

FE DOCKET NO.: 95-58-NG
APPLICANT(S):

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1	NATIONAL STEEL CORPORATION	APPLICATION	Application for Long-Term Import/Export Authority and Request to Vacate	95-08-14	95-08-14
2	DOE/FE	ORDER	Order 1104--Granting Blanket Authorization to Export Natural Gas to Canada	95-08-14	95-08-14
3	NATIONAL STEEL CORPORATION	SUPPLEMENT	Supplement to Application filed 8/14/95	95-09-05	95-09-05

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
BEFORE THE
OFFICE OF FOSSIL ENERGY

1995 AUG 14 P 4: 35

National Steel Corporation

)

FE Docket No. 95 - 58 - NG

REC'D DOE/FE
OFFICE OF FOSSIL ENERGY

APPLICATION OF NATIONAL STEEL CORPORATION
FOR AN ORDER AUTHORIZING THE LONG-TERM
IMPORT AND EXPORT OF NATURAL GAS

Pursuant to Section 3 of the Natural Gas Act ("NGA"),^{1/} Department of Energy Delegation Order Nos. 0204-111 and 0204-127,^{2/} and Office of Fossil Energy ("FE") regulations,^{3/} National Steel Corporation ("National Steel") submits this application for an order granting long-term authorization to import and export natural gas from and to Canada. As described below, National Steel requests authorization to import up to 500 Bcf of natural gas from Canada, and to export up to 280 Bcf of natural gas to Canada over a ten-year period.

I. IDENTITY OF THE APPLICANT

The exact legal name of the applicant is National Steel Corporation. National Steel is a Delaware corporation with its principle place of business at 4100 Edison Lakes Parkway, Mishawaka, Indiana, 46545. National Steel also maintains places

^{1/} 15 U.S.C. § 717b.

^{2/} 49 Fed. Reg. 6690 (February 22, 1984), 1 ERA ¶ 70,032 (1984);
54 Fed. Reg. 11437 (March 20, 1989), 1 FE ¶ 70,051 (1989).

^{3/} 10 C.F.R. Part 590 (1995).

of business in Minnesota, Illinois, Indiana, Michigan, and Pennsylvania. National Steel is 32 percent publicly owned, and 68 percent owned by NKK Corporation, a Japanese Corporation.

The names, titles, and mailing addresses of persons to whom official correspondence concerning this application should be addressed are:

Jon H. Rateau
Manager - Energy Strategies,
Strategic Sourcing
National Steel Corporation
4120 Edison Lakes Parkway
Mishawaka, IN 46545

and

William H. Penniman
Paul F. Forshay
Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 383-0100

National Steel previously received a two-year blanket authorization to import natural gas from Canada by Opinion and Order No. 251 of FE's predecessor, the Economic Regulatory Administration ("ERA").^{4/} That order authorized natural gas imports for exclusive use at the Great Lakes Division of National Steel in Ecorse and River Rouge, Michigan utilizing new pipeline facilities which were to be built between Canada and the U.S. at the National Steel plant in Ecorse and River Rouge, Michigan.^{5/}

^{4/} See National Steel Corp., 1 ERA ¶ 70,786 (1988) (DOE/ERA Opinion and Order No. 251).

^{5/} National Steel has yet to import natural gas under that authorization due to ongoing litigation concerning the new facilities.

Although National Steel still hopes to build this pipeline, these facilities have not yet been built.

National Steel also currently holds a two-year blanket authorization to import and export natural gas from and to Canada, using existing pipeline facilities, for use in National Steel's various plants throughout the United States granted by DOE/FE Order No. 734.^{6/}

II. RELATED U.S. REGULATORY PROCEEDINGS

Neither this request for import/export authorization nor any related National Steel filing is pending before any other part of DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department.

III. THE PROPOSED IMPORT/EXPORT ACTIVITIES

National Steel contemplates importing natural gas for use in existing facilities owned or operated by National Steel, its affiliates or subsidiaries ("National Steel Facilities"). Such facilities include, among others: the Great Lakes Division in Ecorse and River Rouge, Michigan; the Midwest Division in Portage, Indiana; the Granite City Division in Granite City, Illinois; and the National Steel Pellet Company in Hibbing and Keewatin, Minnesota.

In addition, National Steel contemplates exporting natural gas for injection into foreign storage locations for subsequent

^{6/} See National Steel Corp., 1 FE ¶ 70,707 (1992) (DOE/FE Order No. 734).

importation back to the United States. All contemplated imports and exports of natural gas would be accomplished through currently existing pipeline facilities and ultimately consumed in National Steel Facilities.

IV. SCOPE OF THE ACTIVITY

National Steel seeks authority to import up to 500 Bcf of natural gas from Canada to the United States over a 10-year period. National Steel further requests authorization to export up to 280 Bcf of natural gas from the United States to Canada over a ten-year period. The ten-year term of the requested authorization would commence on the date of first delivery under the requested authorization, and would utilize existing pipeline facilities.

Effective April 1, 1995 National Steel entered into a comprehensive delivery service contract with St. Clair Pipeline Ltd. ("SCPL") under which SCPL will receive from Canadian natural gas producers volumes purchased by National Steel and redeliver that gas to National Steel at the interconnection between the facilities of Panhandle Eastern Pipeline Company and Union Gas, Limited, near the international border. SCPL also will provide storage and load balancing services in connection with these volumes. The service will have an initial term of five (5) years, with National Steel having an option to extend it for an additional five (5) years. National Steel seeks the requested ten-year authorization to ensure its ability to obtain the benefits of its contemplated Service Agreement with SCPL.

The authorization requested by this application would replace the short-term blanket authorization granted National Steel by DOE/FE Order No. 734. The requested authorization would be in addition to the project-specific short-term blanket authorization granted National Steel by DOE/ERA Opinion and Order No. 251 regarding National Steel's Great Lakes Division and the proposed importation of natural gas from Canada via pipeline facilities yet to be built between the Great Lakes Division and Canada.

V. SOURCE AND SECURITY OF SUPPLY

National Steel intends to obtain natural gas supplies from both foreign and domestic suppliers. To date, National Steel has executed a ten-year gas supply agreement with Direct Energy Marketing, Ltd. of Toronto, Canada for a portion of its anticipated natural gas requirements. However, National Steel does not intend to rely on any one source of natural gas. Maintaining a diversity of supply sources will provide National Steel the flexibility to contract with several natural gas suppliers while assuring the security of its supply.

VI. IDENTIFICATION OF PARTICIPANTS

At this time, National Steel anticipates that Direct Energy will be a principal supplier of natural gas to National Steel Facilities. In addition, transportation and storage services will be provided primarily by TransCanada PipeLines Limited, Union Gas Limited, and SCPL.

Due to the competitive dynamics of the natural gas market, however, the identities of all National Steel suppliers, transporters, and storage providers are not currently known. As specific import and export transactions occur, the identities of all participants will be reported on a quarterly basis to FE.

VII. TERMS OF THE TRANSACTIONS

National Steel anticipates that it will execute a portfolio of gas purchase agreements in connection with the utilization of its requested 10-year import/export authorization. Those purchase agreements will be for terms of up to 10 years, and the prices specified in those agreements may be fixed, indexed to market indicators, or some combination of the two. In all cases, the purchase price will be competitive and achieved through arm's length negotiations with National Steel's suppliers. All material provisions of such agreements will be reported to FE on a quarterly basis.

VIII. NEED FOR IMPORTED NATURAL GAS/ LACK OF NEED FOR EXPORTED NATURAL GAS

National Steel Facilities consume approximately 42 Bcf of natural gas annually. The volumes to be imported under the requested authorization are needed to satisfy National Steel's significant ongoing demand for natural gas. Furthermore, access to Canadian natural gas volumes is needed to assure National Steel the requisite flexibility to meet its natural gas needs in the most cost-efficient manner possible.

All natural gas exported by National Steel will be injected into storage in Canada and subsequently imported back into the United States for use at National Steel Facilities. Therefore, the proposed exportation of the gas will not deplete the supply of natural gas otherwise available on either a national or regional basis.

IX. POTENTIAL ENVIRONMENTAL IMPACT

The proposed import and export transactions will not require the construction of any new facilities. Consequently, granting the requested authorization would not significantly affect the environment.

X. THE STANDARD OF REVIEW

Section 3 of the NGA states that

the importation of natural gas . . . or the exportation of natural gas to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, shall be deemed to be consistent with the public interest, and applications for such importation or exportation shall be granted without modification or delay.

15 U.S.C. § 717b(c). The United States and Canada are parties to a free trade agreement of the type specified by NGA Section 3.^{1/} Accordingly, the NGA requires FE to approve National Steel's application for long-term import/export authority "without modification or delay."

^{1/} See United States-Canada Free Trade Implementation Act, Pub. L. No. 100-449, 102 Stat. 1851 (1988).

XI. EXHIBITS

In support of its application, National Steel submits the following exhibits:

- Exhibit A - National Steel's Restated Certificate of Incorporation
- Exhibit B - Opinion of Counsel
- Exhibit C - National Steel/SCPL Comprehensive Delivery Service Contract

National Steel will submit all completed contracts and/or purchase agreements to FE within two weeks after the date of first delivery under the requested authorization.

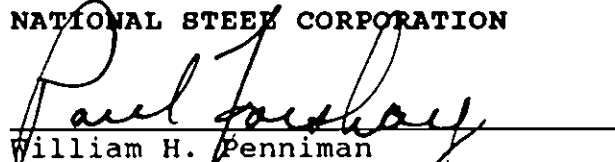
XII. ACTION REQUESTED

National Steel requests FE to issue an order granting National Steel authority to import up to 500 Bcf of natural gas from Canada, and to export up to 280 Bcf of natural gas to Canada, over a 10-year period commencing on the date of first delivery under the requested authorization. National Steel further requests authority to conduct the contemplated import and export transactions at any point on the international border.

Respectfully submitted,

NATIONAL STEEL CORPORATION

By:




William H. Penniman
Paul F. Forshay
Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 383-0100

August 14, 1995

It's Authorized Representatives


VERIFICATION

Paul F. Forshay, being first duly sworn, deposes and says that he is the duly authorized representative of the applicant, National Steel Corporation, and that the facts stated in this application are true and correct to the best of his knowledge, information and belief.



Paul F. Forshay

Subscribed and sworn to before me, a Notary Public of the District of Columbia, this 14th day of August 1995.



Notary Public

My Commission Expires:
GLORIA T. HINKLL
DISTRICT OF COLUMBIA
DATE OF EXP: 11-30-99

ALL STATE LEGAL SUPPLY CO. 1-800-277-8838 F0911 REC-0110



EXHIBIT A

NATIONAL STEEL CORPORATION

RESTATED
CERTIFICATE OF INCORPORATION

Adopted at the
ANNUAL MEETING OF STOCKHOLDERS
held
April 26, 1972

RESTATED
CERTIFICATE OF INCORPORATION
of
NATIONAL STEEL CORPORATION

NATIONAL STEEL CORPORATION, a Delaware corporation, which was incorporated on November 7, 1929 and the original Certificate of Incorporation of which was filed with the Secretary of State of Delaware on November 7, 1929, HEREBY CERTIFIES that this Restated Certificate of Incorporation, restating, integrating and amending its Certificate of Incorporation, was duly proposed by its Board of Directors and adopted by its stockholders in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and that the capital of the Corporation is not being reduced under or by reason of any amendment in this Restated Certificate of Incorporation.

FIRST: The name of the corporation is

NATIONAL STEEL CORPORATION

SECOND: The address of the registered office of the Corporation in the State of Delaware is 100 West Tenth Street, Wilmington, County of New Castle. The name of its registered agent at such address is C T Corporation System.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation law of Delaware.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 25,000,000 shares of the par value of \$5 per share.

FIFTH: No holder of shares of capital stock shall have any preemptive right to purchase, subscribe for or otherwise acquire any shares of capital stock of the Corporation of any class now or hereafter authorized, or any securities, now or hereafter authorized, convertible into or exchangeable for any such shares.

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

EIGHTH: The number of directors of the Corporation shall be fixed by and may from time to time be altered as provided in the By-Laws, but shall not be less than three.

NINTH: The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the accounts and

books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or stockholders of the Corporation.

TENTH: The Board of Directors shall have power and authority at any meeting to sell, lease or exchange all of the property and assets of this Corporation, including its good will and its corporate franchises, upon such terms and conditions as a majority of the Board of Directors deems expedient and for the best interests of the Corporation, provided such lease, sale or exchange be authorized by the affirmative vote of the holders of record of at least two-thirds of the total number of shares of the stock of the Corporation, at the time issued and outstanding, having voting power, given at a stockholders' meeting duly called for that purpose, or by the written consent of the holders of record of at least two-thirds of the total number of shares of the stock of the Corporation having voting powers, at the time issued and outstanding.

ELEVENTH: The Board of Directors shall have the power, from time to time, to issue shares of the authorized and unissued capital stock of the Corporation, for such consideration, on such terms, in such manner, and to such person or persons, as the Board of Directors may, from time to time, determine.

TWELFTH: The Corporation shall have power to create and issue, whether or not in connection with the issue and sale of any shares of stock or other securities of the Corporation, rights or options entitling the holders thereof to purchase from the Corporation any shares of its capital stock of any class or classes, such rights or options to be evidenced by or in such instrument or instruments as shall be approved by the Board of Directors, which instrument or instruments may contain such provisions against dilution of the stock deliverable against said rights or options as may, in the judgment of the Board of Directors, be deemed expedient or necessary, and may contain the provision that if the Corporation shall offer to its stockholders of any class or series as a class, rights to subscribe for shares of stock or other securities, it shall offer to the holders of such rights or options the right to subscribe for such stock or other securities on the terms and to the extent on and to which the holders of such rights or options would be entitled to subscribe were they the holders of record of the number of shares of stock then deliverable against such rights or options. The terms upon which the time or times, which may be limited or unlimited in duration, at or within which, and the price or prices at which any such shares may be purchased from the Corporation upon the exercise of any such right or option, shall be such as shall be fixed and stated in a resolution or resolutions adopted by the Board of Directors providing for the creation and issue of such rights or options, and, in every case, set forth or incorporated by reference in the instrument or instruments evidencing such rights or options. The Corporation shall reserve and have at all times available a sufficient number of its shares of stock or securities or assets to satisfy the rights and privileges contained in all its outstanding rights or options for the purchase of stock or other securities.

THIRTEENTH: In addition to the powers and authorities herein or by statute expressly conferred upon them, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, however, to the provisions of the laws of the State of Delaware, of this certificate, and of the by-laws of the Corporation.

FOURTEENTH: Insofar as the same is not contrary to the laws of the State of Delaware, no contract or other transaction between this Corporation and any other corporation shall be affected or invalidated by reason of the fact that any one or more of the directors of this Corporation is or are interested in, or is a director or officer, or are directors or officers of such other corporation, and any director or directors of this Corporation individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this Corporation or in which this Corporation is interested; and no contract, act or transaction of this Corporation with any person or persons, firm, association or corporation, shall be affected or invalidated by reason of the fact that any director or directors of this Corporation is a party or are parties to, or interested in such contract, act or transaction, or is, or are, in any way connected with such person or persons, firm, association or corporation, if such fact is known to the Board of Directors of this Corporation, and each and every person who may become a director of this Corporation is hereby relieved from any liability that might otherwise exist from contracting with this Corporation for the benefit of himself, or any firm, association or corporation in which he may be in anywise interested.

FIFTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, provided such amendment, alteration, change or repeal be authorized by a resolution adopted by the affirmative vote of the holders of record of at least two-thirds of the total number of shares of capital stock of the Corporation at the time issued and outstanding having voting powers given at a stockholders' meeting duly called for that purpose, and all rights and powers conferred herein upon stockholders, directors and officers are subject to this reserved power.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto and this instrument to be signed in its name by its Vice President and attested to by its Secretary, this 20th day of April 1972.

ATTEST:

NATIONAL STEEL CORPORATION

/s/ G. D. Angevine
Secretary

By /s/ W. S. Schwoebel
Vice President

[CORPORATE SEAL]

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

BE IT REMEMBERED that on this 26th day of April 1972, personally came before me, a Notary Public in and for the Commonwealth and County aforesaid, W. S. SCHWOEBEL, Vice President of NATIONAL STEEL CORPORATION, a corporation of the State of Delaware, and he duly executed said Certificate before me and acknowledged the said Certificate to be his act and deed and the act and deed of said Corporation and the facts stated therein to be true.

IN WITNESS WHEREOF I have hereunto set my hand and seal of office the day and year aforesaid.

/s/ Barbara Sablaric

Notary Public
Pittsburgh, Allegheny County, Penna.
My Commission Expires Feb. 3, 1976

[NOTARIAL SEAL]

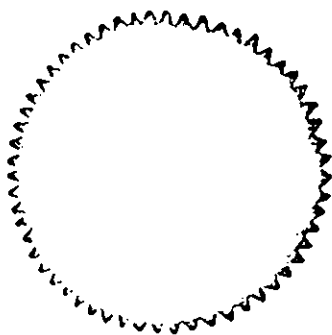
State of Delaware



Office of Secretary of State

J. Walton H. Simpson, Secretary of State of the State of Delaware,
do hereby certify that the above and foregoing is a true and correct copy of
Restated Certificate of Incorporation of the "NATIONAL STEEL CORPORATION", as
received and filed in this office the twenty-eighth day of April, A.D. 1972, at
10 o'clock A.M.

In Testimony Whereof, I have hereunto set my hand
and official seal at Dover this twenty-eighth day
of April in the year of our Lord
one thousand nine hundred and seventy-two.



Walton H Simpson

Secretary of State

R N Clark

Asst Secretary of State

ALL STATE SUPPLY CO. 1400 202 210 LOS 11 RECYCLED





Direct Dial: (219) 273-7602
Fax No.: (219) 273-7609

National Steel Corporation
4100 Edison Lakes Parkway
Mishawaka, IN 46545-3440
(219) 273-7000

August 3, 1995

Office of Fuels Programs, Fossil Energy
U. S. Department of Energy
Docket Room, 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S. W.
Washington, DC 20585

Attention: Mr. Clifford Tomaszewski
Director - Natural Gas Office

Dear Mr. Tomaszewski:

Pursuant to 10 C.F.R. Section 590.202, this certificate of counsel is hereby furnished in connection with the Application of National Steel Corporation ("National") for long-term authorization to import and export natural gas from and to Canada pursuant to Section 3 of the Natural Gas Act.

In respect of the above, I am of the opinion that:

- National is a corporation that is subsisting under the laws of Delaware; and
- The proposed importation and exportation of natural gas from and to Canada is within the corporate powers of National; and
- National will comply with the applicable rules and regulations of the Federal regulatory authorities in respect of the corresponding importation and exportation of natural gas.

Yours very truly,

A handwritten signature in cursive script that reads 'Milan J. Chestovich'.

Milan J. Chestovich
Director - Legal Affairs

ALL STATE LEGAL SUPPLY CO. 800 222 8010 EON:11 REC-CLTD



COMPREHENSIVE DELIVERY SERVICE CONTRACT

BETWEEN

**ST. CLAIR PIPELINES LTD.
("SCPL")**

- and -

**NATIONAL STEEL CORPORATION
("Customer")**

DATED April 1, 1995

**Schedule "A"
Schedule "B"
Schedule "C"**

COMPREHENSIVE DELIVERY SERVICE CONTRACT

CONTENTS

ARTICLE I	INTERPRETATION
ARTICLE II	GENERAL TERMS & CONDITIONS
ARTICLE III	TERM OF CONTRACT
ARTICLE IV	SCPL COMPREHENSIVE DELIVERY SERVICE
ARTICLE V	CUSTOMER'S SERVICE OBLIGATIONS
ARTICLE VI	UNDERLYING BALANCING SERVICE
ARTICLE VII	FORCE MAJEURE
ARTICLE VIII	CHARGES AND RATES
ARTICLE IX	DELIVERY AND REDELIVERY PRESSURES
ARTICLE X	MEASUREMENT AND QUALITY
ARTICLE XI	NOMINATIONS
ARTICLE XII	CUSTOMER'S REPRESENTATIONS AND WARRANTIES
ARTICLE XIII	MISCELLANEOUS PROVISIONS

THIS COMPREHENSIVE DELIVERY SERVICE CONTRACT dated as of the 1st day of April, 1995,

BETWEEN:

ST. CLAIR PIPELINES LTD., a company incorporated under the laws of the Dominion of Canada;

(hereinafter referred to as "SCPL")

PARTY OF THE FIRST PART

- and -

NATIONAL STEEL CORPORATION, a company incorporated under the laws of the State of Delaware, in the United States of America;

(hereinafter referred to as "Customer")

PARTY OF THE SECOND PART

WHEREAS, SCPL provides certain natural gas delivery, exchange and balancing services in southwestern Ontario and in the United States of America;

AND WHEREAS, Customer owns and operates steel manufacturing facilities in the States of Michigan, referred to as Customer's Great Lakes Division ("GLD"), Indiana, Illinois, and Minnesota, in the United States of America, and in the Province of Ontario, and Customer has the need for a Comprehensive Delivery Service (the "Service"), as defined herein;

NOW THEREFORE, this Contract witnesses that, in consideration of the mutual covenants and agreements herein contained, and the exchange of One (\$1.00) Dollar between the Parties hereto, the payment and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I - INTERPRETATION

1.01 **Definitions:** Capitalized terms and certain other terms used in this Contract and not specifically defined shall have the meaning set forth in Schedules "A", "B" and "C" hereto unless the context hereof otherwise clearly requires.

1.02 **Divisions, Headings and Index:** The division of this Contract into articles, sections and subsections, and the insertion of headings and any table of contents or index provided are for convenience of reference only, and shall not affect the construction or interpretation hereof.

1.03 **Industry Usage:** Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the transportation, storage, and distribution or sale of natural gas have an accepted meaning shall have that meaning.

1.04 **Extended Meaning:** Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein", "hereunder" and words of similar import refer to the entirety of this Contract, including the Schedules incorporated into this Contract, and not only to the section in which such use occurs.

1.05 **Conflict:** In the event of any conflict between the provisions of this Contract and those of Schedules "A", "B" and "C" attached to it, the provisions of this Contract shall prevail.

1.06 **Measurements:** Units set out in Imperial measurement in parentheses beside their SI (metric) equivalent are for reference only and in the event of a conflict between SI (metric) and Imperial measurement herein, SI (metric) shall prevail.

1.07 **Currency:** All reference to dollars in this Contract shall mean United States dollars, unless specifically stated otherwise.

ARTICLE II - GENERAL TERMS & CONDITIONS

2.01 The General Terms & Conditions contained in Schedule "B" hereto are hereby incorporated into and form an integral part of this Contract.

ARTICLE III - TERM OF CONTRACT

3.01 **Term:** This Contract shall be effective and the service obligations, terms and conditions hereunder shall commence, on April 1, 1995, (the "Commencement Date") and shall continue in full force and effect for a term of five (5) years (the "Term"); however Customer may, at its option, upon delivering notice in writing to SCPL, not less than 18 months prior to the end of the Term, extend the Term for an additional five (5) years (the "Extended Term").

3.02 **Termination:** Without limiting the generality of the foregoing, this Contract may be terminated in accordance with Section XII of the General Terms & Conditions.

ARTICLE IV - SCPL COMPREHENSIVE DELIVERY SERVICE

4.01 **Service Provided by SCPL:** SCPL will provide a firm service ("Service") to Customer's GLD at an annual rate of 10.3 Bcf (the "Annual Load") and a Maximum Daily Quantity of 38.5 MMcfd ("MDQ"), subject to Customer delivering equivalent daily firm volumes to SCPL pursuant to Section 5.01 and the availability of Balancing Volume for Redelivery on a firm basis pursuant to the provisions of Article VI. The Service will consist of the receipt of Customer's gas at the Point of Delivery as defined in Section 4.05, the redelivery of gas to Customer at the Point of Redelivery as defined in Section 4.06 and the related Underlying Balancing Service pursuant to Article VI hereof. Customer may at its option, make a one time election in writing to be received by SCPL, on or before March 25, 1995, to have the redelivery of gas to Customer provided at the current interconnect between the GLD plant and PEPL (the "Plant Gate"). The cost for the Service is set out in Section 9.01 hereof.

4.02 Permanent Service Increase: Customer may, at its option, request a higher Annual Load than 10.3 Bcf and a greater MDQ than 38.5 MMcfd for the full term of this Contract, up to an "Increased Load" of 14.6 Bcf and an "Increased MDQ" of up to 51.0 MMcfd, provided that Customer gives SCPL notice in writing by March 25, 1995. In the alternative, Customer may request an "Increased Service" above 10.3 Bcf with an Increased MDQ greater than 38.5 MMcfd after March 25, 1995, by providing 90 days notice in writing to SCPL, subject however to SCPL's ability to provide such Increased Service. The cost for this Increased Service is set out in Section 9.02 hereof.

4.03 Annual Service Increase: The following provisions are in addition to Customer's options as provided in Sections 4.01 or 4.02, as applicable. For the period between April 1, 1995 and March 31, 1996, Customer may deliver to SCPL and SCPL shall redeliver to Customer up to 2.5 Bcf in excess of the Annual Load or Increased Load, as applicable, but within the MDQ or Increased MDQ limits on a firm basis as provided in Section 4.01 or 4.02, or on an interruptible basis for volumes in excess of the MDQ or Increased MDQ ("Annual Service Increase"). For any subsequent 12 month period (April 1 to March 31) Customer may elect an Annual Service Increase of 2.5 Bcf for that period. Any such election made under Section 4.03 must be made by March 1st of each year. Any gas delivered to SCPL under such election shall be accepted and redelivered to Customer on a firm basis if within the applicable MDQ limits as provided in Section 4.01 or 4.02 herein, or on an interruptible basis for volumes in excess of the applicable MDQ limits. There will be no increase in Customer's firm MDQ or entitlements under the Underlying Balancing Service pursuant to Article VI. The cost for the Annual Service Increase is set out in Section 9.03 hereof.

4.04 Additional Service Requirements: Notwithstanding the terms of Sections 4.01, 4.02 and 4.03 as applicable, the Parties recognize and agree that Customer may require additional service from SCPL ("Additional Service") resulting from certain changes in the steelmaking process at the GLD. Further, it is understood that such requirement for Additional Service shall be

influenced by the availability and relative price of Customer's energy alternatives, and to that end, the Parties will work co-operatively to determine the mutually acceptable rate for such Additional Service at the time it is requested by Customer. The cost of this Additional Service is set out in Section 9.04 hereof.

4.05 Point of Delivery: All gas delivered by Customer to SCPL under this Contract shall be delivered at a) the interconnect between TCPL and Union in the Township of Dawn, in the County of Lambton (herein referred to as "Dawn"), and/or b) the interconnect between TCPL and Union in Town of Milton, in the Regional Municipality of Milton (hereinafter referred to as "Parkway"), and/or c) any other delivery point agreed to by SCPL and Customer (the "Point of Delivery").

4.06 Point of Redelivery: All gas redelivered by SCPL pursuant to the terms of this Contract shall be delivered, consistent with the provisions of Article XII, at the point of interconnection between the facilities of PEPL and Union near Windsor, Ontario (referred to as "Ojibway" or the "Point Of Redelivery"). In the event that Customer makes its election pursuant to Section 4.01 hereof, the Plant Gate shall be the Point of Redelivery.

4.07 Delivery Point Change: It is recognized and agreed by the Parties that, pursuant to Section 5.03, Customer may seek to construct a new pipeline crossing under the Detroit River to effect the delivery of gas contemplated hereunder from Ojibway to the GLD plant. In the event that such a pipeline is constructed resulting in an interconnection with Union's gas transmission system at or near Ojibway, SCPL will make redeliveries of the gas pursuant to the Contract at the new interconnect provided that such delivery does not adversely affect Union's system operations and capability.

ARTICLE V - CUSTOMER'S SERVICE OBLIGATIONS

5.01 **Delivery Obligations:** In respect of the Service to be provided by SCPL pursuant to Section 4.01 above, Customer shall deliver the Annual Load to SCPL at the Point of Delivery by way of Minimum Daily Deliveries of $456.0 \text{ } 10^3\text{m}^3$ per day (16.1 MMcfd), except on days during the Offpeak period when TCPL's tariff allows for lower deliveries of Firm Service Tendered ("FST") volumes, and Maximum Daily Deliveries of $1042.5 \text{ } 10^3\text{m}^3$ per day (36.8 MMcfd), except for deliveries associated with Annual Service Increase and Additional Service under Sections 4.03 and 4.04. Customer acknowledges that the cumulative quantities of gas which it shall have delivered to SCPL at any point in time in excess of the cumulative quantities of gas redelivered to customer pursuant to Service provided by SCPL under Section 4.01 of this Contract, shall be subject to the provisions of Article VI - Underlying Balancing Service. It is understood that the character of deliveries to SCPL will be, among other arrangements, through transportation arrangements on TCPL which are equivalent to $140 \text{ } 10^3\text{m}^3$ per day (5 MMcfd) of TCPL Firm Service ("FS") capacity and an annual quantity of $237,812 \text{ } 10^3\text{m}^3$ (8.379 Bcf) of TCPL FST capacity. SCPL shall use reasonable efforts, with Union and other Parties, to effect an assignment to Customer of the required incremental FST or equivalent transportation capacity required to provide deliveries of that character. Should Customer acquire incremental TCPL FS capacity, SCPL will exercise its reasonable efforts to convert such capacity to FST as specified herein.

5.02 **Increased Delivery Obligations:** In respect of the Increased Service to be provided by SCPL pursuant to Section 4.02 hereof, Customer shall deliver the Annual Load to SCPL at the Point of Delivery by way of Minimum Daily Deliveries of $620.4 \text{ } 10^3\text{m}^3$ per day (21.9 MMcfd) and Maximum Daily Deliveries of $1509.9 \text{ } 10^3\text{m}^3$ per day (53.3 MMcfd), except for deliveries associated with Annual Service Increase and Additional Service under Sections 4.03 and 4.04. Customer acknowledges that while the provisions of Section 4.02 are in effect, the cumulative quantities of gas which it shall have delivered to SCPL at any point in time in excess of the cumulative quantities of gas redelivered to customer, pursuant to Increased Service provided by SCPL under Section 4.02 of this Contract, shall be subject to the provisions of Article VI -

Underlying Balancing Service. It is understood that the character of deliveries to SCPL will be, among other arrangements, through transportation arrangements on TCPL which are equivalent to 140 10^3m^3 per day (5 MMcfd) of TCPL FS capacity and an annual quantity of 361,888 10^3m^3 (12.775 Bcf) of TCPL FST capacity. SCPL shall use reasonable efforts, with Union and other Parties, to effect an assignment to Customer of the required incremental FST or equivalent transportation capacity required to provide deliveries of that character. Should Customer acquire incremental TCPL FS capacity in the alternative, SCPL will exercise its reasonable efforts to convert such capacity to FST as specified herein.

5.03 Customer's Service Option: Notwithstanding the foregoing, it is understood by the Parties that Customer may seek to construct a new pipeline crossing under the Detroit River. Should that event occur and provided that Customer has obtained all of the required regulatory authorizations to proceed with the project and advises SCPL in writing of its intention to proceed with construction, Customer shall have a one time right, upon 12 months prior notice, to elect to convert the Service hereunder to a "Transportation Only" service with not less than the MDQ and Annual Load (or Increased MDQ/Increased Load or Annual Service Increase or Additional Service, as the case may be) contracted for at the time of the election for a Transportation Only service as set out in Section 5.03. Such conversion to Transportation Only will be conditional upon successful completion of the new pipeline crossing and SCPL's ability, exercising best efforts, to successfully remarket the Underlying Balancing Service as set out in Article VI hereof, under terms and conditions acceptable to SCPL. Such Transportation Only service shall be provided by SCPL subject to the rates and terms of Union's C1 toll schedule or other such replacement toll schedule which shall be applicable at the time of such conversion.

ARTICLE VI - UNDERLYING BALANCING SERVICE

6.01 Balancing Volumes: Any volume of gas received by SCPL at the Point of Delivery but not redelivered to Customer at the Point of Redelivery, shall be defined as "Balancing Volume". During the seven month period beginning on April 1 through and including October 31, in each

year, beginning in 1995, and for the Term of this Contract (each April 1 to October 31 period being referred to as the "Off Peak Period"), Customer may deliver a cumulative Balancing Volume to SCPL which may not exceed 28,300 10^3m^3 (1.0 Bcf) of the Redelivery Volume at the end of the Off Peak Period ("Maximum Positive Balance"). Subject to Section 6.02, Customer may deliver to SCPL, on each day during the Off Peak Period, a Balancing Volume (the "Daily Balancing Volume") which is not greater than the lesser of a) 132.3 10^3m^3 per day (4.67 MMcfd), and b) the difference between the Maximum Positive Balance and Customer Balance ("Customer Balance" is defined as the cumulative volume of gas received by SCPL in excess of SCPL's cumulative redeliveries for the account of Customer.)

6.02. Additional Balancing Volumes: On any day during the Off Peak Period Customer may deliver a Balancing Volume greater than the Daily Balancing Volume (such excess amount of gas shall be referred to as the "Variance Volume"), subject to Article XII. SCPL shall accept such Variance Volume on a reasonable efforts basis. The cost for Variance Volume, subject to Section 9.05, is set out in Paragraph 1 (a) of Schedule "A" hereof.

6.03. October Volumes: Notwithstanding the provisions of Section 6.02 above, during the period from October 1 to October 31 of each contract year SCPL shall use reasonable efforts but shall not be obligated to accept any volumes of gas which would cause the Customer Balance on any day to exceed the cumulative Daily Balancing Volume calculated for such day in accordance with Section 6.01 (the "Allowed Balance") unless the Parties hereto agree otherwise, which agreement may initially be verbal and confirmed in writing. If Customer takes any action which causes the Customer Balance to exceed or further exceed the Allowed Balance during the month of October, without authorization from SCPL pursuant to Article XII or this Section 6.03, then Customer shall pay to SCPL any applicable charges or losses actually incurred or paid by SCPL, up to the maximum amount as set out in Paragraph 1 (e) of Schedule "A" hereof, to manage such unauthorized Balancing Volume. If on any day during October Customer delivers Variance Volume without authorization from SCPL pursuant to Article XII, then Customer shall pay to SCPL any applicable charges or costs actually incurred or paid by SCPL, up to the maximum amount as set out in Paragraph 1 (e) of Schedule "A" hereof, to manage such

Variance Volume. Any Balancing Volume delivered by Customer to SCPL during the month of October, but not authorized by SCPL, shall be defined as "October Overrun Volume".

6.04 November Volumes : In accordance with the nomination procedures contained in Article XII and subject to Sections 6.07 and 6.08, SCPL shall accept Balancing Volume to be added to Customer Balance on a reasonable efforts basis, during the period of November 1 to November 30 of any contract year ("November Balancing"). The cost for November Balancing shall be as set out in Paragraph 1 (b) of Schedule "A" hereof.

6.05 Peak Period Delivery Volumes : SCPL shall accept Balancing Volume on a firm basis during the period of December 1 to March 31 of each Contract year ("Peak Period Delivery Volume") which shall be equal to the lesser of a) $198.3 \times 10^3 \text{m}^3$ per day (7.0 MMcfd), and b) the difference between the Maximum Balance and Customer Balance.

SCPL may, on a daily basis, accept delivery of volumes greater than the Peak Period Delivery Volume, on a reasonable efforts basis. The cost of Peak Period Delivery Volume shall be as set out in Paragraph 1 (c) of Schedule "A" hereof.

6.06 Peak Period Redelivery Volumes: Commencing November 1 and ending March 31, during each year of the term of the Contract (the "Peak Period") SCPL shall redeliver to Customer the Customer Balance accumulated during the immediately preceding Off Peak Period.

In accordance with the nomination procedures contained in Article XII, SCPL shall redeliver and Customer shall accept redelivery of a firm daily volume from Customer Balance (the "Peak Period Redelivery Volume") not greater than the lesser of a) $648.1 \times 10^3 \text{m}^3$ per day (22.88 MMcfd), and b) the difference between the Customer Balance and zero.

SCPL may, on a daily basis, redeliver volumes greater than the Peak Period Redelivery Volume on a reasonable efforts basis. It is understood that on a daily basis during the Peak Period, the Peak Period Redelivery Volume shall be calculated as the net difference between volume

received by SCPL at the Point of Delivery and the volume redelivered to Customer by SCPL at the Point of Redelivery. The cost of Peak Period Redelivery Volume for November shall be as set out in Paragraph 1 (b) of Schedule "A" hereof.

6.07 Customer Balance at End of Peak Period and Termination Date: The Customer Balance, subject to Section 6.08, is to be zero on a scheduled basis at the end of the Peak Period. It is Customer's responsibility to schedule its redeliveries to ensure that the Customer Balance is zero at the end of the Peak Period. The Customer Balance, subject to Section 6.09, is to be zero as of the Termination Date. It is Customer's responsibility to schedule its redeliveries to ensure that Customer Balance is zero on the Termination Date.

6.08 Customer Balance Remediation: In the event that any gas remains in the Customer Balance at the end of the Peak Period, SCPL shall give notice to Customer and co-operate with Customer to remedy the imbalance. Subject to other agreement of the Parties hereto, such gas will be deemed Balancing Volume on April 1 of the subsequent Contract year except in the case of the final Contract year, wherein 15 days after the delivery of such notice, such gas shall be forfeited to SCPL without any further action by SCPL for its sole use and benefit and without any liability or cost to SCPL.

6.09 Customer Forecasts: Customer shall provide a forecast indicating Customer's expectations for the deliveries to SCPL, the Balancing Volumes, the redeliveries from SCPL, the redeliveries from other sources, and the consumption of gas at its GLD for the following year, on an April to March basis, as soon as practicably possible prior to the commencement of each year of the Contract, commencing April 1, 1995. The Customer will provide an annual forecast by month, and prior to each month, Customer will provide a forecast for each day of the subsequent month. Such information shall be used by SCPL for its internal planning purposes to provide service to Customer for that year of the term of the Contract. Customer agrees to provide updates to this information as significant changes to the forecast information occur. Upon review of said forecasts, SCPL will make reasonable efforts to enter into alternate arrangements in order to mitigate any charges it would incur as these charges relate to Schedule "A", paragraph 1, part

(d), and if successful, SCPL shall waive commensurate charges to Customer. SCPL agrees to assist Customer in reducing its total costs of acquiring gas to the extent such assistance is not inconsistent with SCPL's own interests.

ARTICLE VII - FORCE MAJEURE

7.01 The rights and obligations of the Parties under conditions of Force Majeure are set out in Section XI of the General Terms & Conditions attached hereto as Schedule "B".

7.02 An event of force majeure, as defined in Schedule "B" attached hereto, will excuse a delay in the redelivery of the gas hereunder, but it will not eliminate SCPL's obligation to redeliver the volumes specified.

ARTICLE VIII - HARDSHIP PROVISION

8.01 If an event occurs or circumstances arise during the term of this Contract, as a result of changes in legislation, regulation or administrative policy of any government or regulatory authority, which changes were not in effect at the time of execution hereof and are not specifically and exclusively directed at or within the control of SCPL or Customer, and which renders SCPL unable to provide the Underlying Balancing Service contemplated hereunder pursuant to Article VI or which renders Customer unable to perform its obligations hereunder ("Event of Hardship"), SCPL or Customer shall be entitled upon four (4) month's prior written notice, to terminate this Contract, so that each Party has no further obligations to the other except for such obligations which were outstanding at the expiration of the notice period. In the event of such an Event of Hardship, if SCPL is entitled to assign those contractual rights which it may have with third Parties which enabled it to provide Underlying Balancing Service contemplated herein but for the Event of Hardship, and if Customer would be entitled to directly receive any component of such Service from such third Parties if such contractual rights are assigned to Customer by SCPL notwithstanding such Event of Hardship, upon request by

Customer, SCPL will assign such contractual rights and obligations to the extent practical to facilitate continued and uninterrupted service as contemplated hereunder.

8.02 Together with the notice required above, SCPL or Customer declaring the Event of Hardship must provide all necessary evidence and support for its claim. Customer or SCPL receiving the said notice is entitled to request and receive such additional information as may reasonably be required to confirm the Event of Hardship.

8.03 In the event that SCPL or Customer exercises its rights under Section 8.01, the Parties shall make reasonable efforts to reach a mutually acceptable arrangement to avoid termination of this Contract as a result of such Event of Hardship.

ARTICLE IX - CHARGES AND RATES

9.01 **Annual Cost of Service:** The total annual cost, subject to Section 9.03, for the Service as described in Section 4.01 hereof and provided that delivery is at Ojibway, will be One Million Four Hundred and Sixty Six Thousand United States Dollars (\$1,466,000.00 U.S.) in "Year One" of the Term which represents a "Unit Cost" of \$0.142/Mcf. The total annual cost for this Service where delivery is at the Plant Gate will be Two Million Two Hundred Thousand United States Dollars (\$2,200,000.00 U.S.) in Year One of the Term, which represents a Unit Cost of \$0.214/Mcf. The annual cost in each year thereafter, including the Extended Term, will remain the same provided that SCPL's actual cost of providing the Service remains constant. To the extent that SCPL is required to incur incremental charges to provide the Service pursuant to rate changes approved by the Ontario Energy Board specifically relating to Union's C1 firm toll, such cost shall be paid by SCPL and passed through to Customer by way of an equivalent escalation in the annual charge. In all other respects the annual cost for this Service shall remain constant.

9.02 Increased Service Cost: In the event that Customer requests a higher Annual Load, up to the Maximum Load as set out in Section 4.02 hereof, then the amended cost for the Service at Ojibway, subject to Section 9.03, shall increase to One Million Nine Hundred and Six Thousand United States Dollars (\$1,906,000.00 U.S.) in "Year One" of the Term, which represents an overall Unit Cost of \$0.130/Mcf or \$0.103/Mcf for the increment. The amended cost for the service provided at the Plant Gate shall increase to Two Million Six Hundred and Fourty Thousand United States Dollars (\$2,640,000.00 U.S.) in Year One of the Term, which represents an overall Unit Cost of \$0.180/Mcf or \$0.103/Mcf for the increment. The annual cost in each year thereafter shall remain the same subject to escalations which may arise pursuant to the terms of Section 9.01 above.

9.03 Charges for Annual Service Increase: For the period between April 1, 1995 and March 31, 1996, Customer will be charged at a rate of US\$0.035/Mcf for up to 2.5 Bcf of Annual Service Increase. For the purposes of determining invoices to Customer, such charges will not be billed to Customer until and unless Customer has delivered, at the Point of Delivery, volumes in excess of the Annual Load, Increased Load or Increased Service, as applicable. For any subsequent 12 month period (April 1 to March), if customer makes an election in accordance with Section 4.03, then, Customer's annual cost for the Service will be increased by Eighty Two Thousand Five Hundred United States Dollars (\$82,500 U.S.) for that period, which represents an overall unit cost of US\$0.035/Mcf for 2.5 Bcf, but which will be paid in twelve equal monthly installments.

9.04 Charges for Additional Service: The charges for any Additional Service agreed to under this Contract, as outlined in Section 4.04, shall not exceed U.S.\$0.065/Mcf. The charge for service at this rate does not guarantee flow of gas in any given period as availability of capacity is subject to market rates. For the purpose of determining invoices to Customer, such charges will not be billed to Customer until and unless Customer has delivered, at the Point of Delivery, volumes in excess of the Annual Load, Annual Service Increase, Increased Load or Increased Service, as applicable.

9.05 Commodity Charges on Underlying Balancing Service: In addition to the foregoing, it is understood that Customer shall pay, for the Underlying Balancing Services, commodity charges as described in Schedule "A" ("Balancing Charges"), provided however, in each year during the Term of the Contract, that Customer exercises its election under Section 4.03 hereof, SCPL shall waive Balancing Charges on the first 0.6 Bcf of volumes which would otherwise have caused such charges to be incurred for that year pursuant to the provisions of Article VI and this Section 9.05. In order for SCPL to provide the above waiver for the first year of Service, Customer shall be obligated to deliver to SCPL, for redelivery at the Point of Redelivery, a full 2.5 Bcf of Annual Service Increase between April 1, 1995 and March 31, 1996 as contemplated under Section 4.03 hereof. Upon conclusion of the first year of this Contract, SCPL shall determine whether Customer has transported 2.5 Bcf of Annual Service Increase and therefore whether such waiver shall apply, which waiver, if applicable for that year, shall be applied through a billing adjustment.

9.06 Payments: With respect to Sections 9.01, 9.02, 9.03 and 9.04 as the case may be, all payments to be made by Customer shall be paid monthly. Fixed charges shall be paid in equal monthly installments, beginning on the 25th day of May 1995 for Service during the month of April, 1995 (or if not a Canadian or U.S. banking day, on the immediately preceding common banking day of both countries), and on the 25th day of each month thereafter (but if the 25th day of such month is not a banking day, on the immediately preceding banking day). SCPL shall invoice Customer at least fifteen days before payment is due. Balancing Charges applicable pursuant to Article VI and Section 9.05 shall be calculated by SCPL, invoiced to Customer on the 10th day in the month subsequent to the month of service and paid by Customer on the 25th day of that subsequent month. No payment shall be subject to adjustment unless the Party requesting the same does so by notice given within two years after such payment was originally due, or after receipt of the original invoice for that payment (if later).

9.07 Applicable Taxes: Prices exclude any applicable taxes, royalties or levies imposed currently or subsequent to the commencement of this Contract and any of same shall be included and paid by Customer in full should any arise.

ARTICLE X - DELIVERY AND REDELIVERY PRESSURES

10.01 **Delivery Pressures:** Deliveries of gas to SCPL for the account of Customer, at the Point of Delivery, shall be made at a pressure sufficient to effect deliveries to downstream transporter.

10.02 **Redelivery Pressures:** Redeliveries of gas by SCPL for the account of Customer at the Point of Redelivery shall be made at a pressure sufficient to effect deliveries to downstream transporter.

ARTICLE XI - MEASUREMENT AND QUALITY

11.01 **Quality of Gas:** The quality of the gas and the measurement of the gas to be delivered hereunder is to be in accordance with the quality standards and measurement standards as set out by SCPL in the attached Schedule "B", General Terms & Conditions. The gas delivered hereunder shall be of merchantable quality. SCPL will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out in Schedule "B". SCPL will accept gas of a quality as set out in TCPL's General Terms & Conditions.

11.02 **Metering of Gas:** Customer shall secure measurement of the total volume and gross heating value of the gas to be delivered hereunder from the upstream transporter(s) (or Union Gas Limited where applicable). Such measurement shall be done in accordance with established practices between SCPL and the upstream transporter(s).

11.03 **Metering Inspection:** In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by SCPL or any other available

method), then SCPL shall ask Customer or Customer's agent to invoke its rights as customer under its contracts with the upstream transporter(s). Customer shall exercise due diligence in the enforcement of any inspection and/or verification rights and procedures which Customer or Customer's agent may have in relation to the meters owned and operated by the upstream transporter(s) at the Point of Delivery.

11.04 Settlement of Heating Value Variations: The settlement of heating value variations will be determined in accordance with the provisions contained in Schedule "C", attached hereto. The Parties acknowledge that either Party may elect to change the method of settlement of the heating value of the gas, provided that either Party gives the other Party 12 months notice of this election in accordance with the provisions of Section 14.03. In that event, SCPL shall propose those terms and conditions which SCPL determines necessary to more accurately and appropriately settle the heating value of the gas, including but not limited to, equalization of outstanding balances of gas and methods of measurement. SCPL covenants and agrees that it shall act reasonably in regard to such proposed changes in the method of the settlement of the heat value of the gas, and Customer covenants and agrees that it shall act reasonably in responding to such changes.

ARTICLE XII - NOMINATIONS

12.01 Nominations for deliveries and redeliveries of gas to be made by or to Customer must be made in writing before 9:00 am (Eastern Time) on the day before a delivery or redelivery is to occur, except that each such nomination must be made earlier if necessary under the nomination procedures of any upstream or downstream transporter of such gas. Subject to those provisions of this Contract which expressly provide that volumes are interruptible, all daily deliveries and redeliveries are firm, so that the Parties must deliver and receive gas when required hereunder. The Parties recognize that on any day, deliveries and redeliveries of gas hereunder may vary, but each Party will cooperate with the other to ensure equal daily deliveries and redeliveries and that such deliveries and redeliveries will be in balance for each Off Peak Period and each Peak Period, subject to the provisions of Article VI herein, to the extent

practicable. Customer and SCPL shall use reasonable efforts to accept volumes greater than the Delivery Volume and the Redelivery Volume if requested.

12.02 When making nominations under Section 12.01, Customer shall indicate the amount of gas which shall be allocated to or from the Underlying Balancing Service, for information purposes. It is understood that the estimated Balancing Volume and the estimated Peak Period Redelivery Volume for any day shall be calculated as the net difference between volume nominated for receipt by SCPL at the Point of Delivery and the volume nominated for redelivery to Customer by SCPL at the Point of Redelivery.

12.03 If, in SCPL's sole opinion, operating conditions permit, a change in Customer's Nomination may be accepted after 9:00 am (Eastern Time) on any given day for the next day's deliveries. The daily volume of gas nominated by Customer will be delivered to SCPL or redelivered to Customer at rates of flow that are as nearly constant as possible.

12.04 In accordance with Articles III, IV, V, VI, VII and VIII, SCPL shall determine whether or not all or any portion of Customer's Nomination will be accepted. In the event SCPL determines that it will not accept such nomination, SCPL shall advise Customer, on or before 1100 hours in the Eastern time zone on the business day immediately preceding the day for which service is requested, of the reduced volume (the "Volume Available") for either acceptance at the Point(s) of Delivery, for delivery or redelivery under the Underlying Balancing Service or for redelivery at the Point(s) of Redelivery as the case may be. Forthwith after receiving such advice from SCPL but no later than 1200 hours in the Eastern time zone on the same day, Customer shall provide a "Revised Nomination" to SCPL which shall be no greater than the Volume Available. If such Revised Nomination is not provided within the time allowed as required above or such Revised Nomination is greater than the Volume Available, then the Revised Nomination shall be deemed to be the Volume Available. If the Revised Nomination (delivered within the time allowed as required above) is less than the Volume Available, then such lesser amount shall be the Revised Nomination.

12.05 That portion of a Customer's Nomination or Revised Nomination, as set out in Sections 11.01 and 11.02, which SCPL shall accept for delivery and redelivery, shall be known as "Customer's Authorized Volume".

12.06 If on any day the actual deliveries at the Point of Delivery, deliveries or redeliveries pursuant to Article VI or redeliveries at the Point of Redelivery exceed the parameters contemplated in Articles IV, V or VI, as applicable ("Service Parameters"), but are less than or equal to Customer's Authorized Volume, then the amount by which the actual deliveries exceed the Service Parameters shall be deemed "Authorized Overrun". If on any day actual deliveries exceed both Customer's Authorized Volume and the Service Parameters then the amount by which actual deliveries exceed the greater of the Service Parameters and the Customer's Authorized Volume shall be deemed "Unauthorized Overrun". From a billing perspective, Unauthorized Overrun shall be treated in the same manner as October Overrun Volume set out in Section 6.03.

12.07 A nomination for a daily volume of gas on any day shall remain in effect and apply to subsequent days unless and until SCPL receives a new nomination from Customer or unless SCPL gives Customer written notice that its continuation is not acceptable for the reason that it is not in accordance with Article XII.

ARTICLE XIII - CUSTOMER'S REPRESENTATIONS AND WARRANTIES

13.01 **Customer's Warranty:** Customer warrants that it will, if required, maintain, or have maintained on its behalf, such certificates, permits, licences and authorizations from regulatory bodies or other governmental agencies in the U.S.A. and Canada, as the case may be, as are necessary to enable Customer, or others designated by Customer, to deliver to SCPL at the Point of Delivery, the quantities of gas to be accepted by SCPL under this Contract.

13.02 **Customer's Representations:** Customer agrees that it will deliver all gas to SCPL free of liens, encumbrances or charges of any kind whatsoever and shall transfer absolute title of the

gas to SCPL at the time of delivery, subject to redelivery of such gas and title thereto, free of liens, encumbrances or charges of any kind whatsoever, at the points of redelivery as set out in Section 4.01 or 4.06, as the case may be. Customer further agrees to obtain all necessary upstream transportation to effect the Service contemplated herein.

13.03 Financial Assurances: It is recognized and understood by the Parties that they will negotiate in good faith and place in full force and effect prior to commencement of the service contemplated hereunder, reasonable financial assurances, acceptable to SCPL and Customer, which Customer shall deliver to SCPL, as surety for its performance of its obligations hereunder.

13.04 Financial Representations: Customer represents and warrants that the financial assurances and representations provided to SCPL at the commencement of this Contract (if any), pursuant to Section 13.03 above, shall remain in place throughout the term hereof unless and until the Parties hereto agree to the contrary. It is agreed and understood that SCPL may, acting reasonably, solely determine from time to time, that Customer's financial condition is such that certain additional security may be required by SCPL to ensure Customer's performance under the Contract. In this event, SCPL shall provide Customer with written notice of such determination. The said notice shall stipulate the form of security being requested and the dollar amount of security which shall be sufficient to fulfil Customer's payment obligations under the Contract, in total not to exceed \$1,000,000 (the "Security").

Within twenty five (25) days of receipt of the said notice, Customer shall provide SCPL with the Security in a form suitable to SCPL. In the event, however, that Customer has received the said notice and is unable, for whatever reason, to furnish SCPL with the Security as defined herein, Customer shall notify SCPL in writing of such circumstance as soon as practicably possible but in no event later than twenty five (25) days subsequent to receipt of the said notice hereunder ("Default of Security"). Failure by Customer to notify SCPL within twenty five (25) days of receiving the said notice shall be deemed to be Default of Security pursuant to this Contract.

SCPL and Customer agree that notwithstanding the provisions of Section 13.02 of the Contract, a Default in Security as described herein shall result in an immediate and irrevocable forfeiture by Customer of its right to the redelivery certain amounts of gas ("Encumbered Gas"). SCPL shall determine the volume of Encumbered Gas by dividing the dollar amount of the Security by a unit price (the "Spot Price") which SCPL may reasonably expect to realize if it were to sell any portion of Encumbered Gas at Parkway or another accessible point from time to time in a given month. SCPL shall maintain absolute title to the Encumbered Gas, which volume shall be calculated monthly in order to maintain sufficient volume to preserve the dollar value of the Security requested, and the volume of Encumbered Gas will be increased or decreased accordingly. Coincident with such forfeiture, SCPL shall be relieved of its obligation under the Contract to redeliver the Encumbered Gas to Customer and shall possess at that time, an unencumbered right to dispose of such gas for the sole and expressed purpose of satisfying any and all outstanding payment obligations Customer may have pursuant to the Contract. As such, for the purpose of redelivery of the Customer Balance, the Customer Balance shall be deemed reduced by the volume of Encumbered Gas at any point in time during the Peak Period and SCPL shall redeliver volumes to Customer to the extent of the Customer Balance in accordance with the provisions of this Contract. If at any time before the termination of this Contract, the Default in Security has been remedied by Customer, or SCPL deems the Security to no longer be required, the Encumbered Gas will be released by SCPL. If upon or following the termination of this Contract, the Encumbered Gas is in excess of that which is necessary to satisfy any outstanding obligations owing from Customer to SCPL, the excess portion of the Encumbered Gas will be released by SCPL. Customer and SCPL shall work cooperatively to have the previously Encumbered Gas delivered to Customer at a mutually agreeable point and time.

Further, it is recognized and understood that upon a Default in Security as described herein, the remedies afforded SCPL herein to ensure Customer's fulfillment of its payment obligations under the Contract in no way limit or encumber any other recourse SCPL may avail itself of pursuant to the Contract including the Default and Termination provisions of the General Terms and Conditions attached thereto as Schedule "B".

Other: Strategic Energy Ltd.
Two Gateway Center,
Pittsburgh, Pennsylvania 15222
Attention: J.K. Malstrom
Telephone: (412) 394-5443
Telecopier: (412) 394-6574

IF TO SCPL: St. Clair Pipelines Ltd.
50 Keil Drive North
Chatham, Ontario N7M 5M1
Attention: Manager, Gas Control
Telephone: (519) 436-4524
Telecopier: (519) 436-4566

Other: Attention: Manager, Marketing and Sales
Telephone: (519) 436-5231
Telecopier: (519) 436-4694

Each Party may from time to time change its address for the purpose of this Section by giving notice of such change to the other Party in accordance with this Section.

14.04 Law of Contract: SCPL and Customer agree that this Contract is made in the Province of Ontario and, subject to the Arbitration provisions of the General Terms & Conditions attached hereto as Schedule "B", that the courts of the Province of Ontario shall have exclusive jurisdiction in all matters contained herein. The Parties further agree this Contract shall be construed exclusively in accordance with the laws of the Province of Ontario.

14.05 Possession of Gas: SCPL accepts no responsibility for any gas prior to such gas being delivered to SCPL at the Point of Delivery or after its redelivery by SCPL at the Point of Redelivery. As between the Parties hereto, SCPL shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas is delivered to SCPL by Customer at the Point of Delivery until such gas is redelivered to Customer by SCPL at the Point of Redelivery. Each of Customer and SCPL shall indemnify and hold the other harmless against any and all suits, actions, debts, accounts, damages, costs, losses and expenses caused by or resulting from its control and possession of the gas which is the subject of this Contract.

14.06 **Title to Gas:** Customer represents and warrants to SCPL that Customer shall have good and marketable title to all gas delivered to SCPL hereunder, free and clear of any lien, mortgage, security interest or other encumbrance whatsoever against such gas and Customer hereby agrees to transfer complete title and interest to the gas at the Point of Delivery to SCPL. Customer further agrees to indemnify and save SCPL harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of royalties, taxes, license fees, or other charges thereon. SCPL covenants and agrees to transfer complete title and interest to the gas back to Customer when the gas is redelivered at the Point of Redelivery.

14.07 **Entire Contract:** This Contract constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the Parties in respect of the subject matter hereof.

14.08 **Time of Essence:** Time shall be of the essence herein.

14.09 **Counterparts:** This Contract may be executed in any number of counterparts, each of which when so executed shall be deemed to be an originally executed copy, and it shall not be necessary in making proof of this Contract to produce all of such counterparts.

14.10 **Amendments and Waivers:** No amendment or waiver of any provision of this Contract nor consent to any departure by either Party hereto shall in any event be effective unless the same shall be in writing and signed by each of Customer and SCPL and then such waiver or consent shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Customer or SCPL to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under this Contract shall operate as a waiver thereof.

14.11 Severability: If any provision hereof is invalid or unenforceable in any jurisdiction, to the fullest extent permitted by law, and if in the totality of the circumstances the fundamental purposes of the Contract are not frustrated by the invalidity or unenforceability of such provisions, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intention of the Parties as nearly as possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any provision in any other jurisdiction.

THIS CONTRACT SHALL BE BINDING UPON and shall enure to the benefit of the Parties hereto and their respective successors and permitted and lawful assigns.

IN WITNESS WHEREOF this Contract has been properly executed by the Parties hereto by their duly authorized officers as of the date first above written.

ST. CLAIR PIPELINES LTD.

NATIONAL STEEL CORPORATION

By: Patrick T. Langan
Vice-President, Operations

By: Joseph R. Duda
5-26-95
V.P. STRATEGIC SOURCING

By: DA Sullivan
Vice-Chairman & Secretary

By: Joe H. Roteau
MGR. - ENERGY STRATEGIES
STRATEGIC SOURCING
5/26/95

Contract No. SC-CS001

Schedule "A" Pricing Provision for Article VI
Schedule "B" General Terms & Conditions
Schedule "C" Heat Value Adjustment

Contract No. SC-CS001

SCHEDULE "A"

ST. CLAIR PIPELINES LTD.

and

NATIONAL STEEL CORPORATION

PRICING PROVISION FOR ARTICLE VI

1. Customer agrees to pay SCPL commodity charges for balancing services in accordance with the terms of this Contract as follows:
 - (a) A commodity charge of \$0.070/Mcf (U.S.) multiplied by the Variance Volume during the Offpeak Period; plus,
 - (b) A commodity charge of \$0.035/Mcf (U.S.) multiplied by Balancing Volume during the month of November and Peak Period Redelivery Volume during the month of November; plus,
 - (c) A commodity charge of \$0.070/Mcf (U.S.) multiplied by the Peak Period Delivery Volume; plus,
 - (d) A commodity charge of \$0.070/Mcf (U.S.) multiplied by the difference between the Maximum Balance and the Customer Balance calculated at the end of October of each contract year; plus,
 - (e) A commodity charge of \$10.00/Mcf (U.S.) multiplied by the maximum October Overrun volume determined at the end of each Offpeak Period.
2. The foregoing prices are also subject to the provisions of Section 9.06.

Dated: April 01, 1995

GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms and Conditions and in any contract into which these General Terms and Conditions are incorporated, shall be construed to have the following meanings:

1. "Contract" shall refer to the contract to which these General Terms and Conditions are attached, and in which they are incorporated;
2. "contract year" shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the day agreed upon by SCPL and Customer as set forth in the Contract, or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;
3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 8:00 a.m. Eastern Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;
4. "month" shall mean the period beginning at 8:00 a.m. Eastern Standard time on the first day of a calendar month and ending at 8:00 a.m. Eastern Standard time on the first day of the following calendar month;
5. "delivery" shall mean any gas that is delivered to SCPL;
6. "redelivery" shall mean any gas that is delivered by SCPL into Customer's facilities or to Customer's Agent;
7. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "B";
8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;
9. "limited interruptible service" shall mean gas service subject to interruption or curtailment on a limited number of days as specified in the Contract;
10. "seasonal service" shall mean service that is firm during a specified period of the year as stated in the Contract or appropriate Rate Schedule;
11. "gas" shall mean gas as defined in the Ontario Energy Board Act, R.S.O. 1980, c. 332, as amended, supplemented or reenacted from time to time;
12. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
13. "m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;
14. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;

15. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules;
16. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;
17. "Customer", wherever it appears herein, shall also include Customer's Agent(s);
18. "subsidiary" shall mean a company in which more than fifty (50) per cent of the issued share capital (having full voting rights under all circumstances) is owned or controlled directly or indirectly by another company, by one or more subsidiaries of such other company, or by such other company and one or more of its subsidiaries;
19. "T-Service Contract" means the contract or contracts entered into between the Customer and TCPL pursuant to which the Customer has arranged for the delivery of gas to Union to enable the transactions contemplated by this Contract to be completed;
20. "TCPL" means TransCanada PipeLines Limited;
21. "NOVA" means NOVA Corporation of Alberta;
22. "Panhandle" means Panhandle Eastern Pipeline Company;
23. "MichCon" means Michigan Consolidated Gas Company;
24. "Union" means Union Gas Limited;
25. "OEB" means the Ontario Energy Board;
26. "NEB" means the National Energy Board (Canada);
27. "AERCB" means the Alberta Energy Resources Conservation Board;
28. "FMCCA" means the Federal Ministry of Consumers and Corporate Affairs - Legal Metrology Branch;
29. "GLGT" means Great Lakes Gas Transmission Company.

II. QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered and redelivered hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered and redelivered hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to SCPL may be a commingled supply from Customer's natural gas sources of supply. The gas to be redelivered by SCPL may be a commingled supply from SCPL's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons except methane may be removed prior to redelivery to Customer. Further, SCPL may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered and/or redelivered hereunder,
 - a. shall be commercially free from sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to or interference with the proper operation of the lines, regulators, meters or other appliances through which it flows.
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas as determined by standard methods of testing.
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas.
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas.
 - e. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas.
 - f. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas.
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas.
 - h. shall not contain more than eighty (80) milligrams of water vapour per cubic metre of the gas.
 - i. shall not have a hydrocarbon dewpoint exceeding minus ten (-10) degrees Celsius at five thousand-five hundred (5500) kPa pressure.
 - j. shall not contain less than one point zero (1.0) molar percent by volume of ethane in the gas.
 - k. shall at all times be interchangeable with other pipeline gas such that the yellow tipping, flashback and lifting factors shall be within the range permitted for gas according to AGA Research Bulletin No. 36.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: ("The Unit") The Unit of the gas delivered to SCPL shall be a volume of 10^3m^3 and the unit of gas redelivered by SCPL shall be, at SCPL's discretion, a volume of one m^3 or 10^3m^3 .
2. Determination of Volume and Gross Heating Value:
 - a. The volume of gas delivered to SCPL and redelivered to Customer shall be determined in accordance with the Electricity and Gas Inspection Act, assented to 31 March, 1982 and the Electricity and Gas Inspection Regulations, P.C. 1986-16, 16 January, 1986, and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The gross heating value of the gas per cubic metre at each delivery point or redelivery point shall be measured by a FMCCA approved device for the measurement of energy content

installed at the delivery or redelivery point, or an alternative method of gross heating value determined which is mutually agreed upon by all parties to the Contract.

- c. The volume of gas delivered/redelivered hereunder shall be determined by the measurement equipment designated in Article VII - Measuring Equipment, of this schedule.
- d. The uncorrected volume determined from the metering equipment shall be corrected according to Charles Law, Boyle's Law and deviation from Boyle's Law. The factor for correction for deviation from Boyle's Law shall be determined and applied in accordance either with the method laid down in the American Gas Association's "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published 1962 or with methods laid down in the American Gas Association's "Transmission Measurement Committee Report No.8" at the discretion of SCPL. SCPL shall notify Customer of the specific method to be used. When gas is measured by means other than an orifice meter, the factor for correction for deviation from Boyle's Law shall be the square of the factor determined by following one of the methods above.
- e. The average absolute atmospheric (barometric) pressure, for the purpose of measurement shall be assumed to be a constant pressure of 99.285 kPa.

IV. POINT OF DELIVERY AND POINT OF REDELIVERY

1. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where SCPL takes possession of the gas. Whenever the phrase "delivery point" appears herein, it shall mean Point of Delivery as defined in this Article IV.
2. Unless otherwise specified in the Contract, the point or points of redelivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract where Customer takes possession of the gas. Whenever the phrase "redelivery point" shall appear herein, it shall mean Point of Redelivery as defined in this Article IV.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Point of Delivery and Point of Redelivery Controls: As between SCPL and Customer, control and possession of all gas delivered and/or redelivered and transported hereunder shall pass between the parties at the points of delivery and redelivery as specified in the Contract.
2. Responsibility: SCPL shall have no responsibility with respect to any gas deliverable hereunder until it is so delivered to its facilities or on account of anything which may be done, happen or arise with respect to such gas before such delivery; and, SCPL shall have no responsibility with respect to such gas after its redelivery into the facilities of Customer, or Customer's Agent, or on account of anything which may be done, happen or arise with respect to such gas after such redelivery.
3. No Encumbrance by SCPL: SCPL shall not do any act or thing while in possession of gas delivered to SCPL pursuant to the Contract which would result in the creation of any lien, mortgage, security interest or other encumbrance whatsoever against such gas.
4. Title to Gas: Customer hereby agrees to indemnify and save SCPL harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims

of any or all third parties to gas delivered or on account of royalties, taxes, license fees, or other charges thereon.

VI. FACILITIES ON CUSTOMER'S PROPERTY

Not Applicable.

VII. MEASURING EQUIPMENT

1. **Custody Transfer Measuring Equipment:** In the event that all or any gas delivered or redelivered hereunder is measured by a meter (where the term "meter" shall include but not be limited to positive displacement meters, orifice meters, turbine meters, and associated gauges and instrumentation), such meter shall be installed and operated in accordance with the Electricity and Gas inspection Act. (assented to March 31, 1982), (and amendments thereto), and the Electricity and Gas inspection Regulations, P.C. 1986 - 116, January 16, 1986 (and amendments thereto). In the event that all or any gas delivered or redelivered hereunder is measured by a meter that is owned and operated by a pipeline company whose facilities interconnect with Union's, then SCPL and Customer agree to accept that metering for the purpose of determining the volume of gas delivered or redelivered on behalf of the Customer. The standard of measurement and tests for the gas delivered or redelivered hereunder shall be in accordance with the General Terms and Conditions as incorporated in that pipeline company's gas tariff as approved by their Regulatory Body.
2. **Check Measuring Equipment:** Customer may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the redelivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
3. **Rights of Parties:** The measuring equipment so installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, SCPL and Customer shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries and/or redeliveries of gas under this Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten days after receipt thereof.
4. **Calibration and Test of Meters:** The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Customer, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party shall notify the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Customer, shall be borne by Customer if the measuring equipment tested is found to be in error not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing redeliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two per cent (2%), the financial

adjustment, if any, shall be calculated in accordance with the Electricity and Gas Inspection Act (1982) and regulations thereunder, as may be amended from time to time and in accordance with any successor statutes and regulations.

5. Preservation of Metering Records: Union and Customer shall each preserve a period of at least six (6) years all test data, and other relevant records.

VIII. BILLING

1. Monthly Billing Date: SCPL shall render bills on or before the 10th day of each month for all gas delivered and/or redelivered and gas services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. SCPL shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities. If presentation of a bill to Customer is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Customer is responsible for such delay.
2. Right of Examination: Both SCPL and Customer shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Customer shall pay directly into SCPL's account at the Canadian Imperial Bank of Commerce, Main Branch, Commerce Court, Toronto, Ontario by electronic funds transfer to transit 00002, account 04-95115 so that SCPL shall receive payment from Customer, on or before the twentieth (20th) day of each month, payment on the invoice provided by SCPL. If the payment date is not a Banking Day, then payment must be received in SCPL's account on the first Banking Day preceding the twentieth (20th) day of the month.
2. Remedies for Nonpayment: Should Customer fail to pay all of the amount of any bill as herein provided when such amount is due, Customer shall pay to SCPL an amount of money as specified in Schedule "A" attached to this Contract. In the event that said rate schedule does not have a delayed payment clause, then Customer shall pay to SCPL interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of SCPL's principal banker in effect from time to time from the due date until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, SCPL, in addition to any other remedy it may have under the Contract may suspend further delivery of gas until such amount is paid, provided however, that if Customer, in good faith shall dispute the amount of any such bill or part thereof and shall pay to SCPL such amounts as it concedes to be correct and at any time thereafter within twenty (20) days of a demand made by SCPL shall furnish good and sufficient surety bond satisfactory to SCPL, guaranteeing payment to SCPL of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case, then SCPL shall not be entitled to suspend further delivery of gas because of such nonpayment unless and until default be made in the conditions of such bond or in payment for any further gas redelivered to Customer hereunder. Notwithstanding the foregoing paragraph, this does not relieve Customer from the obligation to continue its deliveries of gas to SCPL under the terms of any agreement, where Customer has contracted to deliver specified volumes of gas to SCPL.

3. Billing Adjustments: If it shall be found that at any time or times Customer has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Customer shall have actually paid the bills containing such overcharge or undercharge, SCPL shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of SCPL's principal banker, and the Customer shall pay the amount of any such undercharge, but without interest. In the event SCPL renders a bill to Customer based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by SCPL, such error shall be adjusted by SCPL. Such overcharge, undercharge or error shall be adjusted by SCPL on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Customer's gas bill, the aforesaid date of refund shall be deemed to be the date of the issue of invoice.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any Act passed in amendment thereof or substitution therefor, shall apply to each such submission. Operations under this Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

The term "force majeure" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. In the event that either the Customer or SCPL is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, telegraph, telex or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.

Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any

or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not as soon as possible after determining or within a period within which it should acting reasonably have determined that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract give to the other party the notice required hereunder.

The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

XII. DEFAULT AND TERMINATION

In case of the breach or nonobservance or nonperformance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery or redelivery in whole or in part of the gas delivered or redelivered hereunder occasioned by any of the reasons provided for in Article XI hereof) which ought to be observed or performed by such party and which has not been waived by the other party, then and in every such case and as often as the same may happen, such last mentioned party may give written notice to the party first mentioned requiring it to remedy such default and in the event of such first mentioned party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the other party may at its sole option declare the Contract to be terminated and thereupon the Contract shall become and be terminated and be null and void for all purposes other than and except as to any liability of the first mentioned party under the same incurred before and subsisting at the day when the Contract is declared by the other party to be terminated as aforesaid. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. MODIFICATION

Any modification of the terms and provisions of the Contract shall be in writing and shall be signed by all parties to the Contract.

XIV. NONWAIVER AND FUTURE DEFAULT

No waiver by either SCPL or Customer of any one or more defaults by the other in the performance of any provisions of the Contract shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be

varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

scplscche.b

Contract No. SC-CS001

SCHEDULE "C"

ST. CLAIR PIPELINES LTD.
and
NATIONAL STEEL CORPORATION

HEAT VALUE ADJUSTMENT

Deliveries and redeliveries hereunder shall be deemed to have equivalent heating values.

Dated: as of April 01, 1995

LETTER AGREEMENT
BETWEEN
DIRECT ENERGY MARKETING LIMITED ("DEML")
and
NATIONAL STEEL CORPORATION ("NSC")

██████████
May 5, 1995

Term: Commencing November 1, 1995 and terminating on April 1, 2000. Thereafter, the contract may be renewed on a year-to-year basis upon mutual agreement of the parties.

Price:

- (i) A monthly index price for each Delivery Month equal to the simple average of the NYMEX settlement prices for the last three days of each Delivery Month (when the Delivery Month is also the Near Month NYMEX contract month) during the Term, less \$0.68/MMBtu in U.S. currency (the "Differential"). NSC shall have the right at any time during the Term, however, prior to the third last trading day with respect to the Near Month contract, to fix the price on any volume based upon prevailing NYMEX prices less the abovementioned Differential for any month or months during the term of the contract (the "Trigger Month"), provided the Trigger Month is being traded on the NYMEX.
- (ii) An additional US\$0.05/MMBtu for the FST volume herein.

Daily Contract Quantity: The DCQ shall be 18 MMcf/d (FS: 5 MMcf/d; FST: 13 MMcf/d), plus TransCanada compressor fuel if required.

Point of Delivery: The Point of Delivery shall be the inlet to the TransCanada PipeLines Limited ("TransCanada") system at Empress, Alberta.

Transportation Arrangements: NSC will acquire and hold firm transportation from the Point of Delivery on TransCanada. DEML will hold firm transportation on the NOVA system to Empress pursuant to a long-term contract between NOVA and DEML dated February 21, 1992.

Failure to Deliver: Should DEML fail to deliver for reasons other than Force Majeure, then DEML shall be responsible for any and all incremental demand or penalty charges reasonably levied against customer by TransCanada, and all reasonable incremental replacement gas costs incurred by NSC.

Load Factor and Assurances of Take: NSC shall purchase the gas herein at one hundred percent load factor. NSC agrees that it will not self-displace volumes under this arrangement and NSC will purchase the DCQ on each and every day, subject to changes in TransCanada's daily allocation of FST capacity.

Confidentiality: NSC and DEML agree to keep this Proposal confidential from third parties.

Contract: NSC and DEML shall sign a definitive Gas Sales Agreement (the "Contract") reflecting the above terms, together with general terms and conditions which are consistent with standard practices for purchases of this type. Failing the execution of the Contract, this Proposal shall operate as the Contract.

Letter Agreement
National Steel Corporation
April 17, 1995

Regulatory Approval: NSC and DEML shall have obtained all necessary removal permits, certificates, licenses, and authorizations required to enable the sale and delivery of gas to NSC.


Yours very truly,



Nino C. Silvestri
Vice President, Marketing

Accepted and Agreed to this 23 day of May, 1995

NATIONAL STEEL CORPORATION

Per: 

Title: VP Strategic Sourcing

Sutherland, Asbill & Brennan

TEL: (202) 383-0100

FAX: (202) 637-3593

1275 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20004-2404

ATLANTA
AUSTIN
NEW YORK
WASHINGTON

PAUL F. FORSHAY

September 5, 1995

SEP 5 1995

DIRECT LINE: (202) 383-0708

REC'D DOE/FE/OF

Via Hand Delivery

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

Re: National Steel Corp, FE Docket No. 95-58-NG
Application for Authorization to Import/Export
Natural Gas from Canada

Ladies and Gentlemen:

Pursuant to the request of DOE/FE Staff, enclosed are 16 copies of the ten-year supply agreement between National Steel and Direct Energy Marketing, Ltd. discussed at page 5 of the referenced application.

In addition, National Steel's application states that the requested authorization "would replace the short-term blanket authorization granted National Steel by DOE/FE Order No. 734." (Application at 5). National Steel hereby clarifies that it requests DOE/FE to grant the pending application and to vacate DOE/FE Order No. 734.

Please contact the undersigned should you have further questions concerning either the enclosed material or National Steel's pending application.

Very truly yours,

Paul Forshay
Paul F. Forshay

Attorney for
National Steel Corporation

Enclosure

cc: Ms. Susan Gregersen

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

NOV 1 1995

DOE/FE

NATIONAL STEEL CORPORATION)
_____)

FE DOCKET NO. 95-58-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT AND EXPORT NATURAL GAS
FROM AND TO CANADA,
AND VACATING AUTHORIZATION

DOE/FE ORDER NO. 1104

OCTOBER 25, 1995

I. DESCRIPTION OF REQUEST

On August 14, 1995, as supplemented on September 5, 1995, National Steel Corporation (National Steel) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import and export natural gas from and to Canada.

Specifically, National Steel requests authorization to import up to 500 Bcf per year of natural gas from Canada, and to export up to 280 Bcf per year of natural gas to Canada, for a period of ten years beginning on the date of the initial import or export delivery, whichever occurs first. National Steel, a Delaware corporation with its principal place of business in Mishawaka, Indiana, is 32 percent publicly owned, and 68 percent owned by NKK Corporation, a Japanese corporation. National Steel will use existing pipeline facilities to transport the gas.

National Steel states it will use the imported gas volumes in its various manufacturing facilities, including locations in Michigan, Indiana, Illinois, and Minnesota. Additionally, National Steel plans to export gas volumes for injection into storage locations in Canada for subsequent importation back into the United States. National Steel states that it plans to obtain gas supplies from both foreign and domestic suppliers, and has executed a 10-year gas supply agreement with Direct Energy Marketing, Ltd. of Toronto, Ontario for part of its anticipated gas requirements. This agreement is effective from November 1,

^{1/} 15 U.S.C. § 717b.

1995 through April 1, 2000. The gas price under this agreement will be a monthly index price equal to the simple average of the NYMEX settlement prices for the last three days of each month during the term of the agreement, less \$0.68/MMBtu (U.S.). National Steel will maintain a diverse supply source portfolio, and plans to negotiate other gas purchase agreements.

Under this proposed import/export arrangement, transportation and storage services will be provided by TransCanada Pipelines Limited, Union Gas Limited, and St. Clair Pipeline Ltd. (SCPL). However, National Steel states that, due to the competitive nature of the natural gas market, it does not currently know who all of its suppliers, transporters, and storage providers will be. Therefore, National Steel requests authorization to conduct import and export transactions at any point on the international border.

National Steel has also entered into a comprehensive delivery service contract with SCPL, which was effective April 1, 1995. Under this contract, SCPL will transport gas volumes purchased by National Steel from various Canadian producers, and deliver those volumes at the interconnection of Panhandle Eastern Pipeline Company and Union Gas Limited, near Windsor, Ontario. SCPL will also provide storage and load balancing services in connection with these gas volumes. Because this contract has an initial term of 5 years, with the option to extend for an additional 5 years, National Steel requests a 10-year term for the import/export authorization.

Additionally, National Steel requests that its current blanket authorization be terminated because it will be redundant when the requested authorization is issued. Specifically, in DOE/FE Order No. 1017 (Order 1017)^{2/}, National Steel is authorized to import up to 125 Bcf of natural gas from Canada and to export up to 75 Bcf of natural gas to Canada. Deliveries began under Order 1017 on January 1, 1995.

II. FINDING

The application filed by National Steel has been evaluated to determine if the proposed import/export 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 importation or exportation of natural gas from or to 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 National Steel to import and export natural gas from and to 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.

^{2/} See 1 FE ¶ 71,071 (December 30, 1994).

ORDER

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

A. National Steel Corporation (National Steel) is authorized to import up to 500 Bcf per year of natural gas from Canada, and to export up to 280 Bcf per year of natural gas to Canada, for a period of ten years, beginning on the date of the initial import or export delivery, whichever occurs first. These authorized transactions may take place at any United States border point.

B. National Steel shall file with DOE all executed supply contracts pertaining to the gas to be imported and exported under this authorization, which have durations of more than two years, within 15 days of their execution.

C. Within two weeks after deliveries begin, National Steel shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import or export delivery of natural gas authorized in Ordering Paragraph A above occurred.

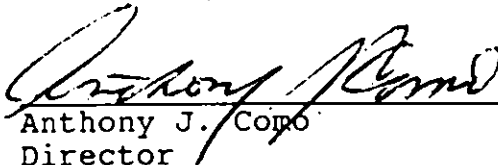
D. With respect to the natural gas imports and exports authorized by this Order, National Steel shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports or exports have been made,

a report of "no activity" for that calendar quarter must be filed. If imports or exports occur, National Steel must report the following: (1) total monthly volumes in Mcf; (2) the average price of gas per MMBtu at the international border; (3) the name of the seller(s); (4) the name of the purchaser(s); (5) the estimated or actual duration of the agreement; (6) the name of the U.S. transporter(s); (7) the point(s) of entry or exit; and (8) the geographic market served (for imports, by state). For import transactions only, the reports shall also include: (1) whether sales are made on an interruptible or firm basis; and, if applicable, (2) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1996, and should cover the period from the date of this Order until the end of the fourth calendar quarter, December 31, 1995.

F. The authorization to import and export natural gas granted to National Steel pursuant to DOE/FE Order No. 1017 is hereby terminated.

Issued in Washington, D.C., on October 25, 1995.



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

UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

[FE DOCKET NO. 95-58-NG]

NATIONAL STEEL CORPORATION

ORDER GRANTING AUTHORIZATION
TO IMPORT AND EXPORT NATURAL GAS
FROM AND TO CANADA
AND VACATING AUTHORIZATION

AGENCY: Office of Fossil Energy, DOE.

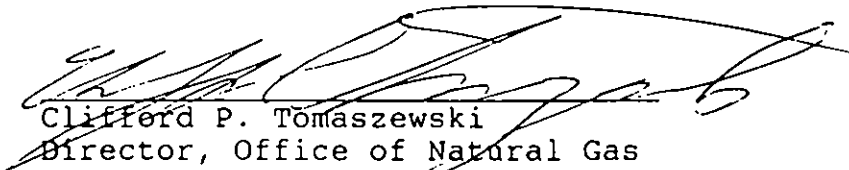
ACTION: Notice of order.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order granting National Steel Corporation (National Steel) authorization to import up to 500 Bcf of natural gas each year from Canada, and to export up to 280 Bcf of natural gas each year to Canada. This import/export authorization shall extend for a period of ten years beginning on the date of the initial import or export delivery, whichever occurs first. In conjunction with this authorization, the import/export authorization previously granted to National Steel in DOE/FE Order No. 1017 (See 1 FE ¶ 70,071, issued October 30, 1994) has been terminated.

National Steel's order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, (202) 586-9478. The docket room is open between the

hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

Issued in Washington, D.C., October 31, 1995.



Clifford P. Tomaszewski
Director, Office of Natural Gas
Office of Fuels Programs
Office of Fossil Energy

TELECOPY INFORMATION

Hunton & Williams
2000 Pennsylvania Avenue, N.W.
Washington, DC 20006

Telecopy Number: (202)778-2201

TO: Name: Allison Riley *95-58*

Firm: _____

Telecopy Number: 202/586-6050

No. Pages 5 Including Cover

FROM: Name: Larry Skinner

Direct Dial: 202/955-1540

Special Instructions: Re: MCV Application.

Operator: _____

Date: 11/07/95

Time: _____

Client/Matter Name:

Client/Matter Number: 42095.000010

(For confirmation or assistance with problems, call 202/778-2271)

This communication is confidential and is intended to be privileged pursuant to the attorney-client privilege and the work-product doctrine.

If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and return the original message to us at the above address via the U.S. Postal Service.

THIS AGREEMENT made as of the 20th day of July, A.D. 1992.

BETWEEN:

CANTERRA ENERGY LTD., a corporation incorporated under the laws of Canada (hereinafter called the "Assignor")

- and -

HUSKY OIL OPERATIONS LTD., a corporation incorporated under the laws of the Province of Alberta (hereinafter called the "Assignee")

- and -

MIDLAND COGENERATION VENTURE LIMITED PARTNERSHIP ("Buyer"), a corporation incorporated under the laws of the State of Michigan (hereinafter called the "Third Party")

WHEREAS the Assignor and the Third Party are parties to that agreement described in Exhibit "A" attached hereto (the "Agreement");

AND WHEREAS the Assignor wishes to assign and transfer to the Assignee all of the obligations and liabilities of the Assignor pursuant to the Agreement;

AND WHEREAS the Third Party has agreed to accept the Assignee in the place and stead of the Assignor under the Agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants and agreements set forth, the parties agree as follows:

1. The Assignor hereby assigns, transfers, conveys and sets over unto the Assignee, or its successors and assigns, absolutely and forever, all of the Assignor's right, title interest and estate in, to and under the Agreement.
2. The Assignee accepts the assignment and covenants and agrees with the Assignor, and the Third Party, that from and after the effective date, the Assignee will observe and perform the covenants and agreements of the Assignor contained in the Agreement.

- 2 -

3. The Assignee expressly acknowledges that in all matters relating to the Agreement, subsequent to the assignment thereof to the Assignee, the Assignor has been acting as trustee for and as the duly authorized agent of the Assignee, and the Assignee does hereby expressly ratify, adopt and confirm all acts or omissions of the Assignor in its capacity as such trustee and agent to the end that all such acts or omissions shall for all purposes be construed as made or done by the Assignee.
4. The Third Party hereby consents to the Assignor assigning its right, title, interest and estate in the Agreement to the Assignee and agrees with the Assignor that from and after the effective date of this assignment, it shall hold the Assignee wholly responsible for the observance and performance of covenants and agreements contained in the Agreement, and agreed to be observed and performed by the Assignor, provided that nothing herein shall relieve the Assignor of any obligations arising prior to such effective date.
5. The address of the Assignee shall be:
Husky Oil Operations Ltd.
707 - 8th Avenue, S.W.
P.O. Box 6525, Station D
Calgary, Alberta
T2P 3G7

Attention: Natural Gas Marketing Manager
6. The effective date of the assignment is December 31, 1990.
7. This Agreement shall become effective when executed by all parties named herein.
8. The Agreement as hereby amended, is ratified and confirmed.
9. Nothing herein contained shall be taken as authorization for or consent to any further assignment of the right, title and interest or the obligations of the Assignee under the Agreement.

10. This Agreement shall enure to the benefit of and be binding upon the Assignor and Assignee, their heirs, executors, administrators and assigns.

IN WITNESS WHEREOF the Assignor, the Assignee and the Third Party have set their hands and seal the day and year first above written.

CANTERRA ENERGY LTD.

Per:  _____

Per: _____

HUSKY OIL OPERATIONS LTD.

Per:  _____

Per: _____

MIDLAND COGENERATION VENTURE
LIMITED PARTNERSHIP

Per:  _____

Per: _____

EXHIBIT "A" attached to and forming part of an Agreement dated as of the 20th day of July, A.D. 1992 among **CANTERRA ENERGY LTD.**, as Assignor, **HUSKY OIL OPERATIONS LTD.**, as Assignee and **MIDLAND COGENERATION VENTURE LIMITED PARTNERSHIP**, as Third Party

the "Agreement"

Natural Gas Sales Agreement dated August 31, 1988 between Canterra Energy Ltd. ("Seller") and Midland Cogeneration Venture Limited Partnership ("Buyer")

Amendment dated June 12, 1989 to Natural Gas Sales Agreement.