

85 Swift Street
So. Burlington, VT 05403

mailing address:
Box 467
Burlington, VT 05402-0467

(802) 863-4511 phone
(802) 863-8871 fax - Operations
(802) 863-8872 fax - Customer Svcs., Marketing & Energy Svcs.
(802) 863-8873 fax - Finance, Planning & Key Accounts



No. Main St. Shopping Ctr.
St. Albans, VT 05478

mailing address:
P. O. Box 850
St. Albans, VT 05478-0850

(802) 524-6559 phone & fax

January 23, 1998

Mr. Wayne E. Peters
Manager
Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-34
1000 Independence Avenue, S.W.
Washington, D.C. 20585

RECEIVED
JAN 23 1998
U.S. DEPARTMENT OF ENERGY
OFFICE OF FOSTIL ENERGY

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

Dear Mr. Peters:

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

Respectfully submitted,

Jonathan V. Mai
Manager
Gas Control, Supply and Tariffs

Enclosures

cc: John Marshall, Esq.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY

DOE/FE
MAY 15 1998

In the Matter of)
) FE Docket No. 98-08-NG
Vermont Gas Systems, Inc.)

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

Vermont Gas Systems, Inc. ("Vermont Gas") hereby applies to the Department of Energy ("DOE")'s Office of Fuels Programs, Office of Fossil Energy, for authorization, pursuant to Section 3 of the Natural Gas Act ("NGA"), DOE's implementing regulations (10 C.F.R. §§ 590.201 *et seq.* (1997)), and DOE Delegation Order Nos. 0204-111 and 0204-127 to import up to 8,000 Mcf per day of natural gas from Canada. The proposed import authorization is in accordance with the Gas Sales Contract ("Contract," see attached Exhibit I), dated November 1, 1996, between Vermont Gas and Renaissance Energy Limited ("Renaissance").

The Contract, which has a ten-year term beginning November 1, 1998, serves in part to replace the import reduction¹ under Vermont Gas' contract with TransCanada Gas Marketing Limited ("TransCanada"). The Renaissance Contract provides for firm deliveries of a maximum daily quantity ("MDQ") up to 8,000 Mcf per day (plus applicable fuel) to TransCanada PipeLines Limited ("TCPL")'s facilities at Alberta, Canada. Using firm transportation, the natural gas will then be transported on TCPL to its interconnection with the facilities of Vermont Gas at the international border near Philipsburg, Québec for import into Vermont. Vermont Gas requires no new facilities for the supply of the 8,000 Mcf per day.² Vermont Gas will use the gas proposed to be imported as an additional primary source of supply for its distribution system.

¹ Concurrent with this filing, Vermont Gas has also filed an application to amend its current import authorization under DOE/FE Opinion and Order No. 550-A, issued on December 14, 1995, to reflect a reduction in contractual quantity from 21,000 to 11,000 Mcf per day to its gas sales contract with TransCanada Gas Marketing Limited (successor to Western Gas Marketing Limited).

² Because the proposed importation of natural gas will use existing pipeline facilities, granting authorization does not constitute a major federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. §§ 421 *et seq.*) and therefore an environmental impact statement or environmental assessment is not required. 40 C.F.R. § 1508.4; 56 Fed. Reg. 12474 (March 27, 1989); *see* 10 C.F.R. § 590.202(b)(7).

Vermont Gas requests that the authorization sought herein be granted prior to November 1, 1998, which is the commencement date for service under the Contract. In support of its application, Vermont Gas states as follows:

I.

Communications regarding this application should be directed to:

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

Jonathan V. Mai
Manager - Gas Control, Supply & Tariffs
Vermont Gas Systems, Inc.
P.O. Box 467
Burlington, VT 05402
(802) 863-4511

II.

The exact legal name of the applicant is Vermont Gas Systems, Inc. The principal office of Vermont Gas is located at 85 Swift Street, South Burlington, Vermont 05403. Vermont Gas is a natural gas local distribution company incorporated under the laws of the State of Vermont and currently provides natural gas service to approximately 30,000 residential, commercial and industrial customers. Vermont Gas imports all of its purchased natural gas from Canada pursuant to an authorization issued by the DOE (or predecessor authorizing agencies) pursuant to Section 3 of the NGA.

III.

Under DOE/FE Opinion and Order No. 550-A, issued on December 14, 1995, in Docket No. 91-54-NG, Vermont Gas currently is authorized to import up to 21,000 Mcf of natural gas per day at its existing interconnection with the facilities of TCPL located at the international border between Canada and the United States near Philipsburg, Québec. The import authorization under Order No. 550-A expires on October 31, 2006. With the increasingly seasonal load profile of its customers and the need to diversify gas suppliers, however, Vermont Gas exercised its contractual right to reduce its MDQ under its Gas Sales Contract with TransCanada from 21,000 to 11,000 Mcf per day. Thus, concurrent with the instant application Vermont Gas has also petitioned DOE to reduce its current import authorization under its TransCanada contract from 21,000 to 11,000 Mcf per day.

The Contract in part replaces the above contract reduction. It is also part of Vermont Gas' restructuring of its natural gas supply portfolio to satisfy the increasingly seasonal nature of its customers' requirements.

In accordance with 10 C.F.R. § 590.202(b)(1)-(4) (1997), the Contract's major terms are summarized below:

1. Contractual Quantities.

The Contract entitles Vermont Gas to a MDQ of 8,000 Mcf ($226.6 \text{ } 10^3\text{m}^3$) per day plus applicable transportation fuel. Upon six months written notice to Renaissance, Vermont Gas also has the option to increase the MDQ to 12,355 Mcf ($350 \text{ } 10^3\text{m}^3$) per day. During each contract year, Vermont Gas shall be obligated to purchase 100% of the effective MDQ, less any reduction due to force majeure. In the event of a permanent reduction in gas sales, Vermont Gas may reduce the MDQ on a pro rata basis with a one-year written notice.

2. Pricing

The Contract provides for a market-based pricing structure that is acceptable to both Vermont Gas and Renaissance. For the initial two years of the Contract, the pricing is based on the Alberta Border (Empress) Monthly Average Spot Price stated in the first-of-the-month issue of *Canadian Gas Price Reporter* published by Canadian Enerdata Limited plus a firm, long-term supply premium of 1.5%. In the event the price reference ceases to be published, both parties agree to negotiate in good faith to establish a new price reference. In addition, at least three months prior to November 1 of every second contract year, either party may seek to establish a new premium if the existing premium no longer reflects current market prices. The new premium shall be effective for the two subsequent contract years.

3. Transportation

The Contract provides that Renaissance shall be responsible for all transportation arrangements necessary to deliver the contractual quantity to the Empress delivery point (the interconnection of the NOVA and TCPL pipeline systems). Vermont Gas is solely responsible for procuring its own firm transportation on TCPL to bring the quantity to its existing interconnection with the facilities of TCPL located at the international border between Canada and the United States near Philipsburg, Québec.

IV.

As demonstrated in Part III in accordance with 10 C.F.R. § 590.202(b)(5) (1997), the pricing mechanisms included in the Contract are comparable to other long-term gas supply arrangements with local distribution companies serving similar core markets and will thus remain competitive over the life of the Contract.

V.

The proposed import is not inconsistent with the public interest and is fully consistent with DOE's import policy as required by 10 C.F.R. §§ 590.202(b)(5)-(6).³ DOE's import policy establishes three criteria for granting import authorization: (1) the proposed import is competitive; (2) the natural gas proposed to be imported is needed; and (3) the supply of gas to be imported is secure. Guidelines, 49 Fed. Reg. at 6688. As outlined below, this application satisfies these three criteria:

1. The proposed import is competitive.

The pricing provisions of the Contract ensure that Vermont Gas' natural gas supplies will be imported on a competitive price basis. Under the Contract, Vermont Gas will be using less long-haul, year-round capacity to serve seasonal demands, thereby lowering the overall cost paid for gas import.

2. The imported natural gas is needed.

Vermont Gas has purchased and imported Canadian gas since its pipeline system was constructed. Because Vermont Gas is not interconnected with the U.S. pipeline system, it cannot obtain domestic natural gas supplies directly. Vermont Gas' market requires it to import in excess of 38,000 Mcf per day. Therefore, the authority to import the additional quantity is necessary to serve Vermont Gas' existing load.

3. The supply of gas is secure.

Natural gas purchased will be supplied by gas produced from reserves maintained by Renaissance in Western Canada. Renaissance has arrangements with multiple producers and over time has demonstrated supply security and reliability.

The proposed import is fully consistent with the public interest as Congress has determined in Section 3 of the NGA. Specifically, under Section 3(c) importation of natural gas from Canada is deemed to meet Subsection 3(a)'s public interest test, and DOE is to grant authorization without modification or delay. See 15 U.S.C.A. § 717b(c) (1997).

In summary, the Contract will enable Vermont Gas to continue to serve its customers with a flexible and reliable supply of natural gas at a competitive price, maximize the utilization of the

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

capacity on TCPL, and minimize gas costs to its customers. Because the tests for competitiveness, need and security of supply are met, the proposed import authorization is warranted.

VI.

The following exhibits are appended hereto:

Exhibit I -- Gas Sales Contract between Vermont Gas Systems, Inc., and Renaissance Energy Limited dated November 1, 1996; and
Exhibit II -- Opinion of Counsel.

In accordance with 10 C.F.R. § 590.202(c), Vermont Gas states that the import of natural gas described in this Application is within its corporate authority, as confirmed by Exhibit I.

VII.

Pursuant to 10 CFR § 590.103(c) (1997) , the undersigned asserts that to her best knowledge, information and belief there are no related matters currently being considered by any other part of the DOE.

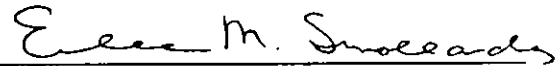
VIII.

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

- (a) find that the terms and conditions for the proposed import of Canadian natural gas pursuant to the Contract are not inconsistent with the public interest;
- (b) issue an order, pursuant to Section 3 of the NGA, granting Vermont Gas authority to import from Canada up to 8,000 Mcf per day (with provisions for the higher contractual MDQ of 12,355 Mcf per day in the event Vermont Gas exercises its option under the Contract to increase the quantity) of natural gas through October 31, 2008, under the Contract's terms; and
- (c) grant such other and further relief as may be necessary.

Respectfully submitted,

VERMONT GAS SYSTEMS, INC.



Eileen M. Simollardes

Director, Planning and Key Accounts and
duly authorized representative of Vermont
Gas

January 23, 1998

I verify under oath that I am duly authorized to represent Vermont Gas with respect to the Application, the Application contains factual information that is true and accurate to the best of my knowledge, information and belief, and the documents filed as exhibits are complete and accurate copies of the originals of such documents.



Eileen M. Simollardes

Exhibit I

GAS SALES CONTRACT
BETWEEN
RENAISSANCE ENERGY LTD.
AND
VERMONT GAS SYSTEMS INC.

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EXHIBIT "A" - NOTICE OF TRANSACTION

GAS SALES CONTRACT

THIS GAS SALES CONTRACT is made as of the 1st day of November, 1996.

B E T W E E N

RENAISSANCE ENERGY LTD., an Alberta corporation having an office in Calgary, Alberta ("Seller"); and

VERMONT GAS SYSTEMS INC., a Vermont corporation having an office in Burlington, Vermont ("Buyer"), collectively referred to as Parties and singularly as Party.

W I T N E S S E T H

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, a firm supply of Gas, produced from Seller's Alberta gas reserves under the terms and conditions hereinafter set forth; and

WHEREAS, Seller and Buyer intend to commence Gas deliveries and receipts under this Agreement on November 1, 1998, contingent upon the satisfaction or waiver of the Conditions Precedent set forth herein.

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

ARTICLE I DEFINITIONS

1.1 Definitions

The following terms, when used in this Contract, shall mean:

- (a) "AEUB" shall mean the Alberta Energy and Utilities Board, and its successors.
- (b) "Buyer's First Transporter" shall mean TCPL.
- (c) "Canadian Regulatory Approvals" means all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in Canada to permit the removal of the Gas to be sold hereunder from the province of production and the export of the Gas from Canada, and otherwise to allow the transactions contemplated hereunder to commence, including but not limited to:
 - (i) a long term permit from the AEUB ("Removal Permit"); and
 - (ii) a long term licence from the NEB ("Export Licence").

- (d) "Contract" shall mean this agreement, including all schedules and exhibits hereto and all written amendments from time to time signed by the Parties.
- (e) "Contract Year" shall mean a period of 12 consecutive Months beginning on the first Day of November and ending on the first Day of November next following.
- (f) "Date of First Delivery" shall mean the later of November 1, 1998 or the in-service date of the TCPL Service Agreement.
- (g) "Day" shall mean a period of 24 consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time ("MST"), or at such other hour as Buyer and Seller agree upon.
- (h) "Delivery Point" shall mean Empress, or such other point as may be mutually agreed upon by Seller and Buyer.
- (i) "Dollars" or "\$" shall mean the lawful currency of the United States unless otherwise indicated.
- (j) "Empress" shall mean the interconnection of the pipeline systems of NOVA and TCPL at or near Empress, Alberta, downstream of the liquids extraction facilities located near Empress, Alberta.
- (k) "Gas" shall mean residue natural gas remaining after conditioning and processing of raw natural gas and consisting primarily of methane, and shall be of a quality acceptable to the Transporters.
- (l) "Interest" means interest at the rate per annum equal to the prime lending rate announced and published from time to time by the Main Branch at Calgary for the Toronto-Dominion Bank, Canada for Canadian dollar commercial loans made in Canada, plus 2%, and converted to Dollars pursuant to Section 10.6.
- (m) "Maximum Daily Quantity" or "MDQ" shall mean a quantity of Gas equal to 226.6 10^3m^3 per Day, which may be altered by mutual agreement as set forth in Section 3.1 and Section 4.1(c), plus the quantity of fuel gas required by TCPL to transport the MDQ from Empress to Vermont Gas' delivery point(s).
- (n) "Month" shall mean a period beginning on the first Day of a calendar month and ending on the first Day of the next succeeding calendar month.
- (o) "NEB" shall mean the National Energy Board (Canada) and its successors.
- (p) "NOVA" shall mean NOVA Gas Transmission Ltd. and its successors.
- (q) "Price" shall have the meaning ascribed to it in Section 5.1.
- (r) "TCPL" shall mean TransCanada PipeLines Limited and its successors.

- (s) "TCPL Service Agreement" shall mean the transportation service agreement between TCPL and Buyer required to transport, on a firm basis, the MDQ on TCPL's pipeline system from Empress to Philipsburg.
- (t) "Transporters" shall mean NOVA and TCPL, and "Transporter" shall mean any one of them.
- (u) "United States Regulatory Approvals" means all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in the United States to permit the importation into the United States of the Gas to be sold hereunder, and otherwise to allow the transactions contemplated hereunder to commence.

ARTICLE II CONDITIONS PRECEDENT

2.1 Conditions Precedent

The obligations of each of Seller and Buyer under this Contract are subject to the satisfaction or waiver of each of the following conditions (in accordance with the terms of this Article II):

- (a) Seller and Buyer obtaining all Canadian Regulatory Approvals required pursuant to this Contract; and
- (b) Buyer obtaining the TCPL Service Agreement; and
- (c) Buyer obtaining all United States Regulatory Approvals required pursuant to this Contract; and
- (d) Buyer obtaining authorization for execution of the Contract by its Board of Directors.

2.2 Satisfaction of Conditions

Each Party shall use commercially reasonable efforts and proceed in a timely manner to satisfy each of the conditions for which it is responsible. Without limiting the foregoing:

- (a) Seller shall file an application for the Removal Permit by January 1, 1998.
- (b) Buyer shall file an application for the Export Licence by January 1, 1998.
- (c) Buyer shall obtain the TCPL Service Agreement by July 1, 1998.
- (d) Buyer shall file an application for the required United States Regulatory Approvals by January 1, 1998.

- (e) Buyer shall obtain approval from its Board of Directors for the Contract by April 30, 1997.

2.3 Status Reports

Each Party, upon the written request of the other Party, shall provide such Party with a written status report (not more often than once every Month) outlining its progress in satisfying the conditions for which it is responsible. Each such report shall include information outlining any anticipated delay or impediment to the satisfaction of any condition and, in the case of an anticipated delay, the report shall specify the expected length of the delay. However, any such anticipated delay shall not extend the time periods established in Section 2.4.

2.4 Timing for Completion of Conditions

The conditions in Section 2.1 must be completed to the satisfaction (as to form and substance) of both Parties, acting reasonably, or have been waived by the Parties, by not later than September 1, 1998 and in accordance with Section 2.5.

2.5 Failure to Complete Conditions Precedent

In the event that any of the conditions precedent are not satisfied by the Party charged with the responsibility for the satisfaction of such condition to the satisfaction of both Parties, acting reasonably, or waived (by both Parties) by the applicable date specified in Section 2.4, then, at any time following such date and until such time as the condition precedent is satisfied or waived, either Party shall be entitled at any time after the specified date until the satisfaction or waiver of the outstanding condition precedent, to terminate this Contract. Any such termination shall be effective upon the terminating Party giving written notice to the other Party; provided, that any such termination shall not affect the rights and obligations of the Parties which accrued prior to the time of termination.

2.6 Notice - Completion of Conditions

- (a) Each Party shall forthwith give notice to the other Party when it believes that a condition has been satisfied. If a Party receives an authorization or agreement which it is not prepared to accept or which the other Party is not prepared to accept (acting reasonably) and if the date for the satisfaction of the condition has not yet passed, then Section 2.2 shall continue to apply and such Party shall continue to use all commercially reasonable efforts to obtain an acceptable authorization or agreement.
- (b) The other Party shall, within 10 Days from the receipt, pursuant to subsection 2.6(a), of any notice and copies of the relevant authorizations or agreements, as applicable, advise of its acceptance or rejection thereof and, if rejected, detailed reasons for the rejection. If the Party from whom acceptance is required has not provided written notice of its acceptance or rejection within such 10 Day period, then the condition shall be deemed to have been satisfied in an acceptable

manner to both Parties. If the Party from whom acceptance is required has rejected such satisfaction of the condition and provided reasons within such 10 Day period, then this Contract may be terminated by either Party unless the date for the satisfaction of the condition has not passed. If a replacement authorization or agreement (for the one rejected) is not obtained before the specified date for the completion of the condition, then Section 2.5 shall be applicable.

2.7 Commencement of Obligations

Delivery, purchase, payment and all other obligations under this Contract, other than those in Article II, shall begin on the Date of First Delivery and shall remain in full force and effect for the Term unless the conditions in Section 2.1 have not been completed or waived pursuant to Section 2.4. In the event the conditions have not been completed or waived pursuant to Section 2.4 then this Contract shall terminate effective September 1, 1998.

**ARTICLE III
QUANTITY AND OBLIGATIONS; NOMINATIONS**

3.1 Quantity

Buyer shall have a one time option, upon 6 Months prior written notice to Seller, to increase the MDQ to 350.0 10³m³ per Day plus the quantity of fuel gas required by TCPL to transport the MDQ from Empress to Philipsburg. Seller will use reasonable efforts, but does not have an obligation, to accommodate such request if less than the requisite notice is given. Such increase is subject to Seller and Buyer obtaining the necessary firm transportation service and adequate regulatory authorizations.

3.2 Nominations

Commencing on the Date of First Delivery and subject to the terms and conditions of this Contract, (1) Buyer shall have the right on each Day during the Term to nominate for delivery to Buyer and purchase from Seller a quantity of Gas ("Nominated Quantity") equal to the MDQ and (2) Seller shall, on each Day during the Term, sell and deliver the Nominated Quantity to Buyer.

3.3 Nomination Procedure

- (a) Buyer shall make a nomination to Seller for each Month at least 48 hours prior to the date which is the latest date that Buyer can give its nomination to Buyer's First Transporter to utilize firm transportation service on the first Day of the Month. Any Monthly nomination or any change to that nomination during the Month shall remain in effect until subsequently changed by Buyer. Recognizing the operational difficulties to Seller and the inefficiencies which can result to Seller from frequent nomination changes by Buyer hereunder, Buyer shall make good faith efforts to minimize its nomination changes. Seller shall not be required to accept a nomination change from Buyer unless Seller has received the nomination change

from Buyer by not later than 10:00 a.m. MST on the Day prior to the Day that the change in nomination is to take effect. Seller shall be responsible for all nominations with Transporters upstream of the Delivery Point and Buyer shall be responsible for all nominations with Transporters at and downstream of the Delivery Point.

- (b) Buyer, when providing any nomination for Gas hereunder or when making any change to a nomination already in place, shall firstly telephone the nomination or change in nomination to Seller's Gas Operations personnel at the telephone number as specified in Section 15.4 and in all cases promptly, and prior to the deadline indicated in 3.3(a), provide written confirmation of the nomination or change in nomination via facsimile transmission to Seller's Gas Operations personnel at the facsimile number so provided in Section 15.4 hereof. When communicating with Buyer in respect to any nominations received from Buyer, Seller shall contact Buyer's Gas Operations personnel as specified in Section 15.4.
- (c) In the event that the nomination procedures of any of the Transporters is changed at any time in a manner which adversely affects a Party's ability to timely perform its obligations hereunder, then Buyer and Seller shall work together in good faith and use all commercially reasonable efforts to develop, amend, implement and maintain nomination procedures that are consistent with the nomination and operational requirements of the Transporters.

3.4 Minimum Purchase Obligation

- (a) In this Section, "Minimum Annual Quantity" or "MAQ" shall mean, for any Contract Year, 100% of the MDQ in effect on the first Day of the Contract Year multiplied by the number of Days in the applicable Contract Year less any quantity of Gas which Buyer was unable to nominate and/or take delivery of due to a Force Majeure event affecting either Party.
- (b) During each Contract Year, Buyer shall be obligated to nominate for and purchase a quantity of Gas equal to the MAQ.

3.5 Maintenance of Authorizations and Arrangements

Each Party shall use all commercially reasonable efforts during the Term to maintain in effect sufficient regulatory authorizations and other arrangements in order to ensure the full performance of its obligations under this Contract.

ARTICLE IV TERM OF CONTRACT

4.1 Term

- (a) This Contract shall commence on the date hereof and shall, subject to any provisions relating to earlier termination and subsection 4.1(b), continue in full force and effect until November 1, 2008 ("Term").

- (b) Not less than 12 months prior to the end of the Term, either Party shall be entitled to notify the other Party ("Extension Notice") that it wishes to negotiate an extension to the Term. Unless the Party receiving the Extension Notice notifies the other Party that it does not wish to extend this Contract (such notice to be given with 15 Days of receiving the Extension Notice), then the Parties shall meet for the purposes of agreeing upon the Price, and other terms which shall apply during the extended period. If the Parties fail to reach agreement on all terms within 180 Days from the date the Extension Notice was received by the receiving Party, then the negotiations shall terminate, neither Party shall have any further obligations to the other Party under this subsection, and this Contract shall terminate at the end of the Term. Any extension of the Term is subject to each Party obtaining the authorizations, approvals and transportation service arrangements required by that Party in order to perform its obligations during the extended period.
- (c) In the event that Buyer at any time during the Term experiences any permanent reduction in gas sales, despite the use of commercially reasonable efforts to retain such demand or otherwise avoid the reduction, Buyer may give Seller one year's prior written notice to either reduce the MDQ on a pro rata basis with all of Buyer's long term contracts in which pro rata reduction rights are given, to a quantity mutually acceptable to the Parties, or to terminate the Contract, subject to (d) below.
- (d) In the event Buyer chooses either of the options in (c) above, Seller shall have the right of first refusal to take permanent assignment of all or a portion of Buyer's TCPL Service Agreement ("Released Capacity") at the then current tolls in TCPL's approved tariff. Seller shall have 14 Days following receipt of Buyer's notice in which to take assignment of the Released Capacity. If Seller elects not to take assignment of the Released Capacity, Buyer has the right to then offer it to any third party ("Third Party Offer"); however, if such Third Party Offer is on different terms and conditions to those previously offered to Seller, Seller shall have the right to match such Third Party Offer.

ARTICLE V RATES AND CHARGES

5.1 Monthly Charges

For each Month from and after the Date of First Delivery Buyer shall pay to Seller a Price per gigajoule ("GJ"), which is the energy equivalent of each 10^3m^3 of Gas purchased, as set forth in a Notice of Transaction attached hereto as Exhibit A. The Price shall be expressed in Dollars and invoiced by Seller pursuant to Section 10.1, and calculated as follows:

$$\text{Price} = \text{Price Reference} + \text{Premium}$$

Buyer shall have the option, but not the obligation, to set the Price Reference portion of the Price for any Month(s) of delivery at the then current price of a counter party contract. This option is subject to Buyer giving Seller sufficient notice of Buyer's intention to set the Price Reference to allow Seller a reasonable opportunity to purchase the counter party contract at Buyer's desired price.

5.2 Redetermination of the Price

If at any time during the Term, the Price Reference ceases to be published, is no longer available or no longer reasonably reflects current market prices at the Delivery Point ("Redetermination Time"), the Parties agree to negotiate in good faith to establish a new Price Reference to be effective as of the Redetermination Time. In addition, at least 3 Months prior to November 1 of every second Contract Year, if the Premium no longer reasonably reflects current market prices at the Delivery Point, the Parties agree to negotiate in good faith to establish a new Premium, to be effective for the (2) subsequent Contract Years. If the Parties agree upon a new Price Reference or Premium, such new Price Reference or Premium shall be used for the purposes of this Contract. Failure of the Parties to agree upon a new Price Reference or Premium for any reason whatsoever by October 1 of such Contract Year, shall entitle either Party to refer the issue to binding arbitration pursuant to Article XIV and subsection 5.2(b), and the Price Reference or Premium in effect shall remain in effect until the arbitrator's decision is rendered.

5.3 Price Redetermination Procedure

- (a) The Price Reference or Premium redetermination pursuant to this Section 5.2 shall be for the purpose of ensuring that the Price payable under this Contract, for the following Contract Years, reflects prices which are then being paid under gas sale contracts having similar terms and conditions (including the initial Term of this Contract), at the Delivery Point. Any arbitration conducted pursuant to this Section 5.2 shall be governed by the foregoing principles and the following:
 - (i) Each Party will submit to the arbitrator(s) (within 5 Days of the appointment of the arbitrator(s)) its determination of the appropriate Price Reference or Premium to be payable hereunder for the following Contract Year, including its reasons in support of the amount, price reference or formula submitted by that Party.
- (b) Once the arbitrator(s) has received the submissions of each Party, the arbitrator(s) shall provide each Party with a copy of the other Party's entire submission;
 - (ii) The arbitrator(s) shall hear the arguments of each Party and make a decision within 15 Days of the receipt of each Party's submissions of the appropriate Price Reference or Premium for the next Contract Year, and
 - (iii) For the purposes of his decision, the arbitrator(s) shall not be entitled to propose a compromise and must select the submission made by one of the Parties in its entirety and without alteration in any way.

- (c) In the event that a Party fails to submit its determination of the appropriate Price Reference or Premium within the above specified time period, then the arbitrator(s) shall be required to select the submission made by the other Party. The arbitrator's decision shall be retroactive to November 1 of the Contract Year if implementation of the decision is not possible prior to that date.

ARTICLE VI RESERVES FOR REQUIRED AUTHORIZATIONS

6.1 Reserves

Seller shall submit sufficient Alberta Gas reserves to both the AEUB and the NEB in support of the applications for a Removal Permit and Export Licence as contemplated in Section 2.1. The submission of reserves to the AEUB and the NEB shall not be construed as a dedication of those reserves to this Contract. No reserves are being dedicated to this Contract. Seller warrants it will maintain sufficient deliverability to maintain its obligations under this Contract for the Term.

ARTICLE VII REMEDIES

7.1 Buyer's Remedies

If, for any reason other than due to an event of Force Majeure or an exercise by Seller of its suspension rights, as set forth in Section 10.2, Seller fails to supply ("Supply Failure") any portion of the Nominated Quantity on any Day up to the MDQ ("Shortfall Quantity"), then Buyer shall have the right to obtain replacement Gas in accordance with the terms hereof to replace the Shortfall Quantity. Buyer shall notify Seller of its intention to acquire replacement Gas as promptly as is practical under the circumstances. Seller shall reimburse Buyer, within 30 Days after Buyer has delivered an invoice and supporting documentation to Seller, for the following incremental costs incurred by Buyer in purchasing replacement Gas as a direct result of Seller's unexcused non-performance. Such incremental costs shall:

- (a) be for reasonable demand and commodity charges paid to third parties, in excess of those which Buyer would have paid Seller hereunder, with respect to the quantities of Gas purchased by Buyer to replace the Shortfall Quantity; and
- (b) be for penalties assessed by any Transporter for any imbalances caused by Seller (when Seller has failed to advise Buyer of any Shortfall Quantity sufficiently in advance of nomination deadlines on Buyer's First Transporter so as to reasonably permit Buyer to alter its nomination accordingly at the Delivery Point), which Buyer incurs as a result of Seller's failure to deliver the Shortfall Quantity.

For purposes of clarification, the amounts payable by Seller under Section 7.1 shall only be for those permitted costs incurred by Buyer and which exceed those costs which Buyer would have paid Seller hereunder if Seller had delivered the Shortfall Quantity. Buyer

shall consult with Seller prior to obtaining supplies of replacement Gas to try to reasonably determine the expected duration of the Supply Failure and to use reasonable efforts to minimize the costs and expenses for which Seller is liable under this Section 7.1 and will, therefore, secure supplies of replacement Gas only for the length of the expected duration of the Supply Failure. Buyer shall use commercially reasonable efforts to find the lowest cost supplies of replacement Gas. Buyer's right to recover its incremental costs of purchasing and transporting replacement Gas and imbalance charges in accordance with this Section, shall be Buyer's sole and exclusive remedy for Seller's failure to deliver Gas hereunder.

7.2 Seller's Remedies

If, for any reason other than due to an event of Force Majeure or an exercise by Buyer of its rights, as set forth in Section 4.1(c), Buyer fails to nominate for and take ("Shortfall Take") the MDQ ("Shortfall Quantity"), then Seller shall have the right to sell the Shortfall Quantity to any third party purchaser, and Buyer shall either pay Seller or Seller shall credit Buyer with an amount equal to the product of (i) the difference between the Price and the price Seller was able to obtain from selling the Gas to a third party purchaser less \$0.03 US/MMBtu ("Resale Price"), dependent upon whether the Resale Price is greater than or less than the Price; and (ii) the Shortfall Quantity.

If Buyer fails to take delivery of the entire quantity of Gas nominated by it at any time, then Buyer shall pay to Seller all penalties (when Buyer failed to advise Seller of any Shortfall Quantity sufficiently in advance of nomination deadlines so as to reasonably permit Seller to alter its nomination at the Delivery Point) assessed against Seller by any Transporter for any imbalances caused by Buyer's failure to take the Nominated Quantity. The foregoing shall be Seller's sole and exclusive remedy for Buyer's failure to nominate for and take the Gas hereunder.

In addition, Seller shall have the right of first refusal to use any capacity under the TCPL Service Agreement ("Unutilized Capacity") up to the Shortfall Quantity for that Day for any purpose whatsoever. All arrangements between Seller and Buyer for the use of Unutilized Capacity shall be established orally and promptly confirmed in writing and transmitted by facsimile. Buyer shall provide all reasonably requested assistance to ensure Seller is able to use the Unutilized Capacity each Day. Each Month Seller shall pay to Buyer, in respect of the Unutilized Capacity during the preceding Month the product of the market value of the Unutilized Capacity used on each Day and the Unutilized Capacity.

7.3 Limitation

Except as may otherwise be specifically provided in this Contract, each Party waives entitlement to claim for punitive, special, exemplary and consequential damages arising from a breach of this Contract by the other Party.

ARTICLE VIII
DELIVERY POINT; TITLE

8.1 Title

Title to and possession of all Gas purchased and sold hereunder shall pass from Seller to Buyer at the Delivery Point.

8.2 Transfer at Delivery Point

Seller shall arrange for the delivery of Gas purchased and sold to the Delivery Point and Buyer shall arrange for receipt of such Gas. For the Term of this Contract, each Party is obligated to maintain firm transportation service with its respective Transporter(s) to ensure the delivery and receipt of the Gas to be sold and purchased hereunder.

8.3 Taxes

Seller warrants the title to all Gas purchased and sold hereunder and that it has the right and authority to sell such Gas. Subject to the following terms of this Section, Seller will pay or cause to be paid all royalties, present and future taxes and other charges due on production, gathering, severance and handling of the Gas prior to its delivery by Seller to or for the account of Buyer and Seller will indemnify and hold Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the Gas delivered by it or for such royalties, present and future taxes, and other charges thereon applicable before delivery to the Delivery Point, and for any breach of Seller's warranties contained herein. In the event Buyer is required to remit any tax or charge for which Seller is responsible hereunder, Seller shall reimburse Buyer for such amount.

Buyer shall pay or cause to be paid all present and future taxes and other charges attributable to the Gas at and after delivery to or for the account of Buyer and any and all other taxes and charges of any nature or kind whatsoever (including any export, import or use taxes or levies) which are imposed at or after the Delivery Point by any federal, state, provincial, or governmental authority (including without limitation, any regulatory authority in the United States). In the event Seller is required to remit any tax or charge for which Buyer is responsible hereunder, Buyer shall reimburse Seller for such amount when included by Seller in a Monthly Statement. Buyer will indemnify and hold Seller harmless against all loss, damage and expense of every character on account of such present and future taxes and other charges, including without limitation, any penalty or interest arising directly or indirectly as a result of the Gas being sold hereunder ceasing to be zero rated supply under the Excise Tax Act. Without limiting the generality of the foregoing, Buyer shall pay to Seller any Goods and Services Tax which Seller is required to collect in respect of Gas delivered hereunder.

8.4 Possession

As between the Parties, Seller shall be deemed to be in exclusive control and possession of the Gas to be sold hereunder and responsible for any damage or injury caused thereby before the same shall have been delivered to Buyer at the Delivery Point, and Buyer shall be deemed to be in exclusive control and possession thereafter and responsible for any damage or injury caused thereby. As between the Parties, the Party deemed to be in control and possession of the Gas shall be responsible for any loss and agrees to indemnify and hold the other harmless from third party claims, expenses, costs or losses of any nature while the Gas is, or is deemed to be, in its control and possession.

8.5 Imbalance Penalties

Except as provided for in Sections 7.1 and 7.2 of this Contract, each Party shall indemnify and hold the other harmless from any imbalance penalties caused by or attributable to it (whether or not caused by a Force Majeure claimed by it) and which may be imposed by any Transporter arising out of the delivery or receipt of Gas by Seller and Buyer hereunder, and shall reasonably cooperate to minimize such penalties and charges.

ARTICLE IX
MEASUREMENT, QUALITY AND PRESSURE

9.1 Measurement

Measurement and determination of the quantity of Gas delivered shall be made in accordance with the measurement procedures provided in TCPL's tariff. Any measurement document Buyer or Seller may possess shall be provided to the other Party upon request by such Party.

9.2 Quality

Gas tendered for delivery to Buyer hereunder shall conform to the quality specifications contained in TCPL's tariff, Buyer recognizing that Gas delivered at the Delivery Point will be from a commingled stream.

ARTICLE X
BILLING AND PAYMENT

10.1 Monthly Statement

Not later than the 15th Day of each Month, Seller shall provide to Buyer a statement ("Monthly Statement") setting forth the quantity of Gas delivered at the Delivery Point during the preceding Month, the amount payable by Buyer for such Gas, and any other amounts due from Buyer to Seller hereunder. If any actual information is not available to Seller by the 15th Day of any Month, Seller shall issue a Monthly Statement based on its reasonable estimates which shall be adjusted for in the following Monthly Statement. The Monthly Statement shall list all charges, including the daily quantity and unit price. Buyer

shall not be obligated to pay for quantities in excess of the amount nominated by it from time to time, unless specifically agreed to in advance by Buyer and Seller. In the event of a delivery by Seller in excess of the quantity nominated by Buyer, Buyer agrees to (i) promptly notify Seller of the amount and use reasonable efforts to work to resolve such imbalance, and (ii) adjust its nominations in the immediately subsequent Months, to remedy such imbalance. In the event an imbalance cannot be corrected under clauses (i) or (ii), above, after reasonable efforts by the Parties to do so, Buyer shall pay over to Seller any "cash out" or similar amounts it receives from Buyer's First Transporter with respect to such over delivery.

10.2 Payment Default

Buyer shall make payment to Seller by the 25th Day of the Month or 10 Days from the date of receipt of the Monthly Statement, whichever is later. Payment shall be made in Dollars by wire transfer of funds, unless otherwise agreed by the Parties. Any amounts in the Monthly Statement which are expressed in Canadian dollars shall be converted to Dollars in accordance with Section 10.6. In the event Buyer fails to pay any amount described in a Monthly Statement, Interest shall accrue on the unpaid portion from the date the original unpaid amount was due until the same is paid. If the failure to pay continues for 5 Days, Seller, in addition to all other remedies available, shall have the right on 3 Days written notice to suspend deliveries of Gas under this Contract without relieving Buyer of its obligations, unless the failure is cured within the 3 Day period. If the failure is not cured within 5 Days following the suspension of deliveries, Seller, in addition to all other remedies available, may terminate this Contract on 10 Days prior written notice to Buyer.

10.3 Credit Requirements

Seller may request Buyer to demonstrate credit worthiness at any time if the financial condition of Buyer becomes unsatisfactory due to a material change in circumstances, in Seller's judgement acting reasonably, and sufficient security shall be given to Seller by Buyer, upon demand by Seller. If Buyer fails to provide such security within three (3) business days of Seller's demand, Seller in its sole discretion may, without further notice and without waiving any rights or remedies it has, withhold further deliveries, until such security is received.

10.4 Errors

In the event an error is discovered by either Party, or a reallocation of amounts received at the Delivery Point occurs, the Party discovering the change shall notify the other Party in writing within 20 Days of such discovery. If such change results in an additional payment by Buyer or a refund by Seller, such payment or refund shall be made within 10 Days of receipt of the written notification. In the event of an error directly attributable to the Party required to make payment, the other Party shall also be entitled to Interest on any payment or refund from the date such underpayment or overpayment was made until the date the payment refund is received by the applicable Party.

10.5 Good Faith Disputes

Buyer may, in good faith, dispute any portion of an invoice or Monthly Statement, provided Buyer first attempts to resolve such dispute prior to the due date by notifying Seller prior to the due date of such invoice or Monthly Statement as to the portion being disputed and the reason for such dispute. Buyer shall nevertheless pay the total amount due, and in the event that it is ultimately determined that any disputed amount is due to Buyer, such amount shall be immediately payable to Buyer by Seller along with Interest on such amount to be accrued from the original due date.

10.6 Currency Conversions

Any necessary conversions from either United States or Canadian currency with respect to any charges or other amounts for any Month shall be calculated at the rate of exchange for such Month, which rate of exchange shall be the average of the noon spot exchange rates for the Dollar in terms of Canadian dollars for such Month, as published by the Bank of Canada.

ARTICLE XI
FORCE MAJEURE

11.1 Definition

The term Force Majeure ("Force Majeure") as employed herein shall mean acts of God, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, the order of any court or government authority having jurisdiction while the same is in force and effect, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, civil disturbances, explosions, breakage, accidents to machinery or lines of pipe, freezing off or damage to wells or delivery facilities, well blowouts, curtailment of firm transportation whether or not the Transporter has claimed force majeure, but nevertheless verifiable, inability to obtain or unavoidable delay in obtaining material or equipment, and any other cause of the kind herein enumerated or of a similar nature, not reasonably within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. Notwithstanding the foregoing, under no circumstances shall the following constitute an event of Force Majeure: lack of funds, insufficient gas supply, insufficient or loss of markets, or Gas purchasers at any time or from time to time.

11.2 Notice of Force Majeure

In the event of either Party being rendered unable, wholly or in part, by Force Majeure to carry out its obligations (other than the obligations set forth hereinbelow), it is agreed that on such Party giving notice and full particulars of such Force Majeure in writing to the other Party as soon as practicable and in any event within two (2) business Days after the occurrence of the cause relied on, the obligations of both Parties, to the extent they are affected by such Force Majeure, shall be suspended during such period of Force Majeure, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch. Buyer shall reduce its Nominated Quantity to reflect any Force Majeure event declared by either Party.

11.3 Estimate of Force Majeure Duration

In the event of a Force Majeure, the Party declaring such Force Majeure shall use commercially reasonable efforts to estimate the length of time such Force Majeure will be in effect and immediately notify the other Party of such estimate. The Party claiming the Force Majeure shall promptly notify the other Party of any change in such estimate. When a Force Majeure claimed by Seller requires Buyer to arrange for replacement Gas during the period such conditions exist, Buyer shall use reasonable efforts to commit to purchase such supplies for a period consistent with the expected duration of the Force Majeure claimed by Seller.

11.4 Termination Option

Either Party shall have the right to terminate this Contract, upon 30 Days prior notice, due to a Force Majeure condition claim by the other Party which prevents any delivery or receipt of the Nominated Quantity, and which lasts for 45 consecutive Days, provided the Force Majeure condition was not remedied within the notice period.

11.5 Resumption of Performance

As soon as possible after a Force Majeure event shall have been remedied, the Party claiming Force Majeure shall likewise give notice to the effect that the same has been remedied and that the Party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

ARTICLE XII
LAWS AND REGULATORY BODIES

12.1 Subject to Law

This Contract and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations and orders of any regulatory or legislative body or duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XIII
TRANSFER AND ASSIGNMENT

13.1 Assignment

Any corporation which shall succeed by purchase, merger or consolidation of the properties, substantially as an entirety of Buyer or Seller, as the case may be, shall be entitled to the rights of its predecessor in title under this Contract upon providing the other Party with a written agreement to perform the obligations of its predecessor hereunder. Seller or Buyer may, without relieving itself of its obligations under this Contract, temporarily or permanently upon 30 Days' prior written notice to the other Party, assign any of its rights and obligations hereunder to a corporation with which it is affiliated at the time of such assignment. Otherwise, no assignment hereunder shall be made by Seller

or Buyer without the written consent of the other having first been obtained, which consent shall not be unreasonably withheld. It is agreed, however, that the provisions of this Article shall not in any way prevent either Party to this Contract from pledging or mortgaging its rights hereunder as security for its indebtedness.

ARTICLE XIV ARBITRATION

14.1 Arbitration Procedure

- (a) All disputes or other matters arising out of or in connection with this Contract which the Parties have specifically agreed in this Contract shall be settled by arbitration, shall be referred to and resolved by arbitration pursuant to the terms of this Article. In addition, any other disputes which the Parties elect to have determined by arbitration shall be referred to and resolved by arbitration pursuant to the terms of this Article.
- (b) Arbitrations shall be alternated between Vancouver, British Columbia and the location of Buyer's choice. When the first issue is referred to arbitration by a Party under this Contract, then the other Party shall choose the location of the first arbitration, being either Vancouver or Buyer's location. The second arbitration shall be held at the location which was not selected for the first arbitration and thereafter, arbitrations shall be scheduled alternatively between these two locations.
- (c) Arbitrations to be conducted in Vancouver shall be conducted pursuant to the Rules of British Columbia International Commercial Arbitration Centre. The arbitration shall be held in Vancouver, British Columbia and be administered by the British Columbia International Commercial Arbitration Centre ("Centre") in accordance with its "Procedures for Cases Under the BCICAC Rules".
- (d) Arbitrations to be conducted in Buyer's location shall be conducted pursuant to the commercial arbitration rules of the American Arbitration Association ("AAA"), unless Buyer elects to use the Centre as its location, in which event the BCICAC Rules shall also apply.
- (e) Unless both Parties agree to appoint a single arbitrator, then the Parties shall each appoint their own arbitrator and the two arbitrators so selected shall appoint the third arbitrator. If a Party fails to appoint its own arbitrator within 5 Days of the first Party having appointed its arbitrator or if the two arbitrators do not appoint the third arbitrator within 5 Days of their respective appointments, then either Party shall be entitled to apply to either the Centre, or AAA if applicable, to have the second or third arbitrator appointed. Each arbitrator shall be qualified by education or experience to settle the dispute or matter in issue.
- (f) Subject to the foregoing, the laws of the Province of Alberta shall continue to govern this Contract.

- (g) The decision of the single arbitrator or the majority of the arbitrators as applicable, shall be final and binding on the Parties.

**ARTICLE XV
MISCELLANEOUS PROVISIONS**

15.1 Waiver

No waiver by Buyer or Seller of any default of the other under this Contract shall operate as a waiver of any or all of such Party's rights with respect to all prior or subsequent obligations of the other Party.

15.2 Access to Records

The Parties shall have reasonable access to each other's accounts, books, and records to verify the accuracy of any statement, charge or calculation made pursuant to this Contract or any other matter reasonably relating to this Contract for a period of 2 years following the statement, charge, calculation or matter.

15.3 Headings

The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof, nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

15.4 Notices

Except as provided for in subsection 3.3(b), every notice, statement or other communication provided for in this Contract shall be in writing directed by prepaid courier, hand delivery or telephone facsimile to the Party to whom given, made or delivered at such Party's address as follows:

SELLER:

Notices: Renaissance Energy Ltd.
3000, 425 First Street S.W.
Calgary, Alberta, Canada
T2P 3L8

Attention: Vice-President, Marketing
Telephone: (403) 750-1400
Facsimile: (403) 750-1811

Billing and Payments: Wire Transfer Information specified on Invoice

Gas Operations: Attention: Gas Supply Operations
 Telephone: (403) 750-1400
 Facsimile: (403) 750-1811

BUYER:

Notices: Vermont Gas Systems Inc.
 85 Swift Street
 Burlington, VT 05402

 Attention: Mr. Jonathan Vinh Mai
 Telephone: (802) 863-4511
 Facsimile: (802) 863-8873

Gas Operations: Attention: Gas Supply Operations
 Telephone: (802) 863-4511
 Facsimile: (802) 863-8871

Either Party may change its address for service or other communications particulars from time to time by giving written notice of such change to the other Party. Any notice, statement, or other communication made, given or delivered hereunder by prepaid overnight courier shall be deemed to have been effectively delivered to the addressee thereof at the end of the next business Day of the receiving Party after the date of forwarding by prepaid overnight courier. If any such notice, statement, or other communication is delivered by electronic telecommunication to the designated representative of the addressee during the normal business hours of the addressee, it shall be deemed to have been received by the addressee within 2 hours of its delivery to the addressee, and if delivered after the close of business of the addressee on the Day that the transmission has been made to said designated representative, it shall be deemed to have been received 2 hours following the start of the following business Day of the addressee.

15.5 Choice of Laws

This Contract shall be construed in accordance with the laws of the Province of Alberta, and the Courts having jurisdiction in the Province of Alberta at Calgary shall have exclusive jurisdiction in relation to any legal proceedings arising in connection with this Contract.

15.6 Further Assurances

Each Party shall perform all acts, execute and deliver all documents and give all assurances reasonably necessary to give effect to this Contract.

15.7 Entire Agreement

This Contract supersedes and replaces any oral or written communications heretofore made by and between the Parties relating to the subject matter hereof, and this Contract constitutes the entire agreement.

15.8 Conflicts

Any schedule or exhibit to this Contract is incorporated herein by reference. If any provision of a schedule or exhibit conflicts with a provision in the body hereof, the latter shall prevail.

15.9 Time

Time shall be of the essence in this Contract.

15.10 Gender

Whenever the singular or masculine or neuter is used in this 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.

15.11 "Hereof Etc."

"Hereof", "herein", "hereunder" and similar expressions refer to this Contract and not to any particular Article, Section, subsection, paragraph, exhibit or schedule.

15.12 Severability

Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Contract.

15.13 Inurement

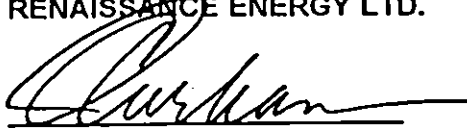
This Contract shall be binding upon the Parties, their successors, and permitted assigns, and shall inure to the benefit of the Parties and their successors and permitted assigns.

15.14 Confidentiality

The terms and conditions of this Contract shall be kept confidential by Buyer and Seller, except to the extent information must be disclosed in order to (1) obtain transportation, (2) allow for routine audit procedures, (3) comply with reporting obligations under applicable federal, provincial or state laws (4) obtain any necessary federal, provincial or state regulatory approvals required hereunder, or by consent of both Parties.

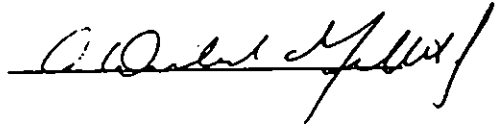
IN WITNESS WHEREOF, the Parties hereto have, by their duly authorized officers, executed this Contract in multiple originals to be effective as of the date first hereinabove written.

RENAISSANCE ENERGY LTD.



JOHN A. CURKAN
VICE PRESIDENT, MARKETING

VERMONT GAS SYSTEMS INC.



Jason VICE PRES. Dist

This is the signature page to the Gas Sales Contract dated November 1, 1996 between Renaissance Energy Ltd. as Seller, and Vermont Gas Systems Inc. as Buyer.

EXHIBIT "A"

NOTICE OF TRANSACTION

This Exhibit "A", Notice of Transaction, confirms the arrangements made between Renaissance Energy Ltd. as Seller and Vermont Gas Systems Inc. as Buyer to the Gas Sales Contract dated November 1, 1996. This Exhibit "A" shall be incorporated into and made a part of the Contract, and may be replaced and substituted therefor according to the provisions of Section 5.1.

Price = Price Reference + Premium of 1.5%

where Price Reference means the Alberta Border (Empress) Month Average Spot (One Month) price, expressed in \$/GJ, for the Month of delivery, as reported in the table entitled "Canadian Natural Gas Supply Prices" in the first of the month issue of Canadian Gas Price Reporter published by Canadian Enerdata Ltd.

The Price Reference and Premium are subject to redetermination in accordance with the provisions of Section 5.2.

Exhibit II

DOWNNS RACHLIN & MARTIN PLLC

ATTORNEYS AT LAW

9 PROSPECT STREET • PO BOX 99 • ST. JOHNSBURY • VERMONT 05819 0099
• 1 802 748 8324 • FAX • 1 802 748 4394

January 16, 1998

Mr. Donald Juckett, Director
Natural Gas and Petroleum Import and Export Activity
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 8F-032
1000 Independence Avenue, S.W.
Washington, D.C. 20585

SUBJ: FE Docket No. 98-___-NG: Application of Vermont Gas Systems, Inc., for
Authorization to Import Natural Gas from Canada (herein the "Application")

Dear Mr. Juckett:

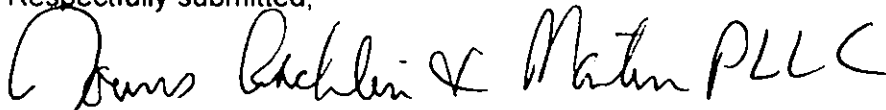
This firm serves as special counsel to Vermont Gas Systems, Inc., a Vermont corporation (herein "Vermont Gas") on corporate and other matters. In accordance with Subsection 590.202(c) of Title 10, Code of Federal Regulations, we are furnishing this opinion of counsel in connection with Vermont Gas' Application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

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

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

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

Respectfully submitted,


DOWNNS RACHLIN & MARTIN PLLC

STJ\0079698.01

c: Wayne E. Peters

I. DESCRIPTION OF REQUEST

On January 26, 1998, Vermont Gas Systems, Inc. (Vermont Gas) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import from Canada up to 8,000 Mcf per day of natural gas, plus gas required for transportation, for a ten-year term beginning November 1, 1998. Vermont Gas is a local distribution company incorporated under the laws of the State of Vermont, which provides natural gas service to over 30,000 residential, commercial and industrial customers. This natural gas will become part of the Vermont Gas supply portfolio to satisfy the increasingly seasonal nature of customers demand, and in part, to replace a contract supply reduction with TransCanada Gas Marketing Limited (TransCanada).^{2/}

Vermont Gas will purchase the natural gas from Renaissance Energy Ltd. (Renaissance) pursuant to the terms of a natural gas purchase contract dated November 1, 1996. Under the contract, the price of natural gas is based on the Alberta Border (Empress) Monthly Average Spot Price as stated in the first of the month issue of the Canadian Gas Price Reporter plus a firm, long-term

^{1/} 15 U.S.C. § 717b.

^{2/} Vermont Gas also is authorized to import natural gas under DOE/FE Docket No. 91-54-NG under a gas purchase contract with TransCanada. Vermont Gas has exercised its right to reduce its daily contract volumes effective November 1, 1998.

supply premium of 1.5 percent. The contract provides for price renegotiation at regular intervals during the contract period and for arbitration if the parties are unable to agree. Vermont Gas also has a contract option to increase its maximum daily quantity (MDQ) to 12,355 Mcf, with a six months written notice to Renaissance, and to reduce its MDQ in the event of a reduction of gas sales upon a one-year written notice.

Renaissance will deliver the gas to the interconnection of NOVA Gas Transmission Ltd. and TransCanada PipeLines Limited (TCPL). TCPL will then transport the gas to its interconnection with the facilities of Vermont Gas at the international border near Philipsburg, Québec, for import into Vermont.

II. FINDING

The application filed by Vermont Gas has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. 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 authorization sought by Vermont Gas to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. Vermont Gas Systems, Inc. (Vermont Gas) is authorized to import up to 8,000 Mcf per day of natural gas from Canada (or alternatively 12,355 Mcf per day if it later exercises an option under the supply contract) for a ten-year term beginning on November 1, 1998, under the terms and conditions of the gas purchase contract dated November 1, 1996, with Renaissance Energy Ltd. (Renaissance).

B. In the event Vermont Gas exercises one of its options under its supply contract with Renaissance to increase or decrease the maximum daily quantity from 8,000 Mcf per day, it shall provide the Office of Natural Gas & Petroleum Import and Export Activities with written notification within 30-days of the effective increase or decrease.

C. This natural gas may be imported at the international border between Canada and the United States near Philipsburg, Québec, and Highgate Springs, Vermont.

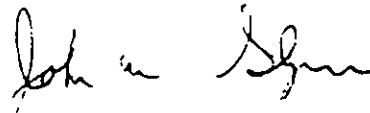
D. With respect to the natural gas imports authorized by this Order, Vermont Gas shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports

have occurred, Vermont Gas must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The monthly price information shall itemize separately the monthly demand and commodity charges.

E. The report requirements described in Order Paragraphs B and D of this Order shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585.

E. The first quarterly report required in Ordering Paragraph D of this Order is due not later than January 30, 1999, and should cover the period from November 1, 1998, until the end of the fourth calendar quarter, December 31, 1998.

Issued in Washington, D.C., on February 10, 1998.



John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy