

FE DOCKET NO.: 96-26-NG

APPLICANT(S): ST. LAWRENCE GAS COMPANY, INC

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	ST. LAWRENCE GAS COMPANY, INC	APPLICATION	Application for Long Term Authority to Import Natural Gas from Canada	96-05-06	96-05-06
2 ✓	ST. LAWRENCE GAS COMPANY, INC	CONTRACT AMENDMENT	Additional Contract Information	96-06-19	96-06-19
3 ✓	DOE/FE	ORDER	Order 1190--Granting Long-Term & Blanket Authority to Import Natural Gas from Canada	96-07-26	96-07-26
4 ✓	ST. LAWRENCE GAS COMPANY, INC	CONTRACT AMENDMENT	Pursuant to 10 CFR Sec. 590.407	97-05-15	97-05-15
5 ✓	ST. LAWRENCE GAS COMPANY, INC	CONTRACT AMENDMENT	Pursuant to 10 CFR Sec. 590.407 Requesting a Decrease in Volumes Imported	97-07-03	97-07-03
6 ✓	ST. LAWRENCE GAS COMPANY, INC	AMENDMENT	Amendment Reducing the Daily Contract Volume in its Gas Sales with TransCanada Energy Ltd.	97-07-15	97-07-15
7 ✓	DOE/FE	ORDER	Order 1190-A Amending Long-Term Authority to Import Natural Gas from Canada	97-07-11	97-07-11

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WASHINGTON, D.C. 20004-2404 1996 MAY -6 P 4: 01

96-26-NG
ATLANTA
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PAUL F. FORSHAY

May 6, 1996

DIRECT LINE: (202) 383-0708

REC'D DOE/FE
PROGRAM

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: St. Lawrence Gas Company, Inc.
FE Docket Nos. 96-26-NG, 80-11-NG

Ladies and Gentlemen:

Pursuant to Section 3 of the Natural Gas Act and 10 C.F.R. Part 590, St. Lawrence Gas Company, Inc. ("St. Lawrence") submits the enclosed application to amend its existing import authorization. St. Lawrence does not propose any change to the daily or annual quantities of natural gas that it is authorized to import from Canada. Rather, St. Lawrence's authorization must be amended to reflect the revised supply, transportation and storage arrangements now applicable to the gas supplies it imports. These changes are largely the product of gas pipeline service "unbundling" that has been implemented in both the United States and Canada.

St. Lawrence's application also seeks clarification regarding DOE/FE Order No. 033-A. That order tied the term of St. Lawrence's import authorization to its gas supply contract with Niagara Gas Transmission Limited. St. Lawrence did not request this modification. St. Lawrence believes that FE's action was based on an incomplete reading of the Federal Power Commission ("FPC") order originally granting St. Lawrence's authorization, which tied that authorization's term to the term of a related Presidential Permit. St. Lawrence seeks clarification that the term established by the original FPC order still governs its import authorization.

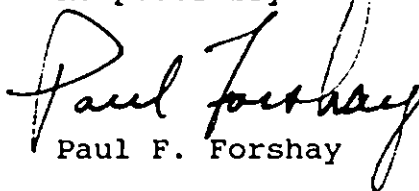
As you know, St. Lawrence is a small local distribution company that depends on its import authorization to meet customer demand. St. Lawrence stands ready to meet with FE personnel to discuss either the changed circumstances underlying St. Lawrence's importation of natural gas or the term of its amended

Office of Fuels Programs, Fossil Energy
May 6, 1996
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authorization, if such a meeting would facilitate consideration of the enclosed application.

If you have any questions regarding the enclosed application, please contact the undersigned immediately.

Respectfully submitted,

A handwritten signature in cursive script that reads "Paul Forshay". The signature is written in black ink and is positioned above the printed name.

Paul F. Forshay

Attorney for
St. Lawrence Gas Company, Inc.

Enclosure

96-26-NG

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

1996 MAY -6 P 4:01

St. Lawrence Gas Company, Inc.) FE Docket Nos. 96-26-NG,
) 80-11-NG

REC'D DOE/FE
OFFICE OF FOSSIL ENERGY PROGRAM

APPLICATION OF ST. LAWRENCE GAS COMPANY, INC.
FOR AN ORDER AMENDING AUTHORIZATION TO IMPORT
NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"),^{1/} Department of Energy ("DOE") Delegation Order Nos. 0204-111 and 0204-127,^{2/} and Office of Fossil Energy Regulations ("FE"),^{3/} St. Lawrence Gas Company, Inc. ("St. Lawrence") submits this application for an order amending the natural gas import authorization originally issued to St. Lawrence in DOE/FE Docket No. 80-11-NG. As discussed below, the requested amendment is necessary to reflect changes in the facts and circumstances underlying St. Lawrence's authorization. St. Lawrence also requests that DOE/FE address the uncertainty concerning the term of St. Lawrence's import authorization created by DOE/FE Order No. 033-A.^{4/}

I. IDENTITY OF APPLICANT

The exact legal name of the applicant is St. Lawrence Gas Company, Inc. St. Lawrence has its principal place of business

^{1/} 15 U.S.C. § 717b.

^{2/} 1 ERA ¶ 70,032 (1984); 1 FE ¶ 70,051 (1989).

^{3/} 10 C.F.R. Part 590 (1994).

^{4/} St. Lawrence Gas Company, Inc., 1 FE ¶ 70,983 (1994) ("Order No. 033-A").

at 33 Stearns Street, Massena, New York 13662. The names, titles, and mailing addresses of persons to whom official correspondence concerning this application should be addressed are:

F. D. Rewbotham
President
St. Lawrence Gas Company, Inc.
33 Stearns Street
Massena, New York 13662

and

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

II. BACKGROUND

St. Lawrence first received authorization to import natural gas from Canada in 1961.^{5/} Under DOE/ERA Opinion and Order No. 33, issued June 22, 1981,^{6/} St. Lawrence now holds authority to import up to 9.7 Bcf of natural gas annually from Canada, and up to 43,000 Mcf on a daily basis. Pursuant to DOE/FE Order No. 033-A, St. Lawrence may import natural gas at either Massena, New York or Waddington, New York.

From the time it began to utilize its import authorization in 1962 through October, 1992, St. Lawrence was the sole export sales customer of its affiliate Niagara Gas Transmission Limited

^{5/} See St. Lawrence Gas Company, Inc., 26 FPC 265 (1961).

^{6/} See 1 ERA ¶ 70,532 (1981).

("Niagara"),^{1/} and satisfied its gas supply needs through "bundled" sales and transmission service received from Niagara. Niagara, in turn, purchased its entire gas supply (as a delivered service) from TransCanada PipeLines Limited ("TransCanada").

With the advent of pipeline service unbundling in Canada, TransCanada created a marketing affiliate, Western Gas Marketing Limited ("WGML"), and appointed WGML to administer its existing gas sales contracts, including the contract with Niagara, which was to expire on October 31, 1992 (as was Niagara's corresponding gas sales contract with St. Lawrence). In late 1991, Niagara and WGML negotiated a new 10-year sales arrangement, with WGML (instead of TransCanada) as seller, which was to commence on November 1, 1992. The new arrangement was first embodied in a letter agreement dated December 3, 1991 (Exhibit A). In the spring of 1992, WGML prepared a formal gas sales contract with Niagara, which reflected the agreed to effective date of November 1, 1992.

Niagara and St. Lawrence, however, decided during the summer of 1992 that Niagara should discontinue its merchant function when the new arrangement with WGML was implemented. St. Lawrence still would receive transportation service from Niagara, but would purchase its gas supply directly from WGML. Niagara accordingly assigned the December, 1991 letter agreement to St. Lawrence, with WGML's consent, by letter agreement dated August

^{1/} Both St. Lawrence and Niagara are affiliates of The Consumers' Gas Company Ltd. ("Consumers Gas").

11, 1992 (Exhibit B). At the time, it was anticipated that St. Lawrence and WGML would be able to finalize a formal gas sales contract prior to November 1, 1992.

Unfortunately, the parties were unable to do so, because certain matters developed differently than originally anticipated, and the parties accordingly entered into two additional letter agreements dated October 27 and 30, 1992 (Exhibits C and D), whereby they made certain modifications to the original letter agreement and confirmed that the original letter agreement (as so modified) would govern, as an interim agreement, until the formal gas sales contract was executed. St. Lawrence also entered into a Transportation Service Agreement with Niagara dated October 30, 1992. Both the interim agreement and the Transportation Service Agreement became effective on November 1, 1992. From St. Lawrence's perspective, the only difference between the new supply arrangement (WGML utilizing TransCanada's supply pool to directly supply St. Lawrence's long-term needs) and the previous agreement (WGML as TransCanada's agent selling gas to Niagara, which in turn sold the gas to St. Lawrence) was the elimination of Niagara as a "middleman."

In any event, St. Lawrence expected that the formal gas sales contract would be finalized in due course. In the meantime, the interim agreement provided sufficient detail for day-to-day operating purposes. Nevertheless, the process of finalizing the formal gas sales contract proved to be far more protracted than either party anticipated. Numerous drafts of the

contract were prepared, reviewed, and discussed as the parties slowly resolved their differences, which was accomplished by early July, 1995. The Gas Sales Contract made as of July 14, 1995 was then prepared and circulated for execution by each party, which was completed by mid-August, 1995 (Exhibit E).

In the meantime, WGML changed its corporate name to TransCanada Gas Marketing Limited ("TGML"), effective July 17, 1995. TGML thereafter appointed TransCanada Gas Services Limited ("TCGS") as its agent for all purposes, including the operation of the Gas Sales Contract and the making of any amendments thereto, effective August 1, 1995. As a result, from St. Lawrence's perspective, TCGS functions as "Seller" under the Gas Sales Contract, albeit as TGML's agent.

The original letter agreement between Niagara and WGML, the interim agreement, and the Gas Sales Contract all reflect the gas supply plan developed by Niagara and St. Lawrence in order to better manage the seasonal variations in St. Lawrence's requirements. That supply plan also included storage service with Consumers Gas and/or Union Gas Limited ("Union") for gas delivered during off-peak periods, and related transportation service with TransCanada and Union (injections) and Union, TransCanada, and Niagara (withdrawals). The structuring of these storage arrangements, however, was one of the matters that developed differently than originally anticipated. Consequently, WGML provided an interim storage arrangement at the outset of the interim agreement, and other interim storage arrangements

involving Consumers Gas and Union followed. The final storage arrangements reflected in the July 14 Gas Sales Contract involve storage service with Consumers Gas and related transportation service with Union and TransCanada.

In addition to restructuring its long-term gas supply arrangements, St. Lawrence established two means of short-term supply. First, in November, 1993 St. Lawrence began to procure a relatively small daily volume of gas for export, together with the fuel required by TransCanada as part of its transportation service. These short-term transactions were made through a monthly gas procurement program operated on St. Lawrence's behalf by Consumers Gas, and are described in greater detail below.

Second, also beginning November 1, 1993 St. Lawrence has executed a series of agreements with Associated Energy Marketing, a Division of Associated Energy Services Ltd. ("Associated Energy"), and its predecessor under which St. Lawrence could make spot gas purchases during the winter period (e.g. November 1, 1994 through March 31, 1995) at Cornwall, Ontario or Lisbon, New York. St. Lawrence anticipates executing similar agreements for future winter periods.

III. RELATED U.S. REGULATORY PROCEEDINGS

Neither this request for amended import authority nor any related St. Lawrence filing is pending before any other part of

DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department.^{8/}

IV. THE PROPOSED AMENDMENT

St. Lawrence requests that its existing import authorization be amended to reflect its revised gas supply arrangements. Specifically, St. Lawrence's authorization should be amended to reflect that (1) St. Lawrence now purchases gas supply directly from TCGS (as TGML's agent), rather than indirectly through Niagara, for delivery to St. Lawrence and, in off-peak periods, to storage, (2) St. Lawrence now purchases storage service from Consumers Gas and related transportation service from TransCanada and Union (injections), and Union, TransCanada, and Niagara (withdrawals), (3) St. Lawrence now receives only transportation service from Niagara (the Transportation Service Agreement covers both direct deliveries and storage withdrawals), and (4) St. Lawrence now purchases minor, short-term gas supplies through the procurement program conducted on its behalf by Consumers Gas.

V. SCOPE OF THE ACTIVITY

St. Lawrence does not seek to amend its authorized import levels of up to 43,000 Mcf of natural gas on a daily basis from Canada, and up to 9.7 Bcf annually. Nor does St. Lawrence seek

^{8/} St. Lawrence currently holds a corresponding authorization to export natural gas from Canada. This authorization is a short-term order issued by the National Energy Board of Canada ("NEB") on October 9, 1992 and effectively renewed by the NEB on October 12, 1994. St. Lawrence filed a request with the NEB for long-term export authorization on March 27, 1996. That application currently remains pending before the NEB.

to amend the term of its existing authorization, which is coextensive with the related Presidential Permit granted St. Lawrence in FPC Docket No. G-17501. As explained below, DOE/FE must clarify what St. Lawrence believes to be an unintended ambiguity concerning the term of its import authorization created by DOE/FE Order 033-A.

VI. SOURCE AND SECURITY OF SUPPLY

St. Lawrence anticipates obtaining most of its long-term gas supply needs through purchases directly from TCGS (as TGML's agent). TCGS (as did WGML before it) administers TransCanada's "supply pool," which has been the ultimate source of St. Lawrence's gas supply (with recent exceptions) since 1962. TransCanada's supply pool has proven to be a reliable source of gas supplies for more than 30 years.

St. Lawrence also expects to obtain small amounts of short-term gas supplies through the monthly procurement program operated by Consumers Gas and through spot gas purchases during the winter period. Under the monthly program, Consumers Gas sends a request for proposals letter to a "bid list" of potential suppliers, asking them to indicate the daily volume they wish to supply, the available price, and the delivery point(s) in Western Canada at which the supply would be available. This procurement program has proven to be, and should remain, a reliable source of short-term gas supplies. As for the winter period purchases, St. Lawrence will select one or more suppliers who have reliable

sources of gas supply available in close proximity to St. Lawrence's service area.

VII. IDENTIFICATION OF PARTICIPANTS

At this time, St. Lawrence anticipates that TCGS (as TGML's agent) will continue to be its principal supplier of natural gas. Transportation services for gas purchased from TCGS (as TGML's agent) for delivery directly to St. Lawrence will be provided by TransCanada and Niagara. In addition, storage and related transportation services for gas purchased from TCGS (as TGML's agent) during off-peak periods will be provided by Consumers Gas, Union, TransCanada, and Niagara.

Regarding its short-term purchases, St. Lawrence has executed and will continue to execute such short-term transactions with a variety of gas suppliers. To date, St. Lawrence has purchased short-term supplies from:

- Amoco Canada Petroleum Company Ltd.
- Associated Energy Marketing, a division of Associated Energy Services, Ltd.
- Cibola Canada Energy Marketing Company
- Continental Energy Marketing Ltd.
- Direct Energy Marketing Limited
- Enron Gas Marketing Canada Inc.
- Novagas Clearinghouse Ltd.
- StampGas Inc.
- Wascana Marketing, a Division of Wascana Energy Inc.

VIII. TERMS OF THE TRANSACTION

The terms of St. Lawrence's long-term gas supply arrangements with TCGS (as TGML's agent) are contained in Exhibit E.

The terms of St. Lawrence's short-term gas purchases typically are set forth in a "Master Form of Short Term Gas Purchase Agreement (Western Deliveries)" (the "Master Agreement"). The specific terms of each transaction are incorporated in a "Gas Purchase Confirmation Form," which the parties execute. This form and the Master Agreement together constitute a separate Gas Purchase Contract between St. Lawrence and the supplier for each transaction. A copy of the Master Agreement is appended as Exhibit F; the Gas Purchase Confirmation Form is Schedule A to the Master Agreement.

The terms of St. Lawrence's most recent winter period spot purchase agreement with Associated Energy are contained in a "Gas Purchase Contract Between St. Lawrence Gas Company and Associated Energy Marketing, a Division of Associated Energy Services Ltd." A copy of this agreement is appended as Exhibit G.

IX. NEED FOR THE PROPOSED AMENDMENT

The proposed amendment is needed to assure that St. Lawrence's authorization accurately reflects the "unbundled" arrangements under which it now purchases and transports the gas supplies it imports, both directly to market and to and from storage. The modifications to St. Lawrence's gas supply and transportation arrangements are largely the result of regulatory

changes that have occurred in the natural gas industry (both in Canada and the United States) during the past several years. Within this new regulatory context, St. Lawrence's revised supply and transportation arrangements are intended to permit it to meet customer demand for natural gas in the most cost-efficient manner possible.

X. POTENTIAL ENVIRONMENTAL IMPACT

The proposed amendment will not require the construction of new facilities. Consequently, granting the requested amendment would not significantly affect the environment.

XI. 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.^{2/} Accordingly, the NGA requires DOE/FE to approve St. Lawrence's application to amend its existing import authorization "without modification or delay."

^{2/} See United States-Canada Free Trade Implementation Act, Pub. L. No. 100-449, 102 Stat. 1851 (1988).

XII. REQUEST FOR CLARIFICATION

DOE/FE Order No. 033-A granted St. Lawrence's previous request to add Waddington, New York as an import point under its existing authorization. In so doing, though, Order No. 033-A inadvertently created uncertainty regarding the term of St. Lawrence's import authorization.

Order No. 033-A stated that the FPC's initial order granting import authorization to St. Lawrence "did not impose a specific expiration date for the import authority St. Lawrence holds."^{10/} Order No. 033-A then provided that:

[T]his gas may be imported until the supply contract between Niagara Limited and St. Lawrence, as it may be amended, is terminated, canceled, or otherwise no longer binding on either party.

Order No. 033-A, 1 FE at 72,366. In other words, Order No. 033-A purported to tie the term of St. Lawrence's import authorization to the term of the underlying gas supply contract between St. Lawrence and Niagara.

Order No. 033-A's discussion of the term of St. Lawrence's authorization, however, turned on an incomplete reading of the original FPC order authorizing St. Lawrence's imports. While the FPC did not specify an expiration date, its ordering paragraph B (iii) clearly outlined the authorization's term:

(iii) The authorization hereby granted may be modified from time to time or terminated, after opportunity for hearing, upon further order of the Commission, but in no event shall such authorization extend beyond the

^{10/} Order No. 033-A, 1 FE at 72,366.

termination of the Presidential Permit which
is the subject matter of Docket No. G-17501.

26 FPC at 276 (emphasis added). Thus, the FPC expressly tied the term of St. Lawrence's authorization not to the term of an underlying gas sales contract, but to the term of the related Presidential Permit.

As discussed above, NGA Section 3 requires DOE/FE to approve all requests for authority to import natural gas from Canada "without modification or delay." The St. Lawrence application for amended authorization considered by Order No. 033-A did not seek to change the term originally established by the FPC. Thus, Order No. 033-A's decision to tie the term of St. Lawrence's authorization to the underlying gas supply contract between St. Lawrence and Niagara violated Section 3's mandate to approve such applications "without modification."

St. Lawrence does not believe that DOE/FE intended Order No. 033-A to modify the term established by the original FPC order. Rather it appears that, based on a misreading of the original FPC order, DOE/FE believed that Order No. 033-A would fill a "gap" regarding the term of St. Lawrence's authorization that, in fact, did not exist.

Accordingly, St. Lawrence respectfully requests that DOE/FE remove the uncertainty surrounding the term of St. Lawrence's import authorization created by Order No. 033-A. Specifically, DOE/FE should affirm the continuing applicability of the term established by the original FPC order granting St. Lawrence's import authorization.

XIII. EXHIBITS

In support of its application, St. Lawrence submits the following exhibit:

- Exhibit A - Letter Agreement Between Western Gas Marketing Limited and Niagara Gas Transmission Limited, dated December 3, 1991.
- Exhibit B - Letter Agreement Among Niagara Gas Transmission Limited, St. Lawrence Gas Company, Inc. and Western Gas Marketing Limited, dated August 11, 1992 (without attachment)
- Exhibit C - Letter Agreement Between Western Gas Marketing Limited and St. Lawrence Gas Company, Inc., dated October 27, 1992.
- Exhibit D - Letter Agreement Between Western Gas Marketing Limited and St. Lawrence Gas Company, Inc., dated October 30, 1992.
- Exhibit E - Gas Sales Contract Between Western Gas Marketing Limited (Seller) and St. Lawrence Gas Company, Inc. (Buyer), made as of July 14, 1995.
- Exhibit F - Master Form of Short Term Purchase Agreement (Western Deliveries).
- Exhibit G - Gas Purchase Agreement Between St. Lawrence Gas Company and Associated Energy Marketing, dated November 1, 1995.

XIV. ACTION REQUESTED

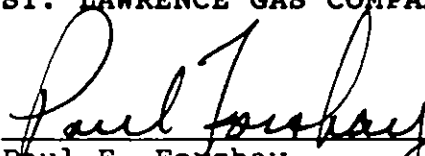
St. Lawrence respectfully requests DOE/FE to amend its existing import authorization to reflect the new supply and

transportation arrangements underlying St. Lawrence's importation of natural gas from Canada. St. Lawrence further requests that DOE/FE clarify that the term of St. Lawrence's existing import authorization continues to be the term outlined in the original FPC order granting that authorization.

Respectfully submitted,

ST. LAWRENCE GAS COMPANY, INC.

By:

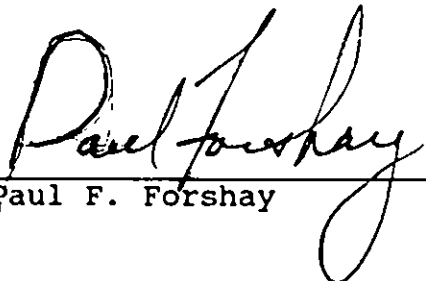

Paul F. Forshay
Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 383-0100

Its Authorized Representative

May 6, 1996

VERIFICATION

Paul F. Forshay, being first duly sworn, deposes and says that he is the duly authorized representative of the applicant, St. Lawrence Gas Company, Inc., 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 6th day of May, 1996.


Gloria T. Hinkle

GLORIA T. HINKLE
DISTRICT OF COLUMBIA
DATE OF EXP: 11-30-99

My commission expires: _____



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**Western Gas
Marketing
Limited**

11th Floor
55 Yonge Street
Toronto, Canada
M5E 1J4
(416) 869-2066
Canadian Sales Fax (416) 869-2125
U.S. Sales Fax (416) 869-2011

December 3, 1991

Niagara Gas Transmission Limited
500 Consumers Road
Willowdale, Ontario
M1K 5E3

Attention: Mr. R.G. Riedl
Vice President

Dear Sirs:

Re: Long Term Gas Sales by Western Gas
Marketing Limited ("Western Gas")
to Niagara Gas Transmission Limited
("Niagara") for resale to
St. Lawrence Gas Company, Inc.
("St. Lawrence") as system gas

Western Gas and Niagara have recently completed negotiating the material business terms of a new 10 year gas sales agreement pursuant to which it is intended that Western Gas will supply to Niagara, on a firm basis, and Niagara will purchase from Western Gas, sufficient gas to satisfy the currently anticipated system gas requirements of its resale customer, St. Lawrence. The term "system gas" means gas purchased by St. Lawrence, other than gas purchased from its customers as peaking service or from its customers or Niagara in connection with Direct Purchase Arrangements (as defined in Paragraph 1(c)), for resale to customers who consume or use the gas in St. Lawrence's existing market area. The term "existing market area" means the northernmost 10 towns in St. Lawrence County, New York for which St. Lawrence holds franchises to distribute natural gas. The new agreement will commence on the expiry of the gas supply arrangements presently in effect pursuant to the gas sales contract dated as of October 15, 1986, as amended, between TransCanada PipeLines Limited ("TransCanada") and Niagara (the "1986 Agreement").

Western Gas understands that, commencing on November 1, 1992, Niagara intends to purchase storage service and related transportation service as a means of managing the variations in St.

Lawrence's seasonal requirements. In this regard, Niagara intends to make arrangements for the following services (collectively, the "Storage and Transportation Services"):

- (a) storage service with 24 000 10^3m^3 (0.85 Bcf) of storage capacity from Union Gas Limited ("Union"), but if such service is not available on November 1, 1992, equivalent storage service directly or indirectly from Tecumseh Gas Storage Limited on an interim basis (the "Storage Service"); and
- (b) firm transportation (M12) service of 283 10^3m^3 (10 MMcf) per day on Union's transmission system from Dawn to the Parkway Belt-Union and/or the Kirkwall delivery point(s) on TransCanada's system (the "M12 Service"); and
- (c) Storage Transportation Service (STS) of 283 10^3m^3 (10 MMcf) per day on TransCanada's system from the Parkway Belt-Union and/or the Kirkwall delivery point(s) to the Cornwall delivery point (the "STS Service"), which is the inlet of Niagara's pipeline that transports gas to St. Lawrence's distribution system (the "Cornwall Pipeline").

In connection with the Storage Service, Western Gas understands that Niagara has made a request to Union for 31 160 10^3m^3 (1.1 Bcf) of storage capacity, that Niagara's request has been placed in Union's long term storage queue, and that Niagara now intends to advise Union to reduce the requested storage capacity to 24 000 10^3m^3 (0.85 Bcf). In connection with the M12 Service, Western Gas understands that Niagara has entered into a contract with Union that is conditional on Union installing additional facilities. Finally, in connection with the STS Service, Western Gas and Niagara have had discussions with TransCanada. All such actions have been taken with a view to Niagara obtaining the Storage and Transportation Services by November 1, 1992.

Western Gas and Niagara understand that there are three cogeneration projects in St. Lawrence's existing market area that will affect Niagara's annual purchase requirement from Western Gas for resale to St. Lawrence as system gas, as follows:

- (a) Megan-Racine Associates, Inc. ("Megan-Racine") is developing and will operate the "Kraft Cogeneration Project" in Canton. Western Gas is the supplier to Megan-Racine. This project has been constructed and is currently scheduled to commence commercial operation in January, 1992; and
- (b) Power City Partners, L.P. ("Power City") is developing and will operate the "ALCOA Cogeneration Project" in Massena. This project is now under construction and is

currently scheduled to commence commercial operation in August, 1992; and

- (c) AG-Energy, Inc. ("AG") is developing and will operate the "Psychiatric Centre Cogeneration Project" in Ogdensburg. This project is currently scheduled to commence commercial operation in June, 1993.

Western Gas and Niagara understand that St. Lawrence's annual requirement for system gas in 1990 was approximately $235 \times 10^6 \text{m}^3$ (8.3 Bcf). They further understand that Megan-Racine, Power City, and AG will displace sales of system gas by St. Lawrence to their respective steam hosts, thereby reducing St. Lawrence's annual requirement for system gas in its existing market area. Megan-Racine will displace approximately $5.7 \times 10^6 \text{m}^3$ (0.2 Bcf) annually commencing in 1991, Power City will displace approximately $19.8 \times 10^6 \text{m}^3$ (0.7 Bcf) annually commencing in 1992, and AG will displace approximately $11.3 \times 10^6 \text{m}^3$ (0.4 Bcf) annually commencing in 1993, for a total annual displacement of approximately $36.8 \times 10^6 \text{m}^3$ (1.3 Bcf). Western Gas and Niagara also understand that St. Lawrence has entered into or will enter into peaking service arrangements with Megan-Racine, Power City, and AG that will further displace approximately $14.2 \times 10^6 \text{m}^3$ (0.5 Bcf) annually.

In the light of the displacements resulting from the three cogeneration projects and St. Lawrence's peaking service arrangements with them, St. Lawrence's annual requirement for system gas in its existing market area will be approximately $199.3 \times 10^6 \text{m}^3$ (7 Bcf) for the initial period (as defined in Paragraph 1(a)) and approximately $184 \times 10^6 \text{m}^3$ (6.5 Bcf) for the subsequent period (as defined in Paragraph 1(b)), in each case subject to reduction as herein provided. Consequently, with the Storage and Transportation Services, Niagara will be able to supply St. Lawrence's annual requirement for system gas in its existing market area, using gas purchased from Western Gas, by changing its maximum daily requirement from $1,135 \times 10^3 \text{m}^3$ (40 MMcf) (the level in the 1986 Agreement) to $567 \times 10^3 \text{m}^3$ (20 MMcf) for the initial period and to $538 \times 10^3 \text{m}^3$ (19 MMcf) for the subsequent period, in each case subject to reduction as herein provided. At the same time, Niagara will be able to substantially increase its annual load factor under the new supply agreement with Western Gas, compared to the 1986 Agreement, with the consequential benefits to both Western Gas and Niagara. In 1990, Niagara's annual purchase load factor was 56.7 percent. In 1992, Niagara anticipates that its annual purchase load factor will be 95.7 percent, and in 1993, 93.7 percent.

Based on the foregoing, Western Gas and Niagara have agreed to enter a new supply agreement on the terms, and subject to the conditions, summarized below:

1. Daily Contract Volume(a) Initial DCV

On each day during the initial period of the Term (as defined in Paragraph 2), Niagara may nominate and purchase, and if so nominated Western Gas will sell and deliver, on a firm basis, up to $567.0 \times 10^3 \text{m}^3$ (20 MMcf) of gas (the "Daily Contract Volume" or "DCV" applicable to such initial period, subject to reduction in accordance with Paragraphs 1(c) and 8(c)). The term "initial period" means the period beginning on the Commencement Date (as herein defined) and ending on the later of October 31, 1993 or the first day on which St. Lawrence provides transportation service to AG for its "Psychiatric Centre Cogeneration Project".

(b) Subsequent DCV

On each day during the subsequent period of the Term, Niagara may nominate and purchase, and if so nominated Western Gas will sell and deliver, on a firm basis, up to $538.0 \times 10^3 \text{m}^3$ (19 MMcf) of gas (the "Daily Contract Volume" or "DCV" applicable to such subsequent period, subject to reduction in accordance with Paragraphs 1(c) and 8(c)). The term "subsequent period" means the period beginning at the end of the initial period and ending on the last day of the Term.

(c) Displacement Reductions

Niagara shall have the right to reduce the applicable DCV in order to offset the displacement of St. Lawrence's sales of system gas in its existing market area resulting from any Direct Purchase Arrangement, as provided in this Paragraph 1(c). The term "Direct Purchase Arrangement" means a contract or arrangement (excluding any amendment or renewal) between a customer of St. Lawrence and a supplier of gas other than St. Lawrence or Niagara (or an affiliate of either of them) under which the customer purchases gas (i) for its own consumption or use in St. Lawrence's existing market area or (ii) for resale to St. Lawrence or Niagara pursuant to a "buy-sell" contract or arrangement between them under which St. Lawrence or Niagara purchases gas from the customer with the intention of selling an equivalent volume (on an annual basis), in the case of St. Lawrence, to the customer, and in the case of Niagara, to St. Lawrence for resale by St. Lawrence to the customer, in either case for the customer's own consumption or use in St. Lawrence's existing market area, and as a result of which St. Lawrence's sales of system gas to the customer are

displaced. The term "Exempt Direct Purchase Arrangement" means a Direct Purchase Arrangement in which the supplier of gas is Western Gas or TransCanada (or an affiliate of either of them).

Whenever a customer of St. Lawrence enters into a Direct Purchase Arrangement, Niagara may give Western Gas a notice to that effect (a "Displacement Notice"). Each Displacement Notice shall specify the daily volume involved in the Direct Purchase Arrangement, the portion of such daily volume that Niagara elects to classify as the displacement volume, the Western Gas market share (being a fraction with a numerator equal to the applicable DCV and a denominator equal to the sum of the applicable DCV and the aggregate daily contract volume under the Additional Long Term Supply Contracts), the DCV reduction volume (being the product obtained by multiplying the displacement volume by the Western Gas market share unless the displacement volume pertains to an Exempt Direct Purchase Arrangement, in which case the DCV reduction volume will be equal to the displacement volume), and the anticipated date of first delivery under the Direct Purchase Arrangement. If the actual date of first delivery is likely to vary from the anticipated date specified in the Displacement Notice, Niagara will give Western Gas as much prior notice thereof as may be possible under the circumstances.

Effective as of and from the actual date of first delivery under the Direct Purchase Arrangement, the applicable DCV will be permanently reduced by the amount of the DCV reduction volume specified in the Displacement Notice, together with a corresponding reduction in all associated delivery and payment obligations of the parties hereunder (the "Displacement Reduction"). Each Displacement Notice will contain reasonable particulars of the Direct Purchase Arrangement. Western Gas shall have the periodic right to audit the books and records of St. Lawrence and Niagara in order to verify the information contained in any Displacement Notice; the auditor must be independent of Western Gas and its affiliates.

Western Gas will permanently assign to Niagara a portion of its service entitlement under the TransCanada FS Contract (as defined in Paragraph 4) corresponding to the Displacement Reduction contemplated by each Displacement Notice (a "Partial Assignment"). Niagara will use a Partial Assignment to ship gas in connection with the Direct Purchase Arrangement to which the Displacement Notice applies for the term of the Direct Purchase Arrangement (including renewals or extensions) and

thereafter as Niagara sees fit. A Partial Assignment will become effective on the same date as the corresponding Displacement Reduction. From and after such effective date, Niagara will be entitled to all rights (including renewal rights) and will be responsible for all obligations in connection with the Partial Assignments, in accordance with appropriate assignment and assumption documentation. In connection with any such Partial Assignment, the parties will use all reasonable efforts to obtain from TransCanada an unconditional release for Western Gas from any future obligations pertaining thereto.

2. Term/Commencement Date

The gas supply arrangements contemplated by this letter agreement will be effective for a term of 10 contract years (the "Term") commencing on November 1, 1992 (the "Commencement Date"). The term "contract year" means a period of 12 consecutive calendar months commencing on a November 1st.

3. Points of Delivery

(a) Cornwall

Subject to Paragraph 3(b), Western Gas will deliver the gas nominated by Niagara on any day during the Term (the "Scheduled Daily Deliveries") to Niagara at the Cornwall delivery point on TransCanada's system. This will be the primary delivery point under the TransCanada FS Contract.

(b) Iroquois

Western Gas understands that, before or during the Term, St. Lawrence may seek to have its distribution system in its existing market area connected with the pipeline of Iroquois Gas Transmission System, L.P. ("Iroquois") and to arrange for transportation service with Iroquois. Thereafter Niagara may wish to receive all or part of the Scheduled Daily Deliveries at the Iroquois delivery point on TransCanada's system, where TransCanada's facilities connect with Iroquois's facilities, for resale and export to St. Lawrence at or near that delivery point.

In the light of these proposed arrangements, Western Gas will use its reasonable efforts to add the Iroquois delivery point to the TransCanada FS Contract as a secondary delivery point, and Niagara will use its reasonable efforts to obtain the necessary regulatory approvals for Niagara to export, and for St. Lawrence to import, the gas delivered by Western Gas to Niagara, and

by Niagara to St. Lawrence, at or near the Iroquois delivery point.

If and when Niagara is able to nominate all or part of the Scheduled Daily Deliveries at the Iroquois delivery point, Niagara's nominations shall specify the portion thereof to be delivered by Western Gas at the Cornwall and/or the Iroquois delivery point(s). Western Gas will make such deliveries in accordance with Niagara's nominations as to delivery point.

4. TransCanada Transportation

(a) TransCanada FS Contract

Western Gas will renew or otherwise extend for the full Term the firm service contract with TransCanada that it now uses to ship gas for sale and delivery to TransCanada for resale to Niagara under the 1986 Agreement (such contract, as renewed or otherwise extended, being the "TransCanada FS Contract"), with a maximum daily volume (the "Contract Demand") that corresponds to the applicable Daily Contract Volume. Western Gas will maintain the TransCanada FS Contract at a Contract Demand sufficient to deliver the applicable Daily Contract Volume to the Cornwall and/or the Iroquois delivery point(s) for the full Term, and to the extent required under the circumstances, to enable Niagara to deliver the aggregate daily volume specified in the Partial Assignments. In this regard, Niagara will cooperate and provide TransCanada, in a timely manner, with such information as may reasonably be required by TransCanada in accordance with its usual contract renewal or extension procedures.

(b) TransCanada Fuel Requirement

Western Gas will supply the fuel gas required by TransCanada to transport gas under the TransCanada FS Contract as it may be effectively modified by the Partial Assignments (the "TransCanada Fuel Requirement") during each contract year in respect of which the parties reach agreement on the price applicable to fuel gas for the contract year. In this regard, on or before the July 1st preceding each contract year, Niagara and Western Gas will negotiate in good faith in order to reach agreement on the applicable price (in dollars per GJ) for the contract year. If the parties have not reached agreement on the applicable price by the September 1st preceding any contract year, then Western Gas will not be obligated to supply the TransCanada Fuel Requirement for the contract year, and Niagara will be obligated to purchase

the TransCanada Fuel Requirement for the contract year from another supplier and to make it available to Western Gas as shipper under the TransCanada FS Contract during the contract year. In such event, and if on any day the fuel gas made available by or for Niagara is less than the TransCanada Fuel Requirement for the day, then Western Gas will be entitled to make up the fuel deficiency out of the gas that Western Gas would otherwise have been obligated to deliver to Niagara, and the volume that Niagara would otherwise be entitled to receive from Western Gas will be reduced accordingly.

5. Responsibilities Prior to Commencement Date

Prior to the Commencement Date:

- (a) Niagara will enter into such contractual arrangements as are necessary in order to make the Storage and Transportation Services available to Niagara by the Commencement Date. In connection therewith, if requested by Niagara on a timely basis, Western Gas will use its reasonable efforts to assist Niagara in obtaining a contract with TransCanada for the STS Service that is not conditional on TransCanada installing additional facilities. In this regard, if necessary, Western Gas will offer to permanently reduce the current Contract Demand under the TransCanada FS Contract applicable to service between the Parkway Belt-Union and/or the Kirkwall delivery point(s) and the Cornwall delivery point on TransCanada's system, to a volume not less than the applicable Daily Contract Volume, in order to make capacity available for the STS Service.
- (b) Niagara will use its reasonable efforts and will act diligently to obtain (and cause St. Lawrence to obtain) any new, revised or extended authorizations of Canadian and U.S. governmental or other regulatory authorizations as may be necessary to implement the gas service described in this letter agreement, including but not limited to all necessary export and import authorizations. Western Gas will co-operate with Niagara and St. Lawrence in obtaining such authorizations, in particular by providing all requisite information on its gas supply.

6. Price

- (a) The price to be paid by Niagara for the gas service described in this letter agreement will be based on a two-part demand/commodity structure. For each month of the Term, Niagara will pay a total price equal to the sum of the Monthly Demand Charge, plus the Monthly Commodity

Charge, plus the Monthly Fuel Charge for such month, as such amounts are defined and determined in accordance with Paragraph 6(b), and subject to adjustment as required in accordance with Paragraphs 6(c) and 6(d). All billings and payments will be in Canadian currency.

- (b) (i) The term "Monthly Demand Charge" means, for any month, an amount equal to the product obtained by multiplying:
- (A) the quotient obtained by dividing (x) the sum of the applicable Daily Contract Volumes (in 10^3m^3) in effect during the month by (y) the number of days in the month; by
 - (B) the sum of TransCanada's monthly demand toll (in dollars per 10^3m^3) in effect for the month for firm service from the Empress receipt point to the Cornwall delivery point (including any delivery pressure toll), plus NOVA's monthly demand toll (in dollars per 10^3m^3) in effect for the month; and "NOVA's monthly demand toll" in effect for any month means the quotient obtained by dividing
 - (x) the total dollar amount of NOVA's invoiced demand charges, including any billing adjustments, that is payable by Western Gas (either directly to NOVA or to reimburse TransCanada or any third party to whom Western Gas is liable in this regard) for all firm transportation service that was committed or available to Western Gas during the immediately preceding month; by
 - (y) the maximum daily delivery capacity on NOVA's system that was committed or available to Western Gas during the immediately preceding month.
- (ii) The term "Monthly Commodity Charge" means, for any month, an amount equal to the product obtained by multiplying (w) the total volume (in 10^3m^3) of gas delivered to Niagara at the Cornwall delivery point during the month by (x) the sum of:
- (A) the remainder (in dollars per 10^3m^3) obtained by subtracting (y) the product obtained by multiplying NOVA's monthly demand toll in effect for the month by the fraction $12/365$ from (z) the Gas Price (in dollars per 10^3m^3)

in effect for the month; and the "Gas Price" in effect for any month shall be equal to the Consumers Gas Average Price (as defined in this Paragraph 6(b)) for the month, converted to dollars per 10^3m^3 using TransCanada's combined stream average gross heating value for the month, plus

- (B) TransCanada's commodity toll (in dollars per 10^3m^3) in effect for the month for firm service from the Empress receipt point to the Cornwall delivery point.
- (iii) The term "Monthly Fuel Charge" means, for any month in a contract year in which Western Gas is supplying the TransCanada Fuel Requirement, an amount equal to the product obtained by multiplying (x) the volume (in 10^3m^3) of the TransCanada Fuel Requirement for the month by (y) the Fuel Price (in dollars per 10^3m^3) in effect for the month; and the "Fuel Price" in effect for any month shall be equal to the agreed-on price applicable to fuel gas for the month pursuant to Paragraph 4(b), converted to dollars per 10^3m^3 using TransCanada's combined stream average gross heating value for the month.

In connection with the term "Gas Price" as used in Paragraphs 6(b)(ii) and 7(c), the following terms shall have the following meanings:

- (iv) "Consumers Gas" means The Consumers' Gas Company Ltd.;
- (v) "Consumers Gas Long Term Contracts" means all of the Consumers Gas arm's length contracts for firm purchases of Western Canadian gas for resale to its sales service customers in Ontario and to Gazifère Inc. (exclusive of any direct purchase arrangement involving customers of Consumers Gas or Gazifère Inc. similar to the Direct Purchase Arrangements hereunder) having an initial primary term (exclusive of renewals or extensions) of 10 or more years.
- (vi) "Consumers Gas Average Price" means, for any month, the weighted average price (in dollars per GJ) that is derived from the prices to be paid by Consumers Gas for gas purchased under all of the Consumers Gas Long Term Contracts during the month, on the assumption that each such contract will operate at 100 percent load factor during the month and with such prices being weighted proportionately in

accordance with the firm daily contract volume available to Consumers Gas under each such contract on each day of the month. Such prices shall include both demand and commodity components.

Prior to the commencement of each contract year, Niagara will provide (or cause Consumers Gas to provide) Western Gas with a written statement showing the Consumers Gas Average Price for each month of the contract year. If there is any subsequent change in the price and/or the firm daily contract volume under any Consumers Gas Long Term Contract that would result in an adjustment of the Consumers Gas Average Price if such price were to be derived immediately after such change is effective, Niagara will so notify Western Gas (a "pricing change notice"). The Consumers Gas Average Price will then be prospectively adjusted to reflect such change from and after the effective date of such change.

The Consumers Gas Average Price will not be retroactively adjusted as a result of any change in the price being paid under any Consumers Gas Long Term Contract (including but not limited to any change resulting from renegotiation, arbitration or regulatory proceedings) after any bill for gas sold has been rendered by Western Gas to Niagara, except in the following specific circumstances:

- (A) If, as of the beginning of any contract year, the pricing provisions of any Consumers Gas Long Term Contract for the contract year are subject to an ongoing arbitration proceeding, then the price to be paid thereunder by Consumers Gas pending an arbitration decision will continue to be used for the purpose of determining the Consumers Gas Average Price until the arbitrated price change becomes effective. The Consumers Gas Average Price will be adjusted to reflect the outcome of the arbitration prospectively only, unless the terms of such Consumers Gas Long Term Contract require retroactive adjustment between Consumers Gas and the supplier, in which case the Consumers Gas Average Price will be deemed to have been amended as of the same date and appropriate retroactive adjustments will be made promptly between Niagara and Western Gas.
- (B) If any of the information provided by Niagara or Consumers Gas with respect to the

determination of the Consumers Gas Average Price is erroneous, or if a pricing change notice is not provided by Niagara in a timely fashion, and if such erroneous information or untimely notice results in an erroneous Consumers Gas Average Price being used for billing purposes in any month or months, then appropriate adjustments (including payment of interest on any unpaid or overpaid amounts at the prime rate announced from time to time by the Canadian Imperial Bank of Commerce, plus one percent) will be made promptly by the parties.

Niagara will cause Consumers Gas to give Western Gas the periodic right to audit the books and records of Consumers Gas in order to verify the basis for and the calculation of the Consumers Gas Average Price; the auditor must be independent of Western Gas and its affiliates.

- (c) If Western Gas delivers gas to Niagara at the Iroquois delivery point in any month pursuant to Paragraph 3(b), the total price payable by Niagara for the month pursuant to Paragraph 6(a) will be adjusted by an amount equal to any increase or decrease, as the case may be, in the transportation tolls (including but not limited to any delivery pressure toll) that Western Gas becomes obligated to pay to TransCanada as a result of delivering gas to Niagara at the Iroquois delivery point instead of or as well as at the Cornwall delivery point.

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the
(d) If ^{WESTERN GAS} ~~Niagara~~ diverts gas for Niagara to delivery points other than the Cornwall and/or the Kirkwall delivery point(s) in any month pursuant to Paragraph 8(b), the total price payable by Niagara for the month pursuant to Paragraph 6(a) will be adjusted by an amount equal to any increase or decrease, as the case may be, in the transportation tolls (including but not limited to any delivery pressure toll) that Western Gas becomes obligated to pay to TransCanada as a result of diverting gas for Niagara to such other delivery points.

- (e) For greater certainty (and in contrast to the 1986 Agreement), the parties confirm that, as between them, Niagara will be responsible for all costs associated with the transportation of the gas purchased hereunder downstream of the Cornwall and/or the Iroquois delivery point(s). In particular, there will be no deduction in respect of Niagara's cost of service for the Cornwall Pipeline from the price otherwise payable to Western Gas for gas purchased in accordance with the terms hereof.

7. Overrun Gas

- (a) On any day during the Term for which Niagara nominates the full Daily Contract Volume, Niagara may also request that Western Gas deliver volumes of gas in excess of the applicable Daily Contract Volume, up to the maximum volumes set out in Paragraph 7(b) ("Overrun Gas"). Such Overrun Gas shall be delivered to Niagara at the Empress receipt point on TransCanada's system.
- (b) If so requested on any day during the Term, Western Gas shall deliver:
 - (i) up to five percent of the DCV for such day as Overrun Gas on a firm basis; and
 - (ii) up to an additional 20 percent of the DCV for such day as Overrun Gas on an interruptible basis, subject to Western Gas (using its reasonable efforts) obtaining the necessary gas supply and transportation service on the NOVA system.
- (c) The price (in dollars per 10^3m^3) for Overrun Gas delivered during any month shall be equal to the Gas Price in effect for the month.

8. Annual Requirement for System Gas(a) Full Requirements Arrangement

The parties intend that the gas service contemplated hereby will be a full requirements arrangement for St. Lawrence's annual requirement for system gas in its existing market area, until such time as St. Lawrence's annual requirement for a contract year exceeds or is reasonably anticipated to exceed the Annual Contract Volume for the contract year (such excess portion of St. Lawrence's annual requirement being the "additional annual requirement"). At that time, the gas service contemplated hereby will cease to be a full requirements arrangement. The term "Annual Contract Volume" means, for any contract year, the sum of the applicable Daily Contract Volumes in effect during the contract year.

If and when the gas service contemplated hereby ceases to be a full requirements arrangement, Niagara or St. Lawrence will be entitled to enter into contracts or arrangements with suppliers of gas other than Western Gas or TransCanada (or their affiliates) in order to meet St. Lawrence's additional annual requirement for system gas in its existing market area (the "Additional Supply Contracts"). In the event that Niagara or St. Lawrence

does so, each Additional Supply Contract will be assigned to one of the following categories for the purposes of the gas service contemplated by this letter agreement:

- (i) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of less than one year, or that provide gas supply on a reasonable efforts basis regardless of the length of the initial primary term ("Short Term Supply Contracts");
- (ii) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of one year or more but less than 10 years ("Medium Term Supply Contracts"); and
- (iii) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of 10 or more years ("Additional Long Term Supply Contracts").

Niagara will endeavour to purchase the Annual Contract Volume from Western Gas in each contract year, having regard to St. Lawrence's annual requirement for system gas in its existing market area for the contract year and, if and when the gas service contemplated hereby ceases to be a full requirements arrangement, having regard also to the obligation (if any) of Niagara or St. Lawrence to do likewise under any Additional Supply Contract that permits Niagara or St. Lawrence to prorate daily deliveries thereunder in the manner contemplated by Paragraph 8(b). Subject to any such obligation, Niagara or St. Lawrence will not purchase gas under any Additional Supply Contract if Niagara or St. Lawrence knows or (acting reasonably) ought to know that such action would likely result in Niagara purchasing from Western Gas, in any contract year, a volume of gas that is less than the Annual Contract Volume.

(b) Annual Shortfall

Western Gas acknowledges that, in any contract year, St. Lawrence's annual requirement for system gas in its existing market area could be less than the annual supply available to St. Lawrence for the contract year, due to circumstances beyond St. Lawrence's control (such as warmer-than-normal weather and/or unfavourable economic conditions). Accordingly, if and when Niagara reasonably anticipates that St. Lawrence's annual requirement for system gas in its existing market area for a contract year will be less than the sum of the projected Annual Contract Volume for the contract year and the projected

aggregate annual contract volume under the Medium Term Supply Contracts and the Additional Long Term Supply Contracts combined for the contract year, Niagara will promptly give Western Gas a notice to that effect (a "Shortfall Notice"), specifying the projected annual shortfall, and will take (or cause St. Lawrence to take) the following steps in order to mitigate and fairly distribute the impact of the projected annual shortfall on Western Gas and the other supplier(s) of gas to Niagara or St. Lawrence:

- (i) curtail or terminate daily deliveries of gas under the Short Term Supply Contracts, as required to eliminate the projected annual shortfall; and
- (ii) if the first step is not enough to eliminate the projected annual shortfall, prorate daily deliveries between the gas service contemplated hereunder and the gas service provided under all Medium Term Supply Contracts and all Additional Long Term Supply Contracts, so that the Western Gas share of the actual annual shortfall will not exceed a fraction with a numerator equal to the Annual Contract Volume and a denominator equal to the sum of the Annual Contract Volume and the aggregate annual contract volume under such other contracts.

In order to mitigate the impact of the projected annual shortfall on Niagara and St. Lawrence, Western Gas will co-operate and work together with Niagara in order to assist Niagara in reselling, to secondary markets, any gas purchased by Niagara from Western Gas that Niagara is unable to resell to St. Lawrence, to the following extent:

- (iii) Western Gas will divert the gas that Niagara has agreed to resell for use by The Consumers' Gas Company Ltd. or its affiliates, according to Niagara's direction as to the delivery point(s) on TransCanada's system, subject to the availability of capacity in regard to the delivery point(s); and
- (iv) Western Gas may divert, in its sole discretion, the gas that Niagara wishes to resell to any other buyer, according to Niagara's direction as to the delivery point(s) on TransCanada's system, subject to the availability of capacity in regard to the delivery point(s).

Each Shortfall Notice shall contain reasonable particulars of the cause(s) of the projected annual

shortfall. Niagara will give Western Gas a revised Shortfall Notice whenever there is a material change in the level of the projected annual shortfall. Western Gas shall have the periodic right to audit the books and records of Niagara and St. Lawrence in order to verify the information contained in any Shortfall Notice, and to confirm that Niagara or St. Lawrence took the foregoing steps in order to mitigate and fairly distribute the impact of the annual shortfall; the auditor must be independent of Western Gas and its affiliates.

(c) Market Loss Reductions

Niagara shall have the right to reduce the applicable DCV in order to offset the reduction in St. Lawrence's annual requirement for system gas resulting from any permanent or long term decline in market demand in St. Lawrence's existing market area after the commencement of the Term, as provided in this Paragraph 8(c).

Whenever such a decline in market demand occurs or is reasonably anticipated to occur, Niagara may give Western Gas a notice to that effect (a "Market Loss Notice"). Each Market Loss Notice shall specify the annual lost volume attributable to the decline in market demand, the corresponding daily lost volume (being the quotient obtained by dividing the specified annual lost volume by 365 days), the Western Gas market share (being a fraction with a numerator equal to the applicable DCV and a denominator equal to the sum of the applicable DCV and the aggregate daily contract volume under the Medium Term Supply Contracts and the Additional Long Term Supply Contracts combined), and the DCV reduction volume (being the product obtained by multiplying the daily lost volume by the Western Gas market share).

Effective as of and from the first day of the contract year that commences at least four months after the giving of a Market Loss Notice, the applicable DCV shall be permanently reduced by the amount of the DCV reduction volume specified in the Market Loss Notice, together with a corresponding reduction in all associated delivery and payment obligations of the parties under the new supply arrangement (the "Market Loss Reduction"). In the meantime, Niagara will curtail or terminate daily deliveries of gas under the Short Term Supply Contracts, as required to offset the decline in market demand on a short term basis.

Each Market Loss Notice will contain reasonable particulars of the decline in St. Lawrence's market demand. Western Gas shall have the periodic right to

audit the books and records of St. Lawrence and Niagara in order to verify the information contained in any Market Loss Notice; the auditor must be independent of Western Gas and its affiliates.

In connection with any Market Loss Reduction, Western Gas may, at its option, elect to retain and utilize for its own purposes and at its own expense the portion of its service entitlement under the TransCanada FS Contract that, as a result of the Market Loss Reduction, Western Gas would no longer require to ship gas for sale and delivery to Niagara (the "Excess Capacity"). Alternatively, Western Gas may elect to assign the Excess Capacity to Niagara as of and from the effective date of the Market Loss Reduction. Any such assignment will include any renewal rights associated with the Excess Capacity and will be made on the same terms (including the assumption by Niagara of all toll payment obligations) as the Partial Assignments contemplated by Paragraph 1(c). Western Gas will notify Niagara of its election with respect to the Excess Capacity within two months of Niagara's Market Loss Notice.

The parties acknowledge that any Market Loss Reduction and/or assignment of Excess Capacity will be permanent and, unless expressly otherwise agreed, Niagara will not be entitled to have all or any part of any Market Loss Reduction reinstated.

9. Renegotiation and Arbitration

- (a) No more than 120 days and no less than 60 days prior to the commencement of each contract year (except the first contract year), either party may give written notice to the other ("the Renegotiation Notice") requiring the renegotiation of the Gas Price component of the Monthly Commodity Charge that will be applicable during the contract year. For greater certainty, the two-part demand/commodity pricing structure and the components of that structure other than the Gas Price component described in Paragraph 6(b)(ii) will not be subject to renegotiation or arbitration.

If a Renegotiation Notice is given, the parties will act in good faith to attempt to negotiate a new Gas Price component, taking into account the arbitration criteria referred to in Paragraph 9(b).

- (b) If any such renegotiation does not result in a written agreement between the parties within 60 days of the delivery of the Renegotiation Notice, or if it does but Western Gas does not obtain an unconditional finding of

producer support from the Alberta Petroleum Marketing Commission under the Natural Gas Marketing Act (Alberta) within 30 days of the written agreement, then either party may give written notice initiating arbitration of the matter. Any such arbitration will be initiated and conducted substantially in accordance with the provisions of Article XV of the Gas Sales Contract made as of December 30, 1988 between Western Gas and Consumers Gas (the "Western Gas/Consumers Gas Contract") and the arbitration criteria identified in Exhibit "A" to this letter agreement.

- (c) The purpose of any renegotiation or arbitration of the Gas Price component of the Monthly Commodity Charge will be to determine a Gas Price that, in the circumstances then prevailing, is fair to both parties, taking into consideration each of the arbitration criteria identified in Exhibit "A" to this letter agreement.
- (d) Any modification of the Gas Price component of the Monthly Commodity Charge resulting from either renegotiation or an arbitration decision will become effective substantially as provided in Section 5.5 of the Western Gas/Consumers Gas Contract.

10. Gas Supply Obligations

The gas to be supplied by Western Gas to Niagara will be delivered from the aggregate supply of gas (the "Supply Pool") producible from reserves that are or will be under contract (directly or indirectly) to TransCanada and/or its affiliates (including Western Gas) and dedicated by various gas producers (the "Producers") to TransCanada and/or its affiliates (directly or indirectly) for delivery under all of the gas supply contracts of TransCanada and/or its affiliates. In connection therewith, the gas supply obligations of Western Gas and the rights and obligations of the parties in connection with the management and operation of the Supply Pool, and the deliveries of gas therefrom, will be substantially similar to the terms of Article VII of the Western Gas/Consumers Gas Contract.

11. Producer Approval

The obligations of the parties hereunder are conditional on the receipt, within 30 days of the date of this letter agreement, of a finding of producer support by the Alberta Petroleum Marketing Commission under Section 9(2) of the Natural Gas Marketing Act (Alberta) and of such other approvals of the Producers as may be necessary (including, but not limited to, approvals required under contracts between

Western Gas, TransCanada, and the Producers), all on terms satisfactory to Western Gas, in its sole discretion.

12. 1986 Agreement

The parties acknowledge that the provisions of the 1986 Agreement will continue in full force and effect until the Commencement Date, when the 1986 Agreement will expire.

13. Gas Sales Contract

By executing this letter agreement, Western Gas and Niagara agree to act expeditiously, reasonably and in good faith to attempt to negotiate and execute a detailed gas sales contract (the "Gas Sales Contract") incorporating (and where necessary amplifying) the foregoing terms and such other terms as are reasonable or usual in similar agreements for long term gas supply.

14. Deadlines

If:

- (a) the condition with respect to the Producers approvals set out above in Paragraph 11 is not satisfied within the time limit provided, or
- (b) all U.S. and Canadian governmental and regulatory authorizations required to implement the arrangements contemplated herein are not in place by November 1, 1992,

then this letter agreement (and the Gas Sales Contract, if executed) will automatically terminate and the parties will thereafter be under no further obligation hereunder.


15. TransCanada Warranty

Western Gas will cause TransCanada to execute a warranty of performance by Western Gas of the Gas Sales Contract from and after the Commencement Date. The warranty of performance will be substantially similar to the warranty of performance given by TransCanada to Consumers Gas in connection with the Western Gas/Consumers Gas Contract.

If the foregoing properly summarizes the terms of the proposed new gas supply arrangements between Niagara and Western Gas, please execute both of the enclosed copies of this letter agreement and return one fully executed copy to Western Gas.

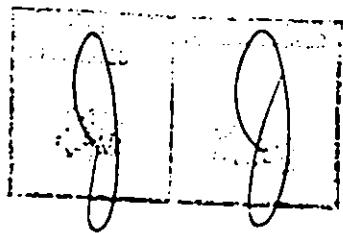
Yours very truly,

WESTERN GAS MARKETING LIMITED

Per: 
W.A. Smith
Director, LDC Marketing

PFE


Accepted this 10th day of December, 1991.



NIAGARA GAS TRANSMISSION LIMITED


Per: 
R.G. Riedl
Vice President

EXHIBIT A

Arbitration Criteria


The Arbitrator(s) shall base his (their) determination upon and shall give due consideration to each of the following matters, to the extent that evidence is adduced by the parties in the arbitration:

1. the prices being paid by gas purchasers in North American gas market areas (other than St. Lawrence's existing market area) for gas service from Alberta, British Columbia, and Saskatchewan suppliers;
2. the prices being paid by St. Lawrence or its customers for other Canadian gas or U.S. gas that is delivered to St. Lawrence's existing market area; and
3. the prices of substitutable energy sources that compete with gas for various end-uses of gas in St. Lawrence's existing market area, taking into account any differences between the efficiencies of gas and those substitutable energy sources;

provided that, in considering such matters, the Arbitrator(s) shall also take into account the following matters, to the extent that evidence is adduced by the parties in the arbitration:

- (a) the time at which the prices were agreed to between the respective buyers and sellers;
- (b) differences in transportation costs relevant to establishing a point of comparison at the relevant receipt points on TransCanada's system;
- (c) the similarities and dissimilarities between the service(s) provided hereunder and the sale and transportation arrangements under which other gas is being sold for consumption or use in St. Lawrence's existing market area and in other North American markets or under which substitutable energy sources are being sold for consumption or use in St. Lawrence's existing market area, including in particular but not limited to the similarities and dissimilarities between the quality of service and the security of supply provided hereunder and provided under such other arrangements; and
- (d) any other considerations in respect of which relevant evidence is adduced by the parties.



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Niagara Gas Transmission

11 August 1992

St. Lawrence Gas Company, Inc.
56-58 Main Street
Massena, N.Y. 13662

Attention: Mr. F.D. Rewbotham
President and General Manager

Western Gas Marketing Limited
11th Floor, 55 Yonge Street
Toronto, Ontario
M5E 1J4

Attention: Mr. W.A. Smith
Director, LDC Marketing

Dear Sirs:

**Re: Assignment of the Gas Sale Letter Agreement
between Western Gas Marketing Limited
("Western Gas") and Niagara Gas Transmission
Limited ("Niagara") by Niagara to St. Lawrence
Gas Company, Inc. ("St. Lawrence")**

Niagara and St. Lawrence participated together in negotiating and finalizing a new 10-year gas sale arrangement between Western Gas as seller and Niagara as buyer, for resale to St. Lawrence. Under this new supply arrangement, Western Gas would sell to Niagara, on a firm basis, and Niagara would purchase from Western Gas, sufficient gas to satisfy the currently anticipated system gas requirements of St. Lawrence. The new sale arrangement between Western Gas and Niagara would commence on the expiry of the gas sale arrangement presently in effect pursuant to the gas sales contract dated as of October 15, 1986, as amended, between TransCanada PipeLines Limited ("TransCanada") as seller and Niagara as buyer, which is administered for TransCanada by Western Gas. The new sale arrangement between Western Gas and Niagara has been memorialized in a letter agreement dated 3 December 1991 (the "Gas Sale Letter Agreement"), a copy of which is attached hereto.

It was originally anticipated that Western Gas and Niagara would execute a formal gas sale contract that would incorporate the terms and conditions of the Gas Sale Letter Agreement and that Niagara and St. Lawrence would negotiate and

execute a formal gas resale contract for the corresponding resale by Niagara to St. Lawrence of the gas purchased by Niagara from Western Gas. After further consideration and discussion, Niagara and St. Lawrence have decided that a gas resale arrangement in addition to the gas sale arrangement, with Niagara acting as an intermediary, would involve an unnecessary degree of contractual and administrative complexity.

As a result, Niagara and St. Lawrence have agreed that St. Lawrence should purchase its system gas requirements directly from Western Gas and thus that St. Lawrence (and not Niagara) should be a party (as buyer) to the formal gas sale contract with Western Gas. To this end, Niagara proposes to assign the Gas Sale Letter Agreement to St. Lawrence, with the consent of Western Gas. Niagara would act only as the transporter of that gas for St. Lawrence from the point of connection between the TransCanada and Niagara pipelines and the point of connection between the Niagara and St. Lawrence pipelines.

Based on the foregoing, Niagara, St. Lawrence and Western Gas agree as follows:

1. Niagara assigns to St. Lawrence, and St. Lawrence accepts from Niagara, the rights and obligations of Niagara under the Gas Sale Letter Agreement.
2. St. Lawrence shall assume and perform the obligations of Niagara contained in the Gas Sale Letter Agreement to the same extent as St. Lawrence would be obligated so to do were St. Lawrence a party (as buyer) to the Gas Sale Letter Agreement.
3. The assignment of the Gas Sale Letter Agreement provided herein shall be effective from the date hereof, and shall continue until such time as Western Gas and St. Lawrence have negotiated and executed a formal gas sale contract as described in paragraph 4.
4. Western Gas and St. Lawrence agree to negotiate and execute, prior to 1 November 1992, a formal gas sale contract that incorporates all of the terms and conditions of the Gas Sale Letter Agreement and such other terms as are reasonable or usual in similar agreements for long term gas supply.
5. Western Gas consents to the assignment of the Gas Sale Letter Agreement provided herein and releases Niagara from its obligations under the Gas Sale Letter Agreement. Western Gas shall treat St. Lawrence as if St. Lawrence were a party (as buyer) to the Gas Sale Letter Agreement.

If the foregoing properly summarizes the terms of the agreement among St. Lawrence, Niagara and Western Gas regarding the assignment by Niagara to St. Lawrence of Niagara's rights and

obligations under the Gas Sale Letter Agreement between Western Gas and Niagara, please execute all of the enclosed copies of this letter agreement and return one fully executed copy to Niagara.

Yours very truly,

NIAGARA GAS TRANSMISSION LIMITED

Per: R. Riedl
R.G. Riedl
Vice President

Accepted and agreed to this 18th day of August, 1992.

ST. LAWRENCE GAS COMPANY, INC.

CONTRACTS APPROVED	FINALLY APPROVED
<i>[Signature]</i>	<i>[Signature]</i>

Per: F.D. Rewbotham
F.D. Rewbotham
President and General Manager

Accepted and agreed to this 1st day of ~~August~~ October, 1992.

WESTERN GAS MARKETING LIMITED

per: W.A. Smith
W.A. Smith
Director, LDC Marketing



Western Gas
Marketing
Limited

11th Floor
55 Yonge Street
Toronto, Canada
M5E 1G4
416 369-2066
Canadian Sales Fax 416 369-2125
U.S. Sales Fax 416 369-2011

December 3, 1991

Niagara Gas Transmission Limited
500 Consumers Road
Willowdale, Ontario
M1K 5E3

Attention: Mr. R.G. Riedl
Vice President

Dear Sirs:

Re: Long Term Gas Sales by Western Gas
Marketing Limited ("Western Gas")
to Niagara Gas Transmission Limited
("Niagara") for resale to
St. Lawrence Gas Company, Inc.
("St. Lawrence") as system gas

Western Gas and Niagara have recently completed negotiating the material business terms of a new 10 year gas sales agreement pursuant to which it is intended that Western Gas will supply to Niagara, on a firm basis, and Niagara will purchase from Western Gas, sufficient gas to satisfy the currently anticipated system gas requirements of its resale customer, St. Lawrence. The term "system gas" means gas purchased by St. Lawrence, other than gas purchased from its customers as peaking service or from its customers or Niagara in connection with Direct Purchase Arrangements (as defined in Paragraph 1(c)), for resale to customers who consume or use the gas in St. Lawrence's existing market area. The term "existing market area" means the northernmost 10 towns in St. Lawrence County, New York for which St. Lawrence holds franchises to distribute natural gas. The new agreement will commence on the expiry of the gas supply arrangements presently in effect pursuant to the gas sales contract dated as of October 15, 1986, as amended, between TransCanada PipeLines Limited ("TransCanada") and Niagara (the "1986 Agreement").

Western Gas understands that, commencing on November 1, 1992, Niagara intends to purchase storage service and related transportation service as a means of managing the variations in St.

Lawrence's seasonal requirements. In this regard, Niagara intends to make arrangements for the following services (collectively, the "Storage and Transportation Services"):

- (a) storage service with 24 000 10^3m^3 (0.85 Bcf) of storage capacity from Union Gas Limited ("Union"), but if such service is not available on November 1, 1992, equivalent storage service directly or indirectly from Tecumseh Gas Storage Limited on an interim basis (the "Storage Service"); and
- (b) firm transportation (M12) service of 283 10^3m^3 (1.0 MMcf) per day on Union's transmission system from Dawn to the Parkway Belt-Union and/or the Kirkwall delivery point(s) on TransCanada's system (the "M12 Service"); and
- (c) Storage Transportation Service (STS) of 283 10^3m^3 (10 MMcf) per day on TransCanada's system from the Parkway Belt-Union and/or the Kirkwall delivery point(s) to the Cornwall delivery point (the "STS Service"), which is the inlet of Niagara's pipeline that transports gas to St. Lawrence's distribution system (the "Cornwall Pipeline").

In connection with the Storage Service, Western Gas understands that Niagara has made a request to Union for 31 160 10^3m^3 (1.1 Bcf) of storage capacity, that Niagara's request has been placed in Union's long term storage queue, and that Niagara now intends to advise Union to reduce the requested storage capacity to 24 000 10^3m^3 (0.85 Bcf). In connection with the M12 Service, Western Gas understands that Niagara has entered into a contract with Union that is conditional on Union installing additional facilities. Finally, in connection with the STS Service, Western Gas and Niagara have had discussions with TransCanada. All such actions have been taken with a view to Niagara obtaining the Storage and Transportation Services by November 1, 1992.

Western Gas and Niagara understand that there are three cogeneration projects in St. Lawrence's existing market area that will affect Niagara's annual purchase requirement from Western Gas for resale to St. Lawrence as system gas, as follows:

- (a) Megan-Racine Associates, Inc. ("Megan-Racine") is developing and will operate the "Kraft Cogeneration Project" in Canton. Western Gas is the supplier to Megan-Racine. This project has been constructed and is currently scheduled to commence commercial operation in January, 1992; and
- (b) Power City Partners, L.P. ("Power City") is developing and will operate the "ALCOA Cogeneration Project" in Massena. This project is now under construction and is

currently scheduled to commence commercial operation in August, 1992; and

- (c) AG-Energy, Inc. ("AG") is developing and will operate the "Psychiatric Centre Cogeneration Project" in Ogdensburg. This project is currently scheduled to commence commercial operation in June, 1993.

Western Gas and Niagara understand that St. Lawrence's annual requirement for system gas in 1990 was approximately $235 \times 10^6 \text{ m}^3$ (8.3 Bcf). They further understand that Megan-Racine, Power City, and AG will displace sales of system gas by St. Lawrence to their respective steam hosts, thereby reducing St. Lawrence's annual requirement for system gas in its existing market area. Megan-Racine will displace approximately $5.7 \times 10^6 \text{ m}^3$ (0.2 Bcf) annually commencing in 1991, Power City will displace approximately $19.8 \times 10^6 \text{ m}^3$ (0.7 Bcf) annually commencing in 1992, and AG will displace approximately $11.3 \times 10^6 \text{ m}^3$ (0.4 Bcf) annually commencing in 1993, for a total annual displacement of approximately $36.8 \times 10^6 \text{ m}^3$ (1.3 Bcf). Western Gas and Niagara also understand that St. Lawrence has entered into or will enter into peaking service arrangements with Megan-Racine, Power City, and AG that will further displace approximately $14.2 \times 10^6 \text{ m}^3$ (0.5 Bcf) annually.

In the light of the displacements resulting from the three cogeneration projects and St. Lawrence's peaking service arrangements with them, St. Lawrence's annual requirement for system gas in its existing market area will be approximately $199.3 \times 10^6 \text{ m}^3$ (7 Bcf) for the initial period (as defined in Paragraph 1(a)) and approximately $184 \times 10^6 \text{ m}^3$ (6.5 Bcf) for the subsequent period (as defined in Paragraph 1(b)), in each case subject to reduction as herein provided. Consequently, with the Storage and Transportation Services, Niagara will be able to supply St. Lawrence's annual requirement for system gas in its existing market area, using gas purchased from Western Gas, by changing its maximum daily requirement from $1,135 \times 10^3 \text{ m}^3$ (40 MMcf) (the level in the 1986 Agreement) to $567 \times 10^3 \text{ m}^3$ (20 MMcf) for the initial period and to $538 \times 10^3 \text{ m}^3$ (19 MMcf) for the subsequent period, in each case subject to reduction as herein provided. At the same time, Niagara will be able to substantially increase its annual load factor under the new supply agreement with Western Gas, compared to the 1986 Agreement, with the consequential benefits to both Western Gas and Niagara. In 1990, Niagara's annual purchase load factor was 56.7 percent. In 1992, Niagara anticipates that its annual purchase load factor will be 95.7 percent, and in 1993, 93.7 percent.

Based on the foregoing, Western Gas and Niagara have agreed to enter a new supply agreement on the terms, and subject to the conditions, summarized below:

1. Daily Contract Volume(a) Initial DCV

On each day during the initial period of the Term (as defined in Paragraph 2), Niagara may nominate and purchase, and if so nominated Western Gas will sell and deliver, on a firm basis, up to $567.0 \times 10^3 \text{m}^3$ (20 MMcf) of gas (the "Daily Contract Volume" or "DCV" applicable to such initial period, subject to reduction in accordance with Paragraphs 1(c) and 8(c)). The term "initial period" means the period beginning on the Commencement Date (as herein defined) and ending on the later of October 31, 1993 or the first day on which St. Lawrence provides transportation service to AG for its "Psychiatric Centre Cogeneration Project".

(b) Subsequent DCV

On each day during the subsequent period of the Term, Niagara may nominate and purchase, and if so nominated Western Gas will sell and deliver, on a firm basis, up to $538.0 \times 10^3 \text{m}^3$ (19 MMcf) of gas (the "Daily Contract Volume" or "DCV" applicable to such subsequent period, subject to reduction in accordance with Paragraphs 1(c) and 8(c)). The term "subsequent period" means the period beginning at the end of the initial period and ending on the last day of the Term.

(c) Displacement Reductions

Niagara shall have the right to reduce the applicable DCV in order to offset the displacement of St. Lawrence's sales of system gas in its existing market area resulting from any Direct Purchase Arrangement, as provided in this Paragraph 1(c). The term "Direct Purchase Arrangement" means a contract or arrangement (excluding any amendment or renewal) between a customer of St. Lawrence and a supplier of gas other than St. Lawrence or Niagara (or an affiliate of either of them) under which the customer purchases gas (i) for its own consumption or use in St. Lawrence's existing market area or (ii) for resale to St. Lawrence or Niagara pursuant to a "buy-sell" contract or arrangement between them under which St. Lawrence or Niagara purchases gas from the customer with the intention of selling an equivalent volume (on an annual basis), in the case of St. Lawrence, to the customer, and in the case of Niagara, to St. Lawrence for resale by St. Lawrence to the customer, in either case for the customer's own consumption or use in St. Lawrence's existing market area, and as a result of which St. Lawrence's sales of system gas to the customer are

displaced. The term "Exempt Direct Purchase Arrangement" means a Direct Purchase Arrangement in which the supplier of gas is Western Gas or TransCanada (or an affiliate of either of them).

Whenever a customer of St. Lawrence enters into a Direct Purchase Arrangement, Niagara may give Western Gas a notice to that effect (a "Displacement Notice"). Each Displacement Notice shall specify the daily volume involved in the Direct Purchase Arrangement, the portion of such daily volume that Niagara elects to classify as the displacement volume, the Western Gas market share (being a fraction with a numerator equal to the applicable DCV and a denominator equal to the sum of the applicable DCV and the aggregate daily contract volume under the Additional Long Term Supply Contracts), the DCV reduction volume (being the product obtained by multiplying the displacement volume by the Western Gas market share unless the displacement volume pertains to an Exempt Direct Purchase Arrangement, in which case the DCV reduction volume will be equal to the displacement volume), and the anticipated date of first delivery under the Direct Purchase Arrangement. If the actual date of first delivery is likely to vary from the anticipated date specified in the Displacement Notice, Niagara will give Western Gas as much prior notice thereof as may be possible under the circumstances.

Effective as of and from the actual date of first delivery under the Direct Purchase Arrangement, the applicable DCV will be permanently reduced by the amount of the DCV reduction volume specified in the Displacement Notice, together with a corresponding reduction in all associated delivery and payment obligations of the parties hereunder (the "Displacement Reduction"). Each Displacement Notice will contain reasonable particulars of the Direct Purchase Arrangement. Western Gas shall have the periodic right to audit the books and records of St. Lawrence and Niagara in order to verify the information contained in any Displacement Notice; the auditor must be independent of Western Gas and its affiliates.

Western Gas will permanently assign to Niagara a portion of its service entitlement under the TransCanada FS Contract (as defined in Paragraph 4) corresponding to the Displacement Reduction contemplated by each Displacement Notice (a "Partial Assignment"). Niagara will use a Partial Assignment to ship gas in connection with the Direct Purchase Arrangement to which the Displacement Notice applies for the term of the Direct Purchase Arrangement (including renewals or extensions) and

thereafter as Niagara sees fit. A Partial Assignment will become effective on the same date as the corresponding Displacement Reduction. From and after such effective date, Niagara will be entitled to all rights (including renewal rights) and will be responsible for all obligations in connection with the Partial Assignments, in accordance with appropriate assignment and assumption documentation. In connection with any such Partial Assignment, the parties will use all reasonable efforts to obtain from TransCanada an unconditional release for Western Gas from any future obligations pertaining thereto.

2. Term/Commencement Date

The gas supply arrangements contemplated by this letter agreement will be effective for a term of 10 contract years (the "Term") commencing on November 1, 1992 (the "Commencement Date"). The term "contract year" means a period of 12 consecutive calendar months commencing on a November 1st.

3. Points of Delivery

(a) Cornwall

Subject to Paragraph 3(b), Western Gas will deliver the gas nominated by Niagara on any day during the Term (the "Scheduled Daily Deliveries") to Niagara at the Cornwall delivery point on TransCanada's system. This will be the primary delivery point under the TransCanada FS Contract.

(b) Iroquois

Western Gas understands that, before or during the Term, St. Lawrence may seek to have its distribution system in its existing market area connected with the pipeline of Iroquois Gas Transmission System, L.P. ("Iroquois") and to arrange for transportation service with Iroquois. Thereafter Niagara may wish to receive all or part of the Scheduled Daily Deliveries at the Iroquois delivery point on TransCanada's system, where TransCanada's facilities connect with Iroquois's facilities, for resale and export to St. Lawrence at or near that delivery point.

In the light of these proposed arrangements, Western Gas will use its reasonable efforts to add the Iroquois delivery point to the TransCanada FS Contract as a secondary delivery point, and Niagara will use its reasonable efforts to obtain the necessary regulatory approvals for Niagara to export, and for St. Lawrence to import, the gas delivered by Western Gas to Niagara, and

by Niagara to St. Lawrence, at or near the Iroquois delivery point.

If and when Niagara is able to nominate all or part of the Scheduled Daily Deliveries at the Iroquois delivery point, Niagara's nominations shall specify the portion thereof to be delivered by Western Gas at the Cornwall and/or the Iroquois delivery point(s). Western Gas will make such deliveries in accordance with Niagara's nominations as to delivery point.

4. TransCanada Transportation

(a) TransCanada FS Contract

Western Gas will renew or otherwise extend for the full Term the firm service contract with TransCanada that it now uses to ship gas for sale and delivery to TransCanada for resale to Niagara under the 1986 Agreement (such contract, as renewed or otherwise extended, being the "TransCanada FS Contract"), with a maximum daily volume (the "Contract Demand") that corresponds to the applicable Daily Contract Volume. Western Gas will maintain the TransCanada FS Contract at a Contract Demand sufficient to deliver the applicable Daily Contract Volume to the Cornwall and/or the Iroquois delivery point(s) for the full Term, and to the extent required under the circumstances, to enable Niagara to deliver the aggregate daily volume specified in the Partial Assignments. In this regard, Niagara will cooperate and provide TransCanada, in a timely manner, with such information as may reasonably be required by TransCanada in accordance with its usual contract renewal or extension procedures.

(b) TransCanada Fuel Requirement

Western Gas will supply the fuel gas required by TransCanada to transport gas under the TransCanada FS Contract as it may be effectively modified by the Partial Assignments (the "TransCanada Fuel Requirement") during each contract year in respect of which the parties reach agreement on the price applicable to fuel gas for the contract year. In this regard, on or before the July 1st preceding each contract year, Niagara and Western Gas will negotiate in good faith in order to reach agreement on the applicable price (in dollars per GJ) for the contract year. If the parties have not reached agreement on the applicable price by the September 1st preceding any contract year, then Western Gas will not be obligated to supply the TransCanada Fuel Requirement for the contract year, and Niagara will be obligated to purchase

the TransCanada Fuel Requirement for the contract year from another supplier and to make it available to Western Gas as shipper under the TransCanada FS Contract during the contract year. In such event, and if on any day the fuel gas made available by or for Niagara is less than the TransCanada Fuel Requirement for the day, then Western Gas will be entitled to make up the fuel deficiency out of the gas that Western Gas would otherwise have been obligated to deliver to Niagara, and the volume that Niagara would otherwise be entitled to receive from Western Gas will be reduced accordingly.

5. Responsibilities Prior to Commencement Date

Prior to the Commencement Date:

- (a) Niagara will enter into such contractual arrangements as are necessary in order to make the Storage and Transportation Services available to Niagara by the Commencement Date. In connection therewith, if requested by Niagara on a timely basis, Western Gas will use its reasonable efforts to assist Niagara in obtaining a contract with TransCanada for the STS Service that is not conditional on TransCanada installing additional facilities. In this regard, if necessary, Western Gas will offer to permanently reduce the current Contract Demand under the TransCanada FS Contract applicable to service between the Parkway Belt-Union and/or the Kirkwall delivery point(s) and the Cornwall delivery point on TransCanada's system, to a volume not less than the applicable Daily Contract Volume, in order to make capacity available for the STS Service.
- (b) Niagara will use its reasonable efforts and will act diligently to obtain (and cause St. Lawrence to obtain) any new, revised or extended authorizations of Canadian and U.S. governmental or other regulatory authorizations as may be necessary to implement the gas service described in this letter agreement, including but not limited to all necessary export and import authorizations. Western Gas will co-operate with Niagara and St. Lawrence in obtaining such authorizations, in particular by providing all requisite information on its gas supply.

6. Price

- (a) The price to be paid by Niagara for the gas service described in this letter agreement will be based on a two-part demand/commodity structure. For each month of the Term, Niagara will pay a total price equal to the sum of the Monthly Demand Charge, plus the Monthly Commodity

Charge, plus the Monthly Fuel Charge for such month, as such amounts are defined and determined in accordance with Paragraph 6(b), and subject to adjustment as required in accordance with Paragraphs 6(c) and 6(d). All billings and payments will be in Canadian currency.

- (b) (i) The term "Monthly Demand Charge" means, for any month, an amount equal to the product obtained by multiplying:
- (A) the quotient obtained by dividing (x) the sum of the applicable Daily Contract Volumes (in 10^3m^3) in effect during the month by (y) the number of days in the month; by
 - (B) the sum of TransCanada's monthly demand toll (in dollars per 10^3m^3) in effect for the month for firm service from the Empress receipt point to the Cornwall delivery point (including any delivery pressure toll), plus NOVA's monthly demand toll (in dollars per 10^3m^3) in effect for the month; and "NOVA's monthly demand toll" in effect for any month means the quotient obtained by dividing
 - (x) the total dollar amount of NOVA's invoiced demand charges, including any billing adjustments, that is payable by Western Gas (either directly to NOVA or to reimburse TransCanada or any third party to whom Western Gas is liable in this regard) for all firm transportation service that was committed or available to Western Gas during the immediately preceding month; by
 - (y) the maximum daily delivery capacity on NOVA's system that was committed or available to Western Gas during the immediately preceding month.
- (ii) The term "Monthly Commodity Charge" means, for any month, an amount equal to the product obtained by multiplying (w) the total volume (in 10^3m^3) of gas delivered to Niagara at the Cornwall delivery point during the month by (x) the sum of:
- (A) the remainder (in dollars per 10^3m^3) obtained by subtracting (y) the product obtained by multiplying NOVA's monthly demand toll in effect for the month by the fraction $12/365$ from (z) the Gas Price (in dollars per 10^3m^3)

in effect for the month; and the "Gas Price" in effect for any month shall be equal to the Consumers Gas Average Price (as defined in this Paragraph 6(b)) for the month, converted to dollars per 10^3m^3 using TransCanada's combined stream average gross heating value for the month, plus

(B) TransCanada's commodity toll (in dollars per 10^3m^3) in effect for the month for firm service from the Empress receipt point to the Cornwall delivery point.

(iii) The term "Monthly Fuel Charge" means, for any month in a contract year in which Western Gas is supplying the TransCanada Fuel Requirement, an amount equal to the product obtained by multiplying (x) the volume (in 10^3m^3) of the TransCanada Fuel Requirement for the month by (y) the Fuel Price (in dollars per 10^3m^3) in effect for the month; and the "Fuel Price" in effect for any month shall be equal to the agreed-on price applicable to fuel gas for the month pursuant to Paragraph 4(b), converted to dollars per 10^3m^3 using TransCanada's combined stream average gross heating value for the month.

In connection with the term "Gas Price" as used in Paragraphs 6(b)(ii) and 7(c), the following terms shall have the following meanings:

- (iv) "Consumers Gas" means The Consumers' Gas Company Ltd.;
- (v) "Consumers Gas Long Term Contracts" means all of the Consumers Gas arm's length contracts for firm purchases of Western Canadian gas for resale to its sales service customers in Ontario and to Gazifère Inc. (exclusive of any direct purchase arrangement involving customers of Consumers Gas or Gazifère Inc. similar to the Direct Purchase Arrangements hereunder) having an initial primary term (exclusive of renewals or extensions) of 10 or more years.
- (vi) "Consumers Gas Average Price" means, for any month, the weighted average price (in dollars per GJ) that is derived from the prices to be paid by Consumers Gas for gas purchased under all of the Consumers Gas Long Term Contracts during the month, on the assumption that each such contract will operate at 100 percent load factor during the month and with such prices being weighted proportionately in

accordance with the firm daily contract volume available to Consumers Gas under each such contract on each day of the month. Such prices shall include both demand and commodity components.

Prior to the commencement of each contract year, Niagara will provide (or cause Consumers Gas to provide) Western Gas with a written statement showing the Consumers Gas Average Price for each month of the contract year. If there is any subsequent change in the price and/or the firm daily contract volume under any Consumers Gas Long Term Contract that would result in an adjustment of the Consumers Gas Average Price if such price were to be derived immediately after such change is effective, Niagara will so notify Western Gas (a "pricing change notice"). The Consumers Gas Average Price will then be prospectively adjusted to reflect such change from and after the effective date of such change.

The Consumers Gas Average Price will not be retroactively adjusted as a result of any change in the price being paid under any Consumers Gas Long Term Contract (including but not limited to any change resulting from renegotiation, arbitration or regulatory proceedings) after any bill for gas sold has been rendered by Western Gas to Niagara, except in the following specific circumstances:

- (A) If, as of the beginning of any contract year, the pricing provisions of any Consumers Gas Long Term Contract for the contract year are subject to an ongoing arbitration proceeding, then the price to be paid thereunder by Consumers Gas pending an arbitration decision will continue to be used for the purpose of determining the Consumers Gas Average Price until the arbitrated price change becomes effective. The Consumers Gas Average Price will be adjusted to reflect the outcome of the arbitration prospectively only, unless the terms of such Consumers Gas Long Term Contract require retroactive adjustment between Consumers Gas and the supplier, in which case the Consumers Gas Average Price will be deemed to have been amended as of the same date and appropriate retroactive adjustments will be made promptly between Niagara and Western Gas.
- (B) If any of the information provided by Niagara or Consumers Gas with respect to the

determination of the Consumers Gas Average Price is erroneous, or if a pricing change notice is not provided by Niagara in a timely fashion, and if such erroneous information or untimely notice results in an erroneous Consumers Gas Average Price being used for billing purposes in any month or months, then appropriate adjustments (including payment of interest on any unpaid or overpaid amounts at the prime rate announced from time to time by the Canadian Imperial Bank of Commerce, plus one percent) will be made promptly by the parties.

Niagara will cause Consumers Gas to give Western Gas the periodic right to audit the books and records of Consumers Gas in order to verify the basis for and the calculation of the Consumers Gas Average Price; the auditor must be independent of Western Gas and its affiliates.

- (c) If Western Gas delivers gas to Niagara at the Iroquois delivery point in any month pursuant to Paragraph 3(b), the total price payable by Niagara for the month pursuant to Paragraph 6(a) will be adjusted by an amount equal to any increase or decrease, as the case may be, in the transportation tolls (including but not limited to any delivery pressure toll) that Western Gas becomes obligated to pay to TransCanada as a result of delivering gas to Niagara at the Iroquois delivery point instead of or as well as at the Cornwall delivery point.

- the* (d) If ^{WESTERN GAS} ~~Niagara~~ diverts gas for Niagara to delivery points other than the Cornwall and/or the Kirkwall delivery point(s) in any month pursuant to Paragraph 8(b), the total price payable by Niagara for the month pursuant to Paragraph 6(a) will be adjusted by an amount equal to any increase or decrease, as the case may be, in the transportation tolls (including but not limited to any delivery pressure toll) that Western Gas becomes obligated to pay to TransCanada as a result of diverting gas for Niagara to such other delivery points.

- (e) For greater certainty (and in contrast to the 1986 Agreement), the parties confirm that, as between them, Niagara will be responsible for all costs associated with the transportation of the gas purchased hereunder downstream of the Cornwall and/or the Iroquois delivery point(s). In particular, there will be no deduction in respect of Niagara's cost of service for the Cornwall Pipeline from the price otherwise payable to Western Gas for gas purchased in accordance with the terms hereof.

7. Overrun Gas

- (a) On any day during the Term for which Niagara nominates the full Daily Contract Volume, Niagara may also request that Western Gas deliver volumes of gas in excess of the applicable Daily Contract Volume, up to the maximum volumes set out in Paragraph 7(b) ("Overrun Gas"). Such Overrun Gas shall be delivered to Niagara at the Empress receipt point on TransCanada's system.
- (b) If so requested on any day during the Term, Western Gas shall deliver:
 - (i) up to five percent of the DCV for such day as Overrun Gas on a firm basis; and
 - (ii) up to an additional 20 percent of the DCV for such day as Overrun Gas on an interruptible basis, subject to Western Gas (using its reasonable efforts) obtaining the necessary gas supply and transportation service on the NOVA system.
- (c) The price (in dollars per 10³m³) for Overrun Gas delivered during any month shall be equal to the Gas Price in effect for the month.

8. Annual Requirement for System Gas

(a) Full Requirements Arrangement

The parties intend that the gas service contemplated hereby will be a full requirements arrangement for St. Lawrence's annual requirement for system gas in its existing market area, until such time as St. Lawrence's annual requirement for a contract year exceeds or is reasonably anticipated to exceed the Annual Contract Volume for the contract year (such excess portion of St. Lawrence's annual requirement being the "additional annual requirement"). At that time, the gas service contemplated hereby will cease to be a full requirements arrangement. The term "Annual Contract Volume" means, for any contract year, the sum of the applicable Daily Contract Volumes in effect during the contract year.

If and when the gas service contemplated hereby ceases to be a full requirements arrangement, Niagara or St. Lawrence will be entitled to enter into contracts or arrangements with suppliers of gas other than Western Gas or TransCanada (or their affiliates) in order to meet St. Lawrence's additional annual requirement for system gas in its existing market area (the "Additional Supply Contracts"). In the event that Niagara or St. Lawrence

does so, each Additional Supply Contract will be assigned to one of the following categories for the purposes of the gas service contemplated by this letter agreement:

- (i) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of less than one year, or that provide gas supply on a reasonable efforts basis regardless of the length of the initial primary term ("Short Term Supply Contracts");
- (ii) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of one year or more but less than 10 years ("Medium Term Supply Contracts"); and
- (iii) contracts or arrangements that provide gas supply on a firm basis and that have an initial primary term of 10 or more years ("Additional Long Term Supply Contracts").

Niagara will endeavour to purchase the Annual Contract Volume from Western Gas in each contract year, having regard to St. Lawrence's annual requirement for system gas in its existing market area for the contract year and, if and when the gas service contemplated hereby ceases to be a full requirements arrangement, having regard also to the obligation (if any) of Niagara or St. Lawrence to do likewise under any Additional Supply Contract that permits Niagara or St. Lawrence to prorate daily deliveries thereunder in the manner contemplated by Paragraph 8(b). Subject to any such obligation, Niagara or St. Lawrence will not purchase gas under any Additional Supply Contract if Niagara or St. Lawrence knows or (acting reasonably) ought to know that such action would likely result in Niagara purchasing from Western Gas, in any contract year, a volume of gas that is less than the Annual Contract Volume.

(b) Annual Shortfall

Western Gas acknowledges that, in any contract year, St. Lawrence's annual requirement for system gas in its existing market area could be less than the annual supply available to St. Lawrence for the contract year, due to circumstances beyond St. Lawrence's control (such as warmer-than-normal weather and/or unfavourable economic conditions). Accordingly, if and when Niagara reasonably anticipates that St. Lawrence's annual requirement for system gas in its existing market area for a contract year will be less than the sum of the projected Annual Contract Volume for the contract year and the projected

aggregate annual contract volume under the Medium Term Supply Contracts and the Additional Long Term Supply Contracts combined for the contract year, Niagara will promptly give Western Gas a notice to that effect (a "Shortfall Notice"), specifying the projected annual shortfall, and will take (or cause St. Lawrence to take) the following steps in order to mitigate and fairly distribute the impact of the projected annual shortfall on Western Gas and the other supplier(s) of gas to Niagara or St. Lawrence:

- (i) curtail or terminate daily deliveries of gas under the Short Term Supply Contracts, as required to eliminate the projected annual shortfall; and
- (ii) if the first step is not enough to eliminate the projected annual shortfall, prorate daily deliveries between the gas service contemplated hereunder and the gas service provided under all Medium Term Supply Contracts and all Additional Long Term Supply Contracts, so that the Western Gas share of the actual annual shortfall will not exceed a fraction with a numerator equal to the Annual Contract Volume and a denominator equal to the sum of the Annual Contract Volume and the aggregate annual contract volume under such other contracts.

In order to mitigate the impact of the projected annual shortfall on Niagara and St. Lawrence, Western Gas will co-operate and work together with Niagara in order to assist Niagara in reselling, to secondary markets, any gas purchased by Niagara from Western Gas that Niagara is unable to resell to St. Lawrence, to the following extent:

- (iii) Western Gas will divert the gas that Niagara has agreed to resell for use by The Consumers' Gas Company Ltd. or its affiliates, according to Niagara's direction as to the delivery point(s) on TransCanada's system, subject to the availability of capacity in regard to the delivery point(s); and
- (iv) Western Gas may divert, in its sole discretion, the gas that Niagara wishes to resell to any other buyer, according to Niagara's direction as to the delivery point(s) on TransCanada's system, subject to the availability of capacity in regard to the delivery point(s).

Each Shortfall Notice shall contain reasonable particulars of the cause(s) of the projected annual

shortfall. Niagara will give Western Gas a revised Shortfall Notice whenever there is a material change in the level of the projected annual shortfall. Western Gas shall have the periodic right to audit the books and records of Niagara and St. Lawrence in order to verify the information contained in any Shortfall Notice, and to confirm that Niagara or St. Lawrence took the foregoing steps in order to mitigate and fairly distribute the impact of the annual shortfall; the auditor must be independent of Western Gas and its affiliates.

(c) Market Loss Reductions

Niagara shall have the right to reduce the applicable DCV in order to offset the reduction in St. Lawrence's annual requirement for system gas resulting from any permanent or long term decline in market demand in St. Lawrence's existing market area after the commencement of the Term, as provided in this Paragraph 8(c).

Whenever such a decline in market demand occurs or is reasonably anticipated to occur, Niagara may give Western Gas a notice to that effect (a "Market Loss Notice"). Each Market Loss Notice shall specify the annual lost volume attributable to the decline in market demand, the corresponding daily lost volume (being the quotient obtained by dividing the specified annual lost volume by 365 days), the Western Gas market share (being a fraction with a numerator equal to the applicable DCV and a denominator equal to the sum of the applicable DCV and the aggregate daily contract volume under the Medium Term Supply Contracts and the Additional Long Term Supply Contracts combined), and the DCV reduction volume (being the product obtained by multiplying the daily lost volume by the Western Gas market share).

Effective as of and from the first day of the contract year that commences at least four months after the giving of a Market Loss Notice, the applicable DCV shall be permanently reduced by the amount of the DCV reduction volume specified in the Market Loss Notice, together with a corresponding reduction in all associated delivery and payment obligations of the parties under the new supply arrangement (the "Market Loss Reduction"). In the meantime, Niagara will curtail or terminate daily deliveries of gas under the Short Term Supply Contracts, as required to offset the decline in market demand on a short term basis.

Each Market Loss Notice will contain reasonable particulars of the decline in St. Lawrence's market demand. Western Gas shall have the periodic right to

audit the books and records of St. Lawrence and Niagara in order to verify the information contained in any Market Loss Notice; the auditor must be independent of Western Gas and its affiliates.

In connection with any Market Loss Reduction, Western Gas may, at its option, elect to retain and utilize for its own purposes and at its own expense the portion of its service entitlement under the TransCanada FS Contract that, as a result of the Market Loss Reduction, Western Gas would no longer require to ship gas for sale and delivery to Niagara (the "Excess Capacity"). Alternatively, Western Gas may elect to assign the Excess Capacity to Niagara as of and from the effective date of the Market Loss Reduction. Any such assignment will include any renewal rights associated with the Excess Capacity and will be made on the same terms (including the assumption by Niagara of all toll payment obligations) as the Partial Assignments contemplated by Paragraph 1(c). Western Gas will notify Niagara of its election with respect to the Excess Capacity within two months of Niagara's Market Loss Notice.

The parties acknowledge that any Market Loss Reduction and/or assignment of Excess Capacity will be permanent and, unless expressly otherwise agreed, Niagara will not be entitled to have all or any part of any Market Loss Reduction reinstated.

9. Renegotiation and Arbitration

- (a) No more than 120 days and no less than 60 days prior to the commencement of each contract year (except the first contract year), either party may give written notice to the other ("the Renegotiation Notice") requiring the renegotiation of the Gas Price component of the Monthly Commodity Charge that will be applicable during the contract year. For greater certainty, the two-part demand/commodity pricing structure and the components of that structure other than the Gas Price component described in Paragraph 6(b)(ii) will not be subject to renegotiation or arbitration.

If a Renegotiation Notice is given, the parties will act in good faith to attempt to negotiate a new Gas Price component, taking into account the arbitration criteria referred to in Paragraph 9(b).

- (b) If any such renegotiation does not result in a written agreement between the parties within 60 days of the delivery of the Renegotiation Notice, or if it does but Western Gas does not obtain an unconditional finding of

producer support from the Alberta Petroleum Marketing Commission under the Natural Gas Marketing Act (Alberta) within 30 days of the written agreement, then either party may give written notice initiating arbitration of the matter. Any such arbitration will be initiated and conducted substantially in accordance with the provisions of Article XV of the Gas Sales Contract made as of December 30, 1988 between Western Gas and Consumers Gas (the "Western Gas/Consumers Gas Contract") and the arbitration criteria identified in Exhibit "A" to this letter agreement.

- (c) The purpose of any renegotiation or arbitration of the Gas Price component of the Monthly Commodity Charge will be to determine a Gas Price that, in the circumstances then prevailing, is fair to both parties, taking into consideration each of the arbitration criteria identified in Exhibit "A" to this letter agreement.
- (d) Any modification of the Gas Price component of the Monthly Commodity Charge resulting from either renegotiation or an arbitration decision will become effective substantially as provided in Section 5.5 of the Western Gas/Consumers Gas Contract.

10. Gas Supply Obligations

The gas to be supplied by Western Gas to Niagara will be delivered from the aggregate supply of gas (the "Supply Pool") producible from reserves that are or will be under contract (directly or indirectly) to TransCanada and/or its affiliates (including Western Gas) and dedicated by various gas producers (the "Producers") to TransCanada and/or its affiliates (directly or indirectly) for delivery under all of the gas supply contracts of TransCanada and/or its affiliates. In connection therewith, the gas supply obligations of Western Gas and the rights and obligations of the parties in connection with the management and operation of the Supply Pool, and the deliveries of gas therefrom, will be substantially similar to the terms of Article VII of the Western Gas/Consumers Gas Contract.

11. Producer Approval

The obligations of the parties hereunder are conditional on the receipt, within 30 days of the date of this letter agreement, of a finding of producer support by the Alberta Petroleum Marketing Commission under Section 9(2) of the Natural Gas Marketing Act (Alberta) and of such other approvals of the Producers as may be necessary (including, but not limited to, approvals required under contracts between

Western Gas, TransCanada, and the Producers), all on terms satisfactory to Western Gas, in its sole discretion.

12. 1986 Agreement

The parties acknowledge that the provisions of the 1986 Agreement will continue in full force and effect until the Commencement Date, when the 1986 Agreement will expire.

13. Gas Sales Contract

By executing this letter agreement, Western Gas and Niagara agree to act expeditiously, reasonably and in good faith to attempt to negotiate and execute a detailed gas sales contract (the "Gas Sales Contract") incorporating (and where necessary amplifying) the foregoing terms and such other terms as are reasonable or usual in similar agreements for long term gas supply.

14. Deadlines

If:

- (a) the condition with respect to the Producers approvals set out above in Paragraph 11 is not satisfied within the time limit provided, or
- (b) all U.S. and Canadian governmental and regulatory authorizations required to implement the arrangements contemplated herein are not in place by November 1, 1992,

then this letter agreement (and the Gas Sales Contract, if executed) will automatically terminate and the parties will thereafter be under no further obligation hereunder.

15. TransCanada Warranty

Western Gas will cause TransCanada to execute a warranty of performance by Western Gas of the Gas Sales Contract from and after the Commencement Date. The warranty of performance will be substantially similar to the warranty of performance given by TransCanada to Consumers Gas in connection with the Western Gas/Consumers Gas Contract.

If the foregoing properly summarizes the terms of the proposed new gas supply arrangements between Niagara and Western Gas, please execute both of the enclosed copies of this letter agreement and return one fully executed copy to Western Gas.

Yours very truly,

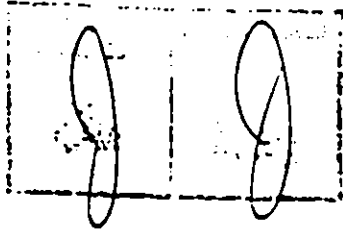
WESTERN GAS MARKETING LIMITED

Per: 

W.A. Smith
Director, LDC Marketing

PFE


Accepted this 10th day of December,
1991.



NIAGARA GAS TRANSMISSION LIMITED

Per: 

R.G. Riedl
Vice President

EXHIBIT A

Arbitration Criteria

The Arbitrator(s) shall base his (their) determination upon and shall give due consideration to each of the following matters, to the extent that evidence is adduced by the parties in the arbitration:

1. the prices being paid by gas purchasers in North American gas market areas (other than St. Lawrence's existing market area) for gas service from Alberta, British Columbia, and Saskatchewan suppliers;
2. the prices being paid by St. Lawrence or its customers for other Canadian gas or U.S. gas that is delivered to St. Lawrence's existing market area; and
3. the prices of substitutable energy sources that compete with gas for various end-uses of gas in St. Lawrence's existing market area, taking into account any differences between the efficiencies of gas and those substitutable energy sources;

provided that, in considering such matters, the Arbitrator(s) shall also take into account the following matters, to the extent that evidence is adduced by the parties in the arbitration:

- (a) the time at which the prices were agreed to between the respective buyers and sellers;
- (b) differences in transportation costs relevant to establishing a point of comparison at the relevant receipt points on TransCanada's system;
- (c) the similarities and dissimilarities between the service(s) provided hereunder and the sale and transportation arrangements under which other gas is being sold for consumption or use in St. Lawrence's existing market area and in other North American markets or under which substitutable energy sources are being sold for consumption or use in St. Lawrence's existing market area, including in particular but not limited to the similarities and dissimilarities between the quality of service and the security of supply provided hereunder and provided under such other arrangements; and
- (d) any other considerations in respect of which relevant evidence is adduced by the parties.

AL STATE LEGAL SUPPLY CO 140222019 CR11

Western Gas
Marketing
Limited

11th Floor
55 Yonge Street
Toronto, Canada
M5C 1J4
(416) 869-2066
Canadian Sales Fax (416) 869-2125
U.S. Sales Fax (416) 869-2011

27 October 1992

St. Lawrence Gas Company, Inc.
56-58 Main Street
Massena, New York 13662

Attention: Mr. F.D. Rewbotham
President and General Manager

Gentlemen:

Re: Gas Storage and Sale Arrangement

Western Gas Marketing Limited ("Western Gas") and St. Lawrence Gas Company, Inc. ("St. Lawrence") have completed the negotiation of the material commercial terms and conditions of a gas storage and sale arrangement. Western Gas has arranged for its affiliate, Western Gas Services Ltd. ("WG Services"), to assist in respect of the storage aspect by means of its existing storage service entitlement with Union Gas Limited ("Union"). St. Lawrence has arranged for its affiliate, The Consumers' Gas Company Ltd. ("Consumers Gas"), to assist in respect of the storage aspect by means of its existing subshipper agreement with Western Gas. This letter agreement is intended to set out those terms and conditions and to commit the parties to finalize the documents required to implement the arrangement.

1. Scope of Arrangement

- (a) Storage: During the period ending 31 October 1992, WG Services will store with Union, for the account of Western Gas, a total volume of at least 24 078.6 10^3m^3 (0.85 Bcf) of gas. Western Gas will deliver the storage gas to Consumers Gas at the Empress receipt point, and Consumers Gas (as shipper) will utilize its firm transportation service entitlements on the TransCanada PipeLines Limited ("TransCanada") system in order to ship the storage gas, for the account of Western Gas (as subshipper), to the Dawn delivery point for delivery to and storage by Union on behalf of WG Services.

- (b) Sale: During the period starting on 1 November 1992 and ending on 31 March 1993, St. Lawrence may nominate, and if so nominated, Western Gas will sell and deliver to St. Lawrence, up to $283 \times 10^3 \text{m}^3$ (10 MMcf) per day of the storage gas. However, the total volume of storage gas so nominated, sold, and delivered during the period will not exceed $24 \ 078.6 \times 10^3 \text{m}^3$ (0.85 Bcf).

WG Services's storage service entitlement with Union is interruptible, and Western Gas's delivery obligation to St. Lawrence is accordingly interruptible. However, Western Gas has arranged for a backstopping gas supply in order to offset any interruption in the withdrawal of the storage gas during the first three months of the period. As a result, Western Gas will deliver St. Lawrence's nominations for storage gas on a firm basis during the first three months, and for the purpose of subparagraph 1(c), any backstopping gas that is utilized for this purpose will be deemed to be storage gas nominated by St. Lawrence. If Western Gas is able to extend the backstopping arrangement beyond January 1993 (and Western Gas will use commercially reasonable efforts to do so), Western Gas will continue to make deliveries on a firm basis. Otherwise, deliveries during the last two months of the period will be interruptible to the extent of any interruption in the withdrawal of the storage gas.

The delivery point will be the Parkway Belt-Union receipt/delivery point on TransCanada's system. Western Gas will ship the storage gas from Union's underground storage facilities for delivery to or for St. Lawrence at the delivery point, utilizing an assignment of St. Lawrence's M12 transportation service entitlement on the Union system. St. Lawrence will ship the storage gas to the Cornwall delivery point on TransCanada's system, utilizing the Storage Transportation Service entitlement on the TransCanada system that will be available to St. Lawrence.

- (c) Shortfall Volume: If St. Lawrence nominates less than $24 \ 078.6 \times 10^3 \text{m}^3$ (0.85 Bcf) of storage gas for delivery prior to 1 April 1993, St. Lawrence will nevertheless be obligated to pay Western Gas for a volume of storage gas equal to the shortfall, which shall be calculated on the basis of St. Lawrence's nominations, without regard to any interruption in the withdrawal of storage gas. For the purpose of paragraph 2, the shortfall volume will be deemed to have been delivered by Western Gas during March 1993. In order to mitigate the impact of this obligation, Western Gas will co-operate and work together with St. Lawrence with a view to assisting St. Lawrence in reselling, to secondary markets, any storage gas that St. Lawrence (acting reasonably) considers will become a

shortfall volume on 1 April 1993. St. Lawrence will reimburse Western Gas for any reasonable expenses that it incurs in this regard.

2. Price

The price payable by St. Lawrence to Western Gas for the total volume of storage gas delivered (or deemed to be delivered) by Western Gas to St. Lawrence during each month will consist of the following components:

- (a) the product obtained by multiplying (i) the total monthly volume (expressed in GJ units) by (ii) Cdn. \$1.58 per GJ;
- (b) the product obtained by multiplying (i) 283 10³m³ (10 MMcf), which is the Contract Demand under St. Lawrence's service entitlement on the Union system, by (ii) Union's demand rate in effect for the month for M12 transportation service from Dawn to Parkway; and
- (c) the product obtained by multiplying (i) the total monthly volume (expressed in 10³m³ units) by (ii) Union's commodity rate (including the cost of fuel gas) in effect for the month for M12 transportation service from Dawn to Parkway.

The price payable by St. Lawrence to Western Gas for the month of November 1992 will also consist of the following additional components:

- (d) the product obtained by multiplying (i) the total volume of storage gas (expressed in 10³m³ units) shipped by Consumers Gas for the account of Western Gas by (ii) the sum of TransCanada's demand toll, calculated at 100 percent load factor, and TransCanada's commodity toll in effect for October 1992 for Firm Service (FS) to the Eastern Zone; and
- (e) the product obtained by multiplying (i) the total volume of fuel gas (expressed in GJ units) provided by Western Gas in connection with Consumers Gas shipping the storage gas by (ii) \$1.05 per GJ.

3. Conditions

The obligation of Western Gas to sell and deliver, and the obligation of St. Lawrence to purchase and receive, gas in accordance with the arrangement described herein will be conditional upon completion of the following matters, and the parties will use all reasonable efforts to complete them in a timely manner:

- (i) Consumers Gas and Western Gas will activate the Subshipper Agreement made as of 1 January 1991 for the period ending 31 October 1992, and notwithstanding Section 1 thereof, Consumers Gas will provide sufficient firm transportation service thereunder during the period to ensure that at least 24 078.6 10³m³ (0.85 Bcf) of storage gas is delivered to Union for injection into storage prior to the end of the period;
- (ii) St. Lawrence and Western Gas will enter into an assignment of St. Lawrence's service entitlement under the M12 Transportation Contract dated as of 28 June 1991 between Union and Niagara Gas Transmission Limited ("Niagara") for the period starting on 1 November 1992 and ending on 31 March 1993, St. Lawrence having obtained its service entitlement under an assignment made as of 17 June 1992 among Niagara, St. Lawrence, and Union; and
- (iii) TransCanada, Western Gas, and St. Lawrence will enter into a Storage Transportation Service Contract.

4. Nominations, Invoices, and Other Notices

St. Lawrence will give its daily nominations pursuant to subparagraph 1(b), and any other communications, to Western Gas in writing as follows:

WESTERN GAS MARKETING LIMITED

(i) Mailing Address: 11th Floor
55 Yonge Street
Toronto, Ontario
M5E 1J4

copy to: P.O. Box 500, Station "M"
Calgary, Alberta
T2P 3V6

(ii) Delivery Address: 11th Floor
55 Yonge Street
Toronto, Ontario

copy to: 24th Floor
530, 8th Avenue S.W.
Calgary, Alberta

(iii) Nominations and Invoices: Attention: Manager, Marketing Nominations
Facsimile: (403) 269-5005
Telephone: (403) 269-5720

(iv) Legal and Attention: Supervisor, Sales Support
Other Matters: Facsimile: (416) 869-2125
Telephone: (416) 869-2009

St. Lawrence's daily nominations will be given to Western Gas prior to 12:00 hours (Eastern Standard Time) on the day before the day for which St. Lawrence is nominating deliveries of storage gas pursuant to subparagraph 1(b).

Western Gas will give its monthly invoices pursuant to paragraph 2, and any other communications, to St. Lawrence in writing as follows:

ST. LAWRENCE GAS COMPANY, INC.

- (i) Mailing Address: P.O. Box 270
Massena, New York 13662
- (ii) Delivery Address: 56-58 Main Street
Massena, New York 13662
- (iii) Nominations: c/o The Consumers' Gas Company Ltd.
Attention: Manager, Gas Supply Operations
Facsimile: (416) 491-7497
Telephone: (416) 495-5056
- (iv) Invoices and Attention: President and General Manager
Other Matters: Facsimile: (315) 764-9226
Telephone: (315) 769-3516

Western Gas's monthly invoices will be given to St. Lawrence on or before the 10th day of the month next following the month in which Western Gas delivers storage gas (or backstopping gas, as the case may be) to St. Lawrence pursuant to subparagraph 1(b), or the month for which St. Lawrence is nevertheless obligated to pay Western Gas for any shortfall volume or Western Gas's reasonable expenses for assisting St. Lawrence in reselling any storage gas to secondary markets pursuant to subparagraph 1(c). St. Lawrence will pay such monthly invoices on or before the 15th day after receipt thereof from Western Gas.

If the foregoing properly summarizes the terms of the agreement among Western Gas, WG Services, St. Lawrence, and Consumers Gas regarding the gas storage and sale arrangement please

execute all of the enclosed copies of this letter agreement and return one fully executed copy to Western Gas.

Yours very truly,

WESTERN GAS MARKETING LIMITED

By: [Signature]

By: [Signature]

Understood, accepted, and agreed to this 27th day of October, 1992

St. LAWRENCE GAS COMPANY, INC.

By: [Signature]

Vice President

By: [Signature]

President

CONTENT APPROVED	FORM APPROVED
<u>[Signature]</u>	<u>[Signature]</u>

ALFACATE LEGAL SUPPLY CO. 1-800-222-0110 (3) (0/11)



Western Gas
Marketing
Limited

11th Floor
55 Yonge Street
Toronto, Canada
M5E 1J4
416) 569-2066
Canada Sales Fax (416) 569-2125
U.S. Sales Fax (416) 569-2011

October 30 1992

St. Lawrence Gas Company, Inc.
56-58 Main Street
Massena, New York 13662

Attention: Mr. F.D. Rewbotham
President and General Manager

Gentlemen:

Re: New Long Term Gas Supply Arrangements
between Western Gas Marketing Limited ("WGML")
and St. Lawrence Gas Company, Inc. ("St. Lawrence")

We refer to

(i) the letter agreement dated December 3rd, 1991 (the "December, 1991 Letter") setting out the basic terms and conditions governing the new ten year gas supply arrangement, to come into effect November 1, 1992, pursuant to which Niagara Gas Transmission Limited ("Niagara") agreed to purchase, and WGML agreed to supply, the current system gas requirements of St. Lawrence; and

(ii) the letter agreement dated August 11, 1992 (the "Assignment Letter") pursuant to which Niagara's rights and obligations under the December, 1991 Letter were assigned to and assumed by St. Lawrence, and certain other aspects of the December, 1991 Letter were clarified.

In this letter, the December, 1991 Letter and the Assignment Letter will be collectively referred to as the "Gas Sales Letter Agreements" and any terms defined in the Gas Sales Letter Agreements are used herein with the meanings ascribed to them in the Gas Sales Letter Agreements.

Certain matters, including in particular the structuring of the storage and related transportation arrangements contemplated in the Gas Sales Letter Agreements, have developed differently than originally anticipated. Because these arrangements have continued to evolve until very recently, the parties have been unable to



finalize a detailed Gas Sales Contract by the November 1, 1992 deadline provided for in the Gas Sales Letter Agreements.

This letter is intended to do the following:

(i) to modify and supplement the Gas Sales Letter Agreements as required in order to reflect the revised storage and related transportation arrangements being implemented, as well as to clarify and amend certain other terms and conditions; and

(ii) to confirm our agreement that purchases and sales of gas will take place under the terms and conditions of the Gas Sales Letter Agreements and this letter from November 1, 1992 until the Gas Sales Contract is executed and becomes effective.

A. Storage and Related Transportation

1. Interim Storage and Related Transportation Arrangements

(a) St. Lawrence was unable to arrange for the Storage Service to be in place within the timeframe contemplated in the Gas Sales Letter Agreements. In order to provide for substitute storage arrangements, on an interim basis, the parties have entered into a letter agreement dated October 27, 1992 (the "Gas Storage and Sale Arrangement") pursuant to which WGML has agreed to sell 0.85 Bcf of storage gas to St. Lawrence. This gas has been stored by Western Gas Services Limited ("WG Services") for the account of WGML at Union Gas Limited's ("Union") Dawn storage facilities, pursuant to an interruptible storage service arrangement already in place between Union and WG Services. The Gas Storage and Sale Arrangement sets out the purchase and sale terms applicable to this storage gas, as well as the terms and conditions upon which the gas is to be nominated by St. Lawrence, withdrawn from storage and delivered during the period from November 1, 1992 and through March 31, 1993 (the "Interim Period").

The parties confirm that the storage arrangements provided for in the Gas Storage and Sale Arrangement supplant, to the extent applicable, the provisions of the Gas Sales Letter Agreements. To the extent that there is any inconsistency between them, the terms of the Gas Storage and Sale Arrangement will prevail over the terms of the Gas Sales Letter Agreements in respect of the provision of Storage Service during the Interim Period. St. Lawrence, WGML and their affiliates will act in good faith to do everything necessary to effect the general intent expressed therein.

(b) In order to enable WGML to deliver gas withdrawn from storage to St. Lawrence at TransCanada's Parkway Belt - Union receipt/delivery point, the parties have entered into an agreement (the "M12 Temporary Assignment") pursuant to which St. Lawrence has assigned to WGML (on a temporary basis for the Interim Period) its M12 transportation agreement with Union (originally entered into between Niagara and Union as of June 28, 1991, and permanently assigned to St. Lawrence by agreement made as of June 17, 1992) (the "M12 Contract"). In connection with the M12 Contract and the M12 Temporary Assignment, St. Lawrence and WGML confirm as follows:

(i) To the extent that capacity under the M12 Contract is not being used to deliver storage gas to St. Lawrence pursuant to the Gas Storage and Sale Arrangement, WGML shall be free to use such capacity as it sees fit during the Interim Period.

(ii) Notwithstanding any conflicting provisions of the M12 Contract or the M12 Temporary Assignment, as between the parties, St. Lawrence will continue to be responsible for all costs and charges associated with the M12 Contract (including all demand charges) throughout the Interim Period other than commodity, fuel charges, and other related charges (if any) incurred as a result of the use of capacity by WGML for its own purposes. Provided that WGML pays to Union all amounts received from St. Lawrence under paragraphs 2(b) and (c) of the Gas Storage and Sale Arrangement, St. Lawrence will indemnify WGML against all costs and claims of Union in connection with the M12 Contract.

2. Permanent Storage Arrangements

(a) The parties confirm that availability of the permanent Storage and Transportation Services contemplated in the December, 1991 Letter is not a precondition to the commencement of the gas purchase and sale arrangements or the effectiveness of the other contractual obligations of the parties in connection with the long term gas supply arrangements provided for in the Gas Sales Letter Agreements.

(b) Notwithstanding the implementation of the Gas Storage and Sale Arrangement during the Interim Period, St. Lawrence confirms that it remains obligated, as provided for in paragraph 5(a) of the December, 1991 Letter, to enter into such contractual arrangements as are necessary in order to make the Storage and Transportation Services available to St. Lawrence.

B. STS Transportation Arrangements

1. Service Entitlement

Because of TransCanada's availability requirements, it has not been possible for St. Lawrence to obtain the STS Service in its own name. Instead, WGML and St. Lawrence have entered into a contract with TransCanada (the "STS Contract") as co-shippers. The parties confirm that St. Lawrence will have the benefit of the entire service entitlement under the STS contract, including the exclusive right to make all nominations unless otherwise agreed to by St. Lawrence, and TransCanada is so advised.

2. Costs

Notwithstanding the provisions of the STS Contract or any other terms of the Gas Sales Letter Agreements, it is expressly agreed that, as between the parties, St. Lawrence will be responsible for all costs, charges and claims under or in connection with the STS Contract and the STS Service. St. Lawrence will indemnify WGML in respect of all such costs, charges and claims.

3. Use of Excess Capacity by WGML

St. Lawrence will offer to WGML any part of its service entitlement under the STS Contract that is not required on any day by St. Lawrence or its affiliates on equivalent terms as those set out in the Transportation Administration Agreement made as of February 3, 1989 between Consumers Gas and WGML.

C. Government Authorizations

1. Export Authorization

(a) St. Lawrence has not yet obtained the long term governmental authorization necessary in order to permit it to export the gas to be purchased from WGML for the full ten year term provided for in the Gas Sales Letter Agreements. However, St. Lawrence confirms that it has in place a valid short term export authorization (the "Short Term Authorization") sufficient to permit the commencement of purchases and sales in accordance with the terms of the Gas Sales Letter Agreements (as modified in accordance with this letter and the Gas Storage and Sale Arrangement) on November 1, 1992. Therefore (notwithstanding Section 14 of the December, 1991 Letter), the obtaining of an export authorization will not be a precondition to the commencement of deliveries or the effectiveness of the other contractual obligations provided for in the Gas Sales Letter Agreements.

(b) St. Lawrence will act promptly to apply for, and diligently pursue, the long term export authorization required in order to permit it to export all quantities of gas purchased from WGML under the Gas Sales Letter Agreements and under the Gas Sales Contract (when executed), for the full ten year term. Until such authorization has been obtained, St. Lawrence will use all reasonable efforts to continue to use the Short Term Authorization (or extensions thereof) to export gas purchased under the Gas Sales Letter Agreements and under the Gas Sales Contract (when executed).

2. Other Authorizations

Each of the parties confirms that (other than the export authorization described in Section 1 above) all governmental authorizations and approvals required in order to permit the gas sale and purchase transactions contemplated in the Gas Sales Letter Agreement for the full ten year term thereof have been obtained and are effective.

D. Pricing Provisions

1. Western Gas/Consumers Contract Price

(a) Section 6(b)(ii) of the December 1991 Letter sets out the manner in which the Monthly Commodity Charge (in dollars per GJ) payable for gas purchased by St. Lawrence is to be determined, based on the Consumers Gas Average Price in effect from time to time. In order to resolve any uncertainty as to the level and weight to be attributed to the price(s) applicable under the sales contract between WGML and Consumers Gas for purposes of determining the Consumers Gas Average Price for the 1992-93 contract year, the parties confirm the following:

(i) Until such time (if any) as the Ontario Energy Board (the "OEB") approves the implementation of all of the terms of the restructuring and pricing agreement between WGML and Consumers Gas dated July 14, 1992 (the "WGML/Consumers Restructuring Agreement") and such agreement is implemented in accordance with its terms, the price to be applied in respect of all volumes of gas purchased by Consumers Gas from WGML will be \$1.70/GJ.

(ii) If the OEB approves the terms of the WGML/Consumers Restructuring Agreement, then, subject to paragraph (iii) below, effective prospectively for each full month of the 1992-93 contract year remaining after the implementation date of the WGML/Consumers Restructuring Agreement, the Consumers Gas Average Price will be the price

determined as of November 1, 1992 in accordance with the December 1, 1991 Letter.

(iii) Upon implementation of the WGML/Consumers Restructuring Agreement, WGML will promptly determine (in its sole discretion) whether the Consumers Gas Average Price referred to in paragraph (ii) above requires producer approval, and if WGML determines that producer approval is necessary, it will promptly apply for such approval. Pending the receipt of a finding of producer support, the Consumers Gas Average Price will continue to be determined in accordance with paragraph (i) above. If producer approvals cannot be obtained, then (unless the parties agree to an alternative which is accepted by WGML's producers), the prices being paid by Consumers Gas to WGML will cease (for the balance of the 1992-93 contract year) to be included for purposes of calculating the Consumers Gas Average Price. If a finding of producer support is obtained, then the provisions of paragraph (ii) will thereafter apply, and such adjustments (if any) as are necessary will be made between the parties in order to ensure that the Consumers Gas Average Price referred to in paragraph (ii) above will be applied to all gas sales made after the implementation date specified in paragraph (ii).

2. Taxes and Duties

For greater certainty, it is confirmed that St. Lawrence will be responsible for the payment of all sales taxes and all other taxes and duties (including but not limited to Goods and Services Tax and customs/import duties) exigible in connection with the gas purchase transactions and all transportation and storage services that are described in the Gas Sales Letter Agreements and the Gas Storage and Sale Arrangement and that are in respect of St. Lawrence's system gas.

E. Gas Sales Contract

1. Gas Sales Letter Agreements

(a) In order to facilitate the commencement of the gas purchase and sale arrangements provided for in the Gas Sales Letter Agreements on November 1, 1992, St. Lawrence and WGML agree (notwithstanding anything to the contrary in the Gas Sales Letter Agreements) that until such time (if any) as the Gas Sales Contract is finalized and executed:



(i) the Gas Sales Letter Agreements (as supplemented and amended by this letter and the Gas Storage and Sale Arrangement) (collectively, the "Interim Contract") will be deemed to constitute a binding contract between the parties governing all of the matters covered in these documents. All purchases and sales of gas contemplated by the Gas Sales Letter Agreements and the Gas Storage and Sale Arrangement will be made on the terms and conditions set out in the Interim Contract including the terms and conditions in the December 1991 Letter that relate to displacement reductions and related assignments by WGML to St. Lawrence. The parties will act reasonably and in good faith to ensure that the commercial terms and conditions of the Interim Contract are effected.

(b) In order to more precisely define the obligations of the parties while the Interim Contract is in effect, it is agreed that the Interim Contract will be deemed to include the following provisions of the draft gas sales contract dated April 30, 1992, as prepared by WGML and provided to Niagara at that time:

- Article X - Billings and Payments
- Article XI - Supply Commitment
- Article XII - Quality and Measurement
- Article XIII - Possession, Title and Warranty
- Article XIV - Force Majeure
- Article XV - Arbitration
- Article XVI - Assignment
- Article XVIII - Delivery Variances
- Article XIX - Buyer's Affiliates

For greater certainty (and notwithstanding the foregoing) all determinations of the heating of gas will be made by TransCanada in accordance with provisions of its tariff applicable to the point where WGML delivers such gas.

2. Gas Sales Contract

Notwithstanding section 4 of the Assignment Letter, Western Gas and St. Lawrence agree to act reasonably and in good faith to attempt to negotiate and execute the Gas Sales Contract on or before the end of the Interim Period.


The Gas Sales Contract will incorporate all of the terms and conditions of the Gas Sales Letter Agreements (as amended and supplemented by this letter agreement and any terms of the Gas Storage and Sale Arrangement which remain applicable), and such other terms as are reasonable or usual in similar agreements for long term gas supply.


3. TransCanada Warranty

Notwithstanding Section 15 of the December, 1991 Letter, it is agreed that WGML will deliver the TransCanada warranty of performance referred to therein at the same time as the Gas Sales Contract is executed.


If the foregoing properly states the terms of our agreement, please execute all of the enclosed copies of this letter and return one fully executed copy to WGML.


WESTERN GAS MARKETING LIMITED



per: 
W. A. Smith
Director, LDC Marketing

per: 
M. A. Ross
Vice-President, Long Term
Marketing

ST. LAWRENCE GAS COMPANY, INC.

per: 
R.G. Riedl
Vice-President

per: 
PRESIDENT

CONTENTS APPROVED	FORM APPROVED
	



ALL STATE LEGAL 800 222 2612 (COM) RECYCLED



GAS SALES CONTRACT

Made as of July 14, 1995

between

WESTERN GAS MARKETING LIMITED
(Seller)

-and-

ST. LAWRENCE GAS COMPANY, INC.
(Buyer)

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SCHEDULE "A" - Permanent Partial Assignment (Paragraph 3.02(c))

SCHEDULE "B" - Warranty of Performance (Section 19.02)

GAS SALES CONTRACT

THIS AGREEMENT made as of the 14th day of July, 1995

BY AND BETWEEN:

WESTERN GAS MARKETING LIMITED, an Alberta corporation ("Seller")

- and -

ST. LAWRENCE GAS COMPANY, INC., a New York corporation ("Buyer")

WITNESSES THAT, WHEREAS:

- A. Seller is an Affiliate (as defined in Paragraph 1.01(a)) of TransCanada PipeLines Limited ("TransCanada"), which has entered into long-term contracts to purchase natural gas produced in Alberta. Seller, in turn, has an arrangement with TransCanada whereby Seller obtains, and intends to continue to obtain, sufficient gas supply to meet its obligations under this Agreement and certain of its other long-term gas sales contracts.
- B. Buyer is an Affiliate of The Consumers' Gas Company Ltd. ("Consumers Gas") and operates as a gas distribution utility in northern New York State. Prior to November 1, 1992, St. Lawrence's requirements for System Gas (as defined in Paragraph 1.01(bb)) were supplied by an Affiliate, Niagara Gas Transmission Limited ("Niagara"), which in turn purchased its gas supply from TransCanada. These gas sales contracts had a common expiry date of October 31, 1992.
- C. In view of the expiry date, Seller and Niagara entered into a letter agreement dated December 3, 1991 (the "December 1991 Letter Agreement") whereby they established the terms and conditions upon which Seller would sell and Niagara would purchase gas, on a firm basis, for export and resale to Buyer as System Gas for a term of 10 years (as

defined in Paragraph 1.01(d)) commencing on November 1, 1992. The December 1991 Letter Agreement reflects the gas supply plan developed by Niagara and Buyer in order to manage the seasonal variations in Buyer's requirements for System Gas, such that Buyer would be able to satisfy Buyer's full requirements for System Gas at the prevailing level through gas purchased from Seller, combined with storage and related transportation service arrangements with Consumers Gas and/or Union Gas Limited ("Union") and peaking service arrangements with certain of Buyer's customers.

- D. On January 15, 1992, the Alberta Petroleum Marketing Commission issued two decisions determining that Seller, as agent for TransCanada, had obtained the prescribed minimum degree of producer support under the *Natural Gas Marketing Act* (Alberta) in order to permit the sale of gas on the terms and conditions set out in the December 1991 Letter Agreement and the other, subsequent components of the Interim Gas Sales Arrangements (as defined in Recital F), as such terms and conditions are restated and elucidated in this Agreement.

- E. At the time of the December 1991 Letter Agreement, it was anticipated that, according to past practice in this regard, Seller and Niagara, on the one hand, and Niagara and Buyer, on the other, would enter into formal gas sale and resale contracts that would incorporate the terms and conditions of the December 1991 Letter Agreement. However, after further consideration, Niagara and Buyer decided that a gas resale contract in addition to a gas sale contract, with Niagara effectively acting as an intermediary between Seller and Buyer, would involve an unnecessary degree of contractual and administrative complexity. As a result, Niagara, Buyer, and Seller entered into a letter agreement dated August 11, 1992 (the "August 1992 Letter Agreement") whereby Niagara assigned its rights and obligations under the December 1991 Letter Agreement to Buyer with Seller's consent.

- F. At the time of the August 1992 Letter Agreement, it was anticipated that, prior to November 1, 1992, Seller and Buyer would enter into a formal gas sales contract that would incorporate the terms and conditions of the December 1991 Letter Agreement, modified as required in the light of the August 1992 Letter Agreement (collectively, the "Gas Sales Letter Agreements"). However, certain matters (in particular the structuring of the storage and related transportation service arrangements contemplated by the Gas Sales Letter Agreements) developed differently than originally anticipated, and Seller and Buyer were unable to finalize a formal gas sales contract prior to November 1, 1992. Accordingly, Seller and Buyer entered into two letter agreements dated October 27, 1992 and October 30, 1992 (the "October 1992 Letter Agreements") whereby they modified and supplemented the Gas Sales Letter Agreements as required in order to reflect the revised storage and related transportation service arrangements, to clarify and amend certain other terms and conditions, and to confirm that purchases and sales of gas would take place under the terms and conditions of the Gas Sales Letter Agreements and the October 1992 Letter Agreements (collectively, the "Interim Gas Sales Arrangements") until the formal gas sales contract incorporating the terms and conditions of the Interim Gas Sales Arrangements is executed and becomes effective.
- G. Direct Purchase Arrangements (as defined in Paragraph 1.01(j)) subsequently displaced Buyer's requirements for a total of 143.0 10^3m^3 per day of System Gas, and thereby reduced the Daily Contract Volume under (and as defined in) the Interim Gas Sales Arrangements by a corresponding amount.
- H. Seller and Buyer are entering into this Agreement, as contemplated by the Interim Gas Sales Arrangements, in order to incorporate the terms and conditions thereof, modified as required in order to reflect the passing of time and the occurrence of events (such as the displacement of Buyer's requirements for System Gas as described in Recital G) since November 1, 1992, as well as to comprehensively restate and elucidate the terms and

conditions upon which Seller will sell and deliver, and Buyer will purchase and receive, gas.

NOW THEREFORE, based and relying on the foregoing Recitals and in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), Seller and Buyer mutually covenant and agree as follows:

**ARTICLE ONE
DEFINITIONS AND INTERPRETATION**

1.01 Definitions: When used in this Agreement, the following terms and abbreviations will be construed to have the following meanings:

- (a) "Affiliate" means, in regard to either party, any Person directly or indirectly controlling, controlled by, or under common control with the party; and for this purpose, "control" (including, with correlative meanings, "controlled by" and "under common control with") means in regard to any Person the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Person, whether through ownership of voting securities, by contract, or otherwise;
- (b) "Annual Contract Volume" means, for any Contract Year, a volume of gas (expressed in 10^3m^3) equal to the sum of the Daily Contract Volumes in effect for each Day during the Contract Year;
- (c) "Business Day" means any day other than Saturdays, Sundays, and statutory or legal holidays under the laws of the Province of Alberta and the State of New York;

- (d) "Contract Year" means a period of 12 consecutive Months commencing on the first Day in November, except for the first Contract Year which shall commence on the Effective Date and end immediately prior to the next first Day of November, and "year" means a period of 12 consecutive months;
- (e) "Cornwall Delivery Point" means the point near Cornwall, Ontario, where TransCanada's pipeline system and the Cornwall Pipeline interconnect;
- (f) "Cornwall Pipeline" means Niagara's gas transmission pipeline that extends from the Cornwall Delivery Point to an interconnection with Buyer's gas distribution system at a place on the Seaway International Bridge corresponding to the international boundary between Canada and the United States of America;
- (g) "Daily Contract Volume" or "DCV" means, for any Day, 424.0 10³m³ or such lesser volume as may be in effect for the Day in accordance with this Agreement;
- (h) "day" means a calendar day and "Day" means a period of 24 consecutive hours, beginning at 08:00 hours Mountain Time, and the reference date for any Day shall be the date of the day in which the period begins;
- (i) "Delivery Point(s)" means, relative to the Scheduled Daily Delivery, the Cornwall Delivery Point, the Storage Delivery Points, and/or the Iroquois Delivery Point;
- (j) "Direct Purchase Arrangement" means a contract or an arrangement (excluding any amendment, renewal, or replacement) between a customer of Buyer and a supplier of gas other than Buyer (or an Affiliate) under which the customer purchases gas:

- (i) for the customer's own consumption or use in the Existing Market Area;
or
- (ii) for resale to Buyer, pursuant to a "buy/sell" contract or arrangement between them under which Buyer purchases gas from the customer with the intention of selling an equivalent volume (on an annual basis) to the customer for the customer's own consumption or use in the Existing Market Area,

and as a result of which Buyer's requirements for System Gas for resale to the customer are correspondingly displaced;

- (k) "Effective Date" means the first Day of the Month following the receipt by Buyer of the authorizations specified in Paragraph 7.01(a);
- (l) "Empress Receipt Point" means the point on TransCanada's pipeline system that is immediately east of the Alberta/Saskatchewan border and downstream of the point where TransCanada's pipeline system and NOVA's pipeline system interconnect;
- (m) "Exempt Direct Purchase Arrangement" means a Direct Purchase Arrangement in which the supplier of gas is Seller or TransCanada (or an Affiliate of either of them);
- (n) "Existing Market Area" means Buyer's franchise area as at December 3, 1991, which then comprised the following towns and, within each town, the following village(s) (except as indicated), located in St. Lawrence County, New York:

<u>Town</u>	<u>Village(s)</u>
Canton	Canton
Dekalb	-
Lisbon	-
Louisville	-
Madrid	-
Massena	Massena
Norfolk	-
Oswegatchie	Heuvelton, Ogdensburg (city)
Potsdam	Norwood, Potsdam
Waddington	Waddington;

- (o) "FT Agency Agreement" means the letter agreement dated October 27, 1993 between Seller and Buyer whereby Seller designated Buyer as its agent for the sole purpose of making all nominations under the TransCanada FT Contract for the reason therein described, as clarified by Seller's letter to Buyer dated October 28, 1993;
- (p) "GST" means the goods and services tax under Part IV of the *Excise Tax Act* (Canada), as amended from time to time, and any similar or successor federal or provincial tax;
- (q) "Iroquois" means Iroquois Gas Transmission System, L.P.;
- (r) "Iroquois Delivery Point" means the point near Iroquois, Ontario where TransCanada's pipeline system and Iroquois's pipeline system interconnect;
- (s) "month" means a calendar month and "Month" means the period beginning at 08:00 hours Mountain Time on the first day of a month and ending immediately prior to the same hour on the first day of the next month;
- (t) "NOVA" means NOVA Gas Transmission Ltd.;

- (u) "NOVA Monthly Demand Toll" means, for any Month, the amount (expressed in dollars per 10^3m^3) obtained by dividing:
 - (i) the total dollar amount of the demand charges invoiced by NOVA, including any billing adjustments, and payable by Seller (either directly to NOVA or to any other Person to whom Seller is liable in this regard) for all transportation service under NOVA's Rate Schedule FS that was committed or available to Seller during each Day of the immediately preceding Month; by
 - (ii) the sum of the maximum daily delivery volumes under NOVA's Rate Schedule FS that were committed or available to Seller during each Day of the immediately preceding Month;
- (v) "Person" means an individual, a sole proprietorship, a partnership, an unincorporated association, an unincorporated syndicate, an unincorporated organization, a trust, a body corporate, and a natural person in his or her capacity as trustee, executor, administrator, or other legal representative;
- (w) "Regulatory Authorities" means the National Energy Board, the Energy Resources Conservation Board, the Alberta Petroleum Marketing Commission, the United States Department of Energy (Office of Fossil Energy), and such other regulatory tribunals or governmental agencies or authorities (including the Governor in Council of Canada and/or the Lieutenant Governor in Council of Alberta when their approval is required by law) in Canada and the United States of America having jurisdiction over any matter affecting the transactions contemplated by this Agreement;

- (x) "Scheduled Daily Delivery" means, for any Day, the volume of gas that Buyer requests (in accordance with Seller's nominating procedures) Seller to deliver at the Delivery Point(s) during the Day, up to but not exceeding the Daily Contract Volume in effect for the Day;
- (y) "Seller's Displacement Share" means, at any time, a fraction with a numerator equal to the Daily Contract Volume in effect at the time and a denominator equal to the sum of such Daily Contract Volume and the (aggregate) daily contract volume in effect at the time under the Additional Long Term Supply Contract(s) (as defined in Subparagraph 4.02(b)(iii));
- (z) "Seller's Market Loss Share" means, at any time, a fraction with a numerator equal to the Daily Contract Volume in effect at the time and denominator equal to the sum of such Daily Contract Volume and the aggregate daily contract volume in effect at the time under both the Medium Term Supply Contract(s) (as defined in Subparagraph 4.02(b)(ii)) and the Additional Long Term Supply Contract(s);
- (aa) "Storage Delivery Points" has the meaning ascribed to the term in the TransCanada STS Contract;
- (bb) "System Gas" means gas purchased by Buyer, other than gas purchased from its customers as peaking service or in connection with Direct Purchase Arrangements, for resale to Buyer's customers who consume or use such gas in the Existing Market Area;
- (cc) "tender(ed) for delivery" means, for any period, the volume of gas that Seller is (was) in fact ready, willing, and able during the period to deliver to Buyer hereunder or to TransCanada for Seller's account under the TransCanada FT Contract, as the case may be, in accordance with Buyer's nominations, notwithstanding any failure of Buyer or TransCanada to receive all of such volume during the period;

- (dd) "TransCanada Commodity Toll" means, for any Month, the commodity toll (expressed in dollars per 10^3m^3) in effect for the Month for Firm Transportation (FT) Service on TransCanada's pipeline system from the Empress Receipt Point to the Cornwall Delivery Point (including without limitation, if implemented in the future, the commodity component of any delivery pressure toll applicable to the Cornwall Delivery Point);
- (ee) "TransCanada FT Contract" means the Firm Service Contract for Firm Transportation Service made November 1, 1992 between TransCanada and Seller, as amended, that currently specifies a Contract Demand of $424.0 \times 10^3\text{m}^3$;
- (ff) "TransCanada Monthly Demand Toll" means, for any Month, the monthly demand toll (expressed in dollars per 10^3m^3 per month) in effect for the Month for Firm Transportation (FT) Service on TransCanada's pipeline system from the Empress Receipt Point to the Cornwall Delivery Point (including without limitation, if implemented in the future, the demand component of any delivery pressure toll applicable to the Cornwall Delivery Point);
- (gg) "TransCanada STS Contract" means the Contract for Storage Transportation Service made as of November 1, 1992 among TransCanada, Seller, and Buyer that currently specifies a Contract Demand of $283.3 \times 10^3\text{m}^3$;
- (hh) "TransCanada Tariff" means TransCanada's Transportation Tariff as filed with and approved by the National Energy Board from time to time; and
- (ii) "Union-M12 Contract" means the M12 Firm Transportation Contract (Dawn to Parkway) dated as of June 28, 1991 between Union and Niagara, as modified by the Assignment Agreement made as of June 17, 1992 among Niagara, Buyer, and Union and by an agreement dated November 1, 1994 between Union and Buyer, that currently specifies a Contract Demand of $283.3 \times 10^3\text{m}^3$.

1.02 Volumes and Quantities: When used in this Agreement, the following terms and symbols will be construed to have the following meanings:

- (a) "average heating value" means, for any period, the volume-weighted average gross heating value of the gas delivered during the period as determined by TransCanada at the applicable Delivery Point(s) and, in the case of Overrun Gas (as defined in Paragraph 3.04(a)) and the TransCanada Fuel Requirement (as defined in Paragraph 5.03(a)), at the Empress Receipt Point;
- (b) "cubic metre (m³)" has the meaning ascribed to the term in the TransCanada Tariff; and
- (c) "gross heating value" has the meaning ascribed to the term in the TransCanada Tariff.

Volumes of gas will be expressed in units of 1 000 cubic metres (10³m³), as determined by TransCanada at the applicable Delivery Point(s) and, in the case of Overrun Gas and the TransCanada Fuel Requirement, at the Empress Receipt Point. The gross heating value of gas will be expressed in megajoules per cubic metre (MJ/m³), as determined by TransCanada at the applicable Delivery Point(s) and, in the case of Overrun Gas and the TransCanada Fuel Requirement, at the Empress Receipt Point.

1.03 Headings: The headings in this Agreement are inserted for reference purposes only, and will not be considered or taken into account in construing the terms or provisions hereof, nor in any way to qualify, modify, or explain any such term or provision.

1.04 References:

- (a) All references herein to "Articles", "Sections", "Paragraphs", and "Subparagraphs" are intended to refer to the correspondingly numbered and lettered articles, sections, paragraphs, and subparagraphs of this Agreement.
- (b) In this Agreement, words importing gender include all genders, and words importing the singular include the plural and vice versa. Unless expressly otherwise stated, words such as "hereunder", "hereto", and "herein" shall refer to the whole of this Agreement and not to any particular provision.

1.05 Industry Terminology: Any word, phrase, or expression that is not defined in this Agreement and that has a generally accepted meaning in the custom and usage of the natural gas industry in Canada shall have that meaning in this Agreement.

1.06 Schedules: Schedules A and B attached to this Agreement constitute part of, and are included in, this Agreement. The terms defined in such schedules shall have the meaning ascribed respectively to them therein.

1.07 Audit Right: Whenever either party is given an "Audit Right" hereunder relative to the other party or one of its Affiliates, the former (the "Auditing Party") may exercise the right by giving the latter (the "Audited Party") a notice to that effect, specifying the subject matter of the Audit Right and appointing a Person (the "Auditor") to conduct the audit on behalf of the Auditing Party. An Audit Right may only be exercised at intervals that are reasonable under the circumstances. Upon receipt of such a notice, the Audited Party will make available, for examination by the Auditor, all books and records containing information for the Contract Year in which such a notice is received (to the extent such information is available at the time) and for the preceding Contract Year (to the extent such information has not been previously audited) that is reasonably relevant to the subject matter of the Audit Right. After conducting such

examination, the Auditor will prepare and provide, to both the Auditing Party and the Audited Party, a report of the findings made on the basis of such examination. The Auditor's report will not disclose the information to which the Auditor had access except to the extent necessary to give meaning to such findings.

Each Auditor must be at arm's length from the Auditing Party and its Affiliates. When exercising any Audit Right, the Auditing Party shall cause the Auditor to enter into an agreement in writing with the Audited Party on terms acceptable to it, acting reasonably, providing for the Auditor to maintain the confidentiality of all information to which the Auditor has access, except as permitted in connection with the Auditor's report.

1.08 Entire Agreement:

- (a) As of and from the Effective Date, this Agreement will constitute the entire agreement of the parties relative to the transactions and the other matters contemplated hereby, and it will thereby supersede and replace all prior gas supply agreements between the parties, including without limitation the Interim Gas Sales Arrangements. For greater certainty, the FT Agency Agreement shall remain in full force and effect after the Effective Date, in accordance with its terms but subject to Paragraphs 5.04(c) and 5.04(d).
- (b) Except as specifically set forth in or contemplated by this Agreement (including the Recitals), there are no representations, warranties, covenants, or agreements made by either Seller or Buyer in respect of the transactions and the other matters herein provided or contemplated and not contained herein.

ARTICLE TWO
TERM

2.01 Term: This Agreement will come into full force and effect on the Effective Date and shall be effective (unless terminated earlier in accordance with the provisions hereof) for a term extending from the Effective Date to October 31, 2002 (the "Term").

2.02 Combined Term: Notwithstanding Section 2.01, the parties acknowledge and confirm that the Term represents the remainder of the long term gas supply arrangement initially contemplated by the December 1991 Letter Agreement, which arrangement will therefore extend for 10 years in total, by virtue of the combined term of the Interim Gas Sales Arrangement and this Agreement. Such combined term shall be taken into account for the purposes of Section 4.03 and Article Eleven.

ARTICLE THREE
PURCHASES AND SALES OF GAS

3.01 Scheduled Daily Delivery: In each Day from and after the Effective Date, Seller will sell and deliver to Buyer (on a firm basis), and Buyer will purchase and receive from Seller, the Scheduled Daily Delivery for the Day.

3.02 Displacement Reductions:

- (a) Buyer shall have the right, in accordance with the provisions of this Section 3.02, to reduce the Daily Contract Volume in order to account for the displacement of Buyer's requirements for System Gas in the Existing Market Area that would result from the implementation of any Direct Purchase Arrangement on or after

the Effective Date. Whenever Buyer so reduces the Daily Contract Volume, Seller shall permanently assign to Buyer a corresponding portion of its service entitlement under the TransCanada FT Contract, in accordance with Paragraph 3.02(c).

- (b) (i) Whenever a customer of Buyer enters into a Direct Purchase Arrangement, Buyer may give Seller a notice to that effect (a "Displacement Notice"). Each Displacement Notice will give reasonable particulars of the Direct Purchase Arrangement and will specify:
 - (A) the daily contract volume involved in the Direct Purchase Arrangement,
 - (B) the portion of such daily contract volume that Buyer elects to classify as displacing Buyer's requirements for System Gas (the "Displacement Volume"),
 - (C) Seller's Displacement Share that is expected to be in effect on the anticipated date of first delivery under the Direct Purchase Arrangement,
 - (D) the volume by which the DCV will be reduced (the "DCV Reduction Volume"), which will be calculated by multiplying the Displacement Volume by Seller's Displacement Share; provided that, if any portion of the Displacement Volume pertains to an Exempt Direct Purchase Arrangement, such portion shall not be so calculated but rather the entire portion shall be included in the DCV Reduction Volume, and

(E) the anticipated date of first delivery under the Direct Purchase Arrangement.

If the actual date of first delivery is likely to vary from the anticipated date of first delivery specified in the Displacement Notice, Buyer will give Seller as much prior notice thereof as may be possible under the circumstances; provided that the actual date of first delivery under the Direct Purchase Arrangement shall not occur until the later of 30 days subsequent to the Displacement Notice and the Day on which the corresponding Permanent Partial Assignment (as defined in paragraph 3.02(c)) is in full force and effect.

- (ii) After a Displacement Notice has been given in accordance with Subparagraph 3.02(b)(i), then effective as of and from the actual date of first delivery under the corresponding Direct Purchase Arrangement, the DCV (and all corresponding delivery and payment obligations) will be permanently reduced by the amount of the DCV Reduction Volume specified in the Displacement Notice (the "Displacement Reduction").
- (iii) Buyer's right to elect a Displacement Volume in respect of any Direct Purchase Arrangement will be a one-time right. After a Displacement Notice has been given in accordance with Subparagraph 3.02(b)(i), Buyer will not subsequently be entitled to increase or decrease the Displacement Reduction pertaining to the Direct Purchase Arrangement(s) specified in the Displacement Notice.
- (iv) Buyer may include two or more Direct Purchase Arrangements in a single Displacement Notice.

- (v) Seller will have an Audit Right relative to Buyer in respect of the information contained in any Displacement Notice.

- (c) In the event of any Displacement Reduction(s), Seller will permanently assign to Buyer a part of its service entitlement (including the associated renewal right) under the TransCanada FT Contract corresponding to the Displacement Reduction(s) (a "Permanent Partial Assignment"). Each Permanent Partial Assignment will be in the form of Schedule "A" hereto.

Buyer in turn will temporarily assign the service entitlement(s) related to the Permanent Partial Assignment(s) to its customer(s) for use in connection with the corresponding Direct Purchase Arrangement(s) for the term thereof (including renewals, extensions, or replacements). Thereafter, Buyer may use such service entitlement(s) as Buyer sees fit.

The form of the Permanent Partial Assignment may be modified from the form of Schedule "A" hereto as required from time to time in order to conform with changes to TransCanada's standard documentation requirements in respect of permanent assignments of similar service entitlements. Notwithstanding any such modification, however, under each Permanent Partial Assignment, Buyer will acquire all of Seller's rights (including the right of renewal) and obligations in connection with the part of Seller's service entitlement assigned thereunder, and Seller will be released or otherwise held harmless from such obligations, as of the actual first date of delivery under the corresponding Direct Purchase Arrangement(s).

3.03 Market Loss Reductions:

- (a) Buyer shall have the right, in accordance with the provisions of this Section 3.03, to reduce the Daily Contract Volume in order to account for any reduction in Buyer's requirements for System Gas resulting from any permanent or long-term decline in market demand in Buyer's Existing Market Area that occurs after the Effective Date.

- (b) Whenever such a decline in market demand occurs or is reasonably anticipated to occur, Buyer may give Seller a notice to that effect (a "Market Loss Notice"). Each Market Loss Notice will give reasonable particulars of such a decline in market demand and will specify:
 - (i) the annual lost volume of System Gas requirements attributable to the decline in market demand,
 - (ii) the corresponding daily lost volume (being the quotient obtained by dividing the specified annual lost volume by 365 days),
 - (iii) Seller's Market Loss Share that is expected to be in effect at the time of the decline in market demand, and
 - (iv) the Market Loss Reduction Volume (which will be equal to the product obtained by multiplying the daily lost volume by the Seller's Market Loss Share).

Seller will have an Audit Right relative to Buyer in respect of the information contained in any Market Loss Notice.

- (c) Effective as of and from the first Day in the Contract Year that commences at least four months after the giving of a Market Loss Notice, the DCV (and all corresponding delivery and payment obligations) will be permanently reduced by the amount of the Market Loss Reduction Volume specified in the Market Loss Notice (the "Market Loss Reduction"). In the meantime, Buyer will curtail or terminate daily deliveries of gas under the Short Term Supply Contract(s) (as defined in Subparagraph 4.02 (b)(i)), as required in order to offset the decline in market demand.
- (d) In the event of any Market Loss Reduction, Seller may elect, at its option, to retain and utilize for its own purposes and at its own expense the portion of its service entitlement under the TransCanada FT Contract that, as a result of the Market Loss Reduction, exceeds the level of service that Seller will require to ship gas for sale and delivery to Buyer hereunder. Alternatively, Seller may elect to permanently assign such excess service entitlement (including the associated renewal right) to Buyer as of and from the effective date of the Market Loss Reduction pursuant to Paragraph 3.03(c). Each such assignment will be made on the same terms and conditions as the Permanent Partial Assignments contemplated by Paragraph 3.02(c). Seller will notify Buyer of its election with respect to such excess service entitlement within two months of receipt of the corresponding Market Loss Notice.
- (e) Any Market Loss Reduction will be permanent and, unless expressly otherwise agreed, Buyer will not be subsequently entitled to increase the DCV in order to reinstate all or any part of the volume corresponding to any Market Loss Reduction.

3.04 Overrun Gas:

- (a) On any Day for which the Scheduled Daily Delivery is equal to the Daily Contract Volume in effect for the Day, Buyer may request (in accordance with Seller's nominating procedures) that Seller deliver a volume of gas ("Overrun Gas") in excess of the Scheduled Daily Delivery, up to the maximum daily volume provided in Paragraph 3.04(b). Overrun Gas shall be tendered for delivery to Buyer at the Empress Receipt Point.

- (b) If Buyer requests Overrun Gas in accordance with Paragraph 3.04(a) for any Day, Seller will sell and deliver to Buyer, and Buyer will purchase and receive from Seller:
 - (i) a volume of Overrun Gas up to five percent of the DCV in effect for the Day on a firm basis; and

 - (ii) a further volume of Overrun Gas up to an additional 20 percent of the DCV in effect for the Day on an interruptible basis.

Whenever Buyer's request includes interruptible Overrun Gas, Seller will use commercially reasonable efforts to obtain the necessary gas supply and transportation service on NOVA's pipeline system.

- (c) The price (in dollars per 10³m³) for Overrun Gas sold and delivered during any Month will be an amount equal to the Gas Price (as defined in Section 8.03) in effect for such Month.

**ARTICLE FOUR
REQUIREMENTS FOR SYSTEM GAS**

4.01 Full Requirements Arrangement: This Agreement will be a full requirements arrangement for Buyer's requirements for System Gas in its Existing Market Area in each Contract Year, until such time as Buyer's requirements for System Gas in a Contract Year exceed or are reasonably anticipated to exceed the Annual Contract Volume for the Contract Year (such excess requirements for System Gas being the "Additional Annual Requirements"). Prior to the initial Contract Year in which there are Additional Annual Requirements, Buyer will request Seller to supply its full requirements for System Gas in each Contract Year in accordance with this Agreement. Thereafter, this Agreement will cease to be a full requirements arrangement, and Buyer may purchase gas from other suppliers in accordance with Section 4.02, but subject to Section 4.03. However, nothing in this Agreement is intended to restrict or otherwise affect Buyer's right to procure gas for resale outside of the Existing Market Area from suppliers other than Seller or TransCanada (or their Affiliates).

4.02 Additional Supply Contracts:

- (a) If and when this Agreement ceases to be a full requirements arrangement in accordance with Section 4.01, Buyer will be entitled to enter into contracts or arrangements ("Additional Supply Contracts") with suppliers of gas other than Seller or TransCanada (or their Affiliates) in order to obtain such gas supply as is necessary to meet Buyer's Additional Annual Requirements.
- (b) Each Additional Supply Contract will be assigned to one of the following categories:
 - (i) a contract or an arrangement that provides for gas supply on a firm basis and that has a primary term of less than one year, or that provides for gas

supply on a reasonable efforts basis regardless of the length of the primary term (a "Short Term Supply Contract");

- (ii) a contract or an arrangement that provides for gas supply on a firm basis and that has a primary term of one year or more but less than 10 years (a "Medium Term Supply Contract"); and
- (iii) a contract or an arrangement that provides for gas supply on a firm basis and that has a primary term of 10 or more years (an "Additional Long Term Supply Contract").

4.03 Annual Purchase Obligation:

(a) Purchase of Annual Contract Volume:

Buyer will endeavour in good faith throughout the Term to purchase the Annual Contract Volume from Seller in each Contract Year, having regard to Buyer's requirements for System Gas in the Contract Year and, if and when this Agreement ceases to be a full requirements arrangement in accordance with Section 4.01, having regard also to the obligation (if any) of Buyer to do likewise under any Additional Supply Contract that permits Buyer to prorate daily deliveries thereunder in the manner contemplated by Paragraph 4.03(b). Subject only to any such prorating obligation, Buyer will not purchase gas under any Additional Supply Contract if Buyer knows or (acting reasonably) ought to know that such action would likely result in Buyer purchasing from Seller hereunder, in any Contract Year, a volume of gas that is less than the Annual Contract Volume.

(b) Shortfall Situation:

Seller acknowledges that, in any Contract Year, Buyer's requirements for System Gas in the Existing Market Area could be less than the supply available to Buyer hereunder and under the Additional Supply Contract(s), due to circumstances beyond Buyer's control (including without limitation warmer-than-normal weather and/or unfavourable economic conditions). Accordingly, if and when Buyer (acting reasonably) makes projections that Buyer's requirements for System Gas in a Contract Year will be less than the sum of the Annual Contract Volume for the Contract Year and the aggregate minimum annual obligation under both the Medium Term Supply Contract(s) and the Additional Long Term Supply Contract(s) for the Contract Year (the difference between such projected requirements and supply being the "Projected Shortfall", and the difference between actual requirements and supply being the "Actual Shortfall"), Buyer will promptly give Seller a notice to that effect (a "Shortfall Notice"), specifying the Projected Shortfall, and will take the following steps in order to mitigate and fairly distribute the impact of the Actual Shortfall on Seller hereunder and the other supplier(s) of System Gas to Buyer under the Additional Supply Contract(s):

- (i) curtail or terminate daily deliveries of gas under the Short Term Supply Contract(s), as required to eliminate the Projected Shortfall; and
- (ii) if action in accordance with Subparagraph 4.03(b)(i) is not enough to eliminate the Projected Shortfall, prorate daily deliveries under this Agreement and under both the Medium Term Supply Contracts(s) and the Additional Long Term Supply Contract(s), with the intent that the portion of the Actual Shortfall ultimately borne by Seller as a result of Buyer prorating daily deliveries hereunder will not exceed a fraction with a numerator equal to the Annual Contract Volume for the Contract Year and

a denominator equal to the sum of such Annual Contract Volume and the aggregate minimum annual obligation for the Contract Year under both the Medium Term Supply Contract(s) and the Additional Long Term Supply Contract(s).

Each Shortfall Notice will contain reasonable particulars of the cause(s) of the Projected Shortfall. Buyer will give Seller a revised Shortfall Notice whenever there is a material change in the level of the Projected Shortfall. Seller will have an Audit Right relative to Buyer in respect of the information contained in any Shortfall Notice, in order to confirm that Buyer took the foregoing steps in order to mitigate and fairly distribute the impact of the Actual Shortfall.

(c) Diversions:

In order to mitigate the impact of any Actual Shortfall on Buyer, but only to the extent that Buyer would not otherwise purchase gas hereunder by reason of the Projected Shortfall, Buyer may purchase gas hereunder for diversion and resale as non-System Gas, and Seller will endeavour in good faith to co-operate and work together with Buyer if and when requested to do so, as follows:

- (i) If the FT Agency Agreement is in effect, Buyer may purchase and divert, at Buyer's expense, such gas for resale to Consumers Gas or its Affiliates, and with Seller's consent to any other buyer, according to Buyer's notice to Seller as to the buyer(s) and the delivery point(s) on TransCanada's pipeline system, subject to Buyer's ability to do so in accordance with the TransCanada Tariff.
- (ii) If the FT Agency Agreement is not in effect, Buyer may purchase and, if so, Seller will divert, at Buyer's expense, such gas for resale by Buyer to

Consumers Gas or its Affiliates, and with Seller's consent to any other buyer, according to Buyer's notice to Seller as to the buyer(s) and the delivery point(s) on TransCanada's pipeline system, subject to Seller's ability to do so in accordance with the TransCanada Tariff.

- (iii) The Monthly Demand Charge will not be adjusted and Buyer will remain obligated to pay the entire amount; provided that, if Seller does not consent to a diversion and resale under Subparagraph 4.03(c)(i) or 4.03(c)(ii), the Monthly Demand Charge will be adjusted accordingly.
- (iv) The Monthly Commodity Charge will be adjusted to include the gas that Buyer purchases for diversion and resale pursuant to Subparagraph 4.03(c)(i) or 4.03(c)(ii) as if Seller had tendered such gas for delivery at the Cornwall Delivery Point.

4.04 Peak Requirements: Notwithstanding any other provision of this Agreement to the contrary, in the event Buyer's requirements for System Gas during any Day exceed or are reasonably anticipated to exceed the sum of (a) the Daily Contract Volume in effect for the Day and (b) the volume of gas that Buyer (acting reasonably) nominates to ship for the Day under the TransCanada STS Contract, Buyer may purchase gas from other suppliers during the Day in order to meet such peak requirements.

ARTICLE FIVE

TRANSCANADA TRANSPORTATION

5.01 TransCanada FT Contract: Seller will maintain its service entitlement under the TransCanada FT Contract throughout the Term at a level sufficient to deliver to Buyer, on a firm basis, the Daily Contract Volume in effect for each Day, and to the extent required under

the circumstances, to enable Buyer to fully utilize the Permanent Partial Assignments, subject to the performance by Buyer of its obligations thereunder.

5.02 Delivery Point(s):

- (a) Subject to Paragraphs 5.02(b) and 5.04(b), Seller will deliver the Scheduled Daily Delivery for any Day to Buyer at the Delivery Point(s) in accordance with the allocation(s) as to the Delivery Point(s) contained in Buyer's nomination for the Day.
- (b) Seller's obligation to deliver gas to Buyer at the Iroquois Delivery Point will be subject to Seller's ability to divert gas from the Cornwall Delivery Point to the Iroquois Delivery Point in accordance with the TransCanada Tariff. If Seller is unable to so divert all of the allocated amount, Seller will deliver the balance at the Cornwall Delivery Point.

5.03 TransCanada Fuel Requirement:

- (a) During the first Contract Year, Buyer will supply all fuel gas required by TransCanada in order to transport the Scheduled Daily Delivery to the Delivery Point(s) pursuant to the TransCanada FT Contract (the "TransCanada Fuel Requirement"). As a result, Buyer will procure and deliver, on a timely basis throughout the first Contract Year, the TransCanada Fuel Requirement to TransCanada at the Empress Receipt Point for Seller's account under the TransCanada FT Contract. If Buyer delivers less than the entire TransCanada Fuel Requirement for any Day, Seller will be entitled to make up the resulting fuel deficiency from the Scheduled Daily Delivery for the Day, and the volume of gas that Seller would otherwise have tendered for delivery to Buyer at the Delivery Point(s) will be reduced accordingly.

- (b) Commencing on the first Business Day of July immediately preceding the second and each subsequent Contract Year, Buyer and Seller will negotiate in good faith in order to attempt to conclude a written agreement on the price (in dollars per gigajoule) that Buyer would pay to Seller for all gas supplied during such Contract Year as the TransCanada Fuel Requirement (the "Fuel Price"). If the parties enter into such a written agreement by the first Business Day of September preceding such Contract Year, Seller will supply the TransCanada Fuel Requirement during such Contract Year.

- (c) However, if the parties do not enter into the written agreement as to price for any Contract Year as provided in Paragraph 5.03(b), then Buyer, rather than Seller, will be obligated to supply the TransCanada Fuel Requirement during such Contract Year under the same terms and conditions as are applicable during the first Contract Year pursuant to Paragraph 5.03(a).

5.04 FT Agency Agreement:

- (a) The parties acknowledge and confirm that, under the FT Agency Agreement, Seller has appointed Buyer as its agent, and Buyer has accepted such appointment, for the sole purpose of making all nominations under the TransCanada FT Contract during the term of the TransCanada STS Contract, such that the same party (in this case Buyer) will make nominations under the TransCanada FT Contract for service to the Storage Delivery Points (storage injections), as well as nominations under the TransCanada STS Contract for service to the Cornwall Delivery Point (storage withdrawals), in order to comply with the administrative requirements of TransCanada's Gas Accounting System.

- (b) As long as the FT Agency Agreement is in effect, Buyer will be responsible for, and correspondingly releases Seller from, all obligations and functions under the

TransCanada FT Contract that are associated with the daily nominations of service thereunder and the allocation(s) of such nominations to the Delivery Point(s), notwithstanding the provisions of the TransCanada FT Contract and the TransCanada Tariff in respect of such obligations and functions. As a result, Seller's sole delivery obligation under Section 5.02 will be to tender for delivery to TransCanada at the Empress Receipt Point, for Seller's account under the TransCanada FT Contract, volumes of gas corresponding to the Scheduled Daily Delivery, together with the TransCanada Fuel Requirement if Seller is supplying it pursuant to Section 5.03. All references to Seller delivering gas or tendering gas for delivery to Buyer at the Delivery Point(s) shall be construed accordingly.

- (c) Either party has the right to terminate the FT Agency Agreement prior to the expiry of the TransCanada STS Contract, by giving the other party a notice to that effect, in the following events:
 - (i) the other party acts in a manner, vis-à-vis TransCanada, that adversely affects the notifying party's rights and obligations under the TransCanada FT Contract as a party thereto (in the case of Seller) or by virtue of the FT Agency Agreement (in the case of Buyer); or
 - (ii) TransCanada modifies its Gas Accounting System such that the reason for the FT Agency Agreement, as described in Paragraph 5.04(a), no longer exists.

- (d) Seller has the right to terminate the FT Agency Agreement prior to the expiry of the TransCanada STS Contract, by giving Buyer a notice to that effect, in the following events:

- (i) Seller suspends deliveries of gas hereunder in accordance with Section 10.05; or
 - (ii) Buyer is materially in breach of the terms and conditions of this Agreement.
- (e) Buyer's activities in respect of the TransCanada FT Contract, under the authority of the FT Agency Agreement or otherwise, will not be such as to cause or permit any breach of the provisions thereof that would adversely affect Seller's rights and obligations thereunder. Buyer will indemnify and save Seller harmless against and from all losses, costs, or liabilities incurred by Seller under the TransCanada FT Contract as a result of such activities of Buyer, including without limitation penalties under the TransCanada Tariff.

5.05 Administration of TransCanada FT Contract:

- (a) As long as the FT Agency Agreement is in effect, Buyer will utilize the service entitlement under the TransCanada FT Contract in order to ship gas delivered to TransCanada at the Empress Receipt Point, for Seller's account pursuant to Paragraph 5.04(b), for delivery at the Delivery Point(s) according to the Scheduled Daily Delivery for any Day and/or for delivery elsewhere according to the diversion(s) for the Day pursuant to Paragraph(s) 4.03(c) and/or 14.04(b). If and whenever such nominated deliveries are less than the Daily Contract Volume in effect for the Day hereunder, a corresponding amount of the service entitlement in effect for the Day under the TransCanada FT Contract will be deemed to be available for use by Seller in accordance with this Section 5.05, and Buyer's nomination for such lesser deliveries shall be deemed to be Buyer's notice to Seller that there is such an available service entitlement under the TransCanada FT Contract for the Day. In this regard, Buyer will use reasonable

efforts to finalize any nomination for such lesser deliveries as far in advance of the deadline for diversion nominations under the TransCanada Tariff as may be prudent in the light of prevailing market conditions in Buyer's Existing Market Area.

- (b) If and whenever there is such an available service entitlement under the TransCanada FT Contract for any Day, Seller may indicate its intention to utilize the available service entitlement by giving Buyer a notice to that effect, specifying the amount(s) thereof and the applicable delivery point(s) on TransCanada's pipeline system. In that event:
 - (i) Buyer will nominate the corresponding diversion(s) for the Day in accordance with the TransCanada Tariff and will notify Seller as to TransCanada's authorization of such nomination; and
 - (ii) to the extent that TransCanada authorizes Buyer's diversion nomination for the Day, Seller will tender the corresponding volume(s) of gas for delivery to TransCanada at the Empress Receipt Point during the Day, for Seller's account under the TransCanada FT Contract, together with the fuel gas required by TransCanada in order to transport the authorized volume(s) to the authorized delivery point(s).
- (c) Notwithstanding anything to the contrary contained in this Section 5.05, Seller's ability to utilize any available service entitlement by means of such diversion(s) will be subject to Buyer's ability to divert gas from the Cornwall Delivery Point to such delivery point(s) in accordance with the TransCanada Tariff.
- (d) Seller will be responsible for the payment of TransCanada's commodity toll(s), delivery pressure toll(s), and any other charges applicable to such diversions under the TransCanada Tariff, but not for the payment of any portion of the TransCanada Monthly Demand Toll.

**ARTICLE SIX
STORAGE AND RELATED TRANSPORTATION**

6.01 Storage: Buyer intends to procure and maintain such storage service from Union, Consumers Gas, and/or other storage providers as may be necessary to meet its gas purchase obligations hereunder on an ongoing basis throughout the Term. To this end, Buyer procured, by way of an assignment from Consumers Gas, a short term working storage entitlement from Union and is now arranging storage service directly with Consumers Gas, in each case with injection and withdrawal entitlements that correspond to Buyer's service entitlement under the TransCanada STS Contract.

6.02 Related Transportation: In addition to Buyer's service entitlements under the TransCanada STS Contract and the Union M12 Contract, Buyer intends to procure and maintain such storage-related transportation service from Union and/or other transporters as may be necessary to meet its gas purchase obligations hereunder on an ongoing basis throughout the Term. To this end, Buyer procured, by way of an assignment from Consumers Gas, a short term westerly transportation service entitlement from Union and is now arranging westerly transportation service directly with Union.

6.03 Level of Service: Buyer will use commercially reasonable efforts to obtain and maintain the storage and related transportation services at the levels contemplated by Sections 6.01 and 6.02 throughout the Term; provided that any failure of Buyer to obtain and maintain such services shall not relieve Buyer of its obligations hereunder, including without limitation the obligation to pay the Monthly Demand Charge in accordance with Section 8.01.

6.04 Cooperation: Seller will endeavour in good faith to cooperate and work together with Buyer, whenever reasonably requested to do so, by providing nonconfidential information on its gas supply and transportation arrangements, in order to assist in Buyer maintaining the levels of storage and related transportation services contemplated by Sections 6.01 and 6.02.

6.05 TransCanada STS Contract: Seller and Buyer will endeavour in good faith to cooperate and work together in doing all things necessary in order to maintain the TransCanada STS Contract in effect throughout the Term. Buyer will be responsible for the payment of all tolls and other costs payable to TransCanada in connection with service under the TransCanada STS Contract and will indemnify and save Seller harmless against and from all claims of TransCanada with respect thereto.

ARTICLE SEVEN
NECESSARY AUTHORIZATIONS

7.01 Necessary Authorizations:

- (a) Buyer shall promptly apply for and diligently pursue the following authorizations:
 - (i) an order under section 3 of the *Natural Gas Act* (United States), amending Buyer's existing import authorization (Federal Power Commission Order No. 347 issued August 8, 1961, as amended) as required in order for Buyer to implement the transactions contemplated by this Agreement; and
 - (ii) an approval of this Agreement under section 35 of the *National Energy Board Part VI Regulations* (Canada).

- (b) Each party confirms to the other party that, after Buyer receives the authorizations specified in Paragraph 7.01(a), the Regulatory Authorities will have issued all authorizations that are necessary in order for such party to implement the transactions contemplated by this Agreement and, except for the Licence (as defined in Paragraph 7.01(c)), to carry on such transactions throughout the Term (collectively, together with the Licence, the "Necessary Authorizations").

- (c) Buyer in due course will apply for and diligently pursue a licence under Part VI of the *National Energy Board Act* (Canada) authorizing Buyer to export daily, annual, and total volumes corresponding to its requirements for System Gas for the remainder of the Term (the "Licence"). In this regard, Seller will provide, when reasonably requested by Buyer to do so, nonconfidential information on its gas supply and transportation arrangements. If Buyer fails to obtain the Licence, Buyer shall not be relieved of its obligations hereunder, including without limitation the obligation to pay the Monthly Demand Charge in accordance with Section 8.01; provided that Buyer shall be so relieved in the event that:
- (i) Buyer fails to obtain the Licence for a reason that is related to Seller's gas supply; and
 - (ii) Buyer thereafter diligently seeks to renew or otherwise extend the Necessary Authorizations that authorize Buyer to export gas on a short-term basis but fails to do so for a similar reason.

7.02 Maintaining Necessary Authorizations: Buyer and Seller shall act in good faith and shall use all commercially reasonable efforts to maintain and, if necessary, to renew or otherwise extend all Necessary Authorizations, in order to permit the transactions contemplated by this Agreement to be carried on throughout the Term. In this regard, Seller will provide, when reasonably requested by Buyer to do so, nonconfidential information on its gas supply and transportation arrangements.

ARTICLE EIGHT

PRICE

8.01 Price Structure: The price to be paid by Buyer for gas delivered under this Agreement (other than Overrun Gas, which will be priced in accordance with Paragraph 3.04(c)) will be based on a two-part demand/commodity structure, plus fuel when applicable in accordance with Section 5.03. For each Month during the Term, Buyer will pay Seller (subject to adjustment in accordance with Sections 8.03, 8.04, and 14.04) a total price equal to the sum of the following amounts:

- (i) the Monthly Demand Charge determined in accordance with Paragraph 8.02(a); plus
- (ii) the Monthly Commodity Charge determined in accordance with Paragraph 8.02(b); plus
- (iii) the Monthly Fuel Charge determined in accordance with Paragraph 8.02(c).

All billings and payments hereunder will be in Canadian currency.

8.02 Price Components: The price components referred to in Section 8.01 will be determined as follows:

- (a) Monthly Demand Charge:

The "Monthly Demand Charge" for any Month will be an amount equal to the product obtained by multiplying:

- (i) a fraction with a numerator equal to the sum (in 10^3m^3) of the Daily Contract Volumes in effect for each Day of the Month and a denominator equal to the number of Days in the Month; by
 - (ii) the sum of
 - (A) the TransCanada Monthly Demand Toll in effect for the Month;
plus
 - (B) the NOVA Monthly Demand Toll in effect for the Month.
- (b) Monthly Commodity Charge:

The "Monthly Commodity Charge" for any Month will be an amount equal to the sum of the values of "MCC" (expressed in dollars and cents) that are derived by solving the following equation for the Delivery Point(s) individually:

$$\text{MCC} = \text{MV} \times [(\text{GP} - 12/365 \text{ NDT}) + \text{TCT}]$$

Where:

"MV" represents the total volume of gas tendered for delivery at the Delivery Point(s) during the Month;

"GP" represents the Gas Price in effect for the Month in accordance with Section 8.03, converted to and expressed in dollars per 10^3m^3 using the applicable average heating value for the Month;

"NDT" represents the NOVA Monthly Demand Toll in effect for the Month; and

"TCT" represents the TransCanada Commodity Toll in effect for the Month.

- (c) The "Monthly Fuel Charge" for any Month in a Contract Year in which Seller supplied all or part (as make-up fuel gas) of the TransCanada Fuel Requirement in accordance with Section 5.03 will be an amount obtained as follows:
- (i) if Seller supplied all of the TransCanada Fuel Requirement pursuant to Paragraph 5.03(b), the product obtained by multiplying the volume of the TransCanada Fuel Requirement so supplied during the Month by the Fuel Price in effect for the Month in accordance with Paragraph 5.03(b), expressed as and converted (if necessary) to a price in dollars per 10^3m^3 using the average heating value for gas delivered to TransCanada, for Seller's account under the TransCanada FT Contract, at the Empress Receipt Point during the Month; or
 - (ii) if Seller supplied only part of the TransCanada Fuel Requirement in order to make up a fuel deficiency pursuant to Paragraph 5.03(a) or 5.03(c), the product obtained by multiplying the volume of the make-up fuel gas so supplied during the Month by the Gas Price in effect for the Month in accordance with Section 8.03, converted to and expressed in dollars per 10^3m^3 using the average heating value for gas delivered to TransCanada, for Seller's account under the TransCanada FT Contract, at the Empress Receipt Point during the Month.

8.03 Determination of Gas Price: The "Gas Price" in effect for any Month will be an amount equal to the Consumers Gas Average Price in effect for the Month, which will be determined as follows:

- (a) The "Consumers Gas Long Term Contracts" for any Month will comprise all of the contracts entered into by Consumers Gas with suppliers (other than Affiliates) that are in effect during the Month for the purchase of gas produced in Western Canada, on a firm and year-round basis, for resale to sales service customers in Ontario, including Gazifère Inc. but excluding customers of Consumers Gas or Gazifère Inc. who have direct purchase arrangements similar to the Direct Purchase Arrangements hereunder, and that have an initial primary term (exclusive of renewals, extensions, or reductions) of 10 or more years.
- (b) The "Consumers Gas Average Price" for any Month will be equal to the weighted average price (in dollars per gigajoule) that is derived from the prices payable by Consumers Gas for gas purchased under all of the Consumers Gas Long Term Contracts during the Month, on the assumption that Consumers Gas will purchase its entire entitlement under each such contract during the Month and with such prices being weighted proportionately in accordance with the firm daily contract volumes available to Consumers Gas under each such contract on each Day of the Month. Such prices shall include both the demand (if any) and the commodity components applicable to the gas *per se* but shall exclude any non-gas components, such as transportation charges (or the reimbursement thereof) for any gas sold under a delivered service.
- (c) On or before the Business Day immediately prior to the first Day of each Month, Buyer will provide (or cause Consumers Gas to provide) Seller with a written statement showing the projected Consumers Gas Average Price for the Month; provided that Buyer will endeavour to provide (or cause Consumers Gas to

provide) such statement by the 15th day of the preceding Month. Seller shall use the projected Consumers Gas Average Price shown in such statement for the purpose of preparing its invoice for the Month pursuant to Section 10.01, unless the actual Consumers Gas Average Price for the Month varies from the projected Consumers Gas Average Price. In that event, on or before the last Business Day of the Month, Buyer will provide (or cause Consumers Gas to provide) Seller with another written statement showing the actual Consumers Gas Average Price for the Month; provided that Buyer will endeavour to provide (or cause Consumers Gas to provide) the statement as soon as the actual Consumers Gas Average Price is determined. Seller shall then use the actual Consumers Gas Average Price shown in such statement for the purpose of preparing its invoice for the Month pursuant to Section 10.01.

- (d) Buyer will cause Consumers Gas to give Seller an Audit Right in respect of the calculation of the Consumers Gas Average Price.

8.04 Diversion Adjustment: If gas is diverted by or for Buyer in any Month pursuant to Paragraph 4.03(c), Section 5.02 (to the Iroquois Delivery Point), and/or Paragraph 14.04(b), the total price payable by Buyer for the Month, as otherwise determined pursuant to this Article Eight, will be adjusted by an amount equal to any increase or decrease, as the case may be, in the transportation tolls (including without limitation any delivery pressure tolls) that Seller is obligated to pay to TransCanada as a result of any such diversion.

8.05 Minimum Monthly Bill: From and after the Effective Date, Buyer's minimum bill hereunder for any Month shall be the Monthly Demand Charge for the Month.

**ARTICLE NINE
PRICE REDETERMINATION**

9.01 Redetermination Notice:

- (a) No earlier than the first Business Day of July and no later than the first Business Day of September immediately preceding the second and any subsequent Contract Year, either party may give a notice to the other (a "Redetermination Notice") requiring the redetermination of the Gas Price component of the Monthly Commodity Charge that will be applicable during such Contract Year. For greater certainty, the two-part demand/commodity pricing structure and the components of that structure other than the Gas Price will not be subject to redetermination, either by agreement or arbitration.

- (b) If a Redetermination Notice is given, the parties will meet promptly and at reasonable intervals to negotiate in good faith for the purpose of reaching agreement on a Gas Price component that, in the market circumstances then prevailing, is fair to both parties, taking into consideration each of the Arbitration Criteria (as defined in Section 9.05).

9.02 Arbitration: If the parties are unable to reach agreement on the redetermined Gas Price component within 60 days of the date on which a Redetermination Notice was given in accordance with Section 9.01, then at any time thereafter, but prior to the last Business Day of November next following the giving of the Redetermination Notice, either party may require that the redetermination of the Gas Price component be submitted to binding commercial arbitration in accordance with Article Fifteen, by giving the other party a notice to that effect in accordance with Section 15.02.

9.03 Producer Approvals:

- (a) If the parties reach agreement on the redetermination of the Gas Price in accordance with Section 9.01, Seller shall promptly use all reasonable efforts in order to obtain from the Alberta Petroleum Marketing Commission an unconditional finding of producer support for the redetermined Gas Price component, if so required by the applicable provisions of the *Natural Gas Marketing Act* (Alberta), and to obtain any other producer approvals that may be required at such time.
- (b) If Seller obtains the finding and the other approvals referred to in Paragraph 9.03(a) within 30 days of the date on which the parties reached agreement on the redetermination of the Gas Price component, the redetermined Gas Price component shall become effective without further conditions. If Seller does not do so prior to the first Day of the applicable Contract Year, then the Gas Price component previously in effect will remain in effect until Seller does so. Thereafter, Seller shall retroactively adjust its invoices, and the parties shall promptly make all resulting payment adjustments in order to effectively implement the redetermined Gas Price component effective as of and from the first Day of the Contract Year.
- (c) If Seller does not obtain the finding and the other approvals referred to in Paragraph 9.03(a) within 30 days of the date on which the parties reached agreement on the redetermination of the Gas Price component, then at any time thereafter, but prior to the last Business Day of the Month next following the expiry of such 30 day period, either party may require that the redetermination of the Gas Price component be submitted to binding commercial arbitration in accordance with Article Fifteen, by giving the other party a notice to that effect in accordance with Section 15.02.

9.04 Cancelled Price Redetermination: If neither party gives a timely notice requiring arbitration as provided in Section 9.02 or Paragraph 9.03(c), the price redetermination shall be automatically cancelled and the Redetermination Notice shall thereupon cease to have any force and effect whatsoever. Instead, the method of determining the Gas Price component that was in effect at the time of the Redetermination Notice will remain in effect throughout the Contract Year in respect of which the Redetermination Notice was given.

9.05 Arbitration Criteria: If the Gas Price component is required to be redetermined by arbitration pursuant to Section 9.02 or Paragraph 9.03(c), the Arbitrator(s) (as defined in Section 15.04) shall determine the Gas Price component that, in the market circumstances then prevailing and in the opinion of the Arbitrator(s), is fair to both Seller and Buyer. The determination of the Arbitrator(s) shall be based upon, and shall give due consideration to, each of the following matters (the "Arbitration Criteria"), to the extent that evidence is adduced with respect thereto by the parties in the arbitration:

1. the prices being paid by gas purchasers in North American gas market areas (other than Buyer's Existing Market Area) for gas service from Alberta, British Columbia, and Saskatchewan suppliers;
2. the prices being paid by Buyer or its customers for other Canadian gas or U.S. gas that is delivered to the Existing Market Area; and
3. the prices of substitutable energy sources that compete with gas for various end-uses of gas in Buyer's Existing Market Area, taking into account any differences between the efficiencies of gas and those substitutable energy sources;

provided that, in considering such matters, the Arbitrator(s) shall also take into account the following matters, to the extent that evidence is adduced by the parties in the arbitration:

- (a) the time at which the prices were agreed to between the respective buyers and sellers;
- (b) differences in transportation costs relevant to establishing a point of comparison at the relevant receipt points on TransCanada's pipeline system;
- (c) the similarities and dissimilarities between the service(s) provided hereunder and the sale and transportation arrangements under which other gas is being sold for consumption or use in Buyer's Existing Market Area and in other North American markets or under which substitutable energy sources are being sold for consumption or use in Buyer's Existing Market Area, including in particular but not limited to the similarities and dissimilarities between the quality of service and the security of supply provided hereunder and provided under such other arrangements; and
- (d) any other considerations in respect of which relevant evidence is adduced by the parties.

9.06 Timing:

- (a) If the Gas Price component is required to be redetermined by arbitration, and the arbitration has been concluded prior to the first Day of the applicable Contract Year, the redetermined Gas Price component will come into effect on such first Day. If, however, the arbitration has not been concluded on or before the first Day of the applicable Contract Year, the Gas Price component that was in effect for the preceding Contract Year shall remain in effect, subject to adjustment in accordance with Paragraph 9.06(b), until the Gas Price component is redetermined by arbitration.

- (b) For the purposes of this Paragraph 9.06(b), an arbitration shall be deemed to have commenced on the date that a notice requiring arbitration is given in accordance with Section 15.02. If an arbitration has been commenced but has not been concluded prior to the first Day of the applicable Contract Year, Seller shall retroactively adjust its invoices to Buyer, and the parties shall promptly make all resulting payment adjustments, for the period during the Contract Year prior to the conclusion of the arbitration so as to retroactively implement for such period the Gas Price component that is ultimately determined by arbitration.

However, if an arbitration is commenced after the first Day of the applicable Contract Year, Seller shall retroactively adjust its invoices only for the period commencing on the day on which the arbitration was commenced and ending upon the conclusion of the arbitration.

- (c) Any Gas Price component that is redetermined by arbitration shall come into effect in accordance with this Section 9.06 without conditions.

ARTICLE TEN BILLINGS AND PAYMENTS

10.01 Invoices: Seller shall deliver to Buyer, on or before the 15th day of each month (the "Billing Month"), an invoice for the preceding Month (the "Delivery Month") showing for the Delivery Month the total amount payable by Buyer for gas service hereunder, and the derivation of such total amount, including the following information:

- (a) the Monthly Demand Charge payable in respect of the Delivery Month and details of the calculation thereof in accordance with Paragraph 8.02(a), including the TransCanada Monthly Demand Toll and the NOVA Monthly Demand Toll in

effect for the Delivery Month, and the Daily Contract Volume in effect for each Day of the Delivery Month;

- (b) the Monthly Commodity Charge payable in respect of the gas tendered for delivery at the Delivery Point(s) during the Delivery Month, in accordance with Buyer's nominations, and details of its calculation in accordance with Paragraph 8.02(b), including:
 - (i) the total volume of gas so tendered for delivery during the Delivery Month, expressed in 10^3m^3 ;
 - (ii) the Gas Price in effect for the Delivery Month (including particulars of its calculation as an amount in dollars per 10^3m^3); and
 - (iii) the TransCanada Commodity Toll and NOVA Monthly Demand Toll in effect for the Delivery Month;
- (c) for each Delivery Month in which Seller supplied all of the TransCanada Fuel Requirement pursuant to Paragraph 5.03(b), the Monthly Fuel Charge and details of its calculation in accordance with Paragraph 8.02(c), including
 - (i) the volume of the TransCanada Fuel Requirement so supplied during the Delivery Month; and
 - (ii) the Fuel Price in effect for the Delivery Month (including particulars of its calculation as an amount in dollars per 10^3m^3);
- (d) for each Delivery Month in which Seller supplied only part of the TransCanada Fuel Requirement in order to make up a fuel deficiency pursuant to Paragraph

5.03(a) or 5.03(c), the Monthly Fuel Charge and details of its calculation in accordance with Paragraph 8.02(c), including

- (i) the volume of the make-up fuel gas so supplied during the Delivery Month; and
 - (ii) the Gas Price in effect for the Delivery Month (including particulars of its calculation as an amount in dollars per 10^3m^3);
- (e) for each Delivery Month in which Seller diverted gas for Buyer pursuant to Paragraph 4.03(c), Section 5.02 (to the Iroquois Delivery Point), and/or Paragraph 14.04(b), any adjustment of the total amount payable by Buyer in accordance with Section 8.04, including particulars of its calculation;
- (f) for each Delivery Month in which Seller delivered Overrun Gas, the volume of such Overrun Gas, and the total amount payable in respect thereof, including particulars of its calculation, as determined in accordance with Section 3.04; and
- (g) any adjustment of an amount payable under a previous invoice, including particulars of its calculation.

10.02 Payment by Buyer:

- (a) Buyer shall pay Seller, on or before the 25th day of the Billing Month, the full amount shown in the invoice for the Delivery Month. In the event that the 25th day of the Billing Month is not a Business Day, Buyer shall pay Seller on or before the Business Day immediately prior to the 25th day of the Billing Month. (The date upon which payment becomes due in respect of a Delivery Month in accordance with this Paragraph 10.02(a) is the "Payment Date".)

- (b) If Buyer does not receive Seller's invoice until after the 15th day of a Billing Month, then (except as otherwise provided in this Paragraph 10.02(b)) the Payment Date shall be extended to the day that is the 10th day after receipt of the invoice by Buyer. If such day is not a Business Day, the Payment Date shall be extended to the Business Day immediately preceding such 10th day. Notwithstanding the foregoing, if Seller is unable to render any invoice wholly or partly as a result of the failure of Buyer to provide information required therefor in a timely manner, then there shall be no such extension of the Payment Date and Seller may make (but shall not be required to do so) reasonable estimates of the information that Buyer has failed to provide and deliver an invoice based on such estimates and such estimated invoice shall be binding on Buyer, subject to adjustment upon Buyer subsequently providing such information.

10.03 Audit Rights: Each party shall have an Audit Right relative to the other party and its Affiliates to the extent necessary to verify the accuracy of any invoice, payment, or any computation pertaining to the sale and purchase of gas hereunder.

10.04 Interest on Late Payments: If Buyer fails to pay all of the amount of any invoice when such amount is due, and such amount or the unpaid portion thereof is not successfully disputed by Buyer, simple interest shall accrue at a rate of one percent per annum plus the prime rate per annum announced from time to time by Canadian Imperial Bank of Commerce for Canadian dollar commercial loans made in Canada ("the Interest Rate") on the unpaid portion of the invoice from the Payment Date to the date on which such amount is paid, and shall be payable on demand.

10.05 Suspension of Deliveries: If the failure to pay referred to in Section 10.04 continues for 10 days after the Payment Date, in addition to any other remedies Seller may have under this

Agreement or otherwise at law, Seller may thereafter suspend further deliveries of gas hereunder until such amount (inclusive of accrued interest) is paid; provided that,

- (a) in order for Seller to have the right to suspend deliveries, Seller must first give a notice to Buyer, after the Payment Date and at least five days prior to any such suspension, stating Seller's intention to suspend deliveries and giving Buyer the right to pay such amount (inclusive of interest) within such five day period; and
- (b) if Buyer in good faith disputes the amount of any such invoice or part thereof and pays to Seller such amounts as Buyer concedes to be correct, and if at any time thereafter within 20 days of a demand made by Seller, Buyer furnishes or causes to be furnished a good and sufficient letter of credit or surety bond satisfactory to Seller, securing or guaranteeing payment to Seller of the amount ultimately found due upon such invoice after a final determination that may be reached either by agreement of the parties or by binding commercial arbitration pursuant to Article Fifteen, then Seller shall not be entitled to continue to suspend deliveries because of such nonpayment unless and until Buyer defaults in the payment of the fees or premiums for or on the conditions of such letter of credit or bond.

10.06 Billing/Payment Adjustments: If it is found that, at any time or times, Buyer has been overcharged or undercharged in any form whatsoever and Buyer has actually paid the invoices containing such overcharge or undercharge then, within 30 days after the final determination thereof, Seller shall refund the amount of any such overcharge with interest thereon at the Interest Rate from the date such overcharge was paid until the date of refund. (If such refund with interest is made by a credit on an invoice presented by Seller to Buyer, then the date of refund shall be deemed to be the Payment Date.) Buyer shall pay the amount of any such undercharge but without interest, unless such undercharge was the result of incorrect or deficient information being provided to Seller by Buyer, Consumers Gas, or their Affiliates. If an error

is discovered in the amount billed in any invoice delivered by Seller, such error shall be adjusted within 30 days of the determination thereof; provided that any claim therefor shall be made within 60 days from the date of discovery of such error by the party seeking adjustment, and in any event prior to the end of the Contract Year that next follows the date of payment of the amount found to be incorrect. The provisions of this Section 10.06 shall survive the termination of this Agreement.

**ARTICLE ELEVEN
SUPPLY COMMITMENT**

11.01 Definitions: For the purposes of this Article Eleven, the following terms will be construed to have the following meanings:

- (a) "Long Term Sales Contracts" means all firm gas sales contracts:
 - (i) between Seller and any buyer of gas from Seller (other than TransCanada) that provide for the sale of gas from the Supply Pool (as defined in Paragraph 11.01(c)); or
 - (ii) between TransCanada and any buyer of gas (other than Seller) from TransCanada that provide for the sale of gas from the Supply Pool,

that are in effect from time to time during the Term and provide for an initial primary term of 10 or more years.

- (b) "Short Term Sales Contracts" means all gas sales contracts:

- (i) between Seller and any buyer of gas from Seller (other than TransCanada) that provide for the sale of gas from the Supply Pool; or
- (ii) between TransCanada and any buyer of gas from TransCanada (other than Seller) that provide for the sale of gas from the Supply Pool,

other than Long Term Sales Contracts, that are in effect from time to time during the Term.

- (c) "Supply Pool" means, at any time, the aggregate supply of natural gas producible from the gas reserves that are (but only to the extent that they are) exclusively dedicated at the time by gas producers to the performance of TransCanada's purchase contracts with them, and of Consolidated Natural Gas Limited's gas purchase contracts with them relative to the gas that Consolidated Natural Gas Limited sells to TransCanada.

11.02 Supply Pool: Buyer acknowledges that Seller and TransCanada deliver gas from the Supply Pool under all Long Term Sales Contracts and Short Term Sales Contracts and that Seller pays producers a price for gas produced in each Month that is the monthly weighted average price received by Seller for the sale of such gas in Seller's markets, after deduction for intervening costs (such method of payment being "Seller's Netback Purchase Arrangement"). Buyer further acknowledges that, as such reserves are depleted, the volumes of gas available from the Supply Pool, without further reserve additions, may become insufficient to meet, on a sustained basis, the daily delivery requirements under all Long Term Sales Contracts and Short Term Sales Contracts. In anticipation of such event, Seller and TransCanada shall in good faith use all reasonable efforts from time to time to add newly contracted gas reserves to the Supply Pool for purchase within Seller's Netback Purchase Arrangement (it being understood

11.03 Supply Notices:

- (a) Not later than the first Day of April immediately following the end of each Contract Year of the Term, Seller shall, by written notice (the "Supply Notice"), advise Buyer of the RR/P for each Contract Year of the Projection Period, calculated using Seller's best estimates, and shall include therewith, to the extent compatible with Seller's and TransCanada's reasonable needs to retain certain information as confidential for marketing purposes, full details of the reserves and production levels used in making such calculation.
- (b) Seller shall deliver to Buyer with each Supply Notice a certificate prepared by Sproule and Associates Ltd., or such other qualified independent consultant as may be designated by Seller, subject to the approval of Buyer, acting reasonably, that certifies the concurrence of such consultant with Seller's calculation of the RP/P for each Contract Year of the Projection Period, and the reserve and production estimates upon which such calculations are based.

11.04 Restrictions on New Sales Contracts: Seller and TransCanada shall not:

- (a) during any Contract Year in which the RR/P for any Contract Year of the most recently reported Projection Period is less than 10, enter into any new, replacement, or extension gas sales contracts involving the Supply Pool; and
- (b) during any Contract Year in which the RR/P for any Contract Year of the most recently reported Projection Period is 10 or more, enter into new, replacement, or extension gas sales contracts involving the Supply Pool such that the RR/P for any such Contract Year, recalculated to take such new, replacement, or extension contracts into account, would be less than 10.

11.05 Curtailment of Deliveries: If, notwithstanding Seller's and TransCanada's efforts to add newly contracted gas reserves to the Supply Pool in accordance with Section 11.02, the total volume of gas available from the Supply Pool in any Day is insufficient to enable Seller and TransCanada to deliver the total volumes of gas requested for such Day by buyers under all Long Term Sales Contracts and Short Term Sales Contracts:

- (a) Seller shall fully curtail deliveries and cause TransCanada to fully curtail deliveries for the Day under all Short Term Sales Contracts before curtailing deliveries under all Long Term Sales Contracts in order that full deliveries under all Long Term Sales Contracts may be maintained;
- (b) Seller and TransCanada shall be entitled, after fully curtailing deliveries for the Day under all Short Term Sales Contracts, to prorate the volume of gas then available for the Day from the Supply Pool among all Long Term Sales Contracts. Buyer's share ("Buyer's Pro-Rata Share") of such prorated daily volume under this Agreement shall be the lesser of:
 - (i) the proportion of the prorated available daily volume that the applicable Daily Contract Volume for the Day bears to the aggregate daily contract volume under all Long Term Sales Contracts for the Day; and
 - (ii) Buyer's Scheduled Daily Delivery for the Day; and
- (c) Once curtailment of all Long Term Sales Contracts has occurred under Paragraph 11.05(b), Seller and TransCanada shall continue to fully curtail all Short Term Sales Contracts until the RR/P is 10 or more.

11.06 Seller's Nominations: For each Day, Seller shall nominate (or cause TransCanada to nominate) a volume of gas for delivery by the suppliers of gas to the Supply Pool that is not less

than the aggregate daily volume of gas requested for delivery on such Day by buyers under all Short Term Sales Contracts (until fully curtailed) and all Long Term Sales Contracts.

11.07 Exclusion of Seller's Liability: Seller and TransCanada shall not be liable to Buyer for damages resulting from failure to deliver the Scheduled Daily Delivery in any Day if:

- (a) the Supply Notices issued in each of the three Contract Years preceding the Contract Year in which such Day occurs (the "Deficiency Year") stated that the RR/P for the Deficiency Year would be less than 10;
- (b) Seller and TransCanada shall have complied with their obligations under Sections 11.02, 11.04, and 11.05;
- (c) Seller and TransCanada shall have complied with their obligations for the Day under Section 11.06; and
- (d) Seller shall not have restored the RR/P for the Contract Year to 10 or more pursuant to Section 11.09.

For greater certainty, this Section 11.07 is not intended to relieve Seller from liability to Buyer for damages that arise as a result of Seller's failure to comply with any provision of this Agreement, except as expressly provided in this Section 11.07.

11.08 Reduction of Daily Contract Volume:

- (a) For any Day in which Seller is exercising its right hereunder to deliver to Buyer its Pro-Rata Share of available gas supply, but subject to Paragraph 11.08(b), the applicable Daily Contract Volume for the Day shall be reduced to a volume that is equal to Buyer's Pro-Rata Share for the Day; provided that for the purposes of

calculating Buyer's Pro-Rata Share under Paragraph 11.05(b), the Daily Contract Volume that would otherwise be in effect for the Day shall be used.

- (b) Buyer shall be entitled to purchase from other suppliers the difference between the Daily Contract Volume that would otherwise be in effect for the Day and Buyer's Pro-Rata Share for the Day, if Seller is exercising its right to deliver Buyer's Pro-Rata Share in the Day in accordance with Paragraph 11.05(b). If Buyer makes arrangements to purchase gas from other suppliers, and if such gas is delivered by or for Buyer to Seller at a receipt point specified in the TransCanada FT Contract, a corresponding portion of Seller's service entitlement under the TransCanada FT Contract will be used in order to ship such gas to the Delivery Point(s). To the extent that Seller's service entitlement is so used in any Day, the reduction in the Daily Contract Volume for the Day provided in Paragraph 11.08(a) shall be adjusted accordingly for the sole purpose of determining the Monthly Demand Charge.

11.09 Curative Period/Alternate Supplies:

- (a) If during the Term Buyer receives a Supply Notice that shows that the RR/P for a specific Contract Year in a Projection Period, as determined in accordance with Section 11.02, is less than 10 (the earliest such Contract Year in the Projection Period showing an RR/P below 10 being the "Forecast Year"), Seller and TransCanada shall have two years from the date of delivery of the Supply Notice within which to contract for new reserves in accordance with Section 11.02, in order to increase the RR/P for the Forecast Year to at least 10; failing which Buyer may, at its option, arrange to acquire gas from other suppliers (the "Alternate Supplies") to commence delivery on the first Day of the Forecast Year, equal to all or part of the Daily Contract Volume, as determined in Buyer's sole discretion. Commencing with the first Day for which Buyer schedules and

receives the Alternate Supplies, the Daily Contract Volume that would otherwise be in effect shall be reduced, for the remainder of the Term, by a volume equal to the aggregate daily contract volume applicable to the Alternate Supplies.

- (b) If Buyer arranges for the Alternate Supplies, Seller will assign to Buyer, for the remainder of the Term, a portion of its service entitlement under the TransCanada FT Contract corresponding to the aggregate daily contract volume applicable to the Alternate Supplies. The form of the assignment will be substantially similar to Schedule "A" hereto, modified as required under the circumstances.

ARTICLE TWELVE QUALITY AND MEASUREMENT

12.01 Quality Specifications: Seller will ensure that the quality of gas delivered hereunder at the Delivery Point(s) and, in the case of Overrun Gas and the TransCanada Fuel Requirement, at the Empress Receipt Point conforms to the quality specifications set out in the TransCanada Tariff.

12.02 Quality Deficiencies: If the gas tendered for delivery by Seller at the Delivery Point(s) and, in the case of Overrun Gas and the TransCanada Fuel Requirement, at the Empress Receipt Point shall fail at any time to meet the quality specifications referred to in Section 12.01, then Buyer shall notify Seller of such deficiency and thereupon may, at Buyer's option, refuse to accept delivery of such gas pending correction thereof. If Seller fails to promptly remedy such deficiency in quality, Buyer may receive such gas and may make changes necessary to bring such gas into conformity with such specifications, and (upon receipt of invoices properly evidencing the particulars of such expenses) Seller shall reimburse Buyer for any reasonable expense incurred by Buyer in effecting such changes.

12.03 Measurement and Testing: The gas to be delivered under this Agreement shall be measured as to volume and gross heating value and tested as to quality by TransCanada in accordance with the TransCanada Tariff. All such measurements and tests made by TransCanada (including any corrections thereof in accordance with the TransCanada Tariff) shall be binding on Seller and Buyer as to the gas delivered by Seller to Buyer at the Delivery Point(s).

12.04 Buyer's Checks: Upon written request by Buyer, Seller shall make arrangements so that Buyer (or Buyer's agent for the receipt of gas delivered hereunder) may install, maintain, and operate, at its own expense, such check measuring equipment as desired at or near the Delivery Point(s), provided that such equipment shall be so installed as not to interfere with the operation of the equipment of TransCanada or any other Person. Seller shall make all necessary arrangements to ensure that Buyer will have access to the meter charts and other data that it may reasonably require in connection with deliveries of gas hereunder and that Buyer will have access to the Delivery Point(s) to install its measuring equipment and do such other things as it has the right to do hereunder.

ARTICLE THIRTEEN POSSESSION, TITLE AND WARRANTY

13.01 Possession and Control: Possession of and title to gas sold by Seller to Buyer hereunder shall pass to Buyer at the Delivery Point(s). As between the parties hereto, until such delivery, Seller shall be deemed to be in control and possession of, and to have title to and responsibility for, such gas, and after such delivery, Buyer shall be deemed to be in control and possession of, and to have title to and responsibility for, such gas.

13.02 Title: At the time of delivery, Seller will cause good and marketable title to all gas delivered hereunder to pass to Buyer free and clear of all liens, encumbrances, and claims whatsoever. Seller shall indemnify Buyer and save Buyer harmless from all suits, actions, debts,

accounts, damages, costs, losses, and expenses arising from or out of adverse claims of any or all Persons to such gas or to royalties, taxes, licence fees or charges therein, that are applicable before possession of and title to such gas passes to Buyer.

13.03 Taxes and Duties:

- (a) Buyer shall be responsible for the payment of all taxes, fees, and duties, including without limitation all federal and provincial sales taxes, goods and services taxes (including the GST), or similar taxes exigible in connection with the purchase of gas by Buyer pursuant to this Agreement, and the transportation of such gas for delivery to Buyer (whether such taxes are payable by Buyer directly or are to be collected and remitted by Seller, which Seller shall do in respect of the GST if paid by Buyer), and all taxes, duties or other amounts payable to Regulatory Authorities in connection with the export from Canada and the import into the United States of such gas, and shall indemnify Seller and save Seller harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising with respect thereto.

- (b) With respect to the GST, the parties acknowledge that the supply of gas by Seller to Buyer hereunder may qualify as a zero-rated supply for GST purposes, on the basis that the supply of such gas is made by a person (Seller) to a recipient (Buyer) who intends to export the gas by pipeline (the Cornwall Pipeline) in the manner contemplated by section 15 of Part V of Schedule VI to the *Excise Tax Act* (Canada). Seller will endeavour in good faith to co-operate and work together with Buyer in order to qualify the supply of such gas as a zero-rated supply, and for this purpose Buyer will endeavour to provide timely documentation and other evidence that is sufficient to satisfy the relevant requirements of the taxing authorities from time to time. In any case where Buyer's documentation and other evidence is not, in Seller's opinion (acting

reasonably), sufficient to qualify the supply of such gas as a zero-rated supply, Buyer will pay Seller the full amount of the GST that would be exigible in the absence of such qualification. Buyer acknowledges that the supply of gas hereunder may be audited or reassessed by the taxing authorities, with the result that Seller may become liable to pay additional amounts of the GST, together with penalties and/or interest. If Seller becomes so liable, and if Seller has previously satisfied its obligation to promptly remit to the appropriate governmental authority all amounts received from Buyer on account of the GST in connection with the supply of gas hereunder, Buyer will indemnify and save Seller harmless from and against any such liability, together with any reasonable related costs incurred by Seller.

ARTICLE FOURTEEN FORCE MAJEURE

14.01 Effect/Definition:

- (a) Except as otherwise provided in this Article Fourteen, if either party fails to perform any of its obligation(s) hereunder and such failure has been caused by or is a consequence of any event(s) of *force majeure* (as defined in Paragraph 14.01(b)), then such failure will not be deemed to be a breach of this Agreement, and such obligation(s) shall be suspended during the continuance of the event(s) of *force majeure*.
- (b) As used herein, the term "*force majeure*" means acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the

necessity for making repairs to or alterations of machinery or lines of pipe, freezing of 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 (including failure to deliver or receive gas) of a supplier of gas to Seller or TransCanada or a transporter of gas for Seller (including NOVA and TransCanada) or for Buyer (including TransCanada by virtue of the FT Agency Agreement, Niagara, and Iroquois) that is excused by any event or occurrence of the character defined herein or defined in such transporter's tariff as constituting *force majeure* and any act or omission by Persons not controlled by the party having the difficulty, and any other cause whether of the kind enumerated herein or otherwise, that affects deliveries or receipts of gas as contemplated in this Agreement and that is not within the control of the party claiming suspension and that such party is unable to prevent or overcome by the exercise of due diligence, including without limitation those affecting Buyer's distribution system.

- (c) Notwithstanding Paragraph 14.01(a), the following events shall not be events of *force majeure* and shall not be deemed to frustrate this Agreement or to render performance hereunder impossible: (i) a party's lack of funds or other financial inability; (ii) an event caused or contributed to by the negligence or contributory negligence of the party claiming suspension; and (iii) a failure or inability of Buyer to resell or distribute gas due to loss of markets.

14.02 Notice/Efforts to Remedy:

- (a) The party claiming suspension of its obligation(s) pursuant to this Article Fourteen shall promptly give the other party notice of the *force majeure* event(s), including reasonably full particulars thereof. The party claiming suspension of its obligation(s) shall promptly remedy the cause of the *force majeure* event(s)

insofar as it is reasonably able to do so; provided that the terms of a settlement of any strike, lockout or other labour disturbance affecting the party claiming suspension of its obligation(s) hereunder by reason thereof shall be wholly in the discretion of that party.

- (b) Notwithstanding Paragraph 14.01(a), an event of *force majeure* affecting the performance of this Agreement by either party will not relieve such party of its obligations hereunder if it fails to comply with Paragraph 14.02(a).

14.03 Curtailment and Prorating:

- (a) If in any Day, as a result of an event of *force majeure*, Seller is rendered unable, wholly or in part, to deliver the volumes of gas that Buyer and other buyers of gas from Seller have requested for the Day, then Seller shall curtail deliveries to Buyer and such other buyers in the following order of priority:
 - (i) first, under all interruptible gas sales contracts until deliveries are fully curtailed; and
 - (ii) secondly, under all firm gas sales contracts, including this Agreement, that are affected by the event of *force majeure*.
- (b) To the extent that Seller is required by such an event of *force majeure* to curtail deliveries under this Agreement and other firm gas sales contracts, such deliveries will be curtailed, to the extent practicable, on a pro-rata basis so that Buyer will receive an amount of gas (up to but not exceeding the Scheduled Daily Delivery) equal to the product obtained by multiplying (i) the total amount of gas that Seller is able to deliver to Buyer hereunder and to the buyers under such other firm gas sales contracts by (ii) a fraction with a numerator equal to the Daily Contract

Volume and a denominator equal to the sum of the Daily Contract Volume and the daily contract volumes under such other firm gas sales contracts.

14.04 Billing Adjustments:

- (a) If Seller fails to tender the entire Scheduled Daily Delivery for delivery in any Day by reason of an event of *force majeure*, the Monthly Demand Charge will be adjusted by reducing the Daily Contract Volume for the Day to a volume that is equal to the Daily Contract Volume multiplied by a fraction with a numerator equal to the volume tendered for delivery by Seller at the Delivery Point(s) in the Day and a denominator equal to the Scheduled Daily Delivery for the Day.
- (b) If Buyer fails to receive the entire Scheduled Daily Delivery tendered for delivery by Seller in any Day by reason of an event of *force majeure*, then in order to mitigate the impact of the event of *force majeure* on Buyer, but only to the extent that Buyer would not otherwise receive such gas by reason of the event of *force majeure*, Paragraph 4.03(c) hereof shall apply *mutatis mutandis* and the Monthly Demand Charge and the Monthly Commodity Charge will be adjusted accordingly. The latter will be further adjusted by excluding the gas tendered for delivery by Seller at the Delivery Point(s) that Buyer is unable to receive as a result of the event of *force majeure*.

**ARTICLE FIFTEEN
ARBITRATION**

15.01 Procedural Rules, Venue: Where a matter is expressly required or permitted under this Agreement to be submitted to arbitration, the matter shall or may (as the case may be) be referred to and finally resolved by an arbitration under the Rules for International Commercial Arbitration and Conciliation Proceedings of the British Columbia International Commercial

Arbitration Centre (the "BCICAC Rules"). Except where inconsistent with the provisions of this Article Fifteen, the arbitration contemplated by this Article Fifteen shall be governed from a procedural point of view by the *International Commercial Arbitration Act* (British Columbia), the Regulations made thereunder, and the BCICAC Rules (all as amended to, but not after, the date hereof). The appointing authority shall be the British Columbia International Commercial Arbitration Centre. The arbitration will be administered by the British Columbia International Commercial Arbitration Centre in accordance with its Procedures for Cases under the BCICAC Rules. The place of arbitration shall be Vancouver, British Columbia.

15.02 Initiation of Arbitration: Either party may initiate an arbitration hereunder (the "Initiating Party") by giving a notice to that effect to the other party (the "Receiving Party"), which notice shall name one arbitrator who would function as a single arbitrator if the Receiving Party consents, or as one of three arbitrators if the Receiving Party does not so consent. Within 21 days after receipt of such notice, the Receiving Party shall give a notice to the Initiating Party containing either a consent to the arbitrator named by the Initiating Party functioning as a single arbitrator or the name of a second arbitrator.

15.03 Composition of Arbitration Panel: If the Receiving Party fails either to consent to a single arbitrator as named by the Initiating Party, or to name a second arbitrator within the time period provided in Section 15.02, then the Initiating Party's arbitrator shall function as a single arbitrator. If each of the parties appoints its own arbitrator, the two arbitrators so appointed shall name a third arbitrator, or if they fail to do so within 10 days of the second arbitrator's appointment, the parties shall promptly meet and attempt to agree upon and appoint such third arbitrator. If the parties are unable to agree within 10 days on the choice of the third arbitrator, then on the request of either party hereto, the third arbitrator shall be appointed by the British Columbia International Commercial Arbitration Centre.

15.04 Qualifications of Arbitrator(s): The single arbitrator or the three arbitrators (the "Arbitrator(s)") appointed hereunder shall be qualified by education or experience to decide the

particular matter(s) submitted to arbitration, and shall not be past or present employees or agents of either party or any of their Affiliates. There shall be no restrictions or requirements as to nationality of the Arbitrator(s).

15.05 Completion of Arbitration: The parties shall use all reasonable efforts, and shall instruct the Arbitrator(s) to use all reasonable efforts, to complete the arbitration and render a decision within 60 days after appointment of the Arbitrator(s) pursuant to Section 15.03.

15.06 Costs of Arbitration: Each party shall bear the costs of prosecuting its own case in any arbitration. The parties shall bear equally the other costs of any arbitration, including the fees and expenses of the Arbitrator(s) and the British Columbia International Commercial Arbitration Centre.

15.07 Continuing Operations: Whenever there is an arbitration hereunder, operations under this Agreement shall continue to be conducted in the same fashion as they were conducted before the arbitration was commenced, without prejudice to either party, pending a decision in the arbitration, but subject to any retroactive adjustments contemplated by this Agreement.

ARTICLE SIXTEEN ASSIGNMENT

16.01 Enurement: The terms, covenants, and conditions hereof shall be binding on and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

16.02 Assignment: Either party may assign this Agreement or any of its rights, benefits, duties, and obligations hereunder to an Affiliate whose performance the assignor guarantees or to any Person in connection with an arrangement whereby the Person acquires all or substantially all of the assignor's property and other assets, if such an assignment is required in order to complete the arrangement, without the consent of the other party; provided that the assignor may

request the written consent of the other party, which shall not be unreasonably withheld or delayed. Otherwise, neither party shall assign this Agreement without the prior written consent of the other party, which shall not be unreasonably withheld or delayed.

16.03 Mortgages, Pledges: Notwithstanding anything to the contrary herein contained, either party shall have the right to mortgage, pledge, grant a security interest in, assign as collateral, or otherwise encumber all or any portion of its interest in and to this Agreement as security for its indebtedness to any Person under any mortgage, deed of trust, security agreement, or similar instrument; provided that the rights of the secured party shall be subject to the terms and conditions of this Agreement.

ARTICLE SEVENTEEN REPLACEMENT SUPPLIES

17.01 Replacement Supplies: If Seller fails for any reason to tender for delivery the entire Scheduled Daily Delivery for any Day at the Delivery Point(s), Buyer may purchase gas from other suppliers (the "Replacement Supplies") to replace all or part of the difference between the Scheduled Daily Delivery and the volume of gas actually tendered for delivery by Seller. Unless such failure is excused by Paragraph 5.02(b), Article Eleven, or Article Fourteen, Seller will reimburse Buyer for the amount by which the cost to Buyer of such Replacement Supplies as delivered to the Delivery Point(s) (excluding any part thereof as may be unreasonable under the circumstances) exceeds the cost to Buyer hereunder for a corresponding volume of gas at the Delivery Point(s).

17.02 Use of Seller's Service Entitlements: Seller will endeavour to make available to Buyer its service entitlements with NOVA, and will make available its service entitlement with TransCanada under the TransCanada FT Contract, to ship any Replacement Supplies. Buyer will use all reasonable efforts to structure any purchase of the Replacement Supplies in order to utilize such service entitlements. To the extent Seller's service entitlements are utilized for the

delivery of Replacement Supplies, Seller's obligation to reimburse Buyer pursuant to Section 17.01 will be reduced by the amount of NOVA's and TransCanada's commodity charges to Seller in connection therewith, and the reduction in the Daily Contract Volume for the Day provided in Paragraph 14.04(a) shall be adjusted accordingly for the sole purpose of determining the Monthly Demand Charge.

17.03 No Other Liability: Except as provided in this Article Seventeen, Seller shall not be liable to Buyer in damages or otherwise for any failure to tender for delivery the Scheduled Daily Delivery for any Day at the Delivery Point(s).

ARTICLE EIGHTEEN

DELIVERY VARIANCES/RELATED COSTS OR PENALTIES

18.01 Daily Deliveries: Gas sold under this Agreement shall be delivered and received, as practicable, at uniform hourly and daily rates of flow. Buyer and Seller shall each use all commercially reasonable efforts to ensure that the volumes of gas delivered and received each Day are equal to the Scheduled Daily Delivery for such Day.

18.02 Penalties, Unauthorized Volume Charges: Buyer and Seller acknowledge that, under the terms of the TransCanada Tariff, Seller may incur increased costs if the actual volumes of gas taken by Buyer vary from the daily deliveries authorized by TransCanada (which authorized daily deliveries will correspond to the Scheduled Daily Deliveries). In particular,

- (a) TransCanada may assess penalty charges against Seller ("TransCanada Penalties") in certain circumstances where the volume of gas actually delivered to and received by Buyer in any Day varies from the volume authorized for delivery by TransCanada (the "Authorized Volume") for the Day by more than the tolerances permitted under the TransCanada Tariff; and

- (b) in the circumstances specified in the TransCanada Tariff, in any Day where the volume of gas actually delivered to and received by Buyer exceeds the Authorized Volume, TransCanada may charge Seller, in respect of the amount (the "Unauthorized Volume") by which the actual delivery exceeds the Authorized Volume, a transportation commodity charge higher than that which is charged in respect of the Authorized Volume (such incremental transportation costs thus incurred by Seller on any Day in connection with deliveries of Unauthorized Volumes being the "Incremental Unauthorized Volume Charges").

18.03 Responsibility of Parties:

- (a) If the volume of gas taken by Buyer in any Day varies from the Scheduled Daily Delivery for the Day without the prior consent of Seller, then Buyer shall be responsible for all TransCanada Penalties and Incremental Unauthorized Volume Charges that are billed by TransCanada to Seller as a result of such variances.
- (b) If TransCanada Penalties or Incremental Unauthorized Volume Charges are billed to Seller in circumstances other than those contemplated by Paragraph 18.03(a), the parties will endeavour in good faith to agree upon an equitable allocation of responsibility for payment, having regard to the apparent cause of the problem in each case, in order to ensure that Buyer and Seller each bear responsibility for TransCanada Penalties and Incremental Unauthorized Volume Charges only to the extent such party caused or contributed to the assessment of such penalties. If no agreement is reached as to such allocation within 60 days of the assessment of TransCanada Penalties and/or Incremental Unauthorized Volume Charges, either party may submit the matter to arbitration in accordance with Article Fifteen.

18.04 Payments:

- (a) Seller shall bill Buyer for any TransCanada Penalties billed to Seller that are Buyer's responsibility in accordance with Section 18.03 by including particulars thereof in the monthly statements to be rendered pursuant to Section 10.01.
- (b) The parties confirm that the price to be paid for Unauthorized Volumes taken by Buyer will be determined in accordance with the provisions of Article Eight, adjusted by adding the amount (if any) of Incremental Unauthorized Volume Charges for which Buyer is responsible pursuant to Section 18.03. Nothing in this Article Eighteen shall be deemed to authorize or permit Buyer to take volumes of gas that vary from the Scheduled Daily Delivery without the express written consent of Seller.

**ARTICLE NINETEEN
AFFILIATES**

19.01 Compliance with Agreement: Wherever this Agreement provides for or otherwise requires the performance of obligations by any Affiliate(s) of Buyer (including, but not limited to, Niagara and Consumers Gas), in order to implement the transactions contemplated herein or to otherwise effect the intent of this Agreement, Buyer shall cause such Affiliate(s) to act diligently and in good faith to do all acts and things necessary in connection therewith throughout the Term.

19.02 Warranty of Performance: Prior to the Effective Date, Seller will cause TransCanada to deliver to Buyer a warranty of Seller's performance of its obligations under this Agreement, in the form of Schedule "B" hereto.

ARTICLE TWENTY
GENERAL PROVISIONS

20.01 Waiver and Modification:

- (a) Either party hereto in its sole discretion may waive, without thereby prejudicing such party's right to rely on any other conditions inserted herein for such party's benefit, a breach or default of any condition inserted herein for the benefit or protection of such party. No such waiver, however, shall operate as a waiver of any future breach or default, whether of a like or different character.
- (b) No waiver by a party of any right hereunder, or any modification of the terms hereof will be effective unless made in writing in an instrument (or counterparts) signed by each of the parties.

20.02 Further Assurances: Each party shall and will, from time to time and at all times during the Term upon every reasonable request so to do, make, do, execute and deliver, or cause to be made, done, executed and delivered all such further acts, deeds, assurances and things as may be reasonably required for more effectually implementing and carrying out the true intent and meaning of this Agreement.

20.03 Notices: Any nomination, notice, request, consent, direction, demand, waiver of condition, invoice, or other instrument required or permitted to be given under the provisions of this Agreement shall be effective only if made in writing and delivered by hand (including couriers), by prepaid registered post, or by facsimile or other means of telecommunication, in each case addressed as follows:

IF TO SELLER: WESTERN GAS MARKETING LIMITED

(i) mailing addresses: 8th Floor
55 Yonge Street
Toronto, Ontario
M5E 1J4

and

P.O. Box 500, Station 'M'
Calgary, Alberta
T2P 3V6

(ii) delivery addresses: 8th Floor
55 Yonge Street
Toronto, Ontario
M5E 1J4

and

24th Floor
530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3V6

(iii) nominations
& invoices: Attention: Manager, Marketing
Accounting

Facsimile: (403) 269-5005
Telephone: (403)269-5720

(iv) other matters: Attention: Director, Eastern Marketing

Facsimile: (416) 869-2125
Telephone: (416) 869-2067

IF TO BUYER: ST. LAWRENCE GAS COMPANY, INC.

(i) mailing address: P.O. Box 270
Massena, New York 13662

(ii) delivery address: 56-58 Main Street
Massena, New York 136662

(iii) nominations: c/o The Consumers' Gas Company Ltd.
500 Consumers Road
Willowdale, Ontario
M2J 1P8

Attention: Manager, Gas Supply Operations

Facsimile: (416)491-7497
Telephone: (416)495-5056

(iv) invoices: Attention: Treasurer

Facsimile: (315)764-9226
Telephone: (315)769-3516

(v) other matters: Attention: President & General Manager

Facsimile: (315)764-9226
Telephone: (315)769-3516

Either party may change any of the foregoing information from time to time by giving notice of such change to the other party. If delivered by hand or sent by facsimile or other form of telecommunication, the notice shall be deemed to have been given or made on the day on which it was so delivered or sent if such day is a Business Day and otherwise on the first Business Day thereafter; provided that nominations and any other notice in connection with the Scheduled Daily Delivery shall be sent by facsimile and shall be deemed to have been given or made at the time and on the day indicated thereon by the transmitting facsimile machine. If mailed, the

notice shall be deemed to have been given or made on the fifth Business Day following the date on which it is so mailed. In the event of any postal strike or other disruption in postal services, all notices shall be given or made by delivery or facsimile or other form of telecommunication, and no such notice that is given or made by mail shall be deemed to have been effectively given or made at any time during such disruption or for a period of five Business Days both before and after disruption.

20.04 Time of Essence: Time shall be of the essence for the purposes of this Agreement.

20.05 Governing Law/Jurisdiction: This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The courts of the Province of Ontario shall have exclusive jurisdiction (except where this Agreement provides for arbitration) over all disputes, claims, or other matters arising out of this Agreement and the subject matter hereof, and Buyer and Seller hereby agree to submit to the jurisdiction of such courts.

20.06 Authority:

- (a) Seller represents and warrants to Buyer that Seller has full right and authority to enter into this agreement and to perform and observe the covenants and obligations to be performed and observed by Seller hereunder.
- (b) Buyer represents and warrants to Seller that Buyer has full right and authority to enter into this agreement and to perform and observe the covenants and obligations to be performed and observed by Buyer hereunder.

IN WITNESS WHEREOF the parties hereto have duly executed, and delivered this Agreement under the signatures of their respective proper officers duly authorized in that behalf as of the date first above written.

SELLER:

WESTERN GAS MARKETING LIMITED

By: 

By: 

BUYER:

ST. LAWRENCE GAS COMPANY, INC.

By: 

By: 



SCHEDULE "A" TO
GAS SALES CONTRACT

PERMANENT PARTIAL ASSIGNMENT -
FIRM TRANSPORTATION (FT) SERVICE CONTRACT

This Assignment made as of the ___ day of _____, 19__

BY AND AMONG:

WESTERN GAS MARKETING LIMITED, an
Alberta corporation ("Assignor")

OF THE FIRST PART

- and -

ST. LAWRENCE GAS COMPANY, INC., a New
York corporation ("Assignee")

OF THE SECOND PART

- and -

TRANSCANADA PIPELINES LIMITED, a
Canadian corporation ("TransCanada")

OF THE THIRD PART

WITNESSES THAT, WHEREAS:

A. TransCanada and Assignor are parties to a Firm Service Contract for Firm Transportation Service to the Cornwall Delivery Point (as therein defined) made 1 November 1992, as amended, that currently specifies a Contract Demand of ___ x 10³m³ ("Assignor's FT Contract").

SCHEDULE "A" TO
GAS SALES CONTRACT

B. TransCanada and Assignee are parties to a Firm Service Contract for Firm Transportation Service to the Cornwall Delivery Point (as therein defined) made as of 4 November 1992, as amended, that currently specifies a Contract Demand of _____ x 10³m³ ("Assignee's FT Contract").

C. Assignor has agreed to permanently assign a part of its service entitlement under Assignor's FT Contract to Assignee, and TransCanada has agreed to such partial permanent assignment, subject to the terms and conditions of this Assignment.

D. Assignor and TransCanada have agreed to amend Assignor's FT Contract, and Assignee and TransCanada have agreed to amend Assignee's FT Contract, so as to reflect the partial permanent assignment contemplated hereby, subject to the terms and conditions of this Assignment.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties mutually covenant, agree, and declare as follows:

1. Assignor transfers and assigns to Assignee, and Assignee accepts from Assignor, Assignor's right, title, and interest in and to Assignor's FT Contract, and Assignor's obligations and rights thereunder (including without limitation any right of renewal relating thereto), insofar as they relate to ___10³m³ per day (the "Assigned Volume") of Assignor's service entitlement of ___10³m³ per day under Assignor's FT Contract.

2. Assignee shall perform and observe the covenants and obligations of Assignor under Assignor's FT Contract that accrue thereunder as of and from the Effective Date (as

SCHEDULE "A" TO
GAS SALES CONTRACT

defined in paragraph 3), insofar as they relate to the Assigned Volume, as if Assignee were an original party to Assignor's FT Contract.

3. This Assignment shall come into full force and effect as of the first day of the month (the "Effective Date") next following the date(s) on which TransCanada receives the following:

- (a) an agreement between TransCanada and Assignor, in the form used by TransCanada for the purpose, amending Assignor's FT Contract by decreasing the Contract Demand currently specified therein by the amount of the Assigned Volume commencing as of the Effective Date ("Assignor's Amending Agreement"), duly executed and delivered by Assignor; and
- (b) an agreement between TransCanada and Assignee, in the form used by TransCanada for the purpose, amending Assignee's FT Contract by increasing the Contract Demand currently specified therein by the amount of the Assigned Volume commencing on the Effective Date ("Assignee's Amending Agreement"), duly executed and delivered by Assignee.

4. As of the Effective Date, TransCanada consents to this Assignment on the terms and conditions set forth herein and accordingly releases and discharges Assignor from its covenants and obligations under Assignor's FT Contract insofar as they relate to the Assigned Volume, from and after the Effective Date. Notwithstanding such release and discharge, Assignor shall remain responsible for all gas imbalances (as defined in Section XXII, paragraph 2 of the General Terms and Conditions in TransCanada's Transportation Tariff) and energy-in-transit balances associated with the Assignor's FT Contract, including those related to the

SCHEDULE "A" TO
GAS SALES CONTRACT

Assigned Volume prior to the Effective Date. TransCanada shall continue to give all notices, requests, invoices, and other written circumstances under Assignor's FT Contract to Assignor.

5. Notwithstanding anything herein contained to the contrary, from and after the Effective Date, Assignor shall have no further rights and obligations under Assignor's FT Contract in respect of the Assigned Volume.

6. This Assignment and the rights and obligations of the parties hereunder are subject to all valid and applicable present and future laws, rules, regulations, and orders of any governmental or regulatory authority having jurisdiction or control over TransCanada's Transportation Tariff (including without limitation the Firm Transportation (FT) Toll Schedule), Assignor's FT Contract, and the assignment of the service entitlement thereunder.

7. This Assignment shall be construed in accordance with and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

8. This Assignment may be executed in counterparts, and when so executed it shall have the same effect as if all parties had executed the same document. Each party that executes a counterpart of this Assignment shall deliver one copy of such counterpart to each of the other parties.

9. All terms and words herein capitalized and not otherwise defined herein shall have the meanings ascribed thereto in TransCanada's Transportation Tariff.

SCHEDULE "A" TO
GAS SALES CONTRACT

10. This Assignment shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed and delivered this Assignment as of the day, month, and year first above written.

WESTERN GAS MARKETING LIMITED

By: _____

c/s

By: _____

ST. LAWRENCE GAS COMPANY, INC.

By: _____

c/s

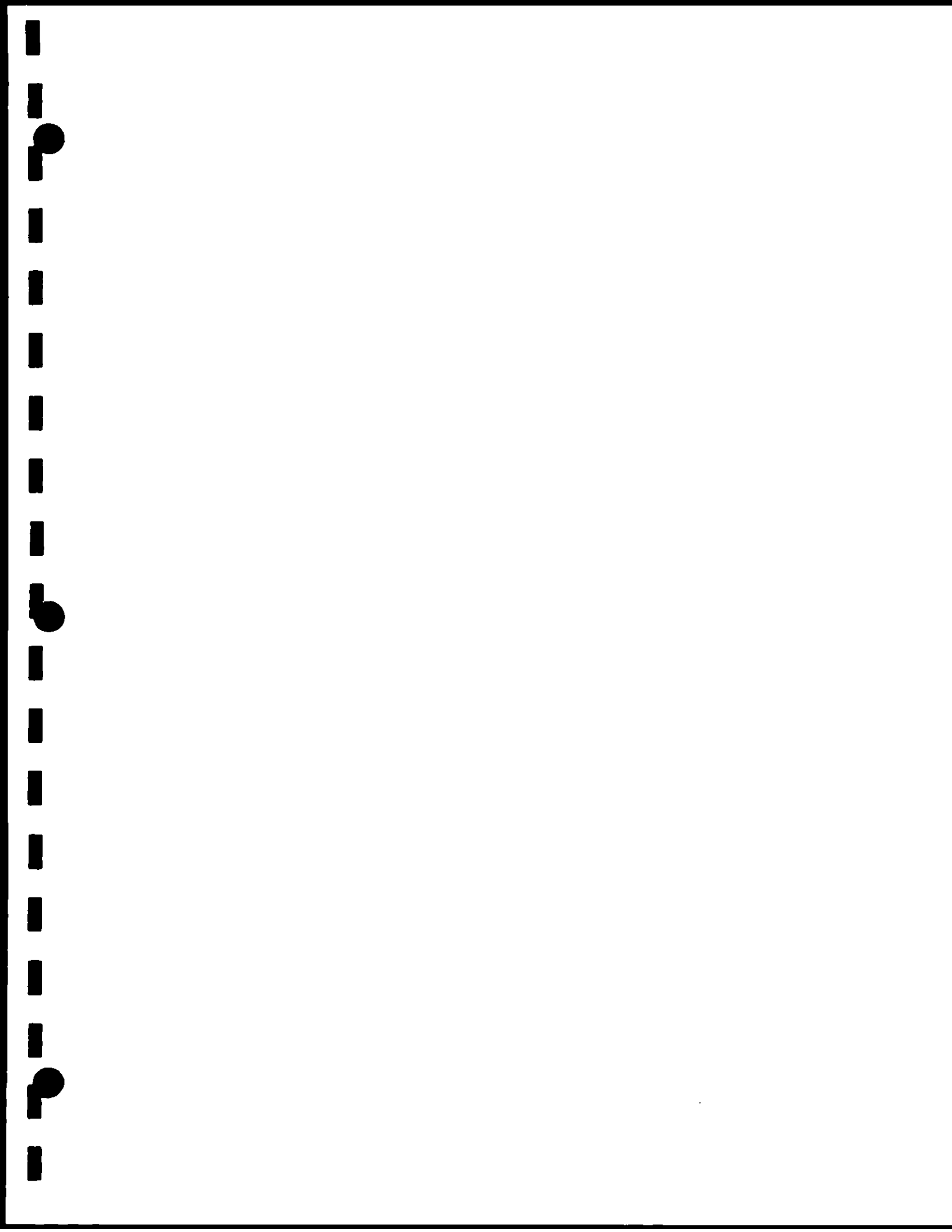
By: _____

TRANSCANADA PIPELINES LIMITED

By: _____

c/s

By: _____



SCHEDULE "B" TO
GAS SALES CONTRACT

WARRANTY OF PERFORMANCE

OF

TRANSCANADA PIPELINES LIMITED

In consideration of St. Lawrence Gas Company, Inc. ("St. Lawrence") entering into the Gas Sales Contract made as of the 14th day of July, 1995 between Western Gas Marketing Limited ("Western Gas"), as Seller, and St. Lawrence, as Buyer (the "Gas Sales Contract"), TransCanada PipeLines Limited ("TransCanada") covenants and agrees with, and for the exclusive benefit of, St. Lawrence and its successors and permitted assigns under the Gas Sales Contract, as follows:

1. TransCanada represents and warrants that it is the registered and beneficial owner of all of the issued and outstanding shares of Western Gas.
2. TransCanada shall cause Western Gas fully and faithfully to perform and observe each and every term, covenant, and condition applicable to Western Gas in the Gas Sales Contract, as modified, amended, supplemented, extended, renewed, superseded, or replaced from time to time hereafter with TransCanada's written consent, which shall not be unreasonably withheld and may be given subsequent to any such action (the "Warranted Contract"); provided that, for greater certainty, any changes in nomination procedures or billing procedures from those in the Warranted Contract that may be agreed to by Western Gas and St. Lawrence shall not require TransCanada's consent.
3. TransCanada hereby unconditionally guarantees the prompt and timely performance by Western Gas of each and every term, covenant, and condition applicable to Western Gas

SCHEDULE "B" TO
GAS SALES CONTRACT

in the Warranted Contract, subject, however, to each and every defence at law or in equity that Western Gas may have with respect thereto.

4. In addition to the foregoing, TransCanada shall perform those obligations in Article Eleven and Section 12.03 of the Warranted Contract for which TransCanada is or is made specifically responsible.
5. Any notices, requests, and demands to TransCanada hereunder shall be deemed to be properly given if mailed or delivered to the following address:

TRANSCANADA PIPELINES LIMITED
Attention: Vice-President, Customer
Service and Marketing

Mailing Address: P.O. Box 1000
Station M
Calgary, Alberta
T2P 4K5

Delivery Address: TransCanada PipeLines Tower
111-5th Avenue S.W.
Calgary, Alberta
T2P 3Y6

6. The interpretation and performance of this Agreement shall be in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.
7. The invalidity and unenforceability of any provision of this Agreement shall not affect the remaining provisions hereof.

SCHEDULE "B" TO
GAS SALES CONTRACT

IN WITNESS WHEREOF TransCanada PipeLines Limited has caused this Agreement to be duly executed as of the _____ day of July, 1995 by its proper officers hereunto duly authorized.

TRANSCANADA PIPELINES LIMITED

By: _____

c/s

By: _____

**MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT
(WESTERN DELIVERIES)**

BETWEEN

ST. LAWRENCE GAS COMPANY, INC.

AND

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MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES)

THIS AGREEMENT MADE AS OF THE ____ DAY OF _____, 199__

BETWEEN:

ST. LAWRENCE GAS COMPANY, INC., a New York
corporation established under the laws of
New York, having its head office in Massena,
in the State of New York
(hereinafter referred to as "**Buyer**")

OF THE FIRST PART

AND:

(hereinafter referred to as "**Seller**")

OF THE SECOND PART

WHEREAS Buyer owns and operates a local distribution system in the State of New York;

AND WHEREAS Buyer and Seller have agreed that from time to time Buyer shall purchase on a firm basis from Seller, and Seller shall sell to Buyer on the same basis, various volumes of natural gas over various periods of time at various prices in accordance with the terms of this Master Form of Short Term Firm Gas Purchase Agreement and the terms of the various Gas Purchase Confirmation Forms which from time to time may be completed, signed and delivered as hereinafter contemplated.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein provided and other good and valuable consideration, the receipt and sufficiency whereof each party hereby acknowledges, the parties hereto mutually covenant, agree and declare as follows.

ARTICLE 1 - USE OF THIS MASTER AGREEMENT

1.01 Framework For More Than One Agreement: The terms and conditions of this Agreement provide the framework for more than one Gas Purchase Contract between Buyer and Seller arising out of the execution and delivery by them of Gas Purchase Confirmation Forms. Each such Gas Purchase Contract shall be an effective and legally binding agreement which shall include all deletions, alterations, additions and appendices to the applicable Gas Purchase Confirmation Form as the parties may from time to time determine by agreement. There may at any time be more than one Gas Purchase Confirmation Form in effect and, similarly, there may from time to time not be any Gas Purchase Confirmation Form in effect. Notwithstanding the fact that there may from time to time be no Gas Purchase Confirmation Form in effect, this Agreement shall nevertheless remain in full force and effect unless terminated as provided below. Each Gas Purchase Confirmation Form when taken together with this Agreement shall constitute a separate Gas Purchase Contract between the parties hereto.

1.02 Termination of this Master Form of Agreement: Either party may, at any time when there is no Gas Purchase Confirmation Form in effect, terminate this Agreement by notice to the other party hereto, whereupon this Agreement shall be of no further force or effect whatsoever subject only to all final adjustments and the settlement of all accounts between the parties in relation to all Gas Purchase Contracts under which deliveries were previously made.

ARTICLE II - INTERPRETATION

2.01 Definitions: For the purposes of this Agreement and all Gas Purchase Confirmation Forms, the terms and symbols defined in this Section 2.01 shall have the following meanings unless the context expressly or by implication otherwise requires.

- (a) **"Agreement"** means this Master Form of Short Term Firm Gas Purchase Agreement and when the context hereof so requires, also means all Gas Purchase Contracts in which the provisions hereof are incorporated.
- (b) **"business day"** means any day, excluding Saturdays, Sundays and all statutory holidays under the laws of Alberta, Canada and the United States of America.
- (c) **"cubic metre"**, or its symbol "m³", means the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius and at an absolute pressure of 101.325 kilopascals.
- (d) **"Daily Volume"** shall be expressed in 10³m³ as set forth in the applicable Gas Purchase Confirmation Form.
- (e) **"Daily Spot Gas Price"** means the weighted average price of gas per gigajoule for the day in question as identified under the heading "Daily Spot Gas Price" at AECO C and NOVA Inventory Transfers in the table labelled "Domestic gas market" in the first publication of the calendar month next following the day in question of Natural Gas Market Report published by Canadian Enerdata Ltd.
- (f) **"day"** means a period of twenty four (24) consecutive hours beginning at 08:00 hours Eastern Standard Time and the reference date for any day is the calendar date upon which the twenty four (24) hour period commences.
- (g) **"Delivering Pipeline"** means the pipeline that delivers the gas to the Delivery Point under the applicable Gas Purchase Contract.
- (h) **"Delivery Point"** shall be the point or points for delivery of the gas as specified in each applicable Gas Purchase Confirmation Form.
- (i) **"Force Majeure"** has the meaning set forth in Article VII.
- (j) **"Gas Purchase Contract"** means a legally enforceable contract in writing between Buyer and Seller as evidenced by the provisions contained in the applicable Gas Purchase Confirmation Form and this Agreement.
- (k) **"Gas Purchase Confirmation Form"** means a form duly executed by both Buyer and Seller which shall be in the same form or in a form substantially similar to that set forth in Schedule "A" to this Agreement, subject to all deletions, alterations, additions and appendices thereto as Buyer and Seller may from time to time determine by agreement. If any term or condition of a Gas Purchase Confirmation Form conflicts with any term as condition of this Agreement then such term or condition of the Gas Purchase Confirmation Form shall prevail.
- (l) **"gross heating value"** means the energy, expressed in megajoules per cubic metre or MJ/m³, produced by the complete combustion at constant pressure of one cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion to be at

standard temperature and all water formed by combustion reaction to be condensed to the liquid state.

- (m) **"Interest"** means interest at the rate per annum announced and published from time to time by the Toronto Dominion Bank as its prime rate of interest, plus two (2%) percent per annum.
- (n) **"joule"**, or its symbol "J", means the amount of work done when the point of application of a force of one newton is displaced a distance of one metre in the direction of the force; **"megajoule"**, or its symbol "MJ", means 1 000 000 joules; and **"gigajoule"**, or its symbol "GJ", means 1 000 000 000 joules.
- (o) **"natural gas"** means a mixture consisting primarily of methane but including other constituents which may include other hydrocarbons, nitrogen, carbon dioxide, hydrogen sulphide, helium and minor impurities, that is recovered or is recoverable at a well from an underground reservoir and that is gaseous at the conditions under which its volume is measured or estimated.
- (p) **"NOVA"** means NOVA Gas Transmission Ltd. and its successors and assigns, provided however, that if the context in which the word "NOVA" is used herein involves a reference to gas produced in the Province of Saskatchewan, then "NOVA" means TransGas Limited and its successors and assigns.
- (q) **"pascal"** means the pressure produced when a force of one newton is applied to an area of one square metre; and **"kilopascal"**, or its symbol "kPa", means 1 000 pascals.
- (r) **"Receiving Pipeline"** means the pipeline that receives the gas under any Gas Purchase Contract at the Delivery Point.
- (s) **"Standard Heat Conversion Factor"** means that average monthly gross heat value expressed on a MJ per/m³ basis for gas delivered to TransCanada at the Delivery Point for the month in question as reported by TransCanada.
- (t) **"10³m³"** means 1 000 cubic metres of gas.
- (u) **"TransCanada"** means TransCanada PipeLines Limited and its successors and assigns.
- (v) **"TransGas"** means TransGas Ltd., a division of SaskEnergy and its successors and assigns.
- (w) **"Unabsorbed Demand Charge"** shall be the charge incurred when the Daily Volume exceeds the volume of gas delivered.

2.02 Applicable Law: This Agreement and each Gas Purchase Contract shall for all purposes be construed in accordance with and shall be governed by the laws of the Province of Alberta and the laws of Canada applicable therein. For the purpose of any legal actions or proceedings brought by either party hereto in respect of this Agreement or any Gas Purchase Contract, each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Alberta and the Province of Ontario.

2.03 Subject to all Laws: This Agreement and each Gas Purchase Contract shall be subject to all valid laws, orders, rules and regulations, of any government or any agency or political subdivision thereof having jurisdiction or control over the parties hereto or either of them or over their respective facilities or gas supplies. If any governmental approval, permit, order or other authorization shall be necessary relative to this Agreement or any Gas Purchase Contract or to any transaction contemplated thereby, then each party shall use all reasonable efforts to assist in the obtaining of such approval, permit, order or other authorization.

2.04 Industry Usage: Words, phrases or expressions which are not defined herein and which have an accepted meaning in the custom and usage of the business of the exploration, production, transportation, distribution or sale of gas in Canada, shall have that meaning when used herein or in a Gas Purchase Contract.

2.05 Severability: Every provision of this Agreement and the applicable Gas Purchase Confirmation Form is intended to be severable. If any term or provision of this Agreement or of the applicable Gas Purchase Confirmation Form is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the subject Gas Purchase Contract or this Agreement.

2.06 Headings: The various headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation hereof.

2.07 Gender: Whenever the singular or masculine or neuter is used in this Agreement or a Gas Purchase Contract, the same shall be construed as meaning the plural or feminine or body politic or corporate and vice versa, as the context so requires.

2.08 Hereof, Etc.: "Hereof", "herein", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section, subsection or Schedule, and the terms "Article", "Section", "subsection" and "Schedule" followed by a number and/or letter refer to the specified Article, Section, subsection or Schedule of this Agreement.

2.09 Entire Agreement: There are no representations, warranties, covenants, or agreements made between the parties hereto with respect to the matters referred to in this Agreement or a Gas Purchase Contract other than as are set forth by the terms of this Agreement and the Gas Purchase Contract. This Agreement and the applicable Gas Purchase Contract shall constitute the entire agreement between the parties hereto in relation to the matters referred to therein.

2.10 Time: Time shall be of the essence in this Agreement and each Gas Purchase Contract.

2.11 Schedules: Schedule "A" hereto which identifies the form of Gas Purchase Confirmation Form shall constitute part of and shall be included in this Agreement.

ARTICLE III - SALE AND PURCHASE OF THE GAS

3.01 Seller's Obligations to Sell and Deliver: Subject to the terms and conditions of each Gas Purchase Contract, Seller shall on each day throughout the duration of the purchase as indicated in the applicable Gas Purchase Confirmation Form, sell at the price set forth in the applicable Gas Purchase Confirmation Form, to Buyer up to the Daily Volume as determined by the nomination for that day placed by Buyer at the Delivery Point as indicated in the applicable Gas Purchase Confirmation Form. Seller shall deliver up to the Daily Volume as determined as aforesaid at the Delivery Point as indicated in the applicable Gas Purchase Confirmation Form.

3.02 Nominations:

- (a) Buyer and Seller shall use all reasonable efforts to cooperate and work together as necessary in order to develop, amend, implement and maintain nomination procedures that are consistent with the nomination and operational requirements of the Receiving Pipeline and of the Delivering Pipeline.
- (b) Throughout the duration of a sale pursuant to the applicable Gas Purchase Contract, the Daily Volume shall be the standing nomination of the volume of gas to be delivered and sold by Seller to Buyer subject to changes in such nomination as provided in subsection 3.02(c).
- (c) Seller shall notify Buyer no later than 11:00 a.m. Calgary time on the day (the "Nomination Day") prior to the day of delivery, of any change that is to occur in the volume of gas that Seller is able to deliver to Buyer, and Buyer shall notify Seller no later than 11:00 a.m. Calgary time on the

Nomination Day of any change that is to occur in the volume of gas of which Buyer is able to take delivery under the applicable Gas Purchase Contract.

3.03 Pipeline Imbalances: In the event that either party hereto provides insufficient notice of a change in the volume to be delivered or received under the terms of any Gas Purchase Contract such that a pipeline imbalance penalty is assessed by either the Delivering Pipeline or the Receiving Pipeline as a result of such a change, then the party failing to provide timely notice shall be responsible for paying such penalty.

3.04 Seller's Failure to Deliver: If Seller shall for any reason whatsoever, other than the occurrence of an event of Force Majeure or the suspension of deliveries by Seller pursuant to Section 6.04 because of the failure of Buyer to pay, fail to meet its gas delivery and sale obligations to Buyer as set forth in Section 3.01 (a "Supply Failure") or shall reasonably anticipate the probable occurrence of a Supply Failure (the daily volume of which being hereinafter called the "Shortfall Quantity"), then the following shall apply.

- (a) Seller shall use all reasonable best efforts to provide prior notice to Buyer of any anticipated Supply Failure as early as reasonably possible under the circumstances, such notice to include Seller's estimate of the anticipated Shortfall Quantity and the duration of the Supply Failure.
- (b) If the notice provided by Seller to Buyer of an anticipated Supply Failure as contemplated in subsection 3.04(a) with respect to any particular day is for any reason not given at least 1/2 hour prior to the TransCanada nomination deadline in effect on the day prior to the day of delivery, and if Buyer incurs unabsorbed demand charges on the TransCanada system with respect to the Shortfall Quantity on the day in question, then Seller shall be liable to Buyer for damages in an amount equal to the amount of such unabsorbed demand charges.
- (c) When a Supply Failure occurs, Buyer shall be conclusively deemed to have replaced the Shortfall Quantity from other sources for the duration of the Supply Failure. Such gas, deemed to have been obtained by Buyer from other sources, shall hereinafter be referred to as "Alternate Gas".
- (d) Buyer shall be conclusively deemed to have acquired all Alternate Gas at a cost for each day during the Supply Failure which shall be calculated in accordance with the following formula namely:

$$\text{Deemed daily cost of Alternate Gas} = (A \times B \times C) + (D \times C)$$

where

A = the Daily Spot Gas Price;

B = the Standard Heat Conversion Factor;

C = the Shortfall Quantity, and

D = the transportation cost per gigajoule calculated using the Standard Heat Conversion Factor, and based on the 100% load factor NOVA FS (delivery point) Demand Rate per month divided by the number of days in the month in question, that would be incurred to transport the Shortfall Quantity from AECO C to the interconnection of the pipeline facilities of NOVA with those of TransCanada near Empress Alberta.

- (e) Seller shall be liable to Buyer for damages with respect to each day during a Supply Failure, such damages to be equal to the amount, if any, by which the deemed cost of Alternate Gas (calculated pursuant to subsection 3.04(d) for the day in question) exceeds the amount that Seller would have received from Buyer under the applicable Gas Purchase Contract for the Shortfall Quantity (adjusted for 100% load factor NOVA FS (delivery point) Demand Rate charges to Empress, Alberta, if applicable) had a quantity of gas equal to the Shortfall Quantity been delivered and sold by Seller to

Buyer under the applicable Gas Purchase Contract on that day. The amount of all such damages together with any damages referred to in subsection 3.04(b) shall herein be referred to as the "Alternate Gas Damages".

- (f) Seller shall not be liable to Buyer for or with respect to any other claims whatsoever whether for indirect, consequential, special, punitive or exemplary damages or otherwise, including without limitation, claims for loss of profits or income, loss of business expectations, business interruptions, loss of contract or any claims for losses or damages sustained by any third parties, other than the claim of Buyer for Alternate Gas Damages.
- (g) The parties hereto hereby acknowledge and confirm that the Alternate Gas Damages provide compensation to Buyer in an amount which is reasonable in light of the anticipated or actual harm caused by any Supply Failure, the difficulties of proof of any such loss and the inconvenience or extreme difficulty of otherwise obtaining an adequate remedy. The Alternate Gas Damages are therefore the parties' pre-estimate, as at the date of this Agreement, of the loss and damage which would be sustained by Buyer in the event of a Supply Failure. The Alternate Gas Damages shall be conclusively deemed to be liquidated damages and shall not under any circumstances be construed as a penalty.
- (h) Any Alternate Gas Damages payable under any Gas Purchase Contract shall be paid by Seller to Buyer upon receipt by Seller of an invoice therefor from Buyer. In addition to such invoice, Buyer shall provide to Seller evidence to substantiate the amount of Alternate Gas Damages. The amount of Alternate Gas Damages properly payable by Seller to Buyer under a Gas Purchase Contract may be offset by Buyer against any amounts payable by Buyer to Seller. Should Seller fail to pay Buyer all or any part of any Alternate Gas Damages owing hereunder when such amount is due as aforesaid, Interest shall accrue on the unpaid part thereof commencing on the date when such amount is due. All such Interest shall be payable on demand by Seller to Buyer.
- (i) If a Supply Failure occurs and thereafter either continues, or is reasonably anticipated by Buyer to continue, for a period of thirty (30) days or more, then Buyer shall have the right, but not the obligation, to from time to time reduce the Daily Volume specified under the applicable Gas Purchase Confirmation Form by notice to Seller by amounts which in the aggregate shall not exceed the Shortfall Quantity.

3.05 Buyer's Obligation to Purchase and Take: Subject to the terms and conditions of each Gas Purchase Contract, Buyer shall on each day throughout the duration of the purchase as indicated in the applicable Gas Purchase Confirmation Form, purchase at the price set forth in the applicable Gas Purchase Confirmation Form, the Daily Volume at the Delivery Point as indicated in the applicable Gas Purchase Confirmation Form, and shall also take delivery of the Daily Volume as determined as aforesaid at the Delivery Point as indicated in the applicable Gas Purchase Confirmation Form.

3.06 Buyer's Failure to Take Delivery: If on any day Seller is ready, willing and able to deliver the Daily Volume to Buyer, and yet Buyer fails to take delivery of the Daily Volume or a part thereof from Seller for any reason whatsoever, other than failure of the gas to conform with specifications set forth in Section 3.08 or an event of Force Majeure (a "Failure to Take"), or shall reasonably anticipate the probable occurrence of a Failure to Take (the daily volume of which being hereinafter called the "Short Take Quantity"), then the following shall apply:

- (a) Buyer shall use all reasonable efforts to provide prior notice to Seller of any anticipated Failure to Take as early as reasonably possible under the circumstances, such notice to include the estimate of Buyer of the anticipated Short Take Quantity and the duration of the Failure to Take:
- (b) When a Failure to Take occurs Seller shall be conclusively deemed to have sold the Short Take Quantity to another market for the duration of the Failure to Take. Such gas deemed to have been sold by Seller to another market shall hereinafter be referred to as "Alternatively Marketed Gas".

- (c) Seller shall be conclusively deemed to have received an amount for all Alternatively Marketed Gas on each day during the Failure to Take, which shall be calculated in accordance with the following formula, namely;

$$\text{Deemed daily cost of Alternatively Marketed Gas} = (A \times B \times C) + (D \times C)$$

where

A = the Daily Spot Gas Price;

B = the Standard Heat Conversion Factor;

C = the Short Take Quantity, and

D = the transportation cost per gigajoule calculated using the Standard Heat Conversion Factor, and based on the 100% load factor NOVA FS (delivery point) Demand Rate per month divided by the number of days in the month in question, that would be incurred to transport the Short Take Quantity from AECO C to the interconnection of the pipeline facilities of NOVA with those of TransCanada near Empress Alberta.

- (d) Buyer shall be liable to Seller for damages with respect to each day during a Failure to Take, such damages to be equal to the amount, if any, by which the amount that Seller would have received for the Alternatively Marketed Gas for the day in question under the applicable Gas Purchase Contract (adjusted for 100% load factor NOVA FS (delivery point) Demand Rate charges to Empress, Alberta, if applicable), exceeds the amount (calculated pursuant to subsection 3.06(c)) that Seller is deemed to have received by selling such Alternatively Marketed Gas to another market. The amount of all such damages shall be referred to as the "Short Take Damages".
- (e) Buyer shall not be liable to Seller for or with respect to any other claims whatsoever whether for indirect, consequential, special, punitive or exemplary damages or otherwise, including without limitation, claims for loss of profits or income, loss of business expectations, business interruptions, loss of contract or any claims for losses or damages sustained by any third parties, other than Seller's claim for the Short Take Damages as set forth herein.
- (f) The parties hereto hereby acknowledge and confirm that the Short Take Damages provide compensation to Seller in an amount which is reasonable in light of the anticipated or actual harm caused by any Failure to Take, the difficulties of proof of any such loss and the inconvenience or extreme difficulty of otherwise obtaining an adequate remedy. The Short Take Damages are therefore the parties' preestimate, as at the date of this Agreement, of the loss and damage which would be sustained by Seller in the event of a Failure to Take. The Short Take Damages shall be conclusively deemed to be liquidated damages and shall not under any circumstances be construed as a penalty.
- (g) Any Short Take Damages payable under any Gas Purchase Contract with respect to any month, shall be paid by Buyer to Seller at the same time as payment is to be made or would have been made to Seller for gas sold under such Gas Purchase Contract during such month pursuant to Article VI. Should Buyer fail to pay Seller all or any part of any Short Take Damages owing under a Gas Purchase Contract when such amount is due as aforesaid, Interest shall accrue on the unpaid part thereof commencing on the date when such amount is due. All such Interest shall be payable on demand by Buyer to Seller.
- (h) If a Failure to Take occurs and thereafter either continues, or is reasonably anticipated by Seller to continue for a period of thirty (30) days or more then Seller shall have the right, but not the obligation, to from time to time reduce the Daily Volume specified under the applicable Gas Purchase Confirmation Form by notice to Buyer by amounts which in the aggregate shall not exceed the Short Take Quantity.

3.07 Transportation: It shall be the responsibility of Buyer to obtain, maintain and pay for, or to cause to be obtained, maintained and paid for, all necessary transportation services on the pipeline system of the Receiving Pipeline in order to be able to receive delivery of the gas at the Delivery Point on a firm basis, whereas it shall be the responsibility of Seller to obtain, maintain and pay for, or to cause to be obtained, maintained and paid for, all necessary transportation services on the pipeline systems of the Delivering Pipeline and of all other required pipelines in order to be able to deliver the gas to the Delivery Point on a firm basis.

3.08 Specifications of the Gas: The minimum gross heating value, quality, delivery pressure and temperature of the gas delivered hereunder shall conform to the minimum standards of TransCanada as set out in the TransCanada Transportation Tariff as approved by the National Energy Board from time to time (the "TransCanada Transportation Tariff").

ARTICLE IV - MEASUREMENT OF THE GAS

4.01 Unit of Measurement: The unit of volume for purposes of measurement hereunder, except for gross heating value, shall be one cubic metre of gas at a temperature of 15 degrees Celsius and at an absolute pressure of 101.325 kilopascals.

4.02 Sales Unit: The sales unit upon which payment by Buyer to Seller shall be made under each Gas Purchase Contract shall be expressed with reference to the quantity of the gas expressed in gigajoules.

4.03 Measurement: Seller and Buyer each recognize that the gas purchased by Buyer under each Gas Purchase Contract will be from a commingled stream of gas and shall be received for the account of Buyer at the Delivery Point.

- (a) All gas delivered from the Province of Alberta by Seller to Buyer hereunder shall be measured as to volume of gross heating value by NOVA in accordance with the provisions of its approved and published gas transportation tariff at the nearest NOVA metering facility located upstream of the Delivery Point. All such measurements made by NOVA (including all corrections thereof in accordance with its approved and published gas transportation tariff) shall be final and binding upon Seller and Buyer as to the gas delivered from the province of Alberta by Seller to Buyer for all purposes of this Agreement.
- (b) All gas delivered from the Province of Saskatchewan by Seller to Buyer hereunder shall be measured as to volume and gross heating value by TCPL in accordance with the provisions of its approved and published Gas Transportation Tariff at the nearest TCPL metering facility located downstream from the Delivery Point. All such measurements made by TCPL (including all corrections thereof in accordance with its approved and published Gas Transportation Tariff) shall be final and binding upon Seller and Buyer as to the gas delivered from the Province of Saskatchewan by Seller to Buyer for all purposes of this Agreement.

ARTICLE V - TITLE

5.01 Transfer and Possession: As between Seller and Buyer, possession of and title to all gas delivered under each Gas Purchase Contract shall pass from Seller to Buyer at the Delivery Point.

5.02 Warranties and Representations of Seller: Seller hereby covenants, warrants and represents to Buyer that:

- (a) Seller shall at the Delivery Point have good right or title to all gas to be sold under each Gas Purchase Contract, and shall sell the gas to Buyer at the Delivery Point, free and clear of all liens, charges, encumbrances and adverse claims of every nature and kind whatsoever; and

- (b) Seller shall at the Delivery Point have the right to deliver the gas to be delivered or tendered for delivery under each Gas Purchase Contract and shall see to the delivery of the gas under each Gas Purchase Contract at the Delivery Point free and clear of all liens, charges, encumbrances and adverse claims of every nature and kind whatsoever.

5.03 Seller to Pay Royalties Etc.: Seller shall at all times have the obligation to make payment of and to protect Buyer from all liabilities with respect to royalties, overriding royalties and all other payments whatsoever to owners of mines and minerals and to royalty owners in connection with the delivery and sale of gas under the Gas Purchase Contracts.

5.04 Indemnity: Seller shall indemnify Buyer and hereby agrees to save Buyer harmless from and in respect of all suits, actions, debts, accounts, damages, costs, losses and expenses of every nature and kind whatsoever (including reasonable legal fees and disbursements on a solicitor and client basis) arising from or in connection with any adverse claims of any or all persons or parties to the gas or to royalties, taxes, licence fees or charges thereon, which are applicable before the title to the gas sold by it hereunder passes to Buyer at the Delivery Point, or which are applicable before delivery of such gas hereunder at the Delivery Point as a result of any claim or action of any person or party claiming by, through or under Seller. In the event that a bona fide claim is asserted against Buyer in respect of any of the gas as aforesaid, Buyer may retain the purchase price thereof up to the amount of such claim, without interest, until such claim has been finally determined, as security for the performance of Seller's obligations hereunder with respect to such claim or until Seller shall have furnished a surety bond or other form of security reasonably satisfactory to Buyer in connection with the subject claim.

5.05 Limitation on Damages: Notwithstanding the foregoing provisions of this Article V, Buyer shall not be entitled to recover from Seller, or to be indemnified by Seller against, consequential damages resulting from the failure of Seller to fulfil any of its obligations hereunder or under any Gas Purchase Contract. For the purposes of the proceeding sentence, the term "consequential damages" includes (but is not limited to):

- (c) damages or loss incurred by Buyer or any other person as a result of the failure of Buyer, or such other person to meet its or his obligations to third parties,
- (d) damages or loss incurred by Buyer or any other person as a result of any loss of use of or loss of production from any facility and
- (e) loss of profits.

ARTICLE VI - PAYMENTS

6.01 Monthly Billing:

- (a) Seller shall, on or before the fifteenth (15th) day of each month (the "Billing Month") following the month during which delivery of gas shall have been made under a Gas Purchase Contract (the "Delivery Month"), deliver to Buyer a statement for the Delivery Month showing the daily and total quantity (expressed in 10^3m^3 and gigajoules) of gas delivered under the subject Gas Purchase Contract or, if such information is not available by that day, an estimate of such daily and total quantities; and a bill with respect to the Delivery Month, together with information sufficient to explain and support the amount billed.
- (b) Any estimates of any daily and total amounts shall be based on the nominated volumes for each day during the Delivery Month, and the heat content of the gas shall be in accordance with the estimate of the Receiving Pipeline for the period in question.

6.02 Payment Date: Buyer shall pay Seller on or before the twenty fifth (25th) day of the Billing Month, the amount due to Seller with regard to gas sold or reasonably estimated to have been sold, in the Delivery Month, calculated in accordance with the provisions of this Agreement, by direct electronic transfer to the account of Seller, at the account number, transit number and bank specified on Seller's monthly statement. In the event that the twenty fifth (25th) day of the Billing Month is not a business day, then Buyer shall pay Seller as aforesaid on or before the first business day immediately after the twenty fifth (25th) day of the Billing Month. If Seller's bill for any Billing Month is based on an estimate of the gas sold in the Delivery Month then the parties shall make all necessary adjustments in the month following the Billing Month to reflect the actual volumes of gas sold, provided that such adjustments shall exclude the payment of any interest on adjusted amounts. If the presentation of the bill to Buyer is delayed after the fifteenth (15th) day of the Billing Month, then the time for payment shall be extended accordingly unless Buyer is responsible for such delay.

6.03 Examination of Records: Each of Seller and Buyer shall have the right to examine, at all reasonable times and from time to time during the duration of the purchase under any applicable Gas Purchase Contract, the books, records and accounts of the other to the extent reasonably necessary to verify the accuracy of any statement, billing or computation made under or pursuant to the provisions of such Gas Purchase Contract.

6.04 Remedies for Nonpayment:

- (a) Should Buyer fail to pay all of the amount of any bill as herein provided when such amount is due, Interest shall accrue on the unpaid part of such bill commencing on the date such payment is due. All such Interest shall be payable on demand by Buyer to Seller.
- (b) If any such failure by Buyer to pay continues for a period of ten (10) days after payment is due, then Seller may, in addition to any other remedies that it may have under the terms of this Agreement, suspend further delivery of gas under the applicable Gas Purchase Contract until such amount is paid. If such default continues for an additional period of thirty (30) days, then Seller shall have the right to terminate such Gas Purchase Contract by notice to Buyer.
- (c) Notwithstanding the foregoing, if Buyer in good faith disputes the amount of any such bill or any part thereof and shall have paid to Seller such amounts as Buyer concedes to be correct and if Buyer at any time, but in any event within twenty (20) days after a demand made upon it by Seller for security with respect to the amount in dispute, shall have furnished reasonable security assuring payment to Seller of the amount ultimately found to be due to Seller upon such bill, by agreement or by a decision of a court of competent jurisdiction, as the case may be, then Seller shall not be entitled to suspend further delivery of gas hereunder nor to terminate this Agreement as a result of nonpayment unless Buyer defaults under the terms and conditions of such security.

6.05 Adjustments: Subject to the provisions of Section 6.02, if it shall be found that at any time Buyer has been overcharged by Seller in relation to the applicable Gas Purchase Contract and Buyer shall have actually paid the bills containing such overcharge, then within thirty (30) days after the final determination thereof, Seller shall refund the amount of any such overcharge and if such overcharge was the result of Seller's error, then Interest shall be charged on the amount in question from the date the overcharge was paid to the date that Buyer is reimbursed for the overcharge. If any such overcharge is not a result of an error on the part of Seller, then no interest shall be charged. Similarly, if it shall be found that at any time Buyer has been undercharged under the provisions of the applicable Gas Purchase Contract, then within thirty (30) days after the final determination thereof, Buyer shall pay the amount undercharged and if such undercharge was the result of the error of Buyer, then Interest shall be charged. If any such undercharge is not a result of an error on the part of Buyer, then no interest shall be charged, provided however that Interest shall be payable by Buyer on the amount of any such undercharge if Buyer shall fail to pay the amount thereof within thirty (30) days after the final determination thereof, in which event Interest shall be calculated and payable thereon from the first day after such thirty (30) day period to the date of payment of the undercharge by Buyer.

6.06 Disputes: Notwithstanding anything herein contained to the contrary, neither party hereto shall be entitled to dispute the volume of gas delivered, or the amount paid or payable with respect thereto, unless such dispute is raised by notice to the other party within twenty-four (24) months after the end of the month in which the gas in question was delivered.

6.07 Responsibility for Taxes: As between Seller and Buyer the price for gas sold hereunder shall be inclusive of, and Seller shall be responsible for the payment of, all amounts with respect to royalties, overriding royalties, and all taxes including business transfer, severance, sales, value added, excise and all other similar taxes, levies, and charges that are payable or validly exigible on the gas delivered by Seller to Buyer hereunder prior to the sale of the gas hereunder at the Delivery Point, whereas Buyer shall be responsible for the payment of all such taxes, levies and charges that are validly payable or exigible on the gas after the sale thereof at the Delivery Point.

6.08 Goods and Services Tax: If Buyer is required by law to pay an amount of Goods and Services Tax ("GST") to Seller as agent of the Crown with respect to the sale of any gas under a Gas Purchase Contract, then the following provisions shall, notwithstanding all other provisions hereof to the contrary, govern such sales:

- (a) in addition to all other amounts payable under the subject Gas Purchase Contract, Buyer shall pay to Seller in accordance with the payment provisions set forth in this Article VI, the amount of GST exigible in respect of the sale;
- (b) Seller shall hold the GST paid by Buyer as agent for the Crown and shall remit such GST as required by law; and
- (c) Seller shall be entitled to use all remedies provided by law and under this Agreement concerning any unpaid amount in order to recover all amounts of unpaid GST.

Notwithstanding any other provision of this Agreement to the contrary, if any amount becomes payable by a party to this Agreement as a result of that party's failure to perform all or part of its obligations under the applicable Gas Purchase Contract, then such failure to perform shall be deemed to be a breach of such Gas Purchase Contract for GST purposes and the amount payable with respect to that breach shall be increased to include the amount of GST payable in respect thereof.

6.09 Set-off: Buyer shall be entitled to set off any amount owed by Seller to Buyer (or to any person controlled by, controlling or under common control with Buyer) howsoever arising, against amounts owed to Seller by Buyer under any Gas Purchase Contract.

ARTICLE VII - FORCE MAJEURE

7.01 Suspension: Subject to the provisions of this Article VII, if either party to this Agreement is unable to observe or perform any of the covenants or obligations herein imposed upon it and such inability shall have been caused by Force Majeure, then subject to Section 7.03 such inability shall be deemed not to be a breach of such covenants or obligations and such covenants and obligations shall be suspended during the continuance of the event of Force Majeure except for the obligation of a party hereto to make payment of any amounts then owing under the said Gas Purchase Contract.

7.02 Force Majeure:

- (a) For the purposes of this Agreement, the term "Force Majeure" shall mean:
 - (i) the orders of any court or governmental authority, agency or tribunal; and
 - (ii) any acts of God, lightning, earthquakes, storms, strikes, lockouts or other industrial disturbances, acts of the Queen's enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides,

floods, fires, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakages of or accidents to machinery or lines of pipe, or any other cause, not within the reasonable control of the party claiming suspension and which, by the exercise of due diligence, such party could not have prevented or is unable to overcome, and which prevents Seller in whole or in part from delivering the Nominated Volume at the Delivery Point or which prevents Buyer, in whole or in part, from taking the Nominated Volume at the Delivery Point.

(b) If Seller wishes to claim Force Majeure under a Gas Purchase Contract, then:

- (i) Seller shall not do so in order to reduce its obligations to deliver the Daily Volume thereunder on any day unless it has on that day first interrupted all of its interruptible gas sales; provided however, that Seller shall not be obligated to first interrupt its interruptible gas sales as aforesaid if or to the extent that to do so would not help to mitigate the Force Majeure being claimed; and
- (ii) any reduction in Seller's deliveries hereunder shall be in an amount which fairly represents the prorated amount that the Daily Volume under such Gas Purchase Contract represents at the time. Such prorating in relation to Seller's firm sales shall involve all of Seller's firm sales where prorating will enhance Seller's ability to deliver gas to Buyer hereunder but need not involve any other of Seller's firm sales.

(c) If Buyer wishes to claim Force Majeure under a Gas Purchase Contract, then:

- (i) Buyer shall not do so in order to reduce its obligations to take the Daily Volume thereunder on any day unless it has on that day first interrupted all of its interruptible gas purchases; provided however, that Buyer shall not be obligated to first interrupt its interruptible gas purchases as aforesaid if or to the extent that to do so would not help to mitigate the Force Majeure being claimed; and
- (ii) any reduction in Buyers' takes hereunder shall be in an amount which firmly represents the prorated amount that the Daily Volume under such Gas Purchase Contract represents of Buyers' firm purchases at the time. Such prorating in relation to Buyers' firm purchases shall involve all of Buyers' firm purchases where prorating will enhance Buyers' ability to take gas from Seller hereunder but need not involve any other of Buyers firm purchases.

7.03 No Relief: The parties hereto shall not be entitled to the benefit of the provisions of Section 7.01 under any of the following circumstances:

- (a) To the extent that the inability is caused by the negligence or contributory negligence of the party claiming suspension.
- (b) To the extent that the inability is caused by the party claiming suspension having failed to resume with all reasonable dispatch, the performance of such covenants or obligations.
- (c) If the event of Force Majeure is caused by a lack of finances or is related to the payment of any amount or amounts due hereunder.
- (d) Unless as soon as reasonably possible after the happening of the occurrence relied upon or as soon as possible after determining that the occurrence is in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the applicable Gas Purchase Contract, the party claiming suspension shall have given to the other party hereto notice to the effect that by reason of Force Majeure (the nature and particulars whereof shall be therein fully specified) the claiming party is unable to perform the particular covenants or obligations.

7.04 End of Suspension: The party claiming suspension by reason of Force Majeure shall give notice to the other party, as soon as possible after the event of Force Majeure shall have been remedied, to the effect that the same has been remedied and that such party has resumed, or is then in a position to resume, the performance of the suspended covenants or obligations under the applicable Gas Purchase Contract.

7.05 Limitation on Suspension of Obligations: If at any time during the term hereof, the covenants and obligations under a Gas Purchase Contract of either Buyer or Seller (the "Party Claiming Suspension") are continuously suspended for a period of at least thirty (30) days by reason of an event of Force Majeure claimed by the Party Claiming Suspension, then the other party hereto may by notice to the Party Claiming Suspension, terminate all or part of the obligations to deliver and to take under the applicable Gas Purchase Contract effective as of the date of such notice, provided that any such termination or reduction of obligations shall relate to no more than the obligations to deliver and to take gas thereunder which have been suspended for such period of at least thirty (30) days by reason of such claim of Force Majeure, whereas all other obligations to deliver and to take thereunder shall remain in full force and effect to the extent that is reasonable in the circumstances.

7.06 Strikes or Lockouts: Notwithstanding anything to the contrary in this Article VII expressed or implied, the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party involved therein and such party may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Section 7.01.

ARTICLE VIII - MISCELLANEOUS

8.01 Notices: Any notice, request, consent, direction, demand, waiver, invoice or other instrument required or permitted to be given under the provisions of this Agreement or any Gas Purchase Contract shall be in writing. Written communications as aforesaid may be given by delivery or by telex, telecopier or other form of instant written telecommunication, in each case addressed as follows:

TO ST. LAWRENCE GAS:

ST. LAWRENCE GAS COMPANY, INC.

(i) Deliveries

33 Stearns Street
Massena, New York 13662
USA

(ii) Mailing Address

same as above

Attention: President
& General Manager

Telecopier: (315) 764-9226
Telephone: (315) 769-3511

(iii) Nominations

Attention: Manager, Gas Control

Telecopier: (416) 491-7497
Telephone: (416) 495-5869

TO SELLER:

Attention:

Telecopier:

Telephone:

Any written communication except nominations pursuant to paragraph 3.02 and notices pursuant to paragraph 3.04 b as aforesaid, delivered by hand or sent by telex, telecopier or other form of instant written telecommunication, shall for the purposes of this Agreement and any Gas Purchase Contract be deemed to have been given or made on the day on which it is received if such communication is received no later than 4:30 p.m. at the place of receipt on a business day, and if received later than that on such business day or if received on a day other than a business day, then the communication shall be deemed to have been given or made on the next following business day. Either party may give notice of the change of its address for the purposes of this Agreement and any Gas Purchase Contract in the same manner as provided above.

8.02 Further Assurances: Each party shall from time to time during the term hereof upon any reasonable written request, make, do, execute and deliver, or cause to be made, done executed and delivered, all such further acts, deeds, assurances and things as may be reasonably required to carry out the intent of this Agreement or a Gas Purchase Contract.

8.03 Assignment: Neither party shall have the right to assign this Agreement and or any Gas Purchase Contract or any of its rights, benefits, duties and obligations hereunder or thereunder without the prior written consent of the other party.

8.04 Waivers: Either party hereto in its sole discretion may waive, without thereby prejudicing such party's right to rely on any other provision of this Agreement or a Gas Purchase Contract for such party's sole benefit, a breach or default of any covenant or provision of this Agreement or any Gas Purchase Contract for the benefit of such party. No such waiver shall, however, be effective unless in writing signed by the party giving the waiver and no such waiver shall operate as a waiver of any future breach or default, whether of a like or different character.

8.05 Confidentiality: All data, documents and information of a confidential nature concerning the business or assets of either party to this Agreement which are made available or disclosed to the other party hereto pursuant to the terms of this Agreement or a Gas Purchase Contract (the "Confidential Information"), shall be kept and maintained on a confidential basis by the party hereto which is the recipient thereof. Each party hereto shall implement such measures and shall take such precautions as may be reasonably necessary to endeavour to ensure the confidentiality of all Confidential Information. Notwithstanding the foregoing, either party hereto may, without consultation with or notice to the other party hereto, disclose Confidential Information to any court, government, governmental agency, regulatory body or quasi-judicial agency ("Regulatory Agency") at any time and from time to time and may thereby cause the Confidential Information to become public if and to the extent that may be required by any Regulatory Agency or the rules, regulations, procedures, requirements or practices of any Regulatory Agency.

8.06 Successors and Assigns: Subject to Section 8.03, this Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement effective as of the day and year first above written.

ST. LAWRENCE GAS COMPANY, INC.

SELLER: _____

Per: _____

Per: _____

Title: _____

Title: _____

Per: _____

Per: _____

Title: _____

Title: _____

SCHEDULE 'A'

MADE AS OF THE ____ DAY OF _____, 199_ BETWEEN ST. LAWRENCE GAS COMPANY, INC.

AND _____

GAS PURCHASE CONFIRMATION FORM NO. _____

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME:
ADDRESS:
TELEPHONE NO.
FAX NO.
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: _____ 10³m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (E.S.T.) ON _____, 199
AND TO END 8.00 a.m. (E.S.T.) ON _____, 199
- 5. PRICE: \$_____ per gigajoule
- 6. DELIVERY POINT(S): _____
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the ____ day of _____, 199_ (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS ____ DAY OF _____, 199_.

SELLER:

Per: _____

Title

Per: _____

Title

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Title

Per: _____

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 1ST DAY OF NOVEMBER, 1993 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND ENRON GAS MARKETING CANADA INC. OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO.

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER: ENRON GAS MARKETING CANADA INC.
 ADDRESS: 6711 Mississauga Rd. Suite 701, Mississauga, Ontario L5N 2W3
 TELEPHONE NO: (905) 821-4215
 FAX NO. (905) 821-3870
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 24.7 10³m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON November 1, 1993
 AND TO END 8.00 a.m. (M.S.T.) ON December 1, 1993
- 5. PRICE: \$2.095 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 1st day of November, 1993 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199__

SELLER:

ENRON GAS MARKETING CANADA INC.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE A TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 1ST DAY OF FEBRUARY, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC., OF THE FIRST PART, AND AMOCO CANADA PETROLEUM COMPANY LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. AMOC -69

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER: AMOCO CANADA PETROLEUM COMPANY LTD.
 ADDRESS: P. O. Box 200, Station M, 240 - 4th Avenue S. W. Calgary, Alberta T2P 2H8
 TELEPHONE NO: (403) 234-4078
 FAX NO. (403) 234-4151
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 22.6 10³m³ + TCPL Compressor Fuel
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON February 1, 1994
 AND TO END 8.00 a.m. (M.S.T.) ON March 1, 1994
- 5. PRICE: \$2.17 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 1st day of February, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:

AMOCO CANADA PETROLEUM COMPANY INC.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title _____

Title _____

Per: _____

Per: _____

Title _____

Title _____

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 29TH DAY OF APRIL, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND CONTINENTAL ENERGY MARKETING LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. CEML-12

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME: CONTINENTAL ENERGY MARKETING LTD.
ADDRESS: Suite 1600, 633-6th Avenue S. W. Calgary, Alberta T2P 2Y5
TELEPHONE NO: (403) 297-9807
TELECOPIER: (403) 237-6021
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 22.6 10³m³ + TCPL Compressor Fuel
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON May 1, 1994
AND TO END 8.00 A.M. (M.S.T.) ON June 1, 1994
- 5. PRICE: \$2.10 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 29th day of April, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:

CONTINENTAL ENERGY MARKETING LTD.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE 'A' TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 29TH DAY OF APRIL, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND CONTINENTAL ENERGY MARKETING LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. CEML-13

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
 NAME: CONTINENTAL ENERGY MARKETING LTD.
 ADDRESS: Suite 1600, 633-6th Avenue S. W. Calgary, Alberta T2P 2Y5
 TELEPHONE NO: (403) 297-9807
 TELECOPIER: (403) 237-6021
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 22.6 10³m³ + TCPL Compressor Fuel
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON June 1, 1994
 AND TO END 8.00 A.M. (M.S.T.) ON July 1, 1994
- 5. PRICE: \$1.86 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 29th day of April, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:

CONTINENTAL ENERGY MARKETING LTD.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 29TH DAY OF APRIL, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND CONTINENTAL ENERGY MARKETING LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. CEML-14

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME: CONTINENTAL ENERGY MARKETING LTD.
ADDRESS: Suite 1600, 633-6th Avenue S. W. Calgary, Alberta T2P 2Y5
TELEPHONE NO: (403) 297-9807
TELECOPIER: (403) 237-6021
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 22.6 10³m³ + TCPL Compressor Fuel
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON July 1, 1994 AND TO END 8.00 A.M. (M.S.T.) ON August 1, 1994
- 5. PRICE: \$1.81 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 29th day of April, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199__.

SELLER:

CONTINENTAL ENERGY MARKETING LTD.

Per: _____

Title

Per: _____

Title

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Title

Per: _____

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 2ND DAY OF NOVEMBER, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND CIBOLA CANADA ENERGY MARKETING COMPANY, OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. CIHS-1

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:
NAME: CIBOLA CANADA ENERGY MARKETING COMPANY
ADDRESS: #9, 1601 RIVER ROAD EAST, KITCHENER, ONTARIO N2A 3Y4
TELEPHONE NO: (519) 894-9555
TELECOPIER: (519) 894-9607
2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R129781274
3. DAILY VOLUME: 22.6 10³m³ + TCPL Compressor Fuel
4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON NOVEMBER 1, 1994 AND TO END 8.00 A.M. (M.S.T.) ON DECEMBER 1, 1994
5. PRICE: \$1.79 per gigajoule
6. DELIVERY POINT(S): Empress
7. REMOVAL PERMIT NO.: GR 91-082
8. RECEIVING PIPELINE: TCPL
9. DELIVERING PIPELINE: NOVA
10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 2nd day of November, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
CIBOLA CANADA ENERGY MARKETING COMPANY

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 2ND DAY OF NOVEMBER, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND CIBOLA CANADA ENERGY MARKETING COMPANY, OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. CIHS-2

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:
NAME: CIBOLA CANADA ENERGY MARKETING COMPANY
ADDRESS: #9, 1601 RIVER ROAD EAST, KITCHENER, ONTARIO N2A 3Y4
TELEPHONE NO: (519) 894-9555
TELECOPIER: (519) 894-9607
2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R129781274
3. DAILY VOLUME: 22.6 10⁹m³ + TCPL Compressor Fuel
4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T..) ON DECEMBER 1, 1994 AND TO END 8.00 A.M. (M.S.T.) ON JANUARY 1, 1995
5. PRICE: \$1.71 per gigajoule
6. DELIVERY POINT(S): Empress
7. REMOVAL PERMIT NO.: GR 91-082
8. RECEIVING PIPELINE: TCPL
9. DELIVERING PIPELINE: NOVA
10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 2nd day of November, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
CIBOLA CANADA ENERGY MARKETING COMPANY

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 31ST DAY OF JANUARY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND DIRECT ENERGY MARKETING LIMITED, OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. DEML-15

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:
NAME: DIRECT ENERGY MARKETING LIMITED
ADDRESS: Suite 204, 45 Sheppard Avenue East, Willowdale, Ontario M2N 5W9
TELEPHONE NO: (416) 733-8955
TELECOPIER: (416) 733-8958
2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R101397875
3. DAILY VOLUME: 75.0 10³m³
4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T..) ON JANUARY 1, 1995 AND TO END 8.00 A.M. (M.S.T.) ON FEBRUARY 1, 1995
5. PRICE: \$1.225 per gigajoule
6. DELIVERY POINT(S): Empress
7. REMOVAL PERMIT NO.: GR 90-175
8. RECEIVING PIPELINE: TCPL
9. DELIVERING PIPELINE: NOVA
10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 31st day of January, 1995 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____

SELLER:
DIRECT ENERGY MARKETING LIMITED

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title _____

Title _____

Per: _____

Per: _____

Title _____

Title _____

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 31ST DAY OF JANUARY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND DIRECT ENERGY MARKETING LIMITED, OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. DEML-16

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME: DIRECT ENERGY MARKETING LIMITED
ADDRESS: Suite 204, 45 Sheppard Avenue East, Willowdale, Ontario M2N 5W9
TELEPHONE NO: (416) 733-8955
TELECOPIER: (416) 733-8958
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R101397875
- 3. DAILY VOLUME: 50.0 10³m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON FEBRUARY 1, 1995 AND TO END 8.00 A.M. (M.S.T.) ON APRIL 1, 1995
- 5. PRICE: \$1.225 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: GR 90-175
- 8. RECEIVING PIPELINE: TCPL
- 9. DELIVERING PIPELINE: NOVA
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 31st day of January, 1995 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
DIRECT ENERGY MARKETING LIMITED

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title _____

Title _____

Per: _____

Per: _____

Title _____

Title _____

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 31ST DAY OF JANUARY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND DIRECT ENERGY MARKETING LIMITED, OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. DEML-17

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME: DIRECT ENERGY MARKETING LIMITED
ADDRESS: Suite 204, 45 Sheppard Avenue East, Willowdale, Ontario M2N 5W9
TELEPHONE NO: (416) 733-8955
TELECOPIER: (416) 733-8958
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R101397875
- 3. DAILY VOLUME: 50.0 10⁹m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T..) ON APRIL 1, 1995 AND TO END 8.00 A.M. (M.S.T..) ON MAY 1, 1995
- 5. PRICE: \$1.08 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: GR 90-175
- 8. RECEIVING PIPELINE: TCPL
- 9. DELIVERING PIPELINE: NOVA
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 31st day of January, 1995 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
DIRECT ENERGY MARKETING LIMITED

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

THIS IS SCHEDULE "A" TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 1ST DAY OF FEBRUARY, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND AMOCO CANADA PETROLEUM COMPANY LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. AMOC-99

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:
NAME: AMOCO CANADA PETROLEUM COMPANY LTD.
ADDRESS: P. O.Box 200, Station M, 240-4th Avenue S. W. Calgary, Alberta T2P 2H8
TELEPHONE NO: (403) 234-4078
FAX NO. (403) 234-4151

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: UP TO 40.0 10⁹m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T..) ON May 1, 1995
AND TO END 8.00 A.M. (M.S.T.) ON June 1, 1995

5. PRICE: \$1.23 per gigajoule

6. DELIVERY POINT(S): Empress

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: TCPL

9. DELIVERING PIPELINE: NOVA

10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 1st day of February, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
AMOCO CANADA PETROLEUM COMPANY LTD.
Per: _____
Title _____
Per: _____
Title _____

ST. LAWRENCE GAS COMPANY, INC.
Per: _____
Title _____
Per: _____
Title _____

THIS IS SCHEDULE 'A' TO A MASTER FORM OF SHORT TERM FIRM GAS PURCHASE AGREEMENT (WESTERN DELIVERIES) MADE AS OF THE 1ST DAY OF FEBRUARY, 1994 BETWEEN ST. LAWRENCE GAS COMPANY, INC. OF THE FIRST PART, AND AMOCO CANADA PETROLEUM COMPANY LTD., OF THE SECOND PART

GAS PURCHASE CONFIRMATION FORM NO. AMOC-100

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:
NAME: AMOCO CANADA PETROLEUM COMPANY LTD.
ADDRESS: P. O.Box 200, Station M, 240-4th Avenue S. W. Calgary, Alberta T2P 2H8
TELEPHONE NO: (403) 234-4078
FAX NO. (403) 234-4151

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: UP TO 40.0 10³m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON June 1, 1995
AND TO END 8.00 A.M. (M.S.T.) ON July 1, 1995

5. PRICE: \$1.24 per gigajoule

6. DELIVERY POINT(S): Empress

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: TCPL

9. DELIVERING PIPELINE: NOVA

10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 1st day of February, 1994 between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the aforementioned Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____

SELLER:
AMOCO CANADA PETROLEUM COMPANY LTD.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title _____

Title _____

Per: _____

Per: _____

Title _____

Title _____

SCHEDULE "A"

MADE AS OF THE 24TH DAY OF JULY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC. AND STAMPGAS INC.

GAS PURCHASE CONFIRMATION FORM NO. STAM -1

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER:
NAME: STAMPGAS INC.
ADDRESS: 330 CHANDOS COURT, KITCHENER, ONTARIO N2A 3C2
TELEPHONE NO: (519) 894-1148
FAX NO. (519) 894-1421
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 40.0 10³m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (M.S.T.) ON JULY 1, 1995
AND TO END 8.00 A.M. (M.S.T.) ON AUGUST 1, 1995
- 5. PRICE: \$1.02 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 24th day of July, 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of such Form of Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 ____.

SELLER:
STAMPGAS INC.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title _____

Title _____

Per: _____

Per: _____

Title _____

Title _____

SCHEDULE 'A'

MADE AS OF THE 28TH DAY OF JULY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.
AND WASCANA MARKETING, A DIVISION OF WASCANA ENERGY INC.

GAS PURCHASE CONFIRMATION FORM NO. (WCAN-21)

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER: WASCANA MARKETING, A DIVISION OF WASCANA ENERGY INC.

CONTACT NAME: Bill Hogue

ADDRESS: Bow Valley Square 2, 2500, 205 - 5th Avenue S. W. Calgary, Alberta T2P 2V7

TELEPHONE NO. (403) 260-3407 FAX NO. (403) 266-2701

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: R104725338

3. DAILY VOLUME: 35.0 10³m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (EST) ON August 1, 1995
AND TO END 8.00 a.m. (EST) ON September 1, 1995

5. PRICE: \$0.99 per gigajoule

6. DELIVERY POINT(S): Success

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: _____

9. DELIVERING PIPELINE: _____

10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 28th day of July, 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:
WASCANA MARKETING, A DIVISION OF
WASCANA ENERGY INC.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

SCHEDULE "A"

MADE AS OF THE 19TH DAY OF SEPTEMBER, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.

AND NOVAGAS CLEARINGHOUSE LTD.

GAS PURCHASE CONFIRMATION FORM NO. _____

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER:: NOVAGAS CLEARINGHOUSE LTD.

CONTACT NAME: Ronald G. Demers

ADDRESS: 1275 North Service Rd. W. Suite 805 Oakville, Ontario L6M 3G4

TELEPHONE NO.: (905) 469-0244

FAX NO.: (905)469-0200

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: 35.0 10³m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (EST) ON September 1, 1995

AND TO END 8.00 a.m. (EST) ON October 1, 1995

5. PRICE: \$1.045 per gigajoule

6. DELIVERY POINT(S): Empress

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: _____

9. DELIVERING PIPELINE: _____

10. OTHER TERMS AND CONDITIONS: _____

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 19th day of September 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:

NOVAGAS CLEARINHOUSE LTD.

Per: _____

Title

Per: _____

Title

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Title

Per: _____

Title

SCHEDULE "A"

MADE AS OF THE 28TH DAY OF JULY, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.
AND WASCANA MARKETING, A DIVISION OF WASCANA ENERGY INC.

GAS PURCHASE CONFIRMATION FORM NO. (WCAN-22)

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER: WASCANA MARKETING, A DIVISION OF WASCANA ENERGY INC.

CONTACT NAME: Bill Hogue

ADDRESS: Bow Valley Square 2, 2500, 205 - 5th Avenue S. W. Calgary, Alberta T2P 2V7

TELEPHONE NO. (403) 260-3407 FAX NO. (403) 266-2701

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: 35.0 10³m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (EST) ON October 1, 1995
AND TO END 8.00 a.m. (EST) ON November 1, 1995

5. PRICE: \$1.13 per gigajoule

6. DELIVERY POINT(S): Bayhurst/Success

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: _____

9. DELIVERING PIPELINE: _____

10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 28th day of July, 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:
WASCANA MARKETING, A DIVISION OF
WASCANA ENERGY INC.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

SCHEDULE 'A'

MADE AS OF THE 31ST DAY OF OCTOBER, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.

AND ASSOCIATED ENERGY MARKETING a division of Associated Energy Services, Ltd.

GAS PURCHASE CONFIRMATION FORM NO. (AEMHS - 1)

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER: ASSOCIATED ENERGY MARKETING a division of Associated Energy Services, Ltd.
NAME: Mike Newman
ADDRESS: 1600, 633 - 6th Avenue S. W. Calgary, Alberta T2P 2Y5
TELEPHONE NO. (403) 297-9824 FAX NO. (403) 237-6021

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: 67.9 10^3m^3

4. DELIVERIES TO COMMENCE 8:00 A.M. (E.S.T.) ON November 1, 1995
AND TO END 8.00 a.m. (E.S.T.) ON December 1, 1995

5. PRICE: \$1.30 per gigajoule

6. DELIVERY POINT(S): Empress

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: _____

9. DELIVERING PIPELINE: _____

10. OTHER TERMS AND CONDITIONS:

Effective November 4 the Daily Volume will be 67.9 10^3m^3 instead of 65.4 10^3m^3.

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 31st day of October, 1995 (the 'Master Agreement') between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title

SCHEDULE 'A'

MADE AS OF THE 24TH DAY OF JULY , 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.

AND STAMPGAS INC.

GAS PURCHASE CONFIRMATION FORM NO. (STAM - 03)

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

- 1. SELLER: STAMPGAS INC.
 CONTACT NAME: J. Schoenmakers
 ADDRESS: 330 CHANDOS COURT KITCHENER, ONTARIO N2A 3C2
 TELEPHONE NO: (519) 894-1148 TELECOPIER: (519) 894-1421
 NOMINATIONS: Bev Bond
 TELEPHONE NO. (403) 233 - 6677 TELECOPIER: (403) 266 -1947
- 2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____
- 3. DAILY VOLUME: 68.0 10³m³
- 4. DELIVERIES TO COMMENCE 8:00 A.M. (E.S.T.) ON December 1, 1995
 AND TO END 8.00 a.m. (E.S.T.) ON January 1, 1996
- 5. PRICE: \$1.335 per gigajoule
- 6. DELIVERY POINT(S): Empress
- 7. REMOVAL PERMIT NO.: _____
- 8. RECEIVING PIPELINE: _____
- 9. DELIVERING PIPELINE: _____
- 10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 24th day of July, 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:

STAMPGAS INC.

Per: _____

Title

Per: _____

Title

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Title

Per: _____

Title

SCHEDULE "A"

MADE AS OF THE 31ST DAY OF OCTOBER, 1995 BETWEEN ST. LAWRENCE GAS COMPANY, INC.
AND ASSOCIATED ENERGY MARKETING, a division of ASSOCIATED ENERGY SERVICES LTD.

GAS PURCHASE CONFIRMATION FORM NO. (AEMHS - 2)

The parties have agreed that Buyer will buy natural gas from Seller on a firm basis on the terms and conditions described below.

1. SELLER: ASSOCIATED ENERGY MARKETING, a division of ASSOCIATED ENERGY SERVICES, LTD.
CONTACT NAME: Mike Newman
ADDRESS: 1600, 633 - 6th Avenue S. W. Calgary, Alberta T2P 2Y5
TELEPHONE NO: (403) 297-9824 TELECOPIER: (403) 237-6021

2. GST REGISTRATION NOS. St. Lawrence: R136596067 Seller: _____

3. DAILY VOLUME: 70.0 10³m³

4. DELIVERIES TO COMMENCE 8:00 A.M. (E.S.T.) ON January 1, 1996
AND TO END 8.00 a.m. (E.S.T.) ON February 1, 1996

5. PRICE: \$1.54 per gigajoule

6. DELIVERY POINT(S): Empress

7. REMOVAL PERMIT NO.: _____

8. RECEIVING PIPELINE: _____

9. DELIVERING PIPELINE: _____

10. OTHER TERMS AND CONDITIONS:

11. The Master Form of Short Term Firm Gas Purchase Agreement (Western Deliveries) dated as of the 31st day of October, 1995 (the "Master Agreement") between Buyer and Seller shall apply to the gas purchase and sale arrangements outlined in this Gas Purchase Confirmation Form such that the terms and conditions of the Master Agreement shall by this reference be deemed to be incorporated herein.

12. When this Gas Purchase Confirmation Form has been signed by Buyer and Seller, or by either of them in counterpart, it may be transmitted by fax from one party to the other. All faxed copies hereof and all signatures on faxed copies shall for all purposes be treated as originals. When this Gas Purchase Confirmation Form has been fully signed and faxed or delivered between Buyer and Seller, then it or counterpart copies thereof together with the Master Agreement shall contain all of the terms of a binding contract between the parties.

DATED THIS _____ DAY OF _____, 199 .

SELLER:
ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.

ST. LAWRENCE GAS COMPANY, INC.

Per: _____

Per: _____

Title

Title

Per: _____

Per: _____

Title

Title



ST. LAWRENCE GAS COMPANY, INC.

GAS PURCHASE CONTRACT

Short Term Firm Gas Purchase Contract

By and Between:

Associated Energy Marketing
a division of Associated Energy Services Ltd.
an Alberta Corporation ("Seller")

-and-

St. Lawrence Gas Company, Inc.
a New York Corporation ("Buyer")

Contract No. 35

Contract Dated: November 1, 1995

Effective Date: November 1, 1995

Purpose: Short term firm gas purchases

Term of Contract: November 1, 1995 - April 1, 1996

GAS PURCHASE CONTRACT

BETWEEN

ST. LAWRENCE GAS COMPANY

(Buyer)

AND

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services Ltd.

(Seller)

DATE: November 1, 1995

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THIS AGREEMENT is made effective November 1, 1995

BETWEEN:

Associated Energy Marketing, a Division of Associated Energy Services Ltd., a body corporate, carrying on business in the City of Calgary, in the Province of Alberta (Hereinafter referred to as "Seller")

OF THE FIRST PART

AND

St. Lawrence Gas Company a body corporate, carrying on business in the City of Massena, in the State of New York (Hereinafter collectively referred to as "Buyer")

OF THE SECOND PART

WHEREAS Seller has available a supply of gas for sale at the Point(s) of Delivery;

AND WHEREAS Buyer has agreed to purchase and Seller has agreed to sell certain volumes of gas on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.1 The following words and terms wherever and whenever used or appearing in this Agreement shall have the following meaning:

- (a) British Thermal Unit "BTU" shall equal the amount of energy required to raise the temperature of one (1) pound of water from 59°F to 60°F at a constant pressure of 14.73 pounds per square inch absolute;
- (b) "Day" or "Days" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 8:00 AM Mountain Standard Time; the reference date for any Day shall be the

calendar date upon which said twenty-four (24) hour period commences;

- (c) "Daily Contract Quantity" or "DCQ" shall be Up to 5000 MMBTU;
- (d) "End User" shall mean the customer or customers to whom Buyer resells the gas purchased from Seller hereunder;
- (e) "Gas" or "gas" shall mean, as the context may require, either natural gas obtained from wells or the residue remaining after the natural gas has been treated for the removal, as may be specifically permitted or required, of any of its constituent parts;
- (f) "MMBTU" shall mean one million (1,000,000) BTU's;
- (g) "Month" shall mean the period of time beginning at the start of the first Day of a calendar month and ending at the start of the first Day of the next calendar month;
- (h) "Nova" shall mean Nova Corporation of Alberta;
- (i) "Point of Delivery" shall be the delivery station identified as Cornwall, Ontario;
- (j) "Prime Rate" shall mean the rate of interest, expressed as a percentage per annum, used and announced from time to time by the Canadian Commercial Imperial Bank of Commerce, Main Branch, Calgary, Alberta as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada; AS
- (k) "TCPL" shall mean TransCanada Pipelines;
- (l) "Transgas" shall mean Transgas Limited;

ARTICLE II QUANTITY OF GAS

- 2.1 Buyer shall take delivery of and purchase from Seller up to the DCQ, and Seller shall deliver and sell to Buyer up to the DCQ at the Point of Delivery as herein defined. Seller shall make available to Buyer 100,000 MMBTU (the Minimum Volume) during the term of the Agreement.

ARTICLE III
TERM OF CONTRACT

3.1 Subject to the other provisions hereof;

- (a) The term of this Agreement shall commence as of 0800 hours M.S.T. November 1, 1995, and continue in full force and effect until 0800 hours MST on April 1, 1996.
- (b) Any liabilities or obligations outstanding hereunder as of the date of termination of this Agreement shall survive such termination.

ARTICLE IV
POINT OF DELIVERY

4.1 Possession of and title to all gas delivered shall pass from Seller to Buyer at the Point of Delivery. Until passage of title, Seller shall be deemed to be in control and possession of and responsible for such gas, and thereafter Buyer shall be deemed to be in control and possession of and responsible for such gas.

ARTICLE V
PRICE

- 5.1 (a) The price to be paid by Buyer to Seller for gas delivered by Seller to Buyer at the Point(s) of Delivery shall be \$2.20 US. All components of the price payable hereunder shall be expressed in dollars and cents per MMBTU. Any and all taxes, levies, fees, charges and production royalties including gathering and processing charges on or against the gas prior to its delivery to Buyer at the Point(s) of Delivery shall be borne by Seller and any and all taxes, levies, fees and charges on or against the gas subsequent to its delivery to Buyer at the Point(s) of Delivery shall be borne by Buyer.
- b) Obligation to Deliver: Seller represents and warrants that it shall make available to Buyer a quantity of gas equal to the DCQ every day during the Term of this Agreement subject to the availability of diversions on TCPL.

If during the Term of this Agreement, except and to the extent such failure is due to Force Majeure and/or the restriction of diversions on

TCPL, Seller fails to deliver Buyer's nominated quantity of natural gas or portion thereof, (Seller's Shortfall Quantity), then Seller shall indemnify Buyer for an amount equal to the aggregate of the direct commodity acquisition and transportation costs for an alternate Alberta natural gas supply of equivalent heating value, to the extent that such costs exceed the aggregate of the costs that would have been incurred by Buyer to obtain such quantity of natural gas hereunder but for Seller's failure to deliver. Pertaining to the natural gas commodity acquisition cost, Seller agrees to pay Buyer an amount equal to Seller's Shortfall Quantity multiplied by the positive difference, if any, obtained by subtracting (i) from (ii) below:

- i) the price per MMBTU payable hereunder;
- ii) the average price per MMBTU prudently obtained by Buyer in an incremental, arms' length purchase from a third party of a quantity of gas equal to the Seller's Shortfall Quantity at the Delivery Point (or at another location, with adjustment for reasonable transportation cost differentials) (the "Replacement Purchase"),

or

where Buyer is unable to obtain a Replacement Purchase, the daily "Weighted Average Transaction price" as specified in the Canadian Enerdata Ltd. Gas Price Survey Results or if unavailable, the price per MMBTU published in the Canadian Natural Gas Market Report, Weekly Price Update, published by Canadian Enerdata Ltd., as the Alberta Spot Price plus transportation to the Point of Delivery.

In addition, with respect to the Seller's Shortfall Quantity, Seller shall indemnify Buyer for any unabsorbed contract demand charges payable to Buyer's transporters, and any authorized tariff and toll penalties with respect thereto incurred by Buyer as caused by that delivery shortfall. Notwithstanding anything contained in this Agreement, Seller shall not be liable for any indirect, incidental, special or consequential damages as a result of Seller's failure to deliver the quantity of natural gas nominated by Buyer hereunder. Buyer shall use all reasonable efforts to assist Seller in mitigating the amounts Seller is obliged to indemnify the Buyer for pursuant to this Clause 5.1(b). The intent of this Clause 5.1(b) is that Buyer be required to pay no more for the purchase and transportation of the quantity of natural gas represented by Buyer's nomination than if

Seller had fully met its obligations under this Agreement to deliver the quantity of natural gas required to be delivered hereunder.

- c) Obligation to Take: If during the term of this Agreement except and to the extent such failure is due to Force Majeure, Buyer fails to take and purchase the Minimum Volume, ("Buyer's Shortfall Quantity"), Buyer nevertheless agrees to pay Seller an amount equal to Buyer's Shortfall Quantity multiplied by the positive difference, if any, obtained by subtracting (ii) from (i) below:
- i) the price per MMBTU payable hereunder;
 - ii) the average price per MMBTU prudently obtained by Seller in an incremental, arms' length sale to a third party of a quantity of gas equal to the Buyer's Shortfall Quantity at the Delivery Point (or at another location, with adjustment for reasonable transportation cost differentials) (the "Replacement Sale"),
- or

where Seller is unable to obtain a Replacement Sale, the daily "Weighted Average Transaction price" as specified in the Canadian Enerdata Ltd. Gas Price survey Results or if unavailable, the price per MMBTU published in the Canadian Natural Gas Market Report, Weekly Price Update, published by Canadian Enerdata Ltd., as the Alberta Spot Price plus transportation to the Point of Delivery.

Notwithstanding anything contained in this Agreement, Buyer shall not be liable for any indirect, incidental, special or consequential damages as a result of Buyer's failure to take the quantity of natural gas hereunder. Seller shall use all reasonable efforts to assist Buyer in mitigating the amounts Buyer is obliged to indemnify the Seller for pursuant to this Clause 5.1(c). The intent of this Clause 5.1(c) is that Seller be required to receive no less for the sale and transportation of the quantity of natural gas represented by Buyer's nomination than if Buyer had fully met its obligations under this agreement to take the quantity of natural gas required to be taken hereunder.

ARTICLE VI
QUALITY AND MEASUREMENT

6.1 During such time as gas delivered hereunder is delivered through the facilities of NOVA, TCPL or TRANSGAS, all determinations, methods, procedures and matters relating to:

- a) Unit of Measurement
- b) Method Measurement
- c) Heating Value
- d) Composition
- e) Testing and Measuring Equipment
- f) Inspection of Equipment

shall be in accordance with TCPL's then effective Rules and Regulations. The parties agree to accept TCPL's measurements, subject to such changes and corrections as TCPL may be required to make, for the purposes of this Agreement.

ARTICLE VII
BILLINGS AND PAYMENTS, AUDIT

7.1 ^{Seller} ~~Buyer~~ shall render to ^{Buyer} ~~Seller~~ each month a statement setting forth the quantity of gas delivered by Seller pursuant hereto during the preceding Month, the Gross Heating Value and the Heat Content thereof, and the net amount payable by Buyer to Seller. ^{Seller} ~~Buyer~~ may prepare statements based on estimates if actual information is not available, and an adjustment for any difference between estimated and actual amounts shall be made on the following month's statements. Buyer agrees to pay Seller on or before the twentieth (20th) day of each month the net amount payable by Buyer for the quantity of gas delivered by Seller to Buyer pursuant hereto during the preceding Month. AK AS

7.2 Each such payment shall be made in US funds by wire transfer in favour of Seller and tendered to Seller at its bank located in Massena, New York. If Buyer fails to make each such payment, or any portion thereof, to Seller when same is due, interest thereon shall accrue, at the rate of interest which is equal to the Prime Rate in effect as of the date that such payment is due, plus one (1%) percent, from the date when such payment is due until the same is paid by Buyer to Seller, before judgement as well as after judgement. If such failure to pay continues for thirty (30) days Seller may suspend delivery of gas hereunder. AK AS

- 7.3 At any time up to (but not after) twelve months following the end of the month in which an invoice was rendered hereunder, and upon thirty days prior written notice, either party shall have the right at its sole cost and expense to have a third party auditor, who shall be a member of a national Canadian chartered accountancy firm, audit, on such party's behalf, the relevant books, accounts and records of the other party hereto to verify the accuracy of any such invoice. All information which an auditor acquires shall be kept strictly confidential. If, as a result of any audit, the auditor deems that an adjustment to an invoice is necessary, then the party against whom the adjustment was made shall forthwith pay to the other party the amount thereof. If either party disputes the resolution of the auditor, such party may begin arbitration as per the Alberta Arbitration Act.
- 7.4 If *force majeure* is declared pursuant to Article 9 in this Agreement, the party not making the declaration shall retain the right at any time up to (but not after) twelve months following the end of the month in which *force majeure* was declared, and upon thirty days prior written notice to the other, at its sole cost and expense, to have a third party auditor, who shall be a member of a national Canadian chartered accountancy firm, audit on that party's behalf, the relevant books, accounts and records of the other party to verify the accuracy of the *force majeure* claim. All information which an auditor acquires shall be kept strictly confidential and both parties shall be bound by the determination and resolution by the auditor of any audit exceptions. If, as a result of any audit, the auditor deems that an adjustment is necessary to an invoice, then the party against whom the adjustment was made shall promptly pay to the other party the required amount with interest at the Prime Rate, plus 1.0 per cent per annum. If either party disputes the resolution of the auditor, such party may begin arbitration proceedings as per the Alberta Arbitration Act.

ARTICLE VIII
REPRESENTATION AND WARRANTY

- 8.1 Seller represents and warrants that it shall at the time of delivery have good title to or the full right and authority to sell all gas delivered by Seller to Buyer hereunder, free and clear from all liens, encumbrances and claims whatsoever, except those which Seller is contesting in good faith.
- 8.2 Seller agrees that it will indemnify and save harmless Buyer against all suits, actions, claims, debts, accounts, damages, costs, losses and

expenses arising from or out of any breach of the above warranties or arising from or out of adverse claims of any or all persons to said gas or to royalties, taxes, fees, charges or transportation tariffs thereon which are applicable before the title to such gas passes from Seller to Buyer hereunder at the Point(s) of Delivery.

- 8.3 If there is a material defect in Seller's title, Seller shall, with reasonable promptness, attempt to remedy such default. Until the material defect in Seller's title has been remedied, Buyer, without prejudice to any other remedy it may have, shall have the right to withhold (without interest) the proceeds otherwise payable to Seller hereunder until such claim has been finally determined or until Seller has furnished a bond to Buyer conditional for the protection of Buyer with respect to such claim.

ARTICLE IX **FORCE MAJEURE**

- 9.1 Subject to other provisions of this Article, if either party to this Agreement is unable to observe or perform any of the covenants or obligations herein imposed upon it and such failure shall have been occasioned by, or in connection with, or in consequence of Force Majeure, as hereinafter defined, such failure shall be deemed not to be a breach of such covenants or obligations.
- 9.2 For the purpose of this Agreement, the term "Force Majeure" shall mean any acts of God, including therein, but without restricting the generality hereof, lightning, earthquakes, and storms; and in addition, shall mean any strikes, lockouts, and other industrial disturbances, acts of the ^{State's} ~~Queen's~~ enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, floods, fires, washouts, arrests and restraints, civil disturbances, explosions, breakages of or accidents to machinery or lines of pipe, hydrate obstructions of lines of pipe, the omissions (including failure to take Gas) of the End User or a transporter or third party processor of Gas to or for Buyer, Seller or Buyer's customer which are excused by any event or occurrence of the character herein defined as constituting force majeure, or any other causes, whether of the kind herein enumerated or otherwise not within the control of the party claiming suspension and which, by the exercise of due diligence, such party could have not prevented or is unable to overcome.
- 9.3 Neither party shall be entitled to the benefit of the provisions of Clause 9.1 hereof under any or all of the following circumstances:

- a) To the extent that the failure was caused by the negligence or the contributory negligence of the party claiming suspension;
 - b) To the extent that the failure was caused by the party claiming suspension having failed to make reasonable attempts to remedy the condition, and to resume the performance of such covenants or obligations, with reasonable dispatch;
 - c) If the failure was caused by lack of funds or was with respect to the payment of any amount or amounts due hereunder;
 - d) Unless as soon as possible after happening of the occurrence relied upon or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under this Agreement, the party claiming suspension shall have given to the other party notice, either in writing or by facsimile or other printed telecommunication, to the effect that such party is unable by reason of Force Majeure (the nature whereof shall be therein specific) to perform the particular covenants or obligations.
- 9.4 The party claiming suspension shall likewise give notice as soon as possible after the Force Majeure condition shall have been remedied, to the effect that the same has been remedied and thus such party has resumed, or is then in a position to resume, the performance of such covenants or obligations.
- 9.5 Notwithstanding anything to the contrary in this Article IX expressed or implied, the parties agree that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the particular party involved therein and such party may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Clause 9.1 hereof.
- 9.6 Seller's and Buyer's obligation under Clause 2.1 shall be suspended during the continuance of any event of Force Majeure hereunder
- 9.7 It is expressly understood that for the purpose of this Agreement, that failure of the well or wells to produce sufficient volumes of gas is not a circumstance of Force Majeure.

ARTICLE X
INFORMATIONAL REQUIREMENTS

- 10.1 Buyer and Seller agree to provide the other party with any information that may be necessary to comply with any regulatory filing requirement. Such information shall be kept strictly confidential by the other party and used or disclosed only to comply with said requirements.

ARTICLE XI
LAWS AND REGULATORY BODIES

- 11.1 This Agreement and the rights and obligations of the parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted governmental or regulatory authority now or hereafter having jurisdiction.
- 11.2 This Agreement shall be interpreted and construed in accordance with the laws of the Province of Alberta and the parties agree to accept the jurisdiction of the Courts of Alberta and all Courts of Appeal therefrom for the purposes of the interpretation, construction and enforcement of this Agreement.

ARTICLE XII
ASSIGNMENT

- 12.1 This Agreement shall bind and enure to the respective successors and assigns of the parties thereto, but no assignment shall release either party from such party's obligations hereunder without the written consent of the other party to such release, which consent shall not be unreasonably withheld.
- 12.2 Nothing herein contained shall prevent either party from pledging or mortgaging its rights hereunder as security for its indebtedness.

ARTICLE XIII
SUPERSEDEENCE

- 13.1 This Agreement wholly replaces and supersedes any and all other written or verbal understandings between the Seller and Buyer pertaining to the subject matter hereof.

- 13.2 No amendment or variation of this Agreement shall be effective or binding upon the parties hereto unless it is set forth in writing and has been signed by an authorized representative of each of the parties hereto.

ARTICLE XIV
MISCELLANEOUS PROVISIONS

- 14.1 No waiver of any right of any party hereto shall act, unless expressly so stated, as a waiver of any other or future rights of a party hereto.
- 14.2 The headings used throughout this Agreement are inserted for references purposes only, and are not to be considered or taken into account in construing the terms or provisions of any Article nor to be deemed in any way to qualify, modify, or explain the effect of any such provisions or terms.
- 14.3 The numbers and Imperial units, if any, which are set forth within brackets herein have been inserted for information purposes only and are not to be considered or taken into account in construing the terms or provisions herein set forth, not to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

ARTICLE XV
NOTICES

- 15.1 For the purposes of all notices and other communications to be given and payments to be made under this Agreement, the addresses of Buyer and Seller shall be as follows:

Buyer: **St. Lawrence Gas Company**
 33 Stearns Street
 Massena, New York 13662

Telephone: 315-769-3516
 Telecopier: 315-764-9226

ATTENTION: Dickson (Dick) Rewbotham

Seller: **Associated Energy Marketing**
a Division of Associated Energy Services Ltd.
Suite 1600, 633 - 6th Avenue S.W.
Calgary, Alberta T2P 2Y5

Telephone: (403) 297-9800
Telecopier: (403) 237-6021

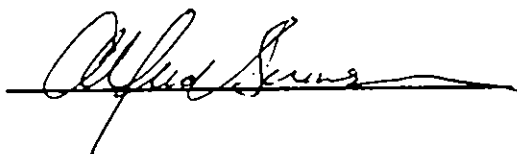
ATTENTION: Alfred Sorensen

15.2 The parties hereto acknowledge and agree that notices and communications transmitted by facsimile or other electronic means shall be considered original and binding for all purposes.

IN WITNESS WHEREOF THIS AGREEMENT HAS BEEN EXECUTED BY THE PARTIES AS OF THE DATE FIRST ABOVE WRITTEN.

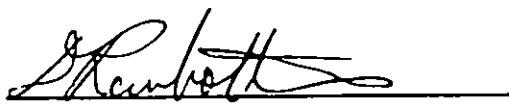
ASSOCIATED ENERGY MARKETING
a Division of Associated Energy Services Ltd.

PER:



ST. LAWRENCE GAS COMPANY

PER:


PRESIDENT

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.
SCHEDULE A

12/18/95
10:50
4494

TO: ST. LAWRENCE GAS COMPANY
Contact: Tom Nelson
Fax: 315-764-9226

This document serves as a Nomination Confirmation addendum to the agreement dated Monday, November 01, 1995 between the companies of ST. LAWRENCE GAS COMPANY as Buyer and ASSOCIATED ENERGY MARKETING as Seller.

FLOW CHANGES:

Effective	Time	Delivery Point	Meter	Shipper	From Vol.	To Vol.	Price	Trm
Monday, December 11, 1995	800	CORNWALL	10007		85.0	0.0		I
1 Friday, December 15, 1995	800	CORNWALL	10007		0.0	85.0		I
1 Friday, December 22, 1995	800	CORNWALL	10007		0.0	65.0		I

CURRENT AND PENDING DEALS AS OF: Monday, December 18, 1995

Delivery Point	Meter	Shipper	Volume	Price	From	Time	To	Time	Trm
1 CORNWALL	10007		85.0		12/15/95	800	12/22/95	800	I
1 CORNWALL	10007		65.0		12/22/95	800	12/23/95	800	I

Trm (Terms): I deals may be interrupted by either party and F deals are Firm.

Failure to respond to this nomination shall be deemed acceptance as per the aforementioned agreement

* (1) LOAN PAYBACK VOLUMES - ST. LAWRENCE TO PAY ALL UNION TRANSPORT AND FUEL CHARGES DAWN TO CORNWALL.

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.

Linda Wiebe

Linda Wiebe
Gas Controller

Accepted and agreed to as of
Monday, December 18, 1995

ST. LAWRENCE GAS COMPANY

Thomas Nelson

Signature

Thomas Nelson

Print Name

Accepted and Agreed to as of

December 19, 1995

at 12:55 MST



Return by Fax to (403) 237-8021

EXHIBIT "A"

ST. LAWRENCE GAS DELIVERIES

LOAN GAS
 PAYBAC SALES
 \$3.10 US/MMBTU
 Cornwall Cornwall
 e3m3/day e3m3/day

Date	Loan	Gas
01-Dec-95	0.0	0.0
02-Dec-95	0.0	0.0
03-Dec-95	0.0	0.0
04-Dec-95	0.0	0.0
05-Dec-95	0.0	0.0
06-Dec-95	0.0	0.0
07-Dec-95	60.0	0.0
08-Dec-95	80.0	0.0
09-Dec-95	60.0	0.0
10-Dec-95	60.0	0.0
11-Dec-95	0.0	0.0
12-Dec-95	0.0	0.0
13-Dec-95	0.0	0.0
14-Dec-95	0.0	0.0
15-Dec-95	85.0	0.0
16-Dec-95	85.0	0.0
17-Dec-95	85.0	28.3
18-Dec-95	85.0	28.3
19-Dec-95	85.0	28.3
20-Dec-95	85.0	28.3
21-Dec-95	85.0	28.3
22-Dec-95	65.0	48.3
23-Dec-95	0.0	113.3
24-Dec-95	0.0	113.3
25-Dec-95	0.0	113.3
26-Dec-95	0.0	113.3
27-Dec-95	0.0	113.3
28-Dec-95	0.0	113.3
29-Dec-95	0.0	113.3
30-Dec-95	0.0	113.3
31-Dec-95	0.0	113.3

Fax To: St. Lawrence Gas
 Attn: Tom Nelson
 Fax #: 315-764-9226
 Date: Feb 15, 1996
 From: PanEnergy Marketing
 Linda Wiebe

920.0 1209.5

Thomas Dilla

 Accepted and Agreed

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.
SCHEDULE A

12/18/95
11 12
5451

TO: ST. LAWRENCE GAS COMPANY
Contact: Tom Nelson
Fax: 315-764-9226

This document serves as a Nomination Confirmation addendum to the agreement dated Wednesday, November 01, 1995 between the companies of ST. LAWRENCE GAS COMPANY as Buyer and ASSOCIATED ENERGY MARKETING as Seller

FLOW CHANGES:

Effective	Time	Delivery Point	Meter	Shipper	From Vol.	To Vol.	Price	Trm
1 Sunday, December 17, 1995	800	CORNWALL	10007		0.0	28.3	\$2.2000	1
1 Saturday, December 23, 1995	800	CORNWALL	10007		0.0	71.0	\$2.2000	1

CURRENT AND PENDING DEALS AS OF: Monday, December 18, 1995

Delivery Point	Meter	Shipper	Volume	Price	From	Time	To	Time	Trm
1 CORNWALL	10007		28.3	\$2.2000	12/17/95	800	12/23/95	800	1
1 CORNWALL	10007		71.0	\$2.2000	12/23/95	800	01/04/96	800	1

Trm (Terms): I deals may be Interrupted by ether party and F deals are Firm.

Failure to respond to this nomination shall be deemed acceptance as per the aforementioned agreement

(1) Price: US/MMBTU

ASSOCIATED ENERGY MARKETING
a division of Associated Energy Services, Ltd.

Linda Wiebe

Linda Wiebe
Gas Controller

Accepted and agreed to as of
Monday, December 18, 1995

ST. LAWRENCE GAS COMPANY

[Signature]
Signature

Tom Nelson
Print Name

Accepted and Agreed to as of

December 19, 1995

at 12:55 MST



Return by Fax to (403) 237-6021

PANENERGY MARKETING
a division of PanEnergy Services Canada Ltd.
SCHEDULE A

1/22/96
9:30
5451

TO: ST. LAWRENCE GAS COMPANY
Contact: Tom Nelson
Fax: 315-764-9226

This document serves as a Nomination Confirmation addendum to the agreement dated Wednesday, November 01, 1995 between the companies of ST. LAWRENCE GAS COMPANY as Buyer and ASSOCIATED ENERGY MARKETING as Seller.

FLOW CHANGES:

Effective	Time	Delivery Point	Meter	Shipper	From Vol.	To Vol.	Price	Trm
1 Monday, January 01, 1996	800	CORNWALL	10007		0.0	85.0	\$3.1000	F

CURRENT AND PENDING DEALS AS OF: Monday, January 22, 1996

Delivery Point	Meter	Shipper	Volume	Price	From	Time	To	Time	Trm
1 CORNWALL	10007		85.0	\$3.1000	01/01/96	800	04/01/96	800	F

Trm (Terms): I deals may be interrupted by either party and F deals are Firm.

Failure to respond to this nomination shall be deemed acceptance as per the aforementioned agreement

(1) Volume can go to 5000 MMBTU/Day, this deal replaces prior arrangement dated Nov 1/95 Price: US/MMBTU

PANENERGY MARKETING
a division of PanEnergy Services Canada Ltd.

ST. LAWRENCE GAS COMPANY

Alfred Sorensen

Thomas Nelson
Signature

Thomas Nelson
Print Name

Alfred Sorensen
Vice President

Accepted and agreed to as of
Monday, January 22, 1996

Accepted and Agreed to as of

January 23 1996

at 11:13 MST



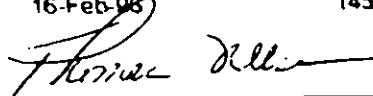
Return by Fax to (403) 237-6021

1/23/96
Flowing
TU

EXHIBIT "A"

ST. LAWRENCE GAS DELIVERIES

Date	Comwall a3m3/day	
01-Jan-96	113.3	Fax To: St. Lawrence Gas
02-Jan-96	113.3	
03-Jan-96	113.3	Attn: Tom Nelson
04-Jan-96	0	
05-Jan-96	0	Fax #: 315-764-9226
06-Jan-96	113.3	
07-Jan-96	113.3	Date: Feb 15, 1996
08-Jan-96	113.3	
09-Jan-96	113.3	From: PanEnergy Marketing
10-Jan-96	113.3	Linda Wiebe
11-Jan-96	113.3	
12-Jan-96	113.3	
13-Jan-96	113.3	
14-Jan-96	113.3	
15-Jan-96	113.3	
16-Jan-96	113.3	
17-Jan-96	0	
18-Jan-96	0	
19-Jan-96	0	
20-Jan-96	0	
21-Jan-96	0	
22-Jan-96	0	
23-Jan-96	0	
24-Jan-96	0	
25-Jan-96	85	
26-Jan-96	113.3	
27-Jan-96	113.3	
28-Jan-96	113.3	
29-Jan-96	113.3	
30-Jan-96	113.3	
31-Jan-96	141.6	
01-Feb-96	277.6	
02-Feb-96	145	
03-Feb-96	145	
04-Feb-96	0	
05-Feb-96	0	
06-Feb-96	0	
07-Feb-96	0	
08-Feb-96	83.7	
09-Feb-96	14	
10-Feb-96	161.5	
11-Feb-96	161.5	
12-Feb-96	145	
13-Feb-96	145	
14-Feb-96	145	
15-Feb-96	145	
16-Feb-96	145	


Accepted and Agreed



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
DIRECT LINE (202) 383-0708

June 19, 1996

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

REC'D DOE/FE
1996 JUN 19 A 10:44

Re: St. Lawrence Gas Company, Inc.
FE Docket No. 96-26-NG

Ladies and Gentlemen:

This letter confirms earlier discussions with FE Staff regarding St. Lawrence Gas Company, Inc.'s ("St. Lawrence") application for import authorization currently pending in the referenced docket, and provides additional information concerning that application. St. Lawrence agrees that FE should consider the company's pending application as requesting a new import authorization to succeed the authorization originally granted by the Federal Power Commission in FPC Docket No. G-17500. Consequently, St. Lawrence no longer requires clarification of DOE/FE Order No. 033-A.

St. Lawrence's pending application for long-term import authorization should be interpreted as requesting (1) authority to import natural gas from Canada for a ten-year term commencing November 1, 1992 and extending through October 31, 2002, (2) authority to import on an annual basis daily volumes of up to 10,275 Mcf/day (approximately 3.75 Bcf annually), and (3) authority to import additional daily volumes of up to 10,000 Mcf/day during the November 1 - March 31 "Winter Period" (approximately 1.51 Bcf). The requested term corresponds to the ten-year term contemplated by the July 14, 1995 Gas Sales Contract and related Letter Agreements previously provided to FE as Exhibits A, B, D, and E to St. Lawrence's application.

The requested annual daily volume level corresponds to St. Lawrence's present Daily Contract Volume under the currently effective Letter Agreements, and reflects a recent direct purchase displacement by St. Lawrence's largest sales customer.

June 19, 1996
Page 2

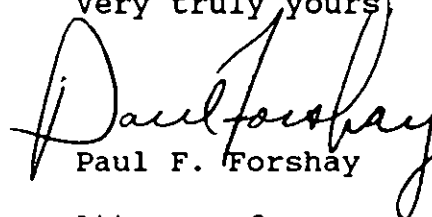
When the July 14 Gas Sales Contract (Exhibit E to St. Lawrence's application) comes into effect, the Daily Contract Volume thereunder will be adjusted, by means of an amending agreement, to correspond with the Daily Contract Volume that would otherwise be in effect under the Letter Agreements. A copy of the amending agreement will be provided to FE.

The additional Winter Period daily volumes requested represent storage volumes available to St. Lawrence under its Transmission, Compression, and Storage Agreement ("the Storage Agreement") with The Consumers' Gas Company Ltd. A copy of the Storage Agreement is enclosed as Attachment A. The Storage Agreement has a five-year term, which runs from November 1, 1995 through October 31, 2000. St. Lawrence anticipates that the term of this Storage Agreement will be extended at least through October 31, 2002. St. Lawrence will advise FE promptly, and seek any necessary authorization amendments, when the decision concerning extension of the Storage Agreement is made. St. Lawrence's long-term storage capacity is filled with gas currently purchased pursuant to the Letter Agreements, and will be filled with gas purchased pursuant to the July 14 Gas Sales Contract when that agreement comes into effect.

Finally, because St. Lawrence wishes to retain the same level of authorized daily import volumes (43,000 Mcf/day) contained in its superseded authorization (particularly during the Winter Period), St. Lawrence further requests a two-year blanket import authorization to import up to 16.3 Bcf of natural gas from Canada during the two-year period.

If you have further questions or concerns regarding either this letter or St. Lawrence's pending application, please contact me immediately.

Very truly yours,



Paul F. Forshay

Attorney for
St. Lawrence Gas Company, Inc.

Enclosure

cc: Mr. Patrick Fleming (with enclosure)

THE CONSUMERS' GAS COMPANY LTD.

- and -

ST. LAWRENCE GAS COMPANY, INC.

Transmission, Compression and Storage
Service Agreement

dated September 1, 1971

TRANSMISSION, COMPRESSION AND STORAGE SERVICE AGREEMENT

THIS TRANSMISSION, COMPRESSION AND STORAGE SERVICE AGREEMENT dated as of the 2nd day of September, 1995.

BETWEEN:

THE CONSUMERS' GAS COMPANY LTD., a company incorporated under the laws of the Province of Ontario

(hereinafter referred to as "Consumers"),

OF THE FIRST PART

- and -

ST. LAWRENCE GAS COMPANY, INC., a company incorporated under the laws of the State of New York

(hereinafter referred to as "Customer"),

OF THE SECOND PART

WHEREAS Consumers owns and operates underground gas storage reservoirs and gas transmission and compression facilities;

AND WHEREAS Customer owns and operates a gas distribution system in the State of New York ;

AND WHEREAS Customer seeks from Consumers, transmission, compression and storage service, and Consumers is prepared, subject to the terms and conditions of this Agreement, to transmit, compress and store gas on behalf of Customer;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants hereinafter contained, it is agreed by and between the parties hereto as follows:

ARTICLE I - CONDITION PRECEDENT

1.1 This Agreement shall become effective on the date specified in the OEB decision or order approving this Agreement (the "Effective Date") or, if not so specified, on the first day of the month following such approval.

ARTICLE II - DEFINITIONS

2.1 A schematic drawing of the Tecumseh System and Points of Delivery is attached as Schedule "A", for the purpose of clarifying some of the definitions in this Agreement.

2.2 In this Agreement,

"Annual Turnover Volume" for a Contract Year means the annual volume of $28,328 \text{ } 10^3 \text{ m}^3$ of gas to be stored in such Contract Year for Customer's account in the Tecumseh System,

"Contract Year" means each period of 12 consecutive calendar months, each commencing on April 1, during the term of this Agreement, except that the first Contract Year shall commence on the Effective Date and end on the next succeeding March 31,

"Customer's Contract Daily Injection Volume" for a day in a Contract Year means the volume of gas determined for such day pursuant to Article 5.1,

"Customer's Contract Daily Withdrawal Volume" for a day in a Contract Year means the volume of gas determined for such day pursuant to Article 5.2,

"Dawn Plant" means the Measurement, Dehydration and Compression Station owned and operated by Union Gas Limited in Lots 25 and 26, Concession II in the Township of Dawn,

"Overrun Volumes" means, in relation to a day,

- (a) any volume of gas received by Consumers and injected into storage for the account of Customer which exceeds the Customer's Contract Daily Injection Volume for such day, and
- (b) any volume of gas withdrawn from storage and delivered by Consumers for the account of Customer which exceeds the Customer's Contract Daily Withdrawal Volume for such day,

"Point of Delivery" means the outlet side of the measuring station located at the point at which the facilities of Consumers interconnect with:

- (a) the facilities of TCPL near the Dawn Plant;
- (b) the facilities of Union Gas at the Dawn Plant ; or
- (c) such other facilities that the parties agree to,

"Storage Gas Balance" at any time means the volume of gas in storage in the Tecumseh System for the account of Customer at such time,

"TCPL" means TransCanada PipeLines Limited,

"Tecumseh Plant" means the Compression and Measurement Station owned and operated by Consumers, located in Lot 19, Concession VII in the Township of Moore,

"Tecumseh System" means the Tecumseh Plant, the transmission pipelines and the storage pools owned and/or operated by Consumers together with all wells and gas gathering pipelines associated with such storage pools, and

"Union" or "Union Gas" means Union Gas Limited.

ARTICLE III - TERM

3.1 The term of this Agreement shall continue from the Effective Date until March 31, 2000.

3.2 By mutual agreement of the parties, this Agreement may be renewed at any time prior to March 31, 2000 in accordance with the Storage, Transmission and Compression Service Queue Policy of Consumers in effect at the time of renewal.

ARTICLE IV - PRESSURES

4.1 Consumers will, in accordance with a nomination given hereunder, accept deliveries of gas from Customer at a Point of Delivery provided that the pressure at such Point of Delivery shall not, unless Consumers otherwise consents, be less than a gauge pressure of 4850 kPa (700 psig).

4.2 Consumers will, in accordance with a nomination given hereunder, deliver gas to Customer at a Point of Delivery, provided that, the pressure at such Point of Delivery shall not, unless Consumers otherwise consents, be greater than a gauge pressure of 4850 kPa (700 psig).

ARTICLE V - TRANSMISSION, COMPRESSION AND STORAGE SERVICE

5.1 On any day, Consumers will take receipt at a Point of Delivery, transmit to the Tecumseh Plant, compress if necessary and inject all volumes of gas which Customer nominates and delivers to Consumers on such day provided that, under no circumstances will Consumers be obligated to transmit, compress and inject on any day a volume of gas in excess of the Customer's Contract Daily Injection Volume determined as follows:

- (i) 1.00% of the Annual Turnover Volume, if the Storage Gas Balance at any time on such day is equal to or less than 80% of the Annual Turnover Volume, or
- (ii) 0.50% of the Annual Turnover Volume, if the Storage Gas Balance at all times on such day is greater than 80% of the Annual Turnover Volume,

provided further that under no circumstances will Consumers be obligated to transmit, compress and inject any volume of gas for Customer's account in a Contract Year if :

- a) such activity would cause the Storage Gas Balance to exceed the Annual Turnover Volume; or
- b) such activity would cause the aggregate volume of injections for customer's account during the Contract Year to exceed 105% of the Annual Turnover Volume.

5.2 On any day, Consumers will withdraw from storage, compress if necessary and transmit to a Point of Delivery all volumes of gas which Customer nominates for delivery to Customer on such day, provided that under no circumstances shall Consumers be obligated to withdraw on any day a volume of gas in excess of the Customer's Contract Daily Withdrawal Volume determined as follows:

- (i) 1.00% of the Annual Turnover Volume, if the Storage Gas Balance at any times on such day is greater than 25% of the Annual Turnover Volume;
- (ii) 0.85% of the Annual Turnover Volume, if the Storage Gas Balance at such time is equal to or less than 25% and at any time on such day is greater than 20% of the Annual Turnover Volume; or
- iii) 0.50% of the Annual Turnover Volume , if the Storage Gas Balance at all times on such day is equal to or less than 20% of the Annual Turnover Volume.

provided further that under no circumstances will Consumers be obligated to withdraw from storage, at any time, a volume of gas greater than the Storage Gas Balance at such time.

5.3 Customer may request Consumers to transmit, compress and inject into storage or withdraw, compress and transmit from storage Overrun Volumes for Customer's account. If for any day in respect of which Customer makes a request for Overrun Volumes, Consumers, in its sole but reasonable opinion, has capacity in the Tecumseh System to inject or withdraw the Overrun Volumes, Consumers shall use commercially reasonable efforts to inject or withdraw the Overrun Volumes, subject to interruption at Consumers' sole discretion.

Where, on any day that the Customer requests Overrun Volumes, and one or more other customers of Consumers, under agreements substantially similar to this Agreement, also request volumes of gas which constitute overrun volumes for the purposes of their agreements with Consumers, the Overrun Volumes to be injected or withdrawn hereunder on such day will be allocated on a pro rata basis. For injection overrun, the allocation shall be based on the proportion that the Customer's Contract Daily Injection Volume for such day bears to the sum of the Contract Daily Injection Volumes on such day for all storage, transmission and compression service customers of Consumers requiring injection overrun. For withdrawal overruns, the allocation shall be based on the proportion that the Customer's Contract Daily Withdrawal Volume for such day bears to the sum of the Contract Daily Withdrawal Volumes on such day for all storage, transmission and compression service customers of Consumers requiring withdrawal overrun. It is understood that nothing contained in this section shall obligate Consumers to inject or withdraw Overrun Volumes.

5.4 For injection, storage and withdrawal services provided hereunder, Customer shall pay, for the period from the Effective Date until and including September 30, 1995, 100 percent of the maximum rate approved under Consumers' Rate 330, in effect at the Effective Date, as approved by the OEB and attached hereto as Schedule "C"; thereafter, Customer shall pay the lesser of (i) 100 percent of the maximum rate under Consumers' Rate 330 in effect from time to time as approved by the OEB and (ii) the sum of the minimum rate (being the cost based rate derived using the fully allocated cost methodology as used in Consumers' EBRO 490 rate application) plus the difference between the OEB approved minimum and maximum rates under Consumers' Rate 330 at the Effective Date. Schedule "C" shall be updated from time to time and provided to Customer by Consumers whenever a revised Consumers' Rate 330 has been approved by the OEB.

ARTICLE VI - DELIVERY CONDITIONS

6.1 Deliveries by either party shall be at rates of flow as constant as practical but in no case is either party obligated to deliver or receive a volume of gas at an hourly rate of flow greater than 1/20th of the relevant daily volume nominated by Customer. Departures from scheduled daily volumes due to the inability of the parties or their agents to maintain precise control shall be kept to the minimum permitted by operating conditions.

6.2 Consumers shall have the right to commingle gas delivered hereunder with gas owned by Consumers or gas being stored and/or transported by Consumers for others.

6.3 Where there is an event of force majeure which restricts capacity on the Tecumseh System, capacity reductions will be allocated to all users of the Tecumseh System on a pro rata basis. The allocation basis shall be the proportion that the Customer's Contract Daily Injection Volumes for injections, or Customer's Contract Daily Withdrawal Volumes for withdrawals, bears to the aggregate Contract Daily Injection Volumes or aggregate Contract Daily Withdrawal Volumes applicable to such day, as described in Article 6.4.

6.4 For purposes of Article 6.3, the aggregate Contract Daily Injection Volumes shall be the sum of the Contract Daily Injection Volumes for all of Consumers' transmission, compression and storage service customers on such day plus that portion of the daily injection capability of the Tecumseh System reserved by Consumers for itself; and the aggregate Contract Daily Withdrawal Volumes shall be the sum of the Contract Daily Withdrawal Volumes for all of Consumers' transmission, compression and storage service customers on such day plus that portion of the daily withdrawal capability of the Tecumseh System reserved by Consumers for itself.

ARTICLE VII - NOMINATIONS

7.1 Prior to 2:00 p.m. EST on any day Customer shall nominate to Consumers a volume of gas to be delivered, at a Point of Delivery on the next day, by Customer to Consumers or by Consumers to Customer.

7.2 A nomination for a particular day shall remain in effect and apply to subsequent days (the "Standing Nomination") unless and until Consumers receives a new nomination from Customer in accordance with this agreement or gives Customer verbal or written notice that the Standing Nomination is not acceptable.

7.3 Prior to 2:00 p.m. EST on any day Customer may nominate to Consumers the Overrun Volumes to be delivered to a Point of Delivery on the next day.

ARTICLE VIII - COMMUNICATIONS

8.1 (a) Subject to the express provisions of this Agreement, all communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by registered mail, charges prepaid, or by telecopy or other means of recorded telecommunication, charges prepaid, to the applicable address set forth below or to such other address as either party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened, or during any actual, postal strike or other disruption of the postal service in Canada or the USA.

(b) Any personal communication delivered shall be deemed to have been validly and effectively received on the date of such delivery. Any communication sent by telecopy or other means of telecommunication shall be deemed to have been validly and effectively received on the business day following the day on which it is sent. Any communication sent by mail shall be deemed to have been validly and effectively received on the fourth business day following the day on which it is postmarked.

(c) Communications to the parties hereto shall be directed as follows:

IF TO Consumers: Tecumseh Gas Storage, a division of
 The Consumers' Gas Company Ltd.
 P.O. Box 520
 Corunna, Ontario NON 1G0

Nominations: Attention: Manager, Storage Operations

 Telephone: 519-862-1473
 Telecopier: 519-862-1168

IF TO Customer: St. Lawrence Gas Company Inc.
 P.O. Box 270
 Massena, New York, 13662

Nominations: Attention: Manager, Gas Supply Operations

 Telephone: 416-495-5057
 Telecopier: 416-491-7497

Other: Attention: President
 Telephone: 315-769-3516
 Telecopier: 315-764-9226

(d) Each party may from time to time change its address for the purpose of this paragraph by giving notice of such change to the other party in accordance with this paragraph.

ARTICLE IX - MISCELLANEOUS PROVISIONS

9.1 The General Terms and Conditions contained in Schedule "B", hereto attached, are hereby incorporated into and form an integral part of this Agreement.

9.2 In the event of any conflict between the provisions of this Agreement and those of Schedules "A", "B" and "C" attached to it, the provisions of this Agreement shall prevail.

9.3 This Agreement, together with the attached Schedules, constitutes the entire Agreement between the parties, and supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the transmission, compression and storage measurement services provided by Consumers for Customer.

9.4 Customer shall have no rights in respect of the transmission, compression and storage service provided for herein except as specifically provided in this Agreement.

9.5 If either party to this Agreement is unable to observe or perform any of the covenants or obligations herein imposed upon it and such inability shall have been caused by force majeure, then such inability shall be deemed not to be a breach of such covenants or obligations and such covenants and obligations shall be suspended during the continuance of the event of force majeure except for the obligation of a party hereto to make payment of any amounts then owing under this Agreement.

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

THE CONSUMERS' GAS COMPANY LTD.

ST. LAWRENCE GAS COMPANY, INC.

by: *[Signature]*
MANAGER, GAS ACQUISITION
AND CONTRACTING

by: *[Signature]*

title: _____

title: *President*

by: *[Signature]*
MANAGER, GAS SUPPLY
OPERATIONS

by: *Sharon A. Gaurin*

title: _____

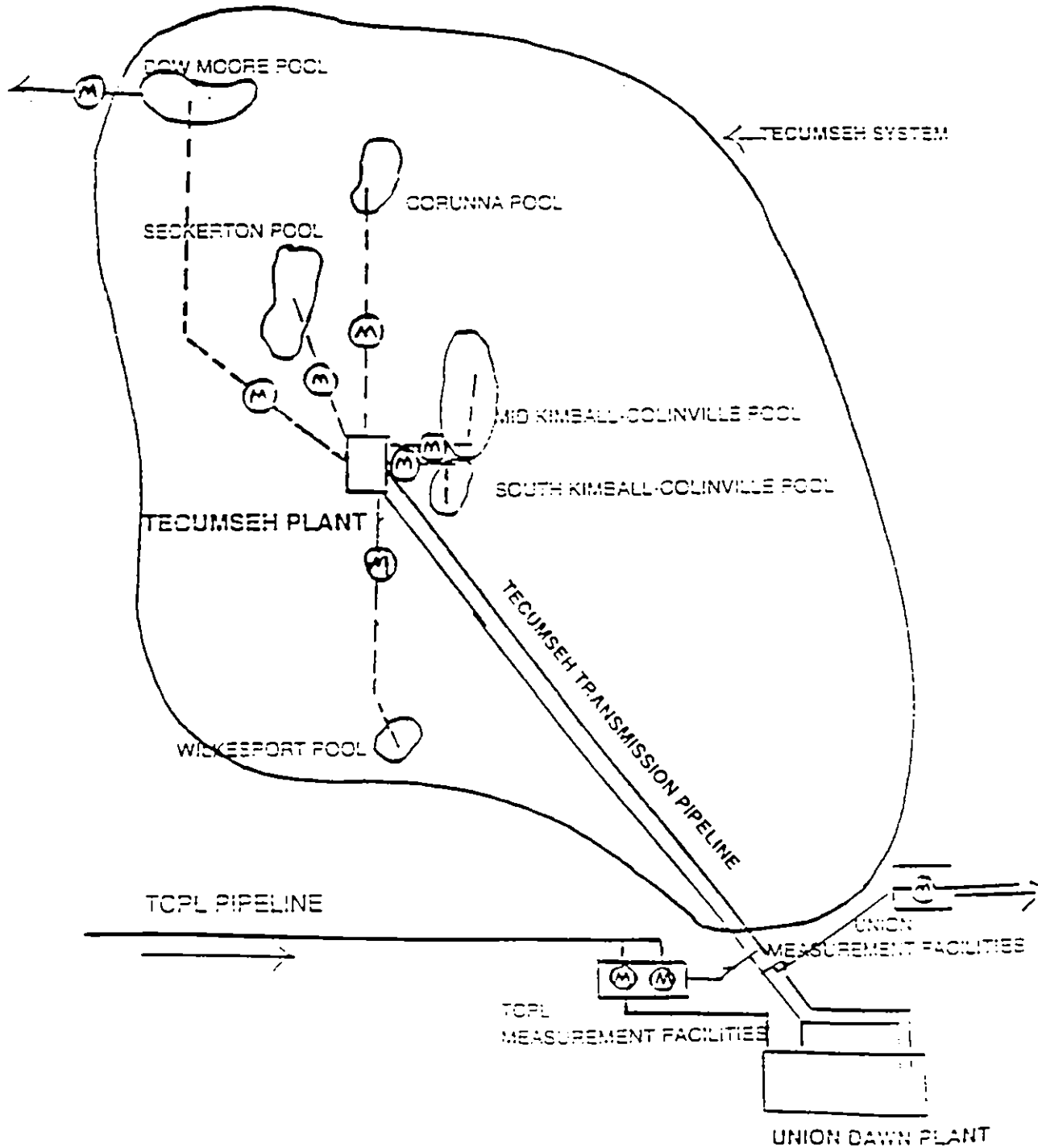
title: *Treasurer*

CONSENTS APPROVED <i>[Signature]</i>	FORM APPROVED <i>[Signature]</i>
--	---

SCHEDULE "A"

To an Agreement dated the 27th day of August, 1957 by and between
The Consumers' Gas Company Ltd. and St. Lawrence Gas Company, Inc.

Schematic Drawing



- - - - - Gas Gathering Pipelines

SCHEDULE "B"

To an Agreement dated the 3 day of September, 1995 by and between
The Consumers' Gas Company Ltd. and St. Lawrence Gas Company, Inc.

GENERAL TERMS & CONDITIONS

I. DEFINITIONS

Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of transmission, compression, storage, distribution or sale of natural gas have an accepted meaning in Canada shall have that meaning. Except where the context expressly 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 have the following meanings:

1. "Agreement" shall refer to the agreement or contract into which these General Terms and Conditions are attached, and in which they are incorporated;
2. "business day" shall mean any day other than a Saturday, Sunday or statutory holiday in Ontario, Canada;
3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 8:00 a.m. Eastern Standard Time (E.S.T.). 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. E.S.T. on the first day of a calendar month and ending at 8:00 a.m. E.S.T. on the first day of the following calendar month;
5. "delivery" shall mean any gas that is delivered into or out of the Tecumseh System;
6. "firm" as applied to gas transmission, compression and/or storage service, shall mean service not subject to curtailment or interruption except under Articles VII and VIII of this Schedule "B";
7. "firm service" shall mean service that is firm during the whole Contract Year;

8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;
9. "gas" shall mean gas as defined in the Ontario Energy Board Act, R.S.O. 1980, c. 332, as amended, supplemented or re-enacted from time to time;
10. "cubic meter" shall mean the volume of gas which occupies one cubic meter when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
11. "m³" shall mean cubic meters of gas and "10³m³" shall mean 1,000 cubic meters of gas;
12. "pascal" (Pa) shall mean the pressure produced when a force of one (1) Newton is applied to an area of one (1) square meter. The term "kilopascals" (kPa) shall mean 1,000 pascals;
13. "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) meter in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules;
14. "gross heating value" shall mean the total heat expressed in megajoules per cubic meter (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic meter 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;
15. "OEB" means the Ontario Energy Board;
16. "Government" means the Federal Ministry of Consumers and Corporate Affairs - Legal Metrology Branch.

II QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered hereunder shall be thirty-six (36) megajoules per cubic meter. The maximum gross heating value of the gas delivered hereunder shall be forty point two (40.2) megajoules per cubic meter.
2. Freedom from Objectionable Matter: The gas to be delivered hereunder,
 - a) shall be commercially free from sand, dust, 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 meter of gas nor more than four hundred and sixty (460) milligrams of total sulphur per cubic meter of gas as determined by standard methods of testing;
- c) shall not contain more than five (5) milligrams of mercaptan sulphur per cubic meter 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 meter of the gas;
- i) shall not have a hydrocarbon dewpoint exceeding minus ten (-10) degrees Celsius at five thousand - five hundred (5,500) kPa pressure;
- j) shall not contain less than one point zero (1.0) molar percent by volume of ethane; and
- 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 Third Party Measurements. For the purposes of measurement of gas volumes into and out of the Tecumseh System at a Point of Delivery, Customer and Consumers agree to accept measurement provided by TCPL, Union and/or such other parties as may be agreed to, unless and

until such time that the parties consent to accept the measurement of gas volumes from other measurement facilities, including facilities installed, owned and operated by Consumers, at a Point of Delivery. Such consent will not be unreasonably withheld. In such case, the measurement of all volumes of gas shall be undertaken with measurement equipment in accordance with measurement practices and standards as set forth in this Schedule "B".

2. Records. Consumers shall, during the term of this Agreement keep records of volumes delivered to and from the Tecumseh System and of the Storage Gas Balance for the account of Customer.
3. Inspection and/or Verification Rights. Customer shall diligently enforce any inspection and/or verification rights and procedures which Customer may have in relation to the meters owned and operated by TCPL, Union or other pipeline operators at a Point of Delivery.
4. Notice of Inspections. Customer shall provide at least 7 days advance notice to Consumers of any inspection referred to in Article 3.3 herein. Consumers may elect to have a representative present during such inspections.
5. Gas Unit (The "Unit"). The Unit of the gas delivered by or to Consumers shall be a volume of 10^3m^3 .
6. Determination of Volume and Gross Heating Value:
 - a) The volume delivered to or from Consumers shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), as amended (the "Act") and the Electricity and Gas Inspection Regulations, as amended (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b) All volumes delivered hereunder are deemed to be thermally equivalent, provided however, that Consumers shall have the right to adopt energy balancing for this Agreement upon three (3) months advance notice to Customer. In such event, the gross heating value of the gas per cubic meter at the delivery point shall be measured by a Government approved device for the measurement of energy content, installed at the delivery point or an alternative method of gross heating value determined which is mutually agreed upon by all parties to the Agreement.
 - c) 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 Consumers. Consumers 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.

- d) The average absolute atmospheric (barometric) pressure, for the purpose of measurement shall be assumed to be a constant pressure of 99.285 kPa.
7. Custody Transfer Measuring Equipment: In the event that all or any gas delivered 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 Act and the Regulations.
8. Check Measuring Equipment: Either party may install, maintain and operate, at the delivery 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 the custody transfer measuring equipment, located at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to such custody transfer metering facilities.
9. 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, Consumers 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 of gas under the Agreement. 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.

10. Calibration and Test of Meters: The accuracy of the custody transfer measuring equipment shall be verified at reasonable intervals, and if requested, in the presence of representatives of either party, however it shall not be required that the operator of such measurement equipment verify its accuracy 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 either party, shall be borne by such party 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.
11. Preservation of Metering Records: Consumers and Customer shall each preserve, for a period of at least seven (7) years, all test data, and other relevant records.

IV. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Point of Delivery Controls: As between Consumers and Customer, control and possession of all gas delivered hereunder shall pass between the parties at the points of delivery as specified in the Agreement.
2. Responsibility: Consumers 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, Consumers shall have no responsibility with respect to such gas after its delivery 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 delivery.
3. Representation and Indemnification: Customer represents and warrants to Consumers that all gas delivered to Consumers hereunder shall be free and clear of any lien, mortgage, security interest or other encumbrances whatsoever and Customer hereby agrees to indemnify and save Consumers 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.

V BILLING

1. Monthly Billing Date: Consumers shall render bills on or before the 15th day of each month for all gas delivered and gas services furnished during the preceding month. If presentation of a bill to Customer is delayed after the 15th 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 Consumers 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 Agreement.

VI PAYMENTS

1. Monthly Payment Date: Pursuant to the rate schedule governing the Agreement, Customer shall pay Consumers at its address designated herein for the gas services purchased by Customer during the preceding month and billed pursuant to the Agreement. In the event that the rate schedule, governing the Agreement does not specify a monthly payment date, Customer shall pay Consumers on or before the 25th day of each month.
2. Remedies for Non-payment: Should Customer fail to pay all of the amount of any bill as herein provided when such amount is due, Customer shall pay to Consumers an amount of money pursuant to the Delayed Payment clause of the rate schedule governing the Agreement. In the event that said rate schedule does not have a delayed payment clause, then Customer shall pay to Consumers interest on the unpaid portion of the bill accruing at a rate per annum equal to two (2.00) percent plus the minimum commercial lending rate of Consumers' 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, Consumers in addition to any other remedy it may have under the Agreement 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 Consumers such amounts as it concedes to be correct, and at any time thereafter within twenty (20) days of a demand made by Consumers shall furnish good and sufficient surety bond satisfactory to Consumers, guaranteeing payment to Consumers 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 Consumers shall not be entitled to suspend further delivery of gas because of such non-payment unless and until default be made in the

conditions of such bond or in payment for any further gas delivered to Customer hereunder.

3. Adjustment of Underpayment, Overpayment and/or Error in Billing: 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 Agreement and Customer shall have actually paid the bills containing such overcharge or undercharge. Consumers 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 lending rate of Consumers' principal banker, and Customer shall pay the amount of any such undercharge, but without interest. In the event that an error is discovered in the amount billed in any statement rendered by Consumers, such error shall be adjusted by Consumers. Such overcharge, undercharge or error shall be adjusted by Consumers 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 therefor shall have been made within two (2) years from the date of the incorrect billing. In the event any refund is issued with Customer's bill, the aforesaid date of refund shall be deemed to be the date of the issue of invoice.

VII 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 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 Consumers is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Agreement, 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 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 Agreement 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 Agreement.

VIII DEFAULT AND TERMINATION

In case of a material breach or material non-observance or material non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Agreement (but not including herein failure to take or make delivery in whole or in part of the gas delivered hereunder occasioned by any of the reasons provided for in Article VII 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 Agreement to be terminated and thereupon the Agreement 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 Agreement 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.

IX MODIFICATION

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

X NONWAIVER AND FUTURE DEFAULT

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

XI LAWS, REGULATIONS AND ORDERS

The Agreement shall be governed by, and construed in accordance with the laws of the Province of Ontario and shall be treated in all respects as an Ontario Contract. The parties irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario. The Agreement 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 Agreement 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 Agreement.

XII CONFIDENTIALITY

All data, documents and information of a confidential nature concerning the business or assets of either party to this Agreement which are made available or disclosed to the other party hereto pursuant to the terms of this Agreement (the "Confidential Information"), shall be kept and maintained on a confidential basis by the party hereto which is the recipient thereof. Each party hereto shall implement such measures and take such precautions as may be reasonably necessary to endeavour to ensure the confidentiality of all Confidential Information. Notwithstanding the foregoing, either party hereto may, without consultation with or notice to the other party hereto, disclose Confidential Information to any court, government agency, regulatory body or quasi-judicial agency ("Regulatory Agency") at any time and from time to time and may thereby cause the Confidential Information to become public if and to the extent that may be required by any Regulatory Agency or the rules, procedures, requirements or practices of any Regulatory Agency.

XIII MISCELLANEOUS

1. The division of this Agreement 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.
2. 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 Agreement, including the Schedules incorporated into this Agreement, and not only to the section in which such use occurs.
3. Time shall be of the essence hereof.
4. This Agreement 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 Agreement to produce all of such counterparts.

Rate Number: 330	SHORT TERM STORAGE SERVICE
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APPLICABILITY:

To any Applicant who enters into a Short Term Storage Contract with the Company for delivery by the Applicant to the Company and re-delivery by the Company to the Applicant of a volume of natural gas owned by the Applicant.

CHARACTER OF SERVICE:

Service under this rate is for firm short term storage service with firm or interruptible injection and withdrawal service, or Off-Peak storage service, all as may be available from time to time. Firm Service is subject to the Company's "Storage, Transmission and Compression Service Queue Policy" and to any conditions defined in the Company's "Offer to Contract"

RATE:

The following rates and charges shall apply in respect of all gas received by the Company from and re-delivered by the Company to the Applicant.

	Firm \$/10 ³ m ³	Interruptible \$/10 ³ m ³	Off Peak \$/10 ³ m ³
Monthly Demand Charge per unit of Annual Turnover Volume:			
Minimum.....	0.264	-	-
Maximum.....	0.792	-	-
Monthly Demand Charge per unit of Contracted Daily Withdrawal:			
Minimum.....	24.071	19.257	-
Maximum.....	72.213	57.770	-
Commodity Charge per unit of gas delivered to/received from storage:			
Minimum.....	0.930	0.930	0.930
Maximum.....	0.930	0.930	5.685

MINIMUM BILL:

The minimum monthly bill shall be the sum of the applicable Demand Charges.

TERMS AND CONDITIONS OF SERVICE:

1. Firm and Interruptible service under this rate is subject to the Company's "Storage, Transmission and Compression Service Queue Policy".
2. Off-peak Service is available at the Company's sole discretion.
3. Delivery and Re-delivery of the volume of natural gas shall be at the interconnection of the Company's facilities with those of interconnecting pipelines in Dawn Township
4. The Company shall provide the Applicant with an estimate of the quantity of gas required for compressor and heating fuel and the Applicant shall supply the Company with such volume as a fuel gas inventory. The fuel gas inventory shall be deemed to be the first gas delivered to the Company during an injection cycle.
5. The Applicant shall be charged for the monthly total of its daily, prorata share of the fuel volumes, by debiting its Fuel Gas Inventory

The total daily plant fuel multiplied by the ratio of, the volume of gas received from or re-delivered to the Applicant on a day to the total volume received or re-delivered on such day.
6. If, in a contract year, the Applicant's Fuel Gas Inventory balance is reduced to zero, any subsequent fuel use will be debited to their Storage Gas Inventory. The Applicant may not withdraw any fuel gas volumes except on the last day of withdrawal during a contract term.

EFFECTIVE DATE:

To apply to service on or after October 1, 1994 This rate schedule replaces the identically numbered rate schedule dated July 1, 1994

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY 1996 JUL 26 P 12:55

REC'D DOE/FE

ST. LAWRENCE GAS COMPANY, INC.)
_____)

FE DOCKET NO. 96-26-NG

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

DOE/FE ORDER NO. 1190

July 26, 1996

I. DESCRIPTION OF REQUEST

On May 6, 1996, as amended, June 19, 1996, St. Lawrence Gas Company, Inc. (St. Lawrence) 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, to import up to 20,275 Mcf per day of natural gas and up to approximately 5.26 Bcf per year of natural gas from Canada. St. Lawrence is a natural gas distribution company serving customers in St. Lawrence County in northern New York State. It's principal place of business is in Massena, New York. St. Lawrence is a wholly owned subsidiary of The Consumers' Gas Company Ltd. (Consumers Gas), a Canadian corporation which distributes gas in the Province of Ontario.

Under a gas sales contract between St. Lawrence and TransCanada Gas Services Limited (TCGS)^{2/}, dated July 14, 1995, up to 10,275 Mcf per day and up to 3.75 Bcf annually would be imported to supply St. Lawrence's long-term general system needs. The remainder of the gas, up to 10,000 Mcf per day and up to approximately 1.51 Bcf in total, would be withdrawn from underground storage facilities owned by Union Gas Limited (Union) near Dawn, Ontario, during the heating season (November 1 through March 31) and imported by St. Lawrence from TCGS to meet peak

1/ 15 U.S.C. § 717b.

2/ TCGS is acting as agent for TransCanada Gas Marketing Limited.

winter demand.^{3/} The term of St. Lawrence's proposed import authorization would be effective as of November 1, 1992, and would extend through October 31, 2002.^{4/} In addition, St. Lawrence requests a two-year, renewable, blanket authorization to import from Canada to the United States up to a total of 16.3 Bcf of natural gas. The term of this authorization would begin on the date of the first blanket import delivery.

St. Lawrence currently imports its natural gas supplies primarily from TCGS at either the Cornwall, Ontario/Massena, New York, or Iroquois, Ontario/Waddington, New York international border points. Beginning November 1, 1993, St. Lawrence periodically entered into short-term contracts with various Canadian suppliers to purchase additional gas to satisfy its system requirements.

The portion of St. Lawrence's system supply gas that would be withdrawn from Canadian storage would be transported from

^{3/} The gas sales contract between St. Lawrence and TCGS does not directly provide storage services. The storage service is covered under a separate contract executed by St. Lawrence and Consumers Gas on September 3, 1995. This contract expires March 31, 2000, but may be renewed by mutual agreement of the parties at any time prior to March 31, 2000.

^{4/} The Federal Power Commission originally authorized St. Lawrence to import natural gas from Canada in Order 347, dated August 8, 1961. This authorization was nullified when St. Lawrence's underlying gas purchase and sale contract expired on October 31, 1992. In its application, St. Lawrence acknowledged that it inadvertently continued to import gas without authorization from November 1, 1992, to the present. DOE has reviewed the factual issues and explanatory statements submitted by the applicant's counsel. Accordingly, DOE accepts St. Lawrence's contention that the unauthorized imports were inadvertent.

Alberta by the pipeline facilities of TransCanada, Union, and Niagara Gas Transmission, Ltd. (Niagara) to the border near Massena, New York, where Niagara's gas transmission pipeline interconnects with St. Lawrence's pipeline system. Yearlong direct deliveries to St. Lawrence from Empress, Alberta, would be transported by the pipeline facilities of TransCanada and Niagara to Massena, New York, or by TransCanada to the border near Waddington, New York, where TransCanada's pipeline facilities interconnect with the pipeline facilities of Iroquois Gas Transmission System, L.P. (Iroquois). The gas then would be transported by the Iroquois pipeline to its interconnection with St. Lawrence's system. The requested import authorization is premised on the use of existing pipeline facilities.

St. Lawrence would pay an import price to TCGS for the gas in storage and the gas delivered directly to St. Lawrence from Alberta in accordance with a two-part, demand-commodity rate structure. The demand charge would be determined monthly based on the transportation charges of TransCanada and NOVA Gas Transmission Ltd., plus a charge for fuel gas used on TransCanada's system. The commodity component is based on a formula indexed to the weighted average price paid each month by Consumers Gas (the Gas Price) under current long-term contracts for the purchase and sale of gas on a firm basis from suppliers whose gas is produced in Western Canada. The Gas Price component of the monthly commodity charge is subject to annual renegotiation at the request of either party, and in the absence

of agreement, arbitration. Also, St. Lawrence is contractually obligated to pay the monthly demand charge regardless of the actual volume of gas taken. If St. Lawrence experiences verifiable market loss, it may elect to reduce, upon notice, the daily contract volumes.

II. FINDING

The application filed by St. Lawrence has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The long-term and blanket authorizations sought by St. Lawrence to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest. DOE emphasizes that the blanket authority is for transactions under contracts with terms of no longer than two years.

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import in Ordering Paragraph A above. This gas may be imported at any point on the border of the United States and Canada.

E. Within two weeks after initial deliveries begin under Ordering Paragraph D above, St. Lawrence 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. 20585-0350, of the date that the first import of natural gas occurred.

F. With respect to the long-term imports authorized by Ordering Paragraph A of this Order, St. Lawrence shall file with OFP, within 30 days following each calendar quarter, quarterly reports showing by month and by entry point, the total volume imported in Mcf and the average purchase price per MMBtu at the international border. The monthly pricing information shall itemize separately the demand and commodity charges paid on a per unit (MMBTU) basis.

G. St. Lawrence shall file with OFP separate quarterly reports with respect to the two-year, blanket authorization granted in Ordering Paragraph D above. Each report shall indicate whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, St. Lawrence must report total monthly volumes (in Mcf) and the average purchase price of gas per MMBtu at the international border. The reports shall also provide the details of each import transaction, including: (1) the name of the seller(s); (2) the

ORDER

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

A. St. Lawrence Gas Company, Inc. (St. Lawrence) is hereby granted authority to import from Canada up to 20,275 Mcf per day with an annual limit of approximately 5.26 Bcf. Of this volume, St. Lawrence is authorized to import directly up to 10,275 Mcf per day with an annual limit of approximately 3.75 Bcf. This gas shall be imported at Massena, New York, and/or Waddington, New York. St. Lawrence is authorized to import the balance, up to an additional 10,000 Mcf per day, of storage gas during the winter period November 1 through March 31 at Massena, New York. The total volume of storage gas imported during each winter period shall not exceed approximately 1.51 Bcf.

B. The term of this authorization is for 10 years retroactive to November 1, 1992, and shall continue through October 31, 2002.

C. The gas supply authorized in Ordering Paragraph A of this Order shall be imported in accordance with the terms and conditions of the gas sales letter agreements and the gas sales contract between St. Lawrence and TransCanada Gas Services Limited (TCGS) dated July 14, 1995, filed in this proceeding.

D. St. Lawrence is authorized to import on a blanket basis up to 16.3 Bcf of natural gas over a period of two years beginning on the date of the first delivery. These volumes are in addition to the volumes which St. Lawrence is authorized to

name of the purchaser(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the U.S. transporter(s); (5) the point(s) of entry; (6) the geographic market(s) served; (7) whether sales are being made on an interruptible or firm basis; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. The quarterly reports required by Ordering Paragraphs F and G of this Order shall be submitted together.

H. The first quarterly reports required by Ordering Paragraphs F and G of this Order are due not later than October 30, 1996, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on July 26, 1996.



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

mailed
8/1/96

FE-53

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May 15, 1997

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Washington, D.C. 20585-0350

REC'D DOE/FE
1997 MAY 15 P 3:20

Re: St. Lawrence Gas Company, Inc.,
Order No. 1190, FE Docket No. 96-26-NG

Dear Mr. Como:

Pursuant to Department of Energy ("DOE") regulations (10 C.F.R. § 590.407), St. Lawrence Gas Company ("St. Lawrence Gas") hereby provides written notification concerning several amendments to the Gas Sales Contract between St. Lawrence and TransCanada Energy Ltd. dated July 14, 1995 ("Contract"). The Contract was submitted as Exhibit E to the application for amended import authority approved by Order No. 1190, issued on July 26, 1996 in the above-referenced proceeding.

In Order No. 1190, the Office of Fossil Energy ("FE") granted St. Lawrence Gas a ten-year authorization and a two-year blanket authorization to import natural gas from Canada. Ordering paragraph C of Order No. 1190 required that imports of gas pursuant to the ten-year authorization be made in accordance with the Contract. At that time, the Contract was between St. Lawrence and TransCanada Gas Services Limited (as agent for TransCanada Gas Marketing Limited, formerly Western Gas Marketing Limited). TransCanada Energy Ltd. is the successor by amalgamation to TransCanada Gas Marketing Limited.

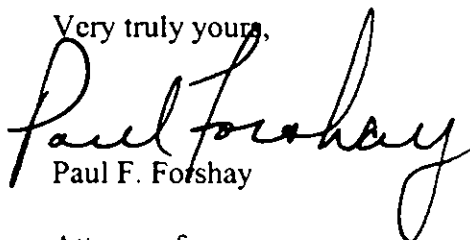
Enclosed for DOE/FE's information is Amending Agreement No. 1 ("Amendment"), dated January 24, 1997, to the Contract. The Amendment (1) reduces the Daily Contract Volume specified in Paragraph 1.01(g) of the Contract by substituting 248.5 10^3m^3 for 424.0 10^3m^3 , and (2) modifies Paragraph 3.02(c) of the Contract to allow St. Lawrence Gas to use "sub-shipper arrangements," as an alternative to assignments, in order to implement direct purchase assignments for its customers.

May 15, 1997
Page 2

The Amendment is neither contrary to nor otherwise not permitted by St. Lawrence's existing import authorizations. Consequently, St. Lawrence respectfully submits that this notice filing does not require it to seek further amendment to the import authorizations granted by Order No. 1190, and requires no action by DOE/FE.

If there are any questions concerning this notice, please contact the undersigned immediately.

Very truly yours,

A handwritten signature in cursive script that reads "Paul Forshay". The signature is written in black ink and is positioned above the printed name.

Paul F. Forshay

Attorney for
St. Lawrence Gas Company, Inc.

Enclosure

AMENDING AGREEMENT NO. 1

THIS AGREEMENT made as of the 24th day of January, 1997

BY AND BETWEEN:

TRANSCANADA ENERGY LTD., an Alberta corporation ("Seller")

- and -

ST. LAWRENCE GAS COMPANY, INC., a New York corporation ("Buyer")

WITNESSES THAT, WHEREAS:

- A. Seller, as the successor by amalgamation to TransCanada Gas Marketing Limited (formerly Western Gas Marketing Limited), and Buyer are the parties to a Gas Sales Contract made as of July 14, 1995 (the "Contract"). Terms that are defined in the Contract are used in this Agreement with the same meanings.
- B. Seller, as the successor by amalgamation to TransCanada Gas Marketing Limited (formerly Western Gas Marketing Limited), and Buyer are also the parties to the Interim Gas Sales Arrangements, which came into effect on November 1, 1992 and continued in effect until the Effective Date of the Contract.
- C. The Contract provides that the Effective Date will occur on the first Day of the Month following the receipt by Buyer of the two authorizations specified in Paragraph 7.01(a) of the Contract. Buyer received one authorization in July 1996 and the other authorization in December 1996. As a result, the Effective Date occurred on January 1, 1997.
- D. The Daily Contract Volume specified in the Contract is $424.0 \times 10^3 \text{m}^3$, which corresponds to the daily contract volume under the Interim Gas Sales Arrangements at the time Seller's

predecessor and Buyer entered into the Contract. Since that time, as a result of direct purchase displacements, the daily contract volume under the Interim Gas Sales Arrangements has been reduced to $248.5 \text{ } 10^3 \text{ m}^3$ as of the Effective Date. Seller and Buyer have agreed to amend the Contract by reducing the Daily Contract Volume to a corresponding amount.

- E. The Contract provides that, in connection with any Permanent Partial Assignment(s), Buyer will temporarily assign the service entitlement(s) related to the Permanent Partial Assignment(s) to its customer(s) for use in connection with the corresponding Direct Purchase Arrangement(s). Buyer now wishes, as an alternative, to use such service entitlement(s) itself in order to ship, for the account of such customer(s), the gas that such customer(s) acquire(s) under such Direct Purchase Arrangement(s). Seller and Buyer have agreed to amend the Contract accordingly.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), Seller and Buyer mutually covenant and agree as follows:

1. Paragraph 1.01(g) of the Contract is amended by deleting the volume " $424.0 \text{ } 10^3 \text{ m}^3$ " and substituting in its place the volume " $248.5 \text{ } 10^3 \text{ m}^3$ ".
2. Paragraph 3.02(c) of the Contract is amended by deleting the second paragraph thereof and substituting in its place the following:

"Buyer in turn will temporarily assign the service entitlement(s) related to the Permanent Partial Assignment(s) to its customers(s) for use in connection with the corresponding Direct Purchase Arrangement(s) for the term thereof (including renewals, extensions, or replacements). Alternatively, Buyer in turn will use

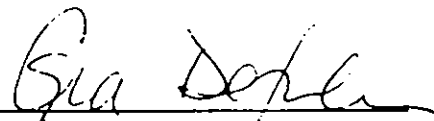
such service entitlement(s) itself in order to ship, for the account of such customer(s), the gas that such customer(s) acquire(s) under such Direct Purchase Arrangement(s) for the term thereof (including renewals, extensions, or replacements). In either case, after such term has expired, Buyer may use such service entitlement(s) as Buyer sees fit."

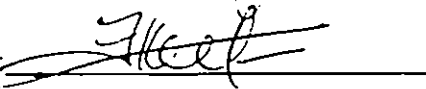
3. Except to the extent hereby specifically amended, Seller and Buyer each ratifies and confirms the Contract.
4. This Agreement shall be binding upon and enure to the benefit of Seller and Buyer and their respective successors and permitted assigns under the Contract.

IN WITNESS WHEREOF the parties hereto have duly executed and delivered this Agreement under the signatures of their respective proper officers duly authorized in that behalf as of the date first above written.

SELLER:

 TRANSCANADA ENERGY LTD.

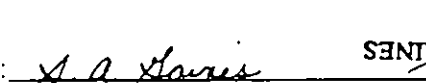
By: 

By: 

BUYER:

ST. LAWRENCE GAS COMPANY, INC.

By:  **F. DICKSON REWBOTHAM**
President

By:  **SHARON A. GAINES**
Treasurer

SHARON A. GAINES
Treasurer

Sutherland, Asbill & Brennan, L.L.P.

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1275 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20004-2404

July 3, 1997

TEL: (202) 383-0100
FAX: (202) 637-3593

Mr. Wayne N. Peters
Manager, Natural Gas Regulation
Office of Natural Gas and Petroleum
Import/Export Activities
Room 3F-056, FE-34
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585-0350

REC'D DOE/FE
1997 JUL -3 P 4:00

Re: St. Lawrence Gas Company, Inc.
FE Docket No. 96-26-NG

Dear Mr. Peters:

On July 26, 1996, DOE/FE issued Order No. 1190, which afforded long-term import authority to St. Lawrence Gas Company, Inc. ("St. Lawrence"). More specifically, Order No. 1190 granted St. Lawrence Gas a ten-year authorization to import up to 10,275 Mcf/day of natural gas from Canada, with an annual limit of approximately 3.75 Bcf. St. Lawrence was further authorized to import an additional 10,000 Mcf/day of storage gas, up to 1.51 Bcf/annually, during the winter period of November 1 through March 31. St. Lawrence also received a two-year blanket authorization to import up to 16.3 Bcf of natural gas from Canada over a two-year period commencing with the date of first delivery.

Ordering paragraph C of Order No. 1190 required that imports of gas pursuant to the ten-year authorization be made in accordance with the Gas Sales Contract between St. Lawrence and TransCanada Energy Ltd. dated July 14, 1995 ("Contract"). The Contract was submitted as Exhibit E to the May 6, 1996 application for amended import authority approved by Order No. 1190. At that time, the Contract was between St. Lawrence and TransCanada Gas Services Limited (as agent for TransCanada Gas Marketing Limited, formerly Western Gas Marketing Limited). TransCanada Energy Ltd. is the successor by amalgamation to TransCanada Gas Marketing Limited. The Contract originally specified a Daily Contract Volume of 424.0 10^3m^3 (15,000 Mcf) and defined "Annual Contract Volume" as the sum of Daily Contract volumes, which would equate to 5.48 Bcf.

By letter dated May 15, 1997, St. Lawrence informed your office of two changes to the Contract. One of these changes reduced the Daily Contract Volume to 248.5 10^3m^3 (8,800 Mcf) which, in turn, would reduce the Annual Contract Volume to approximately 3.22 Bcf. At the time, St. Lawrence filed this information pursuant to Section 407 of DOE's regulations regarding

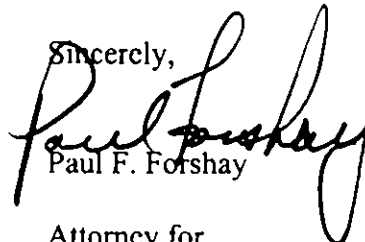
the importation and exportation of natural gas (10 C.F.R. § 590.407), and submitted that this notice filing did not require an amendment to the import authorization granted by Order No. 1190. DOE Staff recently contacted St. Lawrence and indicated that the aforementioned modifications to the Contract would require an amendment to the import authorization granted by Order No. 1190.

Accordingly, St. Lawrence hereby requests that this letter, together with its May 15 filing, be treated as a request to amend the import authorization previously granted by Order No. 1190. Consistent with the change made to the Daily Contract Volumes specified in the Contract, St. Lawrence requests that its daily import authorization be reduced from 10,250 Mcf to 8,800 Mcf, and that its corresponding annual authorization be reduced from 3.75 Bcf to 3.22 Bcf. The changes to the Contract delineated in St. Lawrence's May 15 letter remain the only changes to the facts and circumstances originally set forth in St. Lawrence's May 6, 1996 application in Docket No. 96-26-NG and relied on by DOE/FE in issuing Order No. 1190. Consequently, St. Lawrence respectfully submits that no other modifications are required to the import authorization granted by Order No. 1190.

St. Lawrence notes that, under the terms of the Contract, it may reduce its Daily Contract Volume without need of a further amendment to the Contract. St. Lawrence will inform DOE promptly should such a reduction occur.

A check in the amount of \$50.00 is enclosed to cover the filing fee for this application to amend St. Lawrence's existing import authorization. If you have any questions regarding this application, please contact the undersigned immediately at (202) 383-0708.

Sincerely,



Paul F. Forshay

Attorney for
St. Lawrence Gas Company, Inc.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

DOCKET
JUL 15 1997

ST. LAWRENCE GAS COMPANY, INC.)
)

FE DOCKET NO. 96-26-NG

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

DOE/FE ORDER NO. 1190-A

JULY 11, 1997

I. DESCRIPTION OF REQUEST

Currently, under DOE/FE Order No. 1190 (Order 1190)^{1/}, St. Lawrence Gas Company, Inc. (St. Lawrence) is authorized to import up to 20,275 Mcf of natural gas per day with an annual limit of approximately 5.26 Bcf. Of this volume, St. Lawrence is authorized to import directly up to 10,275 Mcf per day with an annual limit of approximately 3.75 Bcf. St. Lawrence is authorized to import the balance, up to an additional 10,000 Mcf per day, of storage gas during the winter period November 1 through March 31. The total volume of storage gas imported during each winter period shall not exceed approximately 1.51 Bcf. The term of this authorization is for 10 years continuing through October 31, 2002.

St. Lawrence is a natural gas distribution company serving customers in St. Lawrence County in northern New York State. Its principal place of business is in Massena, New York. St. Lawrence is a wholly owned subsidiary of The Consumers' Gas Company Ltd., a Canadian corporation which distributes gas in the Province of Ontario.

On May 15, 1997, St. Lawrence informed the Department of Energy (DOE) pursuant to 10 CFR § 590.407 of DOE's regulations that it had reduced the daily contract volume in its gas sales contract with TransCanada Energy Ltd.^{2/} from 10,275 Mcf per day

1/ 1 FE ¶ 71,291 (July 26, 1996).

2/ The original gas sales contract was between St. Lawrence and TransCanada Gas Services Limited (as agent for TransCanada Gas Marketing Limited, formerly Western Gas Marketing Limited).

(continued...)

to 8,800 Mcf per day which, in turn, would reduce the annual contract volume to approximately 3.22 Bcf.

Pursuant to a discussion with the Office of Fossil Energy (FE) of DOE, St. Lawrence filed on July 3, 1997, an application, under section 3 of the Natural Gas Act (NGA) ^{2/} and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting that FE amend St. Lawrence's current authority to import gas into the United States from Canada. The amendment solely requests that St. Lawrence's daily import authorization be reduced from 10,275 Mcf per day to 8,800 Mcf per day and that its corresponding annual authorization be reduced from 3.75 Bcf to 3.22 Bcf under the terms of an amending agreement to the gas sales contract between St. Lawrence and TransCanada Energy Ltd. dated January 24, 1997.

II. FINDING

The application filed by St. Lawrence has been evaluated to determine if the proposed import arrangement and contract amendments meet the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must

2/(...continued)
TransCanada Energy Ltd. is the successor by amalgamation to TransCanada Gas Marketing Limited.

3/ 15 U.S.C. § 717b.

be granted without modification or delay. The authorization sought by St. Lawrence to amend its present authority to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

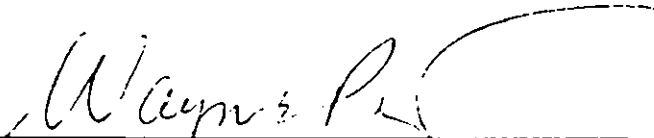
ORDER

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

A. Ordering Paragraph A of DOE/FE Order No. 1190 (Order 1190), issued July 26, 1996, is amended to substitute as the maximum import volume 18,800 Mcf of natural gas per day and an annual limit of approximately 4.73 Bcf for 20,275 Mcf per day with an annual limit of approximately 5.26 Bcf. In addition, for direct delivery, 8,800 Mcf of gas per day and 3.22 Bcf of gas annually is substituted for 10,275 Mcf per day and 3.75 Bcf annually.

B. All other terms and conditions contained in Order 1190 shall remain in full force and effect.

Issued in Washington, D.C., on July 11, 1997.



Wayne E. Peters
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy

Sutherland, Asbill & Brennan

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ATLANTA
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WASHINGTON

1996 AUG -7 P 3:17

PAUL F. FORSHAY
DIRECT LINE: (202) 383-0708

August 7, 1996

REC'D DOE/FE
OFFICE OF FOSSIL FUEL PROGRAMS

U.S. Department of Energy
Office of Fossil Fuel Programs,
Fossil Energy
Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585-0350

Re: St. Lawrence Gas Company, Inc.,
FE Docket No. 96-26-NG

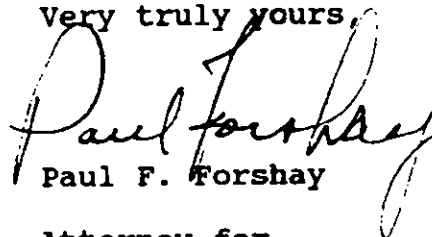
Ladies and Gentlemen:

On July 26, 1996, the DOE Office of Fossil Energy issued DOE/FE Order No. 1190 in the referenced proceeding. That order, in part, granted St. Lawrence Gas Company, Inc. ("St. Lawrence Gas") a two-year blanket authorization to import natural gas from Canada. Ordering paragraph E of Order No. 1190 directed St. Lawrence Gas to provide notice, within two weeks after initial deliveries begin under this blanket authorization, of the date that the first import of natural gas occurs.

By this letter, St. Lawrence Gas provides notice that the first import of natural gas under the two-year blanket authorization granted by Order No. 1190 occurred on July 26, 1996.

If there are any questions concerning this notice, please contact the undersigned immediately.

Very truly yours,


Paul F. Forshay

Attorney for
St. Lawrence Gas Company, Inc.