to Seller, or tendered to Buyer after withdrawal from the Storage account, pursuant to a Transaction;
- dd) "Storage" shall mean load management services, including but not limited to physical underground storage, banking, parking or swapping of Gas;
- ee) "Storage Account Balance" shall mean the cumulative quantity of Gas in 10^3M^3 in Buyer's Storage account which Buyer delivered and Seller received, less Gas withdrawn by Seller for tender to Buyer, not in excess of the Maximum Storage Balance;
- ff) "Storage Deficiency" shall have the meaning set forth in Article 10.2(b);
- gg) "Storage Deficiency Charge" shall be the liquidated damages payable by Seller to Buyer in U.S. or Canadian funds determined for a Transaction in accordance with Article 10.4 and specified in a confirmed Notice of Transaction;
- hh) "Supply Deficiency" shall have the meaning set forth in Article 10.2(a);
- ii) "Supply Deficiency Charge" shall be the liquidated damages payable by Seller to Buyer in U.S. or Canadian funds determined for a Transaction in accordance with Article 10.3 and specified in a confirmed Notice of Transaction;
- jj) "Term of Transaction" shall mean the period during which Buyer shall be entitled to request Seller to supply gas services pursuant to a Transaction and specified in a confirmed Notice of Transaction;

kk) "Transaction" shall mean a particular sale and purchase of gas Storage and transportation services evidenced by a confirmed Notice of Transaction, subject to the provisions of this Agreement;

ll) "Transporter" shall mean the natural gas pipeline company or companies or the physical facilities thereof, receiving, transporting or delivering Gas on behalf of Seller or Buyer in the performance of a Transaction and specified in a confirmed Notice of Transaction.

1.2 Whenever the singular or masculine or neuter is used in this Agreement the same shall be construed as meaning plural or feminine or body politic or corporate and vice versa where the context or both Parties so require.

1.3 References to articles are references to Articles of this Agreement. Words such as "hereunder", "hereto" and "herein" and similar expressions shall refer to the whole of this Agreement and not to any particular Article thereof.

ARTICLE 2 CHARACTER OF SERVICE

2.1 Subject to the other terms and conditions of this Agreement, during any Term of Transaction, Seller shall, receive at the Receipt Point the Nominated Daily Injection Quantity for the Storage account, withdraw from the Storage account at the Receipt Point the Nominated Daily Withdrawal Quantity (for transport to the Delivery Point or tender to Buyer at the Receipt Point), and transport from the Receipt Point and tender at the Delivery Point (i.e., make Gas available to the Buyer) the Nominated Daily Transportation Quantity; provided, however, that Seller shall not be obligated to tender at the Delivery Point any Day a quantity of Gas in excess of the Daily Transportation Quantity, or receive at the Receipt Point for the Storage account any Day a quantity of Gas in excess of the Daily Injection Quantity, or withdraw from the Storage account at the Receipt Point any Day a quantity of Gas in excess of the Daily Withdrawal Quantity. Firm Service and Overrun Service shall be subject to rates and charges in accordance with a confirmed Notice of Transaction.

2.2 Unless otherwise agreed to by the Parties, Seller shall not be required to own, construct or install any facilities to perform the services under this Agreement or under any Transaction; provided, that such action or inaction by Seller shall not alter Seller's obligations under this Agreement.

- 2.3 Seller shall have the right to commingle Gas received from Buyer at the Receipt Point or Alternate Receipt Point with Gas owned by Seller or Gas being transported by Seller for others.
- 2.4 The Nominated Daily Injection Quantity, the Nominated Daily Transportation Quantity, the Nominated Daily Withdrawal Quantity, and quantities received at the Alternate Receipt Point shall flow at rates that are as nearly constant as possible. Seller shall not be obligated to tender to Buyer at the Receipt Point or tender the Nominated Daily Transportation Quantity or receive the Nominated Daily Injection Quantity at hourly rates of flow in excess of one-twentieth (1/20) of such nominated quantity.
- 2.5 The Parties shall monitor, and if necessary, cooperate in adjusting actual deliveries and receipts of Gas, or take other corrective action, such as adjusting Nominations, in order to maintain a daily balance of receipts and deliveries and avoid imbalances under a Transaction.
- 2.6 Subject to the other terms and conditions of this Agreement, Seller shall withdraw from the Storage account at the Receipt Point quantities of Gas containing a heating value equivalent to the heating value of the quantities of Gas received at the Receipt Point for the Storage account.
- 2.7 An adjustment of the Fuel Ratio will be made each Contract Year in accordance with the confirmed Notice of Transaction.
- 2.8 An adjustment for heating content will be made each Contract Year in accordance with the formulae in Exhibit "B".
- 2.9 (a) In the event TransCanada PipeLines Ltd. changes the non-price terms of its gas transportation tariff published and in effect in a manner which enhances Seller's ability to provide transportation services between the Receipt Point and Delivery Point under this Agreement, Seller shall share such enhancements with the Buyer if all the following conditions are met: (i) both Parties would mutually benefit from sharing the enhancements, (ii) the enhancements would be used solely to benefit Buyer's gas distribution system, (iii) Seller (or GMLP in the event of an assignment under Article 14) is not adversely impacted in providing services to its customers or other buyers, and (iv) Seller is not required to own, construct or install any facilities.

- (b) In the event all of the terms and conditions in Article 2.9(a) are met, the enhancements described herein are available to Seller and such enhancements permit the temporary resale of Seller's capacity on TransCanada PipeLines Ltd., then: (i) Buyer shall notify Seller ten (10) days before the Month in which it desires to temporarily release any portion of its Daily Transportation Quantity for purposes of resale of Seller's capacity on TransCanada Pipelines Ltd., between the Receipt Point and Delivery Point, of the amount of any release, (ii) any amount released by Buyer will automatically reduce the Daily Transportation Quantity for the Month by the amount of the release, and (iii) Seller will use reasonable efforts to resell its capacity on TransCanada PipeLines, Ltd. between the Receipt Point and Delivery Point to a Suitable Assignee (as defined in Article 2.9 (c)), in an amount equal to the quantity released by Buyer.
 - (c) A Suitable Assignee is a party that is (i) creditworthy; (ii) has no outstanding financial obligations to Seller that are more than 60-days overdue; (iii) meets any eligibility criteria published in the applicable tariffs of TransCanada PipeLines Ltd.; and (iv) maximizes revenues to be shared under Article 2.9(c).
 - (d) Seller will not be liable to Buyer in the event it is unable to resell the quantity released by Buyer.
 - (e) Any revenues resulting from the sharing of an enhancement under this Article 2.9 shall be equitably shared between the Parties in recognition of the value contributed by each Party, including but not limited to the administrative costs of a transaction and the identification of a Suitable Assignee.
- 2.10 If at any time Buyer experiences a permanent net loss of firm load in an amount which exceeds twenty (20) percent of the Maximum Storage Balance (under all then effective Transactions), at Buyer's request, Seller will use reasonable efforts to resell or assign a portion of the Daily Transportation Quantity (under all then effective Transactions) to a Suitable Assignee (as defined in Article 2.9 (c)) equivalent to the permanent net loss of firm load divided by the total firm load in Buyer's franchise area, for the sole purpose of assisting the Buyer by generating revenues to be applied as a partial credit against Buyer's obligations to Seller under this Agreement. All revenues received by Seller as a result of such resales or assignments will be paid to and retained by Seller. Seller shall credit to Buyer an amount equal to the amount received from the Suitable Assignee, (or in the case of a permanent assignment agreed to by TransCanada PipeLines Ltd., Seller and Suitable Assignee, which permanently reduces Seller's

obligations to TransCanada PipeLines Ltd., there shall be a permanent credit proportionate in value to the reduction in Seller's obligation to TransCanada Pipelines Ltd.) up to the amount which Buyer would have paid fully for the assigned quantity. Any revenues received in excess of the amount which Buyer would have paid for the assigned quantity shall be retained by Seller. Buyer shall also pay Seller a reasonable charge in recognition of Seller's administrative costs of a transaction.

Nothing in this Article 2.10 will affect Buyer's obligations to Seller under other provisions of this Agreement.

ARTICLE 3 CONFIRMATION OF TRANSACTION

- 3.1 When, from time to time, the Parties agree upon all of the items listed in Exhibit "A" and Schedules 1 and 2 to Exhibit "A", attached hereto, Buyer shall send to Seller an executed Notice of Transaction. Seller shall confirm the provisions which have been agreed upon in the Notice of Transaction by executing such Notice of Transaction and returning it to Buyer within two (2) business Days of the receipt of the Notice of Transaction by Seller, thereby establishing a Transaction to be governed by this Agreement. Each Transaction, as evidenced by a Notice of Transaction executed by both Parties, shall constitute part of this Agreement and, subject to Article 3.2, shall be read and construed as one with this Agreement.
- 3.2 In the case of any discrepancy between this Agreement and a Transaction, as evidenced by a confirmed Notice of Transaction, this Agreement shall govern.

ARTICLE 4 TERM OF AGREEMENT OR TRANSACTION; TERMINATION

- 4.1 Neither Party shall have any obligation under this Agreement until the Parties execute a Notice of Transaction. Services pursuant to any individual Notice of Transaction shall be for the Term of Transaction, following which services pursuant to that Notice of Transaction, but not other executed Notices of Transaction, will terminate.

This Agreement and the obligations set forth herein, shall expire on April 1, 2010 unless Buyer has:

- (a) served notice on Seller on or before April 1, 2008 that it wishes to discuss renewal of the term of the Agreement; and

- (b) entered into a written agreement with Seller setting out the terms of the renewal prior to April 1, 2010; or
- (c) any Notice of Transaction remaining in force in which case this Agreement will terminate at the expiration of all Notices of Transaction.

4.2 If either Party shall fail to perform any of the material covenants imposed upon it in Article 17, or Buyer fails to perform any obligation regarding the payment of undisputed or disputed amounts under Article 9.3, then the Party not at fault under Articles 17 or 9.3 shall have the right to terminate this Agreement and/or any Transaction after first having given sixty (60) Days prior written notice to the other Party of its intention to terminate and the cause for such notice of termination. Unless such failure is cured during the sixty (60) Day notice period, this Agreement and/or any Transaction may be terminated by the Party not at fault under Articles 17 or 9.3, effective upon the expiration of said period.

4.3 Either Party shall have the unilateral right to terminate this Agreement in the case of the circumstances described in Article 4.3(a) after first having given sixty (60) Days prior written notice to the other Party of its intention to terminate. Unless this failure is cured during the sixty (60) Day notice period, this Agreement may be terminated by the Party not at fault effective upon the expiration of said period. Either Party ("Innocent Party") shall have the unilateral right to terminate this Agreement in the case of circumstances described in the following Articles 4.3(b), (c) or (d) if the other Party ("Defaulting Party") fails to perform its obligations under this Agreement and does not cure such failure to perform within ten (10) Days of prior written notice from the Innocent Party of its intention to terminate:

- (a) the other Party has ceased paying its current obligations in the ordinary course of business as they generally become due;
- (b) the other Party shall file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it;
- (c) the other Party shall be declared bankrupt by a court of competent jurisdiction;
- (d) the other Party shall otherwise become bankrupt or insolvent (however evidenced).

- 4.4 Seller shall have the unilateral right to terminate this Agreement after ten (10) Days advance notice if Buyer shall fail to give adequate assurance of its ability to perform its further obligations under this Agreement as provided by Article 18.
- 4.5 (a) In circumstances other than Force Majeure, if Seller fails to materially perform its obligations under Article 2.1 as defined in Article 4.5(b) then the Buyer shall have the right to terminate this Agreement and/or any Transaction after first having given at least ten (10) Days prior written notice to Seller of its intention to terminate and the cause for such termination.
- (b) Seller's failure to materially perform its obligations under Article 2.1, as referenced in Article 4.5(a) above shall occur when Buyer has a right to assert its remedies provided for in Articles 10.2(a) and Article 10.3, asserts such remedies more than two (2) Days per Contract Year and on each Day during such Contract Year when Buyer asserts its remedies the Supply Deficiency: (i) exceeds five (5) percent of the Daily Transportation Quantity (if the Nominated Daily Transportation Quantity for firm service is equal to the Daily Transportation Quantity) or (ii) exceeds twenty (20) percent of the Daily Transportation Quantity (if the Nominated Daily Transportation Quantity for firm service is less than the Daily Transportation Quantity).
- 4.6 (a) The right to terminate under Article 4.5 must be asserted within six (6) Months of the circumstances which Buyer relies upon to terminate. The right to terminate under Articles 4.2, 4.3, and 4.4 shall be in addition to any other rights the Parties may have under this Agreement.
- (b) Upon any termination of this Agreement, Seller shall identify to Buyer the quantities of Gas remaining in Buyer's Storage account at the time of such termination. After making the heating content adjustments in accordance with Exhibit B, Buyer and Seller, acting reasonably, will nominate withdrawals or injections in a timely manner to bring the Storage Account Balance to zero and Buyer and Seller agree to honour such reasonable nominations hereunder consistent with Article 6. Any imbalances in receipts or deliveries shall be corrected to zero balance within sixty (60) Days after a notice of termination.
- 4.7 Upon termination of a Transaction prior to the expiration of a Term of Transaction (for reasons other than Buyer's failure or inability to pay any amount due to Seller under this Agreement), if Buyer requests continued transportation service, Seller will in its sole discretion provide either: (i) continued transportation service under terms and

conditions no less favorable to Seller than are contained in this Agreement and the terminated Notice of Transaction and for a price not exceeding the applicable TransCanada PipeLines Ltd. toll plus a five (5) percent fee or (ii) assign Seller's transportation agreement(s) with TransCanada PipeLines Ltd. required to transport the Daily Transportation Quantity from the Receipt Point to the Delivery Point on a firm basis. In the event Seller chooses to assign its transportation agreements under (ii) above, the assignment will be subject to TransCanada PipeLines Ltd. gas transportation tariff published and in effect at that time and all laws, rules, regulations, and orders of any legislative body or duly constituted governmental or regulatory authority having jurisdiction at that time and a complete and permanent release from TransCanada PipeLines Ltd. of Seller's future obligations under such transportation agreements.

- 4.8 Upon any termination of this Agreement and/or any termination of a Transaction, all monies, penalties or other charges due and owing Seller or Buyer shall be paid, any corrections or adjustments to payments previously made shall be determined, and any refunds shall be made to Buyer within sixty (60) Days after a notice of termination.
- 4.9 In no event shall a Party have a right to terminate this Agreement or a Transaction if the failure to perform is caused by the failure of such Party to act in a timely manner and/or to use its reasonable efforts to satisfy its covenants or its obligations, or such Party is otherwise at fault.

ARTICLE 5 POSSESSION, RISK AND TITLE

- 5.1 In respect to each Transaction, possession of all Gas received by Seller at the Receipt Point or Alternate Receipt Point and possession of all Gas delivered to Buyer at the Delivery Point or Receipt Point shall pass at such Receipt Point or Alternate Receipt Point or such Delivery Point. Seller shall be deemed to be in control of and possession of and be responsible for any damage or injury caused thereby after receiving Gas at the Receipt Point or Alternate Receipt Point and before the Gas shall have been delivered to Buyer at the Delivery Point, or Receipt Point. In addition to the requirements under Article 5.2, Buyer shall be deemed to be in control of and possession of, have title to and be responsible for any damage or injury caused thereby prior to delivering Gas to the Seller at the Receipt Point or Alternate Receipt Point and after the Gas is delivered to Buyer at the Delivery Point or Receipt Point. For each Transaction, transportation and Storage of Gas after it is received by Seller at the Receipt Point or Alternate Receipt Point and before it is delivered at the Delivery Point or Receipt Point shall be at Seller's sole risk, cost and expense. For each Transaction, transportation of Gas before it is delivered by Buyer at the Receipt Point or Alternate Receipt Point and after it is delivered at the Delivery Point or Receipt Point shall be at Buyer's sole risk, cost and expense. The foregoing provisions of this Article shall not

relieve either Party from responsibility for acts of negligence of its employees, agents or independent contractors.

- 5.2 For each Transaction, Buyer warrants that at the time Gas is received by Seller at the Receipt Point or Alternate Receipt Point, Buyer has the right to deliver such Gas to Seller, that Gas will be delivered by Buyer and maintained by Buyer in its Storage account free and clear of all liens, encumbrances or claims. Seller shall not do any act or thing while in control of and possession of Gas delivered by Buyer pursuant to this Agreement which would result in the creation of any lien, mortgage, security interest or other encumbrance whatsoever against such Gas which would be effective after it is redelivered by Seller to Buyer.

ARTICLE 6 NOMINATIONS AND SCHEDULING

- 6.1 The Buyer is obligated to make a Nomination for each Day for which service is requested. A Nomination will remain in force and effect only for the Day of service specified in the Gas Supply Nomination Form. If Buyer does not make a Nomination, Seller is not required to provide service.
- 6.2 Except as provided in Article 6.3, for each Day during the Term of Transaction, Buyer shall be entitled to request that Seller:
- (a) receive at the Receipt Point the Nominated Daily Injection Quantity.
 - (b) withdraw from Buyer's Storage Account Balance at the Receipt Point the Nominated Daily Withdrawal Quantity.
 - (c) tender at the Delivery Point the Nominated Daily Transportation Quantity.
- 6.3 (a) Buyer may not submit a Nomination which includes requests under both Articles 6.2(a) and 6.2(b) for service on the same Day.
- (b) Buyer may not submit a Nomination if:
- (i) the Nominated Daily Injection Quantity, when added to the Storage Account Balance, would exceed the Maximum Storage Balance.

- (ii) the Nominated Daily Withdrawal Quantity would exceed the Storage Account Balance.
 - (c) Buyer may not submit a Nomination for Firm Service in the following circumstances:
 - (i) if the Nominated Daily Injection Quantity would exceed the Daily Injection Quantity.
 - (ii) if the Nominated Daily Withdrawal Quantity would exceed the Daily Withdrawal Quantity.
 - (iii) if the Nominated Daily Transportation Quantity would exceed the Daily Transportation Quantity.
 - (d) A Nomination may include a request under Article 6.2(b) to tender all or a portion of the Nominated Daily Withdrawal Quantity to Buyer at the Receipt Point. In that event, the Buyer shall submit a Gas Supply Nomination Form which specifies the portion of the Nominated Daily Withdrawal Quantity for transport and tender to Buyer at the Delivery Point and the portion for tender to Buyer at the Receipt Point.
- 6.4 Nominations for Firm Service and for Overrun Service shall be specified separately in the Gas Supply Nomination Form.
- 6.5 Buyer shall make a Nomination by sending to Seller an executed Gas Supply Nomination Form by facsimile or other means of electronic communication so that it is received by Seller on or before 11:00 a.m. of the Day immediately preceding the Day for which service is requested. If, in Seller's sole discretion, operating conditions permit, a change in Buyer's Nomination may be accepted after 11:00 a.m.
- 6.6 A Nomination shall include, if applicable:
- a) Buyer's name and contract number;
 - b) Type of service;
 - c) The Nominated Daily Injection Quantity;

- d) The Nominated Daily Withdrawal Quantity;
- e) The Nominated Daily Transportation Quantity;
- f) Identification of Alternate Receipt Point(s), if applicable, at which Buyer desires Overrun Service; and
- g) Date for service.
- h) Identification of the applicable Delivery Point(s).

6.7 If a Nomination complies with Article 6, Seller shall send to Buyer the counter executed Gas Supply Nomination Form. Notwithstanding the foregoing, if the Buyer does not receive such Gas Supply Nomination Form from Seller rejecting the Nomination (which rejection may only be made if the Nomination does not comply with Article 6) on or before 12:00 Noon of the Day immediately preceding the Day for which service is requested, and the Nomination is not rescheduled under Article 6.8, then Seller shall be deemed to have accepted the Nomination.

6.8 In the event that Seller is unable, due to an event of Force Majeure, to schedule the availability of all or any part of a Nomination, Seller shall promptly notify Buyer of the level of service, if any, Seller is able to make available. Promptly after receiving such notification from Seller, Buyer may provide a revised Nomination which shall not be greater than the revised level of available service. If such revised Nomination is not provided or such revised Nomination is greater than the revised level of available service, then the quantity available shall be deemed to be the revised level of available service. If the revised Nomination (assuming notification is received by Seller) is less than the quantity available, then such lesser amount shall be the revised Nomination deemed accepted by Seller.

6.9 Seller shall keep Buyer informed on an ongoing basis of any anticipated changes in the nominating and scheduling procedures of any Transporter and shall provide notice to Buyer of such changes. If any Transporter changes its nominating and scheduling procedures, and such change affects the nomination and scheduling procedures in this Agreement, without further action by either Party, this Agreement shall be modified to reflect the changes of the Transporter, unless the Parties mutually agree otherwise in writing.

**ARTICLE 7
MEASUREMENT**

- 7.1 All Gas tendered by Seller at the Delivery Point or delivered by Buyer at the Receipt Point or Alternate Receipt Point shall be subject to measurement as to quantity, quality and pressure specifications by Transporter delivering the Gas, in accordance with the provisions of its effective and published gas transportation tariff, at the nearest metering facility located at or upstream from the Delivery Point, Receipt Point or Alternate Receipt Point as the case may be. All such measurements made by Transporter (including all corrections thereof in accordance with Transporter's effective and published gas transportation tariff) shall be final and binding upon Seller and Buyer as to the Gas tendered or delivered hereunder by the Parties for all purposes of this Agreement.

**ARTICLE 8
PRICE**

- 8.1 For each Month during a Transaction, Buyer shall pay Seller a Price equal to the sum of the charges described in this Article. The Price may consist of the following components, which shall be specified or referenced in the confirmed Notice of Transaction and calculated in the Invoice.
- a. reservation or demand charge components applicable to Firm Service equal to the sum of:
- (i) the Daily Transportation Quantity for the period
- multiplied by
- (ii) the transportation reservation rate subject to any applicable escalators, surcharges, and any other specified adjustments;
- and
- (iii) the Daily Withdrawal Quantity for the period
- multiplied by

- (iv) the deliverability reservation rate subject to any applicable escalators, surcharges, and any other specified adjustments;

and

- (v) the Maximum Storage Balance

multiplied by

- (vi) the space reservation rate subject to any applicable escalators, surcharges, and any other specified adjustments.

- b. variable charge components applicable to Firm Service which includes all rates and charges which vary with usage of Storage and transportation services equal to the sum of:

- (i) the total Nominated Daily Transportation Quantity for Firm Service for the Month

multiplied by

- (ii) the transportation variable rate factors or ratios applicable to transportation commodity charges, surcharges, measurement variance, fuel use, and any other specified adjustments;

and

- (iii) the total Nominated Daily Injection Quantity for Firm Service for the Month

multiplied by

- (iv) the injection variable rate factors or ratios applicable to injection charges, surcharges, measurement variance, fuel use, and any other specified adjustments;

and

- (v) the total Nominated Daily Withdrawal Quantity for Firm Service for the Month

multiplied by

- (vi) the withdrawal variable rate factors or ratios applicable to withdrawal charges, surcharges, measurement variance, fuel use, and any other specified adjustments; and

- c. variable charge components applicable to Overrun Service which includes all rates and charges which vary with usage of Storage and transportation services equal to the sum of:

- (i) the total Nominated Daily Transportation Quantity for Overrun Service for the Month

multiplied by

- (ii) the transportation variable rate factors or ratios applicable to transportation commodity charges, surcharges, measurement variance, fuel use, and any other specified adjustments;

and

- (iii) the total Nominated Daily Injection Quantity for Overrun Service for the Month

multiplied by

- (iv) the injection variable rate factors or ratios applicable to injection charges, surcharges, measurement variance, fuel use, and any other specified adjustments;

and

- (v) the total Nominated Daily Withdrawal Quantity for Overrun Service for the Month

multiplied by

- (vi) the withdrawal variable rate factors or ratios applicable to withdrawal charges, surcharges, measurement variance, fuel use, and any other specified adjustments; and

(vii) the quantity in 10^3M^3 received at the Alternate Receipt Point for the Month

multiplied by

(viii) the applicable pipeline rate for transportation service from the Alternate Receipt Point to the Receipt Point

- 8.2 Buyer shall pay Seller the reservation charge components of the Price in Article 8.1(a) and specified in a confirmed Notice of Transaction in all events. Buyer's obligation to pay the components shall not be suspended or relieved notwithstanding any failure or default, including events of Force Majeure under Article 16; provided, however, in the event Seller declares Force Majeure under the terms of Article 16, Buyer's obligation to pay the reservation charges described in Article 8.1(a) for the duration of such Force Majeure shall be reduced on a pro rata basis to reflect the reduced level of service.
- 8.3 If any of the indices specified in Exhibit A, Schedule 2 in a confirmed Notice of Transaction used to calculate any charges or rates are discontinued, or if the methodology used in determining the prices for one or more of the components of such indices are substantially modified, Seller and Buyer shall, by mutual agreement, select a substitute charge or substitute index/indices for computing and determining the charge, which substitute charge shall most closely approximate the aggregate amount of the discontinued charge prior to the discontinuance or the substantial modification of the related methodology; provided, however, that if Seller and Buyer fail to agree on such acceptable substitute charge or substitute index within thirty (30) Days after one or more of the agreed upon indices is discontinued or the methodology used in determining the prices for one or more of the components of such indices is substantially modified, then the matter shall be immediately submitted for resolution by arbitration in accordance with Article 13.
- 8.4 If pursuant to this Article, the index or indices are to be replaced, modified, renegotiated, or arbitrated, pending such resolution the Price shall be calculated using the last effective index or indices preceding initiation of the replacement or modification process until the new index or indices become effective under Article 8.3.
- 8.5 Buyer will pay or cause to be paid all existing and future royalties, taxes, export taxes and other similar charges (excluding income taxes payable by Seller) due on production, gathering, severance or handling of the Gas.

**ARTICLE 9
BILLING AND PAYMENTS**

- 9.1 For each Transaction, on or before the tenth (10) Day of the Month, Seller will send by facsimile or otherwise an invoice to Buyer setting forth the service performed, the total amount due and owing to Seller by Buyer and all other amounts owing by Buyer to Seller in connection with, pursuant to or arising out of the Transaction for the previous Month ("Invoice"). On or before the twenty-fifth (25) Day of each Month, Buyer shall pay to Seller in U.S. and/or Canadian funds, as specified in the Invoice, the amount set forth in such Invoice without adjustment, deduction, counterclaim or set off (except as provided in Article 9.3). If, by the tenth (10th) Day in any Month, Seller has not received all of the information required by it to determine the amount payable to it, then it shall be entitled to use its best estimate of any such information; provided that any variance between the estimate and the actual information shall be adjusted and accounted for as soon as possible. Payment of such Invoice is to be received by Seller on or before the twenty-fifth (25) Day of the Month. Notwithstanding the foregoing, if the twenty-fifth (25) Day of the Month falls on a Saturday, Sunday or holiday then payment must be received by the Day of the Month nearest to the twenty-fifth (25) Day which is a business Day in the U.S.A. If no one such Day is nearest to the twenty-fifth (25) Day then payment is due on the U.S.A. business Day which is earliest. Payments due to Seller shall be made in accordance with Article 9.5. To the extent Buyer receives any Invoice after the 10th Day of the Month, Buyer's obligation to pay shall be extended accordingly.
- 9.2 Without prejudice to any remedies available to Seller or Buyer for nonpayment of monies due hereunder, should either party ("Payor"), fail to pay any amount due to the other party ("Payee") by the date that such amount is due hereunder, then Payor shall pay to Payee interest thereon at an annual rate of interest equal to the prime rate of interest for commercial or reference loans made in Montreal and quoted on the first business day of the month by Canadian Imperial Bank of Commerce, plus two percent (2%), compounded monthly from the date that the unpaid amount is due until the date on which payment is received by Payee.
- 9.3 If either Party discovers an error in the amount of any invoice sent by either Party then the Party discovering the error shall notify the other Party of that error upon its discovery. If there is a bona fide dispute with regard to any invoice, the Party billed will nevertheless pay when due the undisputed portion of the amount due; during the period after the invoice is received, and prior to the date the invoice is due, the Parties shall attempt to resolve the billing dispute. If, at the end of a five (5) Day period after

the invoice was due the Parties have been unable to resolve the dispute, the Party billed shall pay the disputed portion into an interest-bearing trust account and submit the dispute to arbitration in accordance with Article 13. Upon resolution of the dispute the amount paid into the account together with interest accrued thereon shall be distributed in accordance with the provisions of the settlement or arbitrator's decision, as applicable.

- 9.4 For each Transaction, the obligation of Buyer or Seller to make payment thereunder shall, subject to Article 11, survive the termination, cancellation or expiration of this Agreement.
- 9.5 a. Payments due to Seller hereunder shall be made in U.S. or Canadian funds by wire transfer to:

Canadian Imperial Bank of Commerce
1155, René-Lévesque W.
Montréal, Quebec Canada
Account # 2609118
Phone: (514)876-8679

- b. Seller may unilaterally change the recipient in 9.5(a) at any time after giving advance written notice to Buyer.

ARTICLE 10 INDEMNIFICATION AND REMEDIES

- 10.1 Seller and Buyer each assumes all liability for and shall indemnify, defend and hold harmless the other Party from any claims, including injury to and death of persons, loss, damage and expense arising from any act or incident occurring when possession of the Gas is in the indemnifying Party.
- 10.2 If Seller accepts or is deemed to have accepted a Nomination from Buyer in accordance with Article 6 for Firm Service and Seller fails to:
- (a) tender at the Receipt Point any portion of the NDWQ for Firm Service requested to be tendered at the Receipt Point under Article 6.3(d) or tender at the Delivery Point any portion of the Nominated Daily Transportation Quantity

for Firm Service for reasons other than due to Force Majeure (the "Supply Deficiency"), then, in lieu of any other remedies under this Agreement, including under the Transaction, at law or in equity, except those remedies expressly provided in Article 4.5, Seller's liability shall be limited to the liquidated damages set forth in Article 10.3; or

- (b) receive at the Receipt Point any portion of the Nominated Daily Injection Quantity for Firm Service for reasons other than due to Force Majeure, (the "Storage Deficiency"), then, in lieu of any other remedies under this Agreement, including under the Transaction, at law or in equity, Seller's liability shall be limited to the liquidated damages set forth in Article 10.4.

10.3 (a) Buyer may choose to be compensated by one, but not both, of the following methods in the case of circumstances described in Article 10.2(a):

- (i) Buyer may require Seller to reimburse it for the cost of obtaining replacement fuel to cover the Supply Deficiency. Buyer shall use reasonable efforts to obtain replacement fuel at the lowest reasonable price. This shall include, in the event the replacement fuel is Gas, reasonable efforts to transport the replacement Gas by using Seller's transportation capacity on the system of the Transporter. Seller shall reimburse Buyer for any incremental costs incurred by Buyer in purchasing replacement fuel. Incremental costs to Buyer shall be limited to the amount by which all costs actually incurred by Buyer, plus all charges due by Buyer to Seller during Seller's failure to perform, exceed the charges Buyer should have paid Seller if Seller had satisfied the Nomination;

or

- (ii) The Buyer may require the Seller to pay a gas deficiency charge for the Supply Deficiency. This charge shall be identified in the Notice of Transaction as a "Supply Deficiency Charge" and determined in accordance with the formula set forth in a confirmed Notice of Transaction.

- (b) If Buyer is unable to obtain replacement fuel, the Supply Deficiency Charge shall be deemed to apply.

- (c) Within fifteen (15) days after Seller receives an invoice and supporting documentation from Buyer, pursuant to Article 10.3, Seller shall pay Buyer the amount set forth in the invoice (subject to Seller's rights under Article 9.3).
- 10.4 (a) Buyer may choose to be compensated by one, but not both, of the following methods in the case of the circumstances described in Article 10.2(b):
- (i) Buyer may require Seller to reimburse it for the cost of replacing the Storage Deficiency. Buyer shall use reasonable efforts to replace the Storage Deficiency at the lowest reasonable price. Buyer shall use reasonable efforts to transport the Storage Deficiency by using Seller's transportation capacity on the system of the Transporter. Seller shall reimburse Buyer for any incremental costs incurred by Buyer in replacing the Storage Deficiency. Incremental costs to Buyer shall be limited to the amount by which all costs actually incurred by Buyer, plus all charges paid to Seller during Seller's failure to perform, exceed the charges Buyer should have paid Seller if Seller had satisfied the Nomination;

or

 - (ii) The Buyer may require the Seller to pay a gas deficiency charge for the Storage Deficiency. This charge shall be identified in the Notice of Transaction as a "Storage Deficiency Charge" and determined in accordance with the formula set forth in a confirmed Notice of Transaction.
- (b) If Buyer is unable to replace the Storage Deficiency, the Storage Deficiency Charge shall be deemed to apply.
- (c) Within fifteen (15) days after Seller receives an invoice and supporting documentation from Buyer, pursuant to Article 10.4, Seller shall pay Buyer the amount set forth in the invoice (subject to Seller's rights under Article 9.3).
- 10.5 In the case of the circumstances described in Article 10.2(a), receipt of full payment by Buyer under Article 10.3 for the Supply Deficiency shall act to reduce the Storage Account Balance by the amount of the Supply Deficiency.
- 10.6 In the case of Article 10.2, Seller shall use reasonable best efforts to provide prior notice to Buyer of an anticipated failure to satisfy a Nomination for Firm Service as

early as possible under the circumstances, and an estimate of its quantity and duration. Seller shall keep Buyer informed of Seller's best estimate of the expected duration of such failure. Once Seller delivers notice to Buyer that the failure has ended, Buyer shall use reasonable best efforts to recommence service under the Transaction as soon as possible.

- 10.7 Each of the Parties agree that, except for interest under Article 9.2, the other Party shall not be liable in any manner to it for indirect, consequential or special losses or damages including attorneys' fees of any kind suffered by it.
- 10.8 There are no intended, incidental or third party beneficiaries under this Agreement (or under any Transaction).
- 10.9 In the event that Transporter imposes any scheduling or imbalance penalty or cash-out on either Party pursuant to Transporter's gas transportation tariff published and in effect during the Transaction and such penalty or cash-out is imposed as the result of the actions (including force majeure or Force Majeure) or inactions of the other party, such other Party shall be liable therefore and shall hold the party on whom such penalty or cash-out was imposed harmless therefrom. Such actions or inactions of the other Party shall include, but not be limited to penalties or cash-out imposed as a result of a Party's failure to perform in accordance with a scheduled Nomination pursuant to Article 6 of this Agreement, unless such other Party shall have communicated to the Party on whom such penalty or cash-out was imposed any change in the quantity of Gas scheduled in sufficient time to avoid the imposition of such penalty or cash-out. Seller and Buyer shall be obligated to mitigate scheduling or imbalance penalties and cash-out losses related to gas services sold under this Agreement.
- 10.10 The foregoing provisions of this Article shall not relieve either Party from responsibility for acts of negligence or contributory negligence of its employees, agents or independent contractors.
- 10.11 Seller shall have no liability to Buyer for the failure to provide or perform Overrun Service.

ARTICLE 11 AUDIT

- 11.1 Subject to Article 11.2, for each Transaction, during a Transaction and for one (1) year following the last Day of the term of this Agreement, each Party shall have the right

at its sole expense during normal working hours to audit the accounts and records of the other Party to the extent necessary to verify the quantities and charges pursuant thereto including any amounts paid pursuant to this Agreement; provided that such right to audit may not be exercised more than once in a twelve (12) month period.

- 11.2 Any audit of either Party's ("the Audited Party") records shall only be conducted by an independent third party who shall enter into an agreement with the Audited Party whereby the independent third party agrees to retain all information reviewed on a strictly confidential basis. Such auditor shall only be able to confirm whether the information reviewed confirms the information provided by the other party hereto, or if it does not, the nature of the discrepancies.

ARTICLE 12 LAWS AND REGULATORY BODIES

- 12.1 Subject to 12.2, this Agreement and the rights and obligations of the Parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted governmental or regulatory authority now or hereafter having jurisdiction.
- 12.2 In the event either Party is regulated by a federal, state, provincial, or local regulatory body, and such body shall disapprove, disallow, or take action having the same or similar effect as a disapproval or disallowance of all or any portion or component of the Price or any price incurred under this Agreement or a Transaction, such action shall not operate to excuse the affected Party from performance of any obligation nor shall such action give rise to any right of the affected Party to any refund or retroactive or prospective adjustment of the Price.
- 12.3 This Agreement shall be interpreted and construed in accordance with the laws of the Province of Alberta without regard to principles or rules of conflict of laws.

ARTICLE 13 ARBITRATION

- 13.1 Any dispute, controversy, difference or question that arises with respect to this Agreement or a Transaction hereunder or is related to this Agreement or a Transaction hereunder and which cannot be resolved in good faith by the Parties through negotiation, shall be resolved by arbitration and the arbitration proceedings shall be in accordance with the provisions of this Article 13. Said arbitration shall be exclusive,

final and binding on the Parties and shall have the same full force and effect as a final and nonappealable judgement and order.

- 13.2 Either Party (the "Initiating Party") may commence an arbitration proceeding by serving notice on the other Party (the "Receiving Party"), which notice shall contain the name of one arbitrator who would either function as a single arbitrator if the Receiving Party consents, or as one of a panel of three arbitrators if the Receiving Party does not so consent, a statement of the matters in dispute, a request for relief and the grounds therefor. Within twenty-one (21) days after receipt of such notice, the Receiving Party shall serve notice on the Initiating Party, which notice shall contain either a consent to the Initiating Party's arbitrator functioning as a single arbitrator or the name of a second arbitrator to function as a member of an arbitration board, a statement answering the Initiating Party's statement of the matters in dispute and specifying other matters that may also be in dispute, if any, a counter request for relief, if applicable, and the grounds therefor.
- 13.3 If the Receiving Party consents to a single arbitrator or fails to name a second arbitrator, then the Initiating Party's arbitrator shall function as a single arbitrator. If both parties appoint their own arbitrator, the two arbitrators so appointed shall name a third arbitrator or, if they fail to do so within fourteen (14) days of the second arbitrator's appointment, the Parties shall promptly meet and shall attempt to agree upon and to appoint such third arbitrator. If the Parties are unable to agree within a further fourteen (14) days on the choice of a third arbitrator, then upon application by either Party, the third arbitrator shall be appointed by the British Columbia International Commercial Arbitration Centre ("BCICAC").
- 13.4 The single arbitrator (the "Arbitrator") or the three arbitrators (the "Board") appointed hereunder shall be generally knowledgeable in the areas of gas supply, storage, transportation, marketing and distribution, shall be qualified by education or experience to decide the particular matters in dispute, shall be a disinterested person and shall not be employees or agents of either Party or of any of their affiliates.
- 13.5 The place of any arbitration hearing shall be Toronto, Ontario.
- 13.6 The Arbitrator or the Board, as the case may be, shall promptly hear and determine the matters in dispute after giving the parties due notice of hearing and a reasonable opportunity to be heard. Prior to the commencement of an arbitration hearing, each Party shall submit a proposed award and the Arbitrator or the Board shall be required

to adopt in full the proposed award of one of the Parties. No other or additional award will be permitted.

- 13.7 The Arbitrator or the Board (or a majority thereof), as the case may be, shall render a decision within forty-five (45) days after an appointment of the Arbitrator or the third arbitrator on the Board, as the case may be, subject to any reasonable delay due to unforeseen circumstances. The decision of the Arbitrator, or the decision of the Board (or a majority thereof), as the case may be, shall be made in writing and shall be final and binding upon the Parties as to the matters submitted to arbitration and the Parties shall abide by and comply with the decision. It shall not be a valid claim, assertion or defense or the basis of any decision or award, that any regulatory body or governmental agency has jurisdiction in whole or part of any matter submitted for arbitration. The Parties shall execute, acknowledge and make available all such documents or assurances as may be necessary to implement the decision. The written decision of the Arbitrator or the Board (or a majority thereof), as the case may be, may be issued with or without opinion. Either Party may request a written opinion with regard to a decision and, if a request is made, a written opinion shall be issued expeditiously; provided that, implementation of and compliance with the decision shall not be delayed pending the issuance of a written opinion.
- 13.8 Each Party shall bear the expense of prosecuting its own case and each party shall pay the compensation and expenses of its named arbitrator when a Board is selected. The compensation and expenses of the Arbitrator or a third arbitrator and all administration costs of the arbitration, including fees of any arbitral institution, shall be paid in equal portions by the Parties.
- 13.9 The failure of either Party to participate in any arbitration proceeding as scheduled by the Arbitrator or the Board, as the case may be, shall not delay the proceeding. Notwithstanding a Party's failure to participate, the Arbitrator or the Board, as the case may be, shall proceed to consider submissions, to take evidence, and to issue a decision as though such Party were a participant in the arbitration proceeding and the decision shall be final and binding on such non-participating Party in accordance with Article 13.7.
- 13.10 Except as otherwise expressly provided in this Article 13, the Rules of Procedure of the BCICAC for domestic arbitrations in effect from time to time, shall apply to all arbitration proceedings conducted pursuant to the provisions of this Article 13.

- 13.11 Whenever there is an arbitration proceeding under this Article, performance under this Agreement shall continue in the same fashion as it was conducted before the arbitration proceeding was commenced, without prejudice to either Party, pending a decision in the arbitration proceeding, which decision shall take effect on the date it is issued.

ARTICLE 14 ASSIGNMENTS

- 14.1 This Agreement or any of its rights, benefits, liabilities and obligations may not be assigned by either Party hereto without the other Party's prior written consent, which consent shall not be unreasonably withheld. Upon an assignment with consent, the assigning Party shall be released of its rights, benefits, liabilities and obligations hereunder. However, either Party may pledge, mortgage or assign its rights hereunder as security for indebtedness, and each Party shall execute such reasonable documents as the other Party may require to consent to such pledge, mortgage or assignment. Notwithstanding any pledge, mortgage or assignment as security, the Party shall continue to be liable to perform its obligations hereunder.
- 14.2 Buyer may not assign any rights it may have (or obtain) under Article 2.9 or Article 2.10 without the prior written consent of the Seller (or GMLP) which consent may be withheld in Seller's or GMLP's sole discretion.
- 14.3 This Agreement extends to and will be binding upon and inure to the benefit of and be enforceable by the Parties and the successors and permitted assigns of the Parties.
- 14.4 No future assignment will in any way operate to enlarge, alter, or change any obligations of the non-assigning Party under this Agreement.
- 14.5 The provisions of this Agreement do not constitute a sale, transfer or assignment unto Buyer of any title or interest whatsoever in Seller's transportation, Storage or supply agreements, leases or any pipe, meter, lines or other equipment or facilities of any nature owned or used by Seller.

ARTICLE 15 CONFIDENTIALITY

- 15.1 The provisions of the Transactions, including but not limited to the Price paid for gas services and the volumes of Gas transported or Storage services rendered shall be kept

confidential by the Parties hereto, except to the extent that any information must be disclosed to:

- a) third persons for the purpose of obtaining and maintaining agreements for the acquisition of gas services;
- b) governmental agencies or regulatory bodies;
- c) the Parties' lenders; and
- d) the Parties' professional advisors;

provided that where such disclosure is not required by law, the persons receiving such information shall agree that all such information shall be kept confidential and not further disclosed.

- 15.2 If, during this Agreement or during any Transaction a Party must disclose the provisions of any Transaction to a governmental agency or regulatory body, it shall first give written notice of such requirement to the other Party. The Parties shall use their reasonable efforts to provide such written notice no less than ten (10) Days prior to a required disclosure.
- 15.3 Notwithstanding anything contained herein, this Article shall survive the termination of a Transaction for a period of two (2) years.

ARTICLE 16 FORCE MAJEURE

- 16.1 Except as provided in Article 16.3, for each Transaction, either Party, at its election, shall be relieved of its obligation to transport and tender (including relief of its obligations, if any, under Article 2.9), deliver or receive, as the case may be, all or a portion of a Nomination if and to the extent that at any time during a Transaction or the term of this Agreement an event of Force Majeure occurs or is continuing and such event of Force Majeure directly results in the electing Party being unable to transport and tender (or act in accordance with Article 2.9), deliver or receive, as the case may be, all or a portion of a Nomination; provided however that in the event of a curtailment for firm transportation or Storage service, Seller shall not curtail deliveries to Buyer any more than in proportion to applicable curtailments of Seller's firm

transportation capacity on Transporter or of Seller's Storage capacity, as the case may be. The term Force Majeure shall include the following:

- a) Seller is materially impaired in transporting and tendering Gas to or receiving Gas from Buyer due to Buyer's breach of any of its obligations hereunder;
- b) Buyer is materially impaired in receiving Gas from or delivering Gas to Seller due to Seller's breach of any of its obligations hereunder; or
- c) the Party has notified the other Party that an event of Force Majeure (as further defined in Article 16.2) has occurred.

16.2 a) The term "Force Majeure" as used in this Article shall also mean: (i) acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freezeups; (ii) curtailment, interruption or reduction of firm transportation capacity or service at a Delivery Point, Receipt Point or on Transporter for any reason or cause whatsoever, including force majeure (as provided for in Transporter's gas transportation tariff as published and in effect) or other unforeseen circumstances, not attributable to the breach by any Party of its obligations to such pipeline; and (iii) any other cause, whether of the kind enumerated in this Article 16.2 or otherwise, and whether caused or occasioned by or happening on account of the act or omission of one of the Parties or some person or concern not a party hereto, which is not within the control of the Party claiming excuse and which by the exercise of due diligence such Party is unable to prevent or overcome.

- b) A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the Party claiming excuse.

16.3 Neither Party shall be entitled to the benefit of the provisions of Articles 16.1 or 16.2 under any of the following circumstances:

- a) to retroactively or prospectively excuse or suspend payment or require an adjustment of any reservation or demand charge component of the Price under a Transaction;
- b) to the extent that the failure or event was caused by the negligence or contributory negligence of the Party claiming suspension;
- c) to the extent that the failure or event was caused by the Party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch;
- d) if the failure or event was caused by lack of funds or finances or with respect to the payment of any amount then due hereunder;
- e) to the extent the failure or event was caused by a change in market or gas supply conditions;
- f) when Article 12.2 applies;

16.4 Buyer shall not be entitled to the benefit of the provisions of Articles 16.1 or 16.2 to the extent that the failure or event was caused by the insufficiency or failure of gas supplies or reserves, or because the price at which gas may be acquired or ultimately sold by Buyer is changed (for any reason whatsoever, including a change in environmental laws which directly or indirectly affect the price of gas). Seller shall not be entitled to the benefit of the provisions of Articles 16.1 or 16.2 to the extent that the failure or event affects Seller's general gas distribution system but does not directly affect the Storage service or transportation from the Receipt Point to the Delivery Point, or to extent the failure or event was caused by a price at which Gas may be transported or stored by Seller being changed (for any reason whatsoever).

16.5 Buyer shall not be entitled to the benefit of the provisions of Articles 16.1 or 16.2 to the extent that the failure or event was caused by its failure to contract for sufficient transportation deliverability upstream of the Receipt Point. Seller shall not be entitled to the benefit of the provisions of Articles 16.1 or 16.2 to the extent that the failure or event was caused by its failure to contract for sufficient firm transportation and Storage service downstream of the Receipt Point.

- 16.6 If an event of Force Majeure is claimed or asserted then the Party claiming excuse shall give notice to the other Party of the full particulars of the event, of the date of its commencement, its expected duration, and action being taken to overcome it. Such notice shall be in writing delivered by hand, telegraph, telex, or other direct written electronic means to the other party as soon as possible after the occurrence. The Party claiming excuse shall exercise due diligence to remove or overcome as soon as is reasonably possible the event of Force Majeure.

**ARTICLE 17
REPRESENTATION AND WARRANTIES**

- 17.1 Seller covenants, warrants, and represents to Buyer that it will obtain all agreements required for Firm Services under this Agreement, including, but not limited to, all necessary agreements with Transporter(s) prior to the commencement of the Transaction, and will maintain the necessary agreements required for Firm Services thereafter.
- 17.2 Each Party covenants, warrants and represents to the other Party that:
- (a) prior to the commencement of service under a Transaction it will have obtained (or cause to be issued) all regulatory authorizations, exemptions, certificates, permits, licenses and documentation as may be necessary and legally required by governments, governmental agencies or regulatory bodies to perform this Agreement and the Transactions contemplated thereunder (hereinafter "Necessary Approvals");
 - (b) after satisfying the obligations in Article 17.2(a), it will maintain in full force and effect such Necessary Approvals and obtain such additional Necessary Approvals which may be required during this Agreement or any Transaction.
- 17.3 Each Party covenants, warrants and represents to the other Party that at the time of execution and delivery, and during the performance of this Agreement and each Transaction:
- a) it has full right and absolute authority to enter into and execute this Agreement, the Notice of Transaction and each Gas Supply Nomination Form and perform its obligations hereunder or thereunder, as the case may be;

- b) this Agreement, and each executed Notice of Transaction and Gas Supply Nomination Form is a valid and binding obligation and is enforceable in accordance with its provisions;
- c) the consummation of the Transactions contemplated in this Agreement and in each executed Notice of Transaction will not violate or conflict with any provisions of any agreement or instrument to which it is a party or which it is bound; or any judgment, writ, decree, order, law, statute, rule or regulation applicable to it;
- d) it is a corporation duly incorporated, or a limited partnership organized and validly existing under the laws of its jurisdiction of incorporation or organization and is duly registered in, is qualified to do business in and is in good standing under the laws of the jurisdictions in which it carries on business;
- e) this Agreement, each executed Notice of Transaction and Transaction have been duly authorized by all necessary corporate action required to be taken by it and will not violate or conflict with its constating documents; and
- f) it will take no action with any governmental or regulatory bodies, arbitration board, arbitrator or court to vary the provisions of this Agreement, any executed Notice of Transaction or a Transaction thereunder, or Gas Supply Nomination Form unless the Parties mutually agree otherwise each in its sole discretion.

ARTICLE 18 FINANCIAL ASSURANCES

- 18.1 In the event Buyer and Seller are not affiliates, Seller may in its sole discretion, request that Buyer demonstrate creditworthiness. If, in Seller's sole discretion, Buyer fails to demonstrate creditworthiness, Seller may request the security described in Article 18.2. If at any time after the security described in Article 18.2 has been supplied by Buyer, Buyer demonstrates creditworthiness acceptable to Seller, acting reasonably, then Seller shall withdraw such requirements.
- 18.2 Buyer shall provide (within thirty (30) Days after the request), security for the payment of the Price to be paid by Buyer to Seller for service under this Agreement in the form

of an irrevocable standby letter of credit issued by a financial institution acceptable to Seller or such other equivalent financial guarantees in an amount equal to the sum of two (2) months of reservations charges plus Seller's estimate of sixty (60) Days of variable charges, which shall, subject to Article 18.1, remain in effect for no less than seventy (70) Days beyond the termination of service; provided that, if payment in full for service has been received by Seller, Seller shall, return and/or cancel such financial guarantee.

**ARTICLE 19
MISCELLANEOUS**

- 19.1 After execution by both Parties, this Agreement and each Notice of Transaction then in effect will constitute the entire agreement between the Parties with respect to the subject matter of each Transaction hereof. No promises, agreements, statements or warranties different or additional to this Agreement or the Notice of Transaction will be deemed to be a part hereof, nor, except as provided in Articles 6.9 and 9.5, will any alteration, amendment, or modification hereto be effective unless confirmed in writing by the Parties.
- 19.2 The failure of either Party to insist upon compliance with any provisions of this Agreement or a Transaction, to exercise any option, enforce any right or seek any remedy shall not effect nor constitute a waiver of that Party's right to insist upon strict compliance with any other provisions of this Agreement and a Transaction, to exercise any other option, enforce any other right or to seek any other remedy.
- 19.3 Time shall be of the essence of this Agreement and the Transactions.
- 19.4 Each of the Parties shall from time to time and at all times hereafter do all such further acts and execute and make available all such further documents as shall be reasonably required in order to fully perform and to more effectively implement and carry out the provisions of this Agreement and the Transactions. The Parties shall cooperate in obtaining and maintaining the Necessary Approvals.
- 19.5 If and to the extent that any arbitration board or arbitrator holds that any provisions of this Agreement or a Transaction is invalid or not enforceable then that holding will in no way effect the validity of the other provisions of this Agreement or the Transactions, which shall remain in full force and effect.

19.6 Articles 4.6 (b), 4.8, 6 (for purposes of Article 4 if applicable), 10, 11 and 13 shall survive the termination, cancellation or expiration of this Agreement or any Transaction thereunder.

**ARTICLE 20
NOTICES**

20.1 Unless otherwise provided in this Agreement, and subject to the obligation under Article 19.3, any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid first-class mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time, shall be deemed to have been received on the fourth business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the business Day following the sending, or if made available by hand shall be deemed to have been received at the time it is made available to the applicable address. Nominations sent by facsimile shall be deemed to have been received by the addressee as soon as such transmission has been made. Notices and other communications shall be addressed as follows:

(a) If to Buyer:

Vermont Gas Systems inc.	COURIER ADDRESS
P. O. Box 467	85 Swift Street
Burlington, Vermont	South Burlington, Vermont
U.S.A. 05402	U.S.A. 05403

Nominations:Attention: Supervisor of Gas Control
Telephone: (802) 863-4511
Facsimile: (802) 863-8871

Billings: Attention: Controller
Telephone: (802) 863-4511
Facsimile: (802) 658-3926

Other: Attention: Vice President Regulatory Affairs Finance and Planning
Telephone: (802) 863-4511
Facsimile: (802) 658-3926

(b) if to Seller:

**Gaz Métropolitain and Company, Limited Partnership
c/o Gaz Métropolitain, inc.
1717 rue du Havre
Montréal (Québec) Canada
H2K 2X3**

**Nominations: Attention: Nominations Analyst
Telephones:(514) 598-3310 or (514) 598-3856
Facsimile: (514) 529-2253**

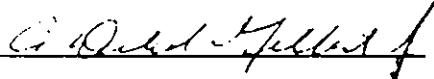
**Billings: Attention: Operational Planning Advisor
Telephone: (514) 598-3306
Facsimile: (514) 598-3778**

**Other: Attention: Director Off-system Sales and Business Development
Telephone: (514) 598-3377
Facsimile: (514) 598-3725**

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first above written.

BUYER:

VERMONT GAS SYSTEMS, INC.

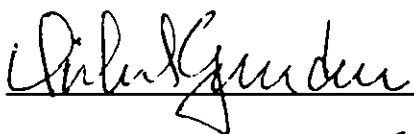
By 

Name A. Donald Gilbert

Title Vice President - Regulatory Affairs, Finance and Planning

SELLER:

GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP, per its general partner Gaz Métropolitain, inc.

By 

Name Michel Gourdeau

Title Vice President, Gas supply & Industrial sales

By 

Name Richard Lassonde

Title Vice President, Legal Services

EXHIBIT "A"
NOTICE OF TRANSACTION - VGS - ST01

This Notice of Transaction is made part of and subject to the Gas Services Agreement dated April 1st, 1995 ("Agreement") by and between Gaz Métropolitain and Company, Limited Partnership per its general partner Gaz Métropolitain, inc., as Seller or GMLP, and Vermont Gas Systems, Inc., as Buyer. THIS NOTICE OF TRANSACTION, AFTER EXECUTION BY BUYER AND SELLER, SHALL CONFIRM THE FOLLOWING PROVISIONS AND CONDITIONS APPLICABLE TO THE SALE AND PURCHASE OF GAS SERVICES AND CONSTITUTE A TRANSACTION UNDER THE AGREEMENT. IN THE EVENT BUYER AND SELLER HAVE NOT EXECUTED THIS NOTICE OF TRANSACTION AS TO ALL ITS PROVISIONS, THERE WILL BE NEITHER A TRANSACTION UNDER THE AGREEMENT NOR A CONTRACT OR ACTION AT LAW OR IN EQUITY.

1. TYPE OF SERVICE: Storage and transportation service as described in Articles 2 and 6 of the Agreement will be provided during the Term of Transaction. With the exception of Overrun Service, service is firm and not subject to interruption or curtailment except in the events defined in Article 16 of the Agreement (i.e., Firm Service).
2. TERM OF TRANSACTION: Storage service shall be effective during the period extending from April 1, 1995 through March 31, 2010. Transportation service shall be effective during the period extending from November 1, 1995 through March 31, 2010.
3. MAXIMUM STORAGE BALANCE: 43,430 10³M³.
4. DAILY TRANSPORTATION QUANTITY: 538 10³M³ per Day.
5. DAILY INJECTION QUANTITY: 340 10³M³ per Day.
6. DAILY WITHDRAWAL QUANTITY: 538 10³M³ per Day multiplied by (1 + Fuel Ratio).
7. RECEIPT POINT: The point of interconnection between the pipeline facilities of Union Gas Limited and TransCanada PipeLines Ltd. which is located in the vicinity of Parkway, Ontario.
8. DELIVERY POINT : The point of interconnection between the pipeline facilities of TransCanada PipeLines Ltd. and Vermont Gas Systems, Inc. which is located at the international border in the vicinity of Philipsburg, Quebec.
9. TRANSPORTER(S) : TransCanada PipeLines Limited ("TCPL"); Union Gas Limited.



10. PRICE : In accordance with Article 8 of the Agreement, the Price each month under this Transaction is determined under Schedules 1 and 2 to this Exhibit A. Buyer shall pay Seller the sum of the charges in Column III of Schedule I to this Exhibit A which is derived from the product of the amounts in Columns I and II, and the adjustments in Column IV.

11. MEASUREMENT: The volume of Gas and heating value of the Gas received or delivered under this Transaction shall be measured by TCPL at the Receipt Point or the Delivery Point in accordance with TCPL's gas transportation tariff, published and in effect at the time of measurement.

12. SUPPLY DEFICIENCY CHARGE : In accordance with Article 10.3 of the Agreement, the liquidated damages liability of Seller under this Transaction is US\$ 494.21 per 10³M³ multiplied by the quantities nominated by Buyer which Seller fails to tender to Buyer. Such Supply Deficiency Charge shall be amended from time to time by Buyer to reflect Buyer's projected peak Day supply acquisition costs.

13. STORAGE DEFICIENCY CHARGE : In accordance with Article 10.4 of the Agreement, the liquidated damages liability of Seller under this Transaction is US\$ 77.66 per 10³M³ multiplied by the quantities nominated by Buyer which Seller fails to receive from Buyer. Such Storage Deficiency Charge shall be amended from time to time by Buyer to reflect Buyer's projected Storage replacement costs.

14. FUEL RATIO: See Schedule 2 to this Exhibit A.

SELLER:

GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP, per its general partner Gaz Métropolitain, inc.

By *Michel Gourdeau*

Name Michel Gourdeau

Title Vice President - Gas supply & Industrial sales

Date 3/29/95

BUYER:

VERMONT GAS SYSTEMS, INC.

By *A. Donald Gilbert*

Name A. Donald Gilbert

Title Vice President - Regulatory Affairs, Finance and Planning

Date 3/29/95

EXHIBIT "A"

**GAS SERVICES AGREEMENT
BETWEEN GMLP AND VERMONT GAS SERVICES, INC.
DATED APRIL 1, 1995
SCHEDULE 2**

Automatic Contract Year Rate Adjustments

Fuel Ratio

The fuel ratio will reflect the TCPL fuel ratio for Storage Transportation Service (STS), from Parkway to Phillipsburg. For Contract Year 1995-1996, the Fuel Ratio is 2.2%. For subsequent Contract Years, the Fuel Ratio will be based on the weighted average of projected TCPL monthly fuel ratios for Parkway-Phillipsburg STS service multiplied by projected monthly volumes under Firm Service.

Reservation and Variable Charges

1. Price adjustment formulae for Firm Service

A. Storage	
1. Space reservation charge	Fixed for duration of Transaction.
2. Deliverability reservation charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{Union Firm M12 Transport Demand Charge (Dawn Oakville)} (\text{yr}_{i+1})}{\text{Union Firm M12 Transport Demand Charge (Dawn Oakville)} (\text{yr}_i)}$
3. Injection variable charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville} (\text{yr}_{i+1})}{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville} (\text{yr}_i)}$
4. Withdrawal variable charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{Union Firm M12 Transport Commodity Charge (Dawn Oakville)} (\text{yr}_{i+1})}{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville} (\text{yr}_i)}$
B. Transportation	
1. Reservation charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{TCPL Philipsburg STS Demand Charge} (\text{yr}_{i+1})}{\text{TCPL Philipsburg STS Demand Charge} (\text{yr}_i)}$
2. Variable charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{TCPL Philipsburg STS Commodity Charge} (\text{yr}_{i+1})}{\text{TCPL Philipsburg STS Commodity Charge} (\text{yr}_i)}$

2. Price adjustment formulae for Overrun Service (interruptible)

A. Storage	
1. Injection charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville}(\text{yr}_{i+1})}{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville}(\text{yr}_i)}$
2. Withdrawal charge	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville}(\text{yr}_{i+1})}{\text{Union Firm M12 Transport Commodity Charge Dawn Oakville}(\text{yr}_i)}$
B. Transportation	
1. Variable charge,	$\text{Rate}(\text{yr}_{i+1}) = \text{Rate}(\text{yr}_i) \times \frac{\text{TCPL Philipsburg STS Commodity Charge}(\text{yr}_{i+1})}{\text{TCPL Philipsburg STS Commodity Charge}(\text{yr}_i)}$
2. Variable charge	per applicable pipeline rate

**GAS SERVICES AGREEMENT
BETWEEN GMLP AND VERMONT GAS SYSTEMS, INC.
DATED APRIL 1, 1995
EXHIBIT A
SCHEDULE I**

Price Category	I Rate	II Quantity	III Price	IV Rate Adjustments Indexed To
1. Price for Firm Service A. Storage 1. Space reservation charge 2. Deliverability reservation charge 3. Injection variable charge 4. Withdrawal variable charge B. Transportation 1. Transportation reservation charge 2. Transportation variable charge	1.44 US\$/10 ³ M ³ 204.25 Cdn\$/10 ³ M ³ /Day 1.95 Cdn\$/10 ³ M ³ 6.29 Cdn\$/10 ³ M ³ 207.00 Cdn\$/10 ³ M ³ /Day 0.381 Cdn\$/10 ³ M ³	MSB = 43,430 10 ³ M ³ -- Firm Service DWQ = 538 10 ³ M ³ /Day multiplied by (1+Fuel Ratio) -- Firm Service Total NDIQ 10 ³ M ³ for the Month -- Firm Service Total NDWQ 10 ³ M ³ for the Month -- Firm Service DTQ = 538 10 ³ M ³ /Day -- Firm Service Total NDTQ 10 ³ M ³ -- Firm Service	\$62,539 (US\$) I x II I x II I x II I x II I x II	Not applicable See Schedule 2 See Schedule 2 See Schedule 2 See Schedule 2 See Schedule 2
2. Price for Overrun Services (interruptible) A. Storage 1. Overrun injection charge 2. Overrun withdrawal charge B. Transportation 1. Overrun variable charge (for quantities in excess of the DTQ) 2. Alternate overrun transportation variable charge (for all quantities)	9.68 Cdn\$/10 ³ M ³ 14.495 Cdn\$/10 ³ M ³ 7.929 Cdn\$/10 ³ M ³ (Receipt Point to Delivery Point) per applicable pipeline rate (Alternate Receipt Point to Receipt Point)	Total NDIQ for the Month -- Overrun Service Total NDWQ for the Month -- Overrun Service Total NDTQ for the Month -- Overrun Service per Nomination 10 ³ M ³ for the Month -- Overrun Service	I x II I x II I x II I x II	See Schedule 2 See Schedule 2 See Schedule 2 See Schedule 2

EXHIBIT "B"

GAS SERVICES AGREEMENT
BETWEEN GMLP AND VERMONT GAS SERVICES, INC.
DATED APRIL 1, 1995

Adjustment for Heating Content

I. First Adjustment

A. Definitions.

i Contract Year number.

V_{d_i} is the volume of Gas withdrawn by the Seller at the Receipt Point for Buyer's account during the Contract Year;

GHV_{d_i} is the heating value in MJ/m³ of the Gas, V_{d_i} , withdrawn by Seller at the Receipt Point for Buyer's account during the Contract Year, calculated on a volumetrically weighted average basis for the Contract Year;

V_{r_i} is the volume of Gas delivered to Seller by Buyer during a Contract Year at the Receipt Point;

GHV_{r_i} is the heating value in MJ/m³ of the Gas, V_{r_i} , delivered by Buyer to Seller at the Receipt Point during the Contract Year, calculated on a volumetrically weighted average basis for the Contract Year;

V_{b_i} is the Storage Account Balance at 8:00 a.m. on April 1, at the beginning of the Contract Year;

$V_{b_{i+1}}$ is the Storage Account Balance at the end of the Contract Year, before the first adjustment.

B. An adjustment for heating content will be made at the end of each Contract Year if

$GHV_{d_i} \neq GHV_{r_i}$,

that is, if the weighted average heating value of the Gas withdrawn by Seller (GHV_{d_i}) at the Receipt Point during a Contract Year, is not equal to the weighted average heating value of the Gas delivered by Buyer to Seller (GHV_{r_i}) at the Receipt Point during the same Contract Year.

C. The adjustment will be made according to the following:

- 1) When $GHVd_i > GHVr_i$,
Buyer will owe Seller a volume adjustment based on the formula $(GHVd_i - GHVr_i) * (Vd_i - Vb_i)$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made (not later than June) of any Year. The volume adjustment will be debited from the volume of Gas in Buyer's Storage Account Balance, Vb_{i+1} .
- 2) When $GHVd_i < GHVr_i$,
Seller will owe Buyer a volume adjustment based on the formula $(GHVr_i - GHVd_i) * (Vd_i - Vb_i)$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made (not later than June) of any Year. The volume adjustment will be credited to Buyer's Storage Account Balance, Vb_{i+1} .

II. Second Adjustment

A. Additional Definitions

- Vfd_{i+1} is that volume of Gas withdrawn by Seller at the Receipt Point in the following Contract Year, which is equal to Vb_i' ;
- $GHVfd_{i+1}$ is the heating value in MJ/m^3 of the Gas, Vfd_{i+1} , calculated on a volumetrically weighted average basis;
- Vfr_{i+1} is that volume of Gas received by Seller from Buyer in the following Contract Year, which is equal to Vb_i' ;
- $GHVfr_{i+1}$ is the heating value in MJ/m^3 of the Gas, Vfr_{i+1} , calculated on a volumetrically weighted average basis;
- Vb_i' is the Storage Account Balance at 8:00 a.m. on April 1, at the beginning of a Contract Year, after the first adjustment.

- B. A second adjustment for heating content will be made if $Vb_i' \neq 0$,
that is, if the Storage Account Balance at 8:00 a.m. on April 1, at the beginning of each Contract Year after the first adjustment is not equal to zero;

C. The second adjustment will be made according to the following:

1) If $Vb_i' > 0$,

a) If $GHVfd_{i+1} < GHV r_i$,
then Seller will owe Buyer a volume adjustment based on the formula $(GHVr_i - GHVfd_{i+1}) * (Vb_i')$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made. The volume adjustment will be credited to the Storage Account Balance;

b) If $GHVfd_{i+1} > GHV r_i$,
then Buyer will owe Seller a volume adjustment based on the formula $(GHVfd_{i+1} - GHV r_i) * (Vb_i')$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made. The volume adjustment will be debited from the volume of Gas in the Storage Account Balance.

2) If $Vb_i' < 0$,

a) If $GHVfr_{i+1} < GHVd_i$,
then Buyer will owe Seller a volume adjustment based on the formula $(GHVfr_{i+1} - GHVd_i) * (Vb_i')$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made. The volume adjustment will be debited from the volume of Gas in the Storage Account Balance ;

b) If $GHVfr_{i+1} > GHVd_i$,
then Seller will owe Buyer a volume adjustment based on the formula $(GHVd_i - GHVfr_{i+1}) * (Vb_i')$ divided by the Monthly average heating value of Gas delivered by TCPL at the Receipt Point for the Month during which the adjustment is made. The volume adjustment will be credited from the volume of Gas in the Storage Account Balance.

Exhibit II

DOWN'S RACHLIN & MARTIN, PC

ATTORNEYS AT LAW

9 PROSPECT STREET • PO BOX 99 • ST. JOHNSBURY • VERMONT 05819 0099
802 748 8324 • FAX 802 748 4394

October 12, 1995

Mr. Clifford Tomaszewski, Director
Office of Fuels Programs - Natural Gas
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, D.C. 20585

SUBJ: Application of Vermont Gas Systems, Inc. for Authorization to Import
Natural Gas From Canada (herein the "Application")

Dear Mr. Tomaszewski:

This firm serves as special counsel to Vermont Gas Systems, Inc., a Vermont corporation (herein "Vermont Gas"), on corporate and other matters. In accordance with Subsection 590.202(c) of Title 10, Code of Federal Regulations, we are furnishing this opinion of counsel in connection with Vermont Gas's Application for the above-captioned authorization to import natural gas from Canada under Section 3 of the Natural Gas Act.

We have reviewed the Articles of Association and By-Laws of Vermont Gas, the Application, and such other documents as we deem necessary for this opinion. We are admitted to practice in Vermont and do not offer in this letter any opinion as to the laws of any jurisdiction other than Vermont and the federal laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that the proposed import and export of natural gas by Vermont Gas described in the Application is within the corporate powers of Vermont Gas.

DOWNS RACHLIN & MARTIN, PC

Mr. Clifford Tomaszewski, Director

-2-

October 12, 1995

This opinion is rendered solely for purposes of the Application and may not be used or relied on for any other purpose.

Respectfully submitted,

Downs Rachlin & Martin P.C.

DOWNS RACHLIN & MARTIN

0034673.01

95-111-NG



Vermont Gas

P.O. Box 467, Burlington, Vermont 05402
802-863-4511

November 22, 1995

Allyson Reilly, Analyst
Office of Fuels Programs - Natural Gas
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, D.C. 20585

NOV 27 1995

1995 NOV 27 P 3:56

Re: Vermont Gas Systems, Inc.

Dear Ms. Reilly:

Per our phone conversation, this letter is to confirm that TransCanada Gas Marketing Limited (TransCanada) is the successor to Western Gas Marketing Limited (WGML) and that Vermont Gas Systems long-term contract previously with WGML remains in full force and effect with TransCanada.

WGML's parent company, TransCanada Pipelines Limited (TCPL) acquired a new company during 1995. During the summer of 1995 TCPL merged WGML with the previously acquired company and renamed the merged companies TransCanada Gas Marketing. This action had no affect on VGS' long term contract.

Please let me know if you have any further questions.

Happy Thanksgiving.

Sincerely,

Eileen Simollardes
Director - Key Accounts and Planning

Vermont Gas Systems, Inc.



UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

VERMONT GAS SYSTEMS, INC.

FE DOCKET NO. 95-111-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1139

JANUARY 2, 1996

I. DESCRIPTION OF REQUEST

On November 8, 1995, Vermont Gas Systems, Inc. (Vermont Gas) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act ^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for long-term import authorization. Vermont Gas requests authority to import up to 19 MMcf per day of Canadian natural gas over a fifteen-year term in accordance with a Gas Services Agreement (Agreement) with Gaz Metropolitan Limited Partnership (GMLP)^{2/} dated April 1, 1995. Vermont Gas requests that the authorization be granted retroactively to November 1, 1995.^{3/} Under the Agreement, GMLP will provide gas storage and transportation services to Vermont Gas. Vermont Gas, a local distribution company, is a Vermont corporation with its principal place of business in South Burlington, Vermont.

The proposed imports would be used primarily for system supply and would serve to replace a reduction in gas supplies

1. 15 U.S.C. § 717.b.

2. Concurrent with its instant authorization filing, Vermont Gas also filed an application to amend its current import authorization under DOE/FE Opinion and Order No. 550 to reflect the reduction in contractual quantity from 32,000 Mcf to 21,000 Mcf per day to its gas sales contract with TransCanada Gas Marketing Limited.

3. This is the first date that Vermont Gas may begin withdrawal of gas from underground storage in accordance with the Agreement.

imported by Vermont Gas under its gas sales contract with TransCanada Gas Marketing Ltd. and to provide for additional import capacity for peak demand periods. Delivery would take place at an interconnection between the facilities of Vermont Gas and TransCanada PipeLines Limited at the international border near Highgate Springs, Vermont. The pricing structure in the Agreement with GLMP includes: (1) demand charges for total storage space, maximum daily withdrawal, and transportation from storage; (2) commodity charges for injection into storage, withdrawal and transportation from storage; and (3) supply and storage deficiency charges.

II. FINDING

The application filed by Vermont Gas has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Vermont Gas to import natural gas from Canada, a nation with which a free

trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:


A. Vermont Gas Systems, Inc. (Vermont Gas) is authorized to import up to 19,000 Mcf per day of natural gas beginning on November 1, 1995, through October 31, 2010, consistent with the terms and conditions of its gas services agreement with Gaz Metropolitan Limited Partnership (GMLP), dated April 1, 1995. This natural gas may be imported at the point of interconnection between the pipeline facilities of TransCanada PipeLines Ltd. and Vermont Gas which is located at the United States and Canada international border near Highgate Springs, Vermont.

B. With respect to the natural gas imports authorized by this Order, Vermont Gas shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Vermont Gas must report monthly total volumes in Mcf and the average purchase price per MMBtu at the

international border, and paid to GMLP. The monthly price information does not have to itemize separately the commodity, demand, and supply storage deficiency costs.

C. The first quarterly report required by Ordering Paragraph B of this Order is due not later than April 30, 1996, and should cover the period from January 1, 1996, until the end of the first calendar quarter, March 31, 1996.

Issued in Washington, D.C., on January 2, 1996.



Anthony J. Como
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy



Vermont Gas

P.O. Box 467, Burlington, Vermont 05402
802-863-4511

January 23, 1996

REC'D DOE/FE
DOE/FE
1/23/96

1996 JAN 29 A 9:59

Mr. Thomas W. Dukes
Office of Fuels Programs
U.S. Department of Energy
FE-53, Room 3H-087
1000 Independence Avenue, S.W.
Washington, D.C. 20585-0350

RE: Notification of Natural Gas Import
DOE/FE Order No. 1139, FE Docket No. 95-111-NG

Dear Mr. Dukes:

In an order dated January 2, 1996, the Office of Fossil Energy granted Vermont Gas Systems, Inc. ("Vermont Gas") the authorization to import from Canada up to 19,000 Mcf of natural gas per day beginning on November 1, 1995, through October 31, 2010, consistent with the terms and conditions of its gas services agreement with Gaz Metropolitan Limited Partnership dated April 1, 1995. (See DOE/FE Order No. 1139 ("Order"), FE Docket No. 95-111-NG, Ordering Paragraph A).

Pursuant to Paragraph B of the instant Order, Vermont Gas hereby submits written notification that natural gas was imported under the Order on November 1, 1995. However, due to administrative oversights, Vermont Gas was unable to file the notification in a timely manner. Vermont Gas respectfully requests any waiver as deemed necessary to ensure compliance with the Order.

Please do not hesitate to contact me should you have any questions or require additional information.

Sincerely,

VERMONT GAS SYSTEMS, INC.

Jonathan Vinh Mai
Manager of Gas Supply and Tariffs

Vermont Gas Systems, Inc.

