



2007-0717

August 8, 2007

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

RECEIVED

AUG 9 2007

ONTARIO ENERGY BOARD

Attention: Ms. Kirsten Walli, Board Secretary

Re: T1 Contract Between Union Gas Limited and LANXESS Inc.

Dear Ms. Walli: *10/8*

Enclosed is an application to the Board under Section 39(2) of the Ontario Energy Board Act for approval of the parties to, the period of, and the space for storage that is the subject of a T1 Contract between Union Gas Limited ("Union") and LANXESS Inc. ("LANXESS") located in Sarnia, Ontario.

Union and LANXESS entered into a one-year T1 Contract at cost based rates to replace an existing M7 contract effective November 1, 2006. The agreement is for storage space of up to 206,000 GJ (0.19 Bcf). The period consists of a total term of 1 contract year from November 1, 2006 to October 31, 2007.

On August 15, 2007, LANXESS and Union agreed to amend the contract expiry date from October 31, 2007 to October 31, 2012, making the contract a long-term agreement.

Union requests that the commercial terms be held in confidence as per Rule 10 of the Ontario Energy Board "Rules of Practice and Procedure". The reason for this request is that the contract contains information that is commercially sensitive. The version of the T1 Contract and the amendment, attached as Appendix A and Appendix B respectively, remove any customer-specific details. The full contract and the amendment have been provided to the Board in confidence under separate cover.

If you have any questions or concerns with this application, please do not hesitate to contact me at (519) 436-5476.

Yours truly,

Chris Ripley
Manager, Regulatory Applications

IN THE MATTER OF the Ontario Energy Board Act,
Chapter 15 Statutes of Ontario, 1998, Section 39(2);

AND IN THE MATTER OF an Application by Union
Gas Limited to the Ontario Energy Board for approval of
the parties to, the period of, and the space for storage that is
the subject of the T1 Carriage Service Contract between
Union Gas Limited and LANXESS Inc.

- APPLICATION -

1. Union Gas Limited ("Union") is a regulated public utility incorporated under the laws of the Province of Ontario with Head Office in the municipality of Chatham-Kent.
2. Union owns and operates underground gas storage reservoirs in the Province of Ontario.
3. LANXESS Inc. ("LANXESS") is a company duly incorporated under the laws of the Province of Ontario.
4. Union requests that the Board approve, without a hearing, the parties to, the period of, and the space for storage that is the subject of a T1 Contract.
5. The agreement and amendment, attached as Appendix A and Appendix B respectively, provide for 206,000 GJ (0.19 Bcf) of firm storage space to LANXESS from November 1, 2006 to October 31, 2012.
6. The only parties affected by this application are Union and LANXESS.

Dated at Chatham this 8th day of August, 2007.

UNION GAS LIMITED

per



Mr. M. Murray
Assistant General Counsel

Comments regarding this Application should be directed to:

Mr. Mark Murray
Assistant General Counsel
Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Tel: (519) 436-4601
Fax: (519) 436-5218

Mr. Chris Ripley
Manager, Regulatory Applications
Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Tel: (519) 436-5476
Fax: (519) 436-4641

Appendix A

Contract ID	8348
Contract Name	LANXESS

T1 CONTRACT

This GAS STORAGE AND DISTRIBUTION CONTRACT ("Contract"), made as of the fifteenth day of October, 2006

BETWEEN:

UNION GAS LIMITED

hereinafter called "Union"

- and -

LANXESS INC.

hereinafter called "Customer"

WHEREAS, Customer has requested Union and Union has agreed to provide Customer Services;

AND WHEREAS, Union will deliver Customer owned Gas to Customer's Point(s) of Consumption or Storage under this Contract pursuant to the T1 Rate Schedule;

IN CONSIDERATION of the mutual covenants, the parties agree as follows:

1 ATTACHMENTS

The following are hereby incorporated in and form part of this Contract:

- a) Contract Parameters contained in Schedule 1; and
- b) T1 Contract Terms and Conditions contained in Schedule 2; and
- c) General Terms and Conditions, attached hereto.

For the purposes of this Contract, "Point(s) of Receipt" shall mean those points identified in Schedule 1 where Union may receive Gas from Customer.

2 PRELIMINARY AND CONTINUING CONDITIONS

This Contract and the rights and obligations of the Parties hereunder shall be conditional upon the fulfillment and maintenance in good standing of the following conditions:

- a) Security arrangements acceptable to Union shall be supplied and maintained in accordance with the General Terms and Conditions; and
- b) Union shall have received all required OEB approvals.

The above conditions must be initially satisfied by Customer 25 days prior to the Day of First Delivery.

3 CONTRACT TERM

This Contract shall be effective from the date hereof. However, the Service, obligations, terms and conditions hereunder, shall commence on the Day of First Delivery. Subject to the provisions hereof, this Contract shall continue in full force and effect for each Contract Year until notice to terminate is provided by either Union or Customer. Such notice must be delivered at least three (3) months prior to the end of a Contract Year.

4 SERVICES PROVIDED

Union agrees to provide Storage Services and Distribution Services as specified in Schedule 1. To be eligible for these services, the Customer must have forecasted annual natural gas consumption of 5,000,000 m³ or greater at one property or contiguous properties. If the Customer does not maintain this level of consumption during the current contract year or is not expected to maintain this level of consumption then, effective the following contract year, the Customer will be placed on an alternate service.

5 RATES FOR SERVICE

Customer agrees to pay for Services herein pursuant to the terms and conditions of the following:

- a) The Rate Schedules R1 and T1 as they may be amended from time to time by the Ontario Energy Board; and
- b) This Contract and the attachments hereto.

6 NOTICES

Notices shall be delivered pursuant to the Notice provision of the General Terms and Conditions and delivered to the addresses as referenced in Schedule 1.

7 AMENDMENTS TO GENERAL TERMS AND CONDITIONS

Section 2.02

Force Majeure Declared by Union is deleted and replaced with the following:

“Section 2.02 Force Majeure Declared by Union

During a Force Majeure declared by Union, Customer will only be relieved of the charges applicable to that part of the Services not available to Customer as a result of the Force Majeure. Union will not be responsible for any Transporter charges.”



Section 3.02

Suspension of Service is deleted and replaced with the following:

"Section 3.02 Suspension of Service

If Customer is the defaulting party and the default is material, Union reserves the right to suspend any or all of the Services and such suspension shall not relieve Customer from paying any charges payable under this Contract."

Section 6.03

Parties Responsibilities is deleted and replaced with the following:

"Section 6.03 Parties Responsibilities

If the Gas being received by Union from Customer or delivered by Union to Customer fails at any time to conform to any of the specifications set forth in this Section 6, the party receiving such Gas shall notify the delivering party of such deficiency and thereupon the party receiving the Gas may, at its option, refuse to accept receipt of Gas pending correction by the party delivering the Gas. Notwithstanding any other provisions of the Contract, neither party is responsible for any loss, damage, or injury arising from such failure unless there is a finding of gross negligence or willful misconduct."

Section 12.11

a) Confidentiality is deleted and replaced with the following:

"a) Confidentiality as outlined in Section 12.06 for a period of five years from the termination or expiry,"

Section 12.16

Consequential Claims or Damages is deleted and replaced with the following:

"Section 12.16 Consequential Claims or Damages

Notwithstanding any other provisions of this Contract, neither party shall be responsible for consequential or indirect damages. This provision shall survive the termination or expiration of this Contract."

8 CONTRACT SUCCESSION

This Contract replaces all previous Gas Storage and Distribution Contracts, subject to settlement of any Surviving Obligations.

The undersigned execute this Contract as of the above date.

UNION GAS LIMITED

CUSTOMER

I have the Authority to bind the Corporation, or Adhere C/S, if applicable

Stephen W. Baker

Vice President

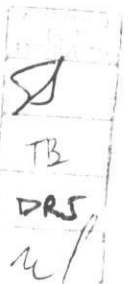
Business Development & Commercial Accounts

I have the Authority to bind the Corporation, or Adhere C/S, if applicable

R. Huizingh

President & Managing Director

May 25/07



Contract ID	SA
Contract Name	LANXESS T1
DUNS#	

Schedule 1
DCQ, Storage and Distribution Services Parameters
Rate T1

1 DATES

This Schedule 1 is effective on the 1st day of October, 2006 for Storage Services and November 1, 2006 for Receipt and Delivery Services.

The first Contract Year for all Services shall expire at the end of October, 2007.

2 DAILY CONTRACT QUANTITY (DCQ)*

Upstream Point(s) of Receipt

Location	Obligated DCQ GJ per Day
Western	
Western (Exchange)	

Ontario Point(s) of Receipt

Location	Obligated DCQ GJ per Day	Location	Obligated DCQ GJ per Day	Location	Obligated DCQ GJ per Day
Parkway	19,010	Dawn-Vector		Ojibway	
Parkway(Trunkline)		Dawn-Vector(VS)		St. Clair	
Parkway (PEPL)		Dawn	1,000	Bluewater	

* Obligated DCQ does not include Compressor Fuel.

3 SUPPLY OF COMPRESSOR FUEL

Customer shall supply compressor fuel for Union's distribution and storage services.

4 STORAGE PARAMETERS

Parameter	Amount	Unit of Measure
Firm Storage Space	206,000	GJ
Firm Injection/Withdrawal Right (Union provides deliverability inventory)		GJ per Day
Interruptible Injection/Withdrawal Right (Union provides deliverability inventory)		GJ per Day



5 DISTRIBUTION PARAMETERS

Point(s) of Consumption

	A	B	C	D
Location	LANXESS-East 0 Vidal St.S. 80 m N Tashmoo & Churchill	LANXESS-West 0 Vidal St St SW Corner Ave E & 5 th ST	LANXESS –SRCP 1741 River Road	
Union Meter Number	02007875	00500014	22222222	

	Unit of Measure	Point(s) of Consumption			
		A	B	C	D
Daily Contract Demand (CD):					
Firm Demand	m ³ /Day	10,000	10,000	10,000	
Interruptible Demand	m ³ /Day			10,000	
Maximum Hourly Volume	m ³ /hour	10,000	10,000		
Minimum Gauge Pressure	kPa	100	100		
Notice Period for Interruption	Hours			1	
Maximum Number of Days Interruption	Days			1	

Rate Parameters

	Unit of Measure	Point(s) of Consumption			
		A	B	C	D
Interruptible Commodity Charge	cents per m ³			1.25	

On any Day, any Gas in excess of 103% of the Contract Demand shall be unauthorized overrun as, and shall be paid for at the rate specified in the Rate Schedule.

The parties agree that any reference to Transportation Service in the Rate Schedule shall include the Distribution Parameters as set out in this Schedule 1.

On any Day during the Contract Year, Gas usage shall be deemed as follows:

First gas used	Firm Gas up to the Firm Contract Demand then in effect.
Next gas used	Interruptible Gas (if applicable) up to the Interruptible Contract Demand then in effect.
Overrun gas	As specified in this Section.

6 MINIMUM ANNUAL VOLUME ("MAV")

	Unit of Measure	Point(s) of Consumption			
		A	B	C	D
Firm MAV	m ³ /year				
Interruptible MAV	m ³ /year				

7 CONTACT LIST FOR NOTICES

Notices for Nomination Matters

LANXESS Inc.
 Manager, Energy & Purchasing Stores
 1265 Vidal St., Sarnia, ON N7T 7M2
 Phone: 519-337-8251 ext.7784
 Fax: 519-339-7862

Union Gas Limited
 Manager, Gas Management Services
 50 Keil Dr N, Chatham Ontario N7M 5M1
 Phone: 519-436-4545
 Fax: 519-436-4635

Notices for Invoices and Payments

LANXESS Inc.
 Attention : Manager, Energy and Purchasing Stores
 P. O. Box 3001, Sarnia ON N7T 7M2

Union Gas Limited
 Manager, Revenue Cycle Services
 50 Keil Dr N, Chatham Ontario N7M 5M1
 Phone: 519-352-3100
 Fax: 519-436-5320

Notices for Interruptions and Force Majeure

	Point(s) of Consumption			
	A	B	C	D
Customer Name	LANXESS Inc.			
Position Title	Manager, Energy and Purchasing and Stores			
Phone	519-337-8251 extension 7784			
Fax	519-339-7862			

Notices for All other Matters

LANXESS Inc.
 Manager, Energy and Purchasing Stores
 1265 Vidal St., Sarnia ON N7T 7M2
 Phone: 519-337-8251 ext 7784
 Fax: 519-339-7862

Union Gas Limited
 Manager, Customer Support
 50 Keil Dr N, Chatham Ontario N7M 5M1
 Phone: 519-352-3100
 Fax: 519-436-4645



SCHEDULE "2"
Terms and Conditions
T1 Contract

1 UPSTREAM TRANSPORTATION COSTS

Where Union is receiving Gas from Customer at a Point of Receipt upstream of Union's system, Customer shall be responsible to Union for all direct and indirect upstream transportation costs including fuel from the Point of Receipt to Union's system, whether Gas is received by Union or not for any reason including Force Majeure. Where actual quantities and costs are not available by the date when Union performs its billing, Union's reasonable estimate will be used and the appropriate reconciliation will be done in the following month.

2 DELIVERY, RECEIPT, DISTRIBUTION AND STORAGE OBLIGATIONS

2.01 Delivery

Customer accepts the obligations to deliver the Obligated DCQ parameters in Schedule 1 to Union on a Firm basis. On days when an Authorization Notice is given, the DCQ parameters are as amended in the Authorization Notice. For all Gas to be received by Union at the Upstream Point of Receipt, Customer shall, in addition to the DCQ, supply on each day sufficient Compressor Fuel as determined by the Transporter.

For all Obligated quantities of Gas actually received by Union at a Receipt Point, Union will pay Customer the Delivery Commitment Credit ("DCC") in Union's R1 Rate Schedule.

If a customer fails to deliver the Obligated DCQ, Union can demand that the DCC provided to Customer be retroactively refunded to Union for quantities Union determines were not Firm. This will only apply to quantities delivered as part of the current Contract Year. Union will not resume paying the DCC until Customer can substantiate to Union's satisfaction that the Gas received is Firm.

2.02 Receipt

Union agrees to receive a quantity of Gas at the Points of Receipt identified in Schedule 1, provided Union is not obligated to accept quantities of Gas that exceed any of the following:

- a) the sum of the Obligated DCQ as authorized for that Day;
- b) the amount properly nominated by Customer to Union for receipt by Union;
- c) an amount that would result in Customer exceeding the Firm Storage Space;
- d) an amount that would result in Customer exceeding the Firm Injection Right.

2.03 Distribution to Point(s) of Consumption

Union agrees to distribute a quantity of Gas to each Point of Consumption, not to exceed the sum of Firm Contract Demand and Interruptible Contract Demand, or the Firm Contract Demand only when an interruption is in effect, subject to the Maximum Hourly Volume parameters.



2.04 Storage Injection

Union agrees to inject a quantity of Gas to storage, provided Union is not obligated to inject a quantity of Gas that exceeds the sum of the Firm Injection Right and, if applicable, the Incremental Firm Injection Right.

2.05 Storage Withdrawal

Union agrees to withdraw a quantity of Gas from storage, provided Union is not obligated to withdraw a quantity of Gas that exceeds the Firm Withdrawal Right or exceeds the quantity of gas remaining in the Customer's Firm Storage Space.

2.06 Overrun

Unless Union specifically provides written authorization to exceed contract parameters, any excess shall be unauthorized overrun and, in addition to any other remedies Union may pursue, Customer shall incur charges as referenced in the Rate Schedule.

2.07 Type Of Distribution Service

The type of Distribution Service herein shall be a combination of Firm and Interruptible Service for each Point of Consumption as identified in Schedule 1.

The Interruptible Contract Demand at a Point of Consumption is subject to interruption by Union and, in addition to Force Majeure, is limited to the Maximum Number of Days of Interruption during each Contract Year as identified in Schedule 1. Union shall provide Customer notice of interruption not less than the Notice Period for Interruption for each Point of Consumption, as identified in Schedule 1.

3 MINIMUM ANNUAL VOLUME

3.01 Firm Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Firm Minimum Annual Volume ("FMAV") as adjusted in the formula below. The payment required for the firm quantity not consumed in any Contract Year (the "Firm Deficiency Volume" or "FDV") shall be calculated by multiplying FDV by the Firm Delivery Commodity Charge as of the last day of the Contract Year. This payment would only apply if the FDV was greater than zero.

Where:

$$FDV = [FMAV \times [(U - D_F) / U]] - [FV - (F + O)]$$

And:

FMAV	=	Firm Minimum Annual Volume (as identified in Schedule 1)
U	=	number of days in the Contract Year
D_F	=	number of days of Force Majeure in the Contract Year where service is curtailed below the Firm Contract Demand, then in effect



FV	=	total firm volume taken in the Contract Year
F	=	volumes delivered to the Points of Consumption during Force Majeure
O	=	total Authorized and/or Unauthorized Overrun Gas taken in the Contract Year

3.02 Interruptible Minimum Annual Volume

In each Contract Year, the Customer shall consume or, in any event, pay for the Interruptible Minimum Annual Volume ("IMAV") as adjusted in the formula below. The payment required for the interruptible quantity not consumed in any Contract Year (the "Interruptible Deficiency Volume" or "IDV") shall be calculated by multiplying the IDV by the Interruptible Delivery Commodity Charge as of the last day of the Contract Year. This payment would only apply if the IDV was greater than zero.

Where:

$$IDV = [IMAV \times [(U - D_I) / U]] - [IV - (F + O)]$$

And:

IMAV	=	Interruptible Minimum Annual Volume (as identified in Schedule 1)
U	=	number of days in the Contract Year
D_I	=	number of days of Force Majeure or interruption in the Contract Year where service is curtailed below the Firm Contract Demand, then in effect
IV	=	total interruptible volume taken in the Contract Year
F	=	volumes delivered to the Points of Consumption during Force Majeure or periods of interruption or curtailment
O	=	total Authorized and/or Unauthorized Overrun Gas taken in the Contract Year

3.03 Qualifying Annual Volume

The sum of the adjusted FMAV and adjusted IMAV shall not be less than the qualifying annual volume defined in the Rate Schedule.

4 CUSTOMER SUPPLIED DISTRIBUTION AND STORAGE COMPRESSOR FUEL

Customer shall have the option of supplying Compressor Fuel to Union for movement of Customer's Gas on Union's system for both Distribution and Storage services. Customer's right to supply Compressor Fuel herein shall only be effective where Schedule 1 states Customer has accepted this option.

4.01 Distribution Compressor Fuel Quantity

If Customer has elected to supply its own distribution compressor fuel, Union shall, on a daily basis, deduct the distribution fuel quantity from the Gas received from Customer. The distribution fuel quantity shall be equal to the quantity of Gas for which a distribution commodity charge applies multiplied by the distribution fuel ratio specified in the Rate Schedule.



4.02 Storage Compressor Fuel Quantity

If Customer has elected to supply its own storage compressor fuel, Union shall reduce Customer's storage inventory by a quantity equal to the "Storage Fuel Quantity". The "Storage Fuel Quantity" shall be the sum of the injection and withdrawal quantities for which a commodity charge applies, multiplied by the storage fuel ratio specified in the Rate Schedule.

5 ENERGY CONVERSION

Balancing of Gas receipts by Union with Gas distributed to Customer is calculated in energy. The distribution to Customer is converted from volume to energy at the Customer site-specific heat measurement value.

Site-specific heat measuring equipment will be supplied, installed and maintained by Union Gas at each Point of Consumption, or as determined necessary by Union Gas, at the Customer's expense. The resulting heat value adjustment quantity shall be applied to the Customer's storage account.

6 STORAGE SERVICES

6.01 Storage Injection and Withdrawal

Subject to Section 2, if on any Day the quantity of Gas Union receives from Customer exceeds the quantity distributed to Customer, the amount of such excess shall be deemed to have been injected into Customer's storage account.

Subject to Section 2, if on any Day the quantity of Gas Union distributed to Customer exceeds the quantity received from Customer, the amount of such excess shall be deemed to have been withdrawn from Customer's storage account.

6.02 Deliverability Inventory Provided By Customer

If Customer has agreed to supply their own deliverability inventory, Customer's right to withdraw Gas under the Firm Withdrawal Right shall be adjusted between January 1 and April 30. During this period, if Customer's inventory level in storage at the start of each Day is less than 20% of Storage Space entitlement then Customer's Firm Withdrawal Right will be adjusted in accordance with the following formula:

$$AFW = FW \times (I / CDI)$$

Where:

AFW	=	Adjusted Firm Withdrawal
FW	=	Firm Withdrawal Right
I	=	Actual Inventory at the beginning of each Day
CDI	=	Customer Deliverability Inventory (Lesser of: $0.2 \times SP$ or $FW/0.075$)

where: **SP** = Firm Storage Space

6.03 Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a contract for Storage Service with Union then, except as authorized by Union, any Gas balance remaining in Customer's Storage Space shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in the T1 Rate



Schedule. Customer shall incur such charge until the Gas balance remaining has been reduced to zero.

7 CUSTOMER'S FAILURE TO DELIVER GAS

7.01 Customer's Failure To Deliver Obligated DCQ to Union

If on any Day, for any reason, including an instance of Force Majeure, Customer fails to deliver the Obligated DCQ to Union then such event shall constitute a Failure to Deliver as defined in the General Terms and Conditions. The Failure to Deliver rate in the R1 Rate Schedule shall apply to the quantity Customer fails to deliver. The upstream transportation costs (if any) (Section 1) shall also apply and be payable by Customer.

For Gas that should have been received, Union may make reasonable attempts, but is not obligated to acquire an alternate supply of Gas ("Alternate Supply Gas"). Union's costs and expenses associated with acquiring Alternate Supply Gas will be payable by Customer. For greater certainty, payment of the Failure to Deliver charge is independent of and shall not in any way influence the calculation of Union's costs and expenses associated with acquiring the said Alternate Supply Gas.

Union's obligation to deliver Gas to the Point(s) of Consumption shall be reduced to a quantity of Gas (the "Reduced Distribution Obligation") in aggregate not to exceed the sum of:

- a) The confirmed Nomination quantity of Gas to be delivered to Union;
- b) Alternate Supply Gas if acquired by Union;
- c) Customer's Firm Withdrawal Right subject to Section 6.02.

In addition to any rights of interruption in the Contract, if the Customer consumes Gas in excess of the Reduced Distribution Obligation, Union may immediately suspend deliveries of Gas to the Point(s) of Consumption. In addition, Union may direct Customer to immediately curtail or cease consumption of Gas at the Point(s) of Consumption.

Customer shall immediately comply with such direction. Such suspension or curtailment shall not constitute an interruption under the Contract.

Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of Union exercising its rights under this Section.

7.02 Notice Of Failure

Each Party shall advise the other by the most expeditious means available as soon as it becomes aware that such failure has occurred or is likely to occur. Such notice may be oral, provided it is followed by written notice.

7.03 Customer Failure To Deliver Compressor Fuel

For Gas to be delivered by Customer to Union at an Upstream Point of Receipt, if Customer fails to deliver sufficient Compressor Fuel then in addition to any other remedy Union shall deem the first Gas delivered to be Compressor Fuel and Section 7.01 will apply.



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GENERAL TERMS AND CONDITIONS

1 NOMINATION REQUIREMENTS FOR INFRANCHISE CONTRACTED SERVICES

Customers with contracted services requiring Nominations to Union must submit Nominations to Union in accordance with Union's Nomination provisions. These Nominations must be submitted to Union via fax or Unionline where available for Nominations.

Union follows the North American Energy Standard Board (NAESB) timeline standards providing for 4 available Nomination cycles for each Gas Day. Each of the Nomination cycles follows the same process sequence: Nomination, acceptance, confirmation and scheduling.

1.01 Nomination Cycle Timelines

The table below identifies the deadlines for each of the 4 standard Nomination cycles. All times are identified as Eastern Clock Time (ECT)

Nomination Cycle	Fax Deadline	Unionline Deadline (where available)	Scheduling Deadline	Effective Flow
Timely (Cycle 1)	1130 hours	1230 hours	1730 hours	1000 hours
Evening (Cycle 2)	1800 hours	1900 hours	2300 hours	1000 hours

Intra-Day Nominations can be used to modify nominated quantities on the current Gas Day.

Nomination Cycle	Fax Deadline	Unionline Deadline (where available)	Scheduling Deadline	Effective Flow
Intraday 1 (Cycle 3)	1000 hours	1100 hours	1500 hours	1800 hours
Intraday 2 (Cycle 4)	1700 hours	1800 hours	2200 hours	2200 hours

1.02 Nomination Deadline for Services requiring Union to Nominate on Other Pipelines

The Nomination deadline for any contracted services (ie. exchanges) requiring Union to nominate on upstream pipelines is 10:30 ECT. These services are only offered on the Timely Nomination Cycle. If nominated after 10:30 ECT and before the close of the Timely Nomination deadline Union will attempt to accommodate on a reasonable efforts basis. Union does not accept changes to the nominated quantities for these services after the close of the Timely Nomination deadline.

1.03 Nomination Quantities (Units)

All Services are required to be nominated in whole Gigajoules (GJ's)



1.09 Parkway Call

This Section 1.09 is only applicable to Rates U2, U5, U7 and U9. Union shall advise Customer of the Parkway Call requirement on or before 1730 hours on the day immediately preceding the Gas Day for which the Parkway Call is required.

After being notified by Union but no later than 1900 hours on the same day, Customer shall provide a revised Nomination to Union, which shall include the entire Parkway Call. If a revised Nomination acceptable to Union is not provided by 1900 hours or does not include the entire Parkway Call, a Failure to Deliver will be deemed to have occurred, and the Failure to Deliver section in Schedule 2 the Contract shall apply.

2 FORCE MAJEURE

In the event that either Customer or Union is rendered unable, in whole or in part, by Force Majeure, to perform or comply with any obligation or condition of this Contract then, subject to the provision of this Section 2, the obligations (other than the obligations to make payment of money then due) of both parties so far as they are directly related to and affected by such Force Majeure, shall be suspended during the continuance of the Force Majeure.

The party claiming Force Majeure shall give Notice, with full particulars of such Force Majeure, to the other party as soon as possible after the occurrence of Force Majeure.

The party claiming Force Majeure shall also give Notice to the other party as soon as possible after the Force Majeure is remedied in whole or part.

Force Majeure means:

- a) Acts of God, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to its machinery or equipment or lines of pipe;
- b) freezing or failure of wells or lines of pipe; curtailment of firm transportation and/or firm storage by Transporters;
- c) strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections, civil disturbance, acts of terrorism, wars, arrests or restraint of governments and people;
- d) any laws, orders, rules, regulations, acts of any government body or authority, civil or military;
- e) any act or omission by parties not controlled by the party claiming Force Majeure; and
- f) any other similar causes not within the control of the party claiming Force Majeure

which by the exercise of due diligence such party is unable to prevent or overcome. The party claiming Force Majeure shall make reasonable efforts to avoid, or correct the Force Majeure and to remedy the Force Majeure once it has occurred in order to resume performance.



to remedy such default. If the defaulting party fails to fully remedy the party not in default for all consequences of such default within a period of ten (10) Business Days from receipt of such Notice, this Contract may be terminated by Notice from the party not in default.

These rights 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.

If either party makes an assignment in bankruptcy, is a party against whom a receiving order is made, or for whom a receiver or monitor has been appointed under a security agreement or by a court or any similar action under any law, the other party may terminate the Contract immediately, except where not permitted by such law.

3.02 Suspension of Service

If Customer is the defaulting party and the default is material, Union reserves the right to suspend any or all of the Services and such suspension shall not relieve Customer from paying any charges.

An event of default giving rise to Union's right to suspend shall include a failure to pay Union when payment is due, a failure to provide financial assurances when required under section 5.04, and a Failure to Deliver. In all cases, the materiality of the default shall be determined by the parties hereto, acting reasonably.

3.03 Effect of Termination

Notwithstanding the termination of this Contract, each party shall continue to be liable to pay on the terms herein specified any amount accrued and payable up to the time of termination. Termination will be without waiver of any other remedy to which the party not in default may be entitled including breaches of contract, for past and future damages, and losses.

4 NOTICE

All Notices required hereunder shall be in writing and shall be sufficiently given and received if personally delivered or sent by mail or Unionline or facsimile to the address of the party to which the Notice is given specified in Schedule 1.

Personally served Notice is deemed to be received when actually delivered.

Notice sent by mail or Unionline is deemed to have been received when actually received.

Notice sent by facsimile is deemed to have been received on the date of receipt of the transmission.

Notwithstanding the above, any Notice or Unionline communication, received after 5pm or on a weekend or a statutory holiday is deemed to be received on the next Business Day.

The addresses of Customer and Union for receipt of Notices are as set out in Schedule 1 and such addresses may be changed by Notice given in accordance with this Section 4.

Email is not an acceptable form of Notice.



- a) an amount equal to 60 days of all Union Services; and,
- b) if Customer holds a temporary capacity assignment from Union of a third party asset (for example, upstream pipeline capacity), an amount equal to the higher of 60 days of all charges for the third party asset, or security equivalent to that which may be required by the third party asset provider as if Customer held the asset directly; and,
- c) if Customer supplies their own Gas, an amount equivalent to the value, as determined by Union, of any current or projected negative Banked Gas Account balance.

Customer may provide Union such financial assurances in the form of cash, letters of credit, guarantees or such other form as may be agreed upon between Customer and Union.

In the event that Customer fails to provide financial assurances as set out above, the termination and suspension provisions in Section 3 may apply.

Where Customer has provided financial assurances to Union, and the grounds for requesting such financial assurances have been removed so that Customer's creditworthiness under the Contract has become satisfactory, then Customer may request the return of such financial assurances from Union by written Notice. Upon receipt of such written Notice Union shall have 14 days to return such financial assurances to Customer.

5.05 Non-Payment Remedy

If Customer shall be indebted (whether past, present, or future, liquidated or unliquidated) to Union, under this Contract, Union has the right to reduce any amount payable by Union to Customer under this Contract by an amount equal to the amount of such indebtedness to Union.

As part of this remedy, Union may take title to any or all of Customer's Gas in Union's possession. Such Gas shall be valued at the day price for Gas at Dawn as listed in Canadian Gas Price Reporter for the day of non-payment.

6 QUALITY

6.01 Natural Gas Quality

In any Month, the minimum average gross heating value of the Gas received by Union from Customer and delivered to Customer by Union shall be thirty six (36) Megajoules per Cubic Metre. Gas shall not contain more than twenty three (23) milligrams of hydrogen sulphide per Cubic Metre nor four hundred and sixty (460) milligrams of total sulphur per Cubic Metre of Gas, as determined by standard methods of testing.

6.02 Freedom from Objectionable Matter

The Gas received by Union and delivered to Customer hereunder shall be free (at prevailing pressure and temperature in Union's pipeline at the Point of Receipt or Point of Consumption, as the case may be) from dust, or other solids or liquids which cause injury to, or interfere with proper operation of the lines, regulators, or meters through which it flows.



If Customer notifies Union that it desires a special test, the expense of any such test shall be borne by Customer if the measuring equipment tested is found to be in error by two per cent (2%) or less. In this event, previous recordings shall be considered accurate, but such equipment shall be adjusted to record as near to absolute accuracy as possible. If the special test shows a percentage of inaccuracy greater than two percent (2%), the expense of the test will be borne by Union and the financial adjustment shall be calculated in accordance with the Act and Regulations thereunder, in accordance with any successor statutes and regulations. Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period.

7.05 Correction of Metering Errors - Failure Of Meters

In the event a meter is out of service, or registered inaccurately, the volume or quantity of Gas shall be determined by Union as follows:

- a) by using the registration of any check meter or meter, if installed and accurately registering; or, in the absence of (a) then;
- b) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or in the absence of both (a) and (b), then;
- c) by estimating the quantity of Gas delivered during periods under similar conditions when the meter was registering accurately.

8 POSSESSION OF AND RESPONSIBILITY FOR GAS

8.01 Point of Receipt and Point of Consumption Controls

As between Union and Customer, control, responsibility, and possession of all Gas received and/or delivered and transported hereunder shall pass from the delivering party to the receiving party at the Points of Receipt and the Points of Consumption as applicable.

8.02 Title to the Gas

Each party warrants that it owns or controls, has the right to deliver or have delivered to the other party, Gas that is free and clear of any lien, mortgage, security interest or other encumbrance whatsoever. The delivering party shall indemnify and hold harmless the receiving party from all claims, actions, or damages arising from any adverse claims by third parties claiming an ownership or an interest in such Gas.

8.03 Common Carrier and Insurance

To further clarify the relationship between Union and Customer, Union is not a common carrier and Union is not an insurer of Customer's Gas.

8.04 Right to Commingle the Gas

Union shall have the right to commingle and use the Gas received under this Contract with Gas owned by Union or others and deliver such commingled Gas to Customers.



- e) *(Subsection 10(e) is only applicable to Agent)*
any dispute arising out of any aspect of the relationship between the Agent and Customer;
- f) all costs and expenses including, without limitation, legal fees, incidental to or in respect of the foregoing;
- g) any negligence or wilful misconduct.

This indemnity shall survive the termination or expiration of the Contract.

11 REPRESENTATIONS AND WARRANTIES BY AGENT

The Agent hereby represents and warrants to Union as follows and confirms that Union is relying upon the accuracy of each of such representations and warranties in connection with the execution of this Contract by Union and the acceptance of its rights and obligations hereunder:

- a) the Agent is the duly appointed agent of the Customers and, in such capacity, is entitled to enter into this Contract on behalf of the Customers and to act on their behalf hereunder;
- b) Union is entitled to rely on anything done or any document signed by the Agent on behalf of the Customers, or any of them, in respect of this Contract as if the action had been taken or the document had been signed by the Customers; and
- c) payments made by the Customers to Union pursuant to invoices shall be made without any right of deduction or set-off regardless of any rights the Customers may have against the Agent.

12 MISCELLANEOUS PROVISIONS

12.01 Interpretation

12.01-1 Definitions and Industry Usage

Capitalized terms and certain other terms used in this Contract and not specifically defined shall have the meaning set forth in these General Terms and Conditions and/or Union's Rate Schedule. Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the exploration, production, transmission, storage, and distribution or sale of natural Gas in Canada have an accepted meaning shall have that meaning.

12.01-2 Expanded Meaning

In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- a) words importing the singular shall include the plural and vice versa;
- b) words importing the gender shall include the masculine, feminine and neuter genders; and



12.07 Priority of Service

Despite any other provision of this Contract, when the use of Gas or Service is curtailed or restricted, by order of any authorized government agency, or by Force Majeure, Customer shall, in accordance with the direction of Union, curtail or discontinue use of Gas or Service during the period in which such Gas or Service is so jeopardized. Union shall not be liable for any loss of production or for any damages whatsoever by reason of such curtailment or discontinuance or because of the length of advance Notice given directing such curtailment or discontinuance. However, Union shall use its reasonable efforts to provide Notice as soon as possible to Customer, of such curtailment or discontinuance of Gas or Service as aforesaid.

12.08 Waiver and Future Default

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

12.09 Laws, Regulations and Orders

This Contract and the respective rights and obligations of the Parties hereto are subject to all present and future valid laws, statutes, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction. The Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency, which affects any of the provisions of this Contract.

12.10 Right to Contract

Customer hereby represents and warrants to Union that it or its Agent has the sole right to enter into this Contract for each of the Points of Consumption, for the term of this Contract.

12.11 Surviving Obligations

Despite the termination or expiry of this Contract, the following defined provisions shall remain in full force and effect in accordance with their terms and shall survive termination or expiry. The term of the survival shall be for the period referenced in this section.

- a) confidentiality as outlined in Section 12.06
- b) liability and Gas balancing obligations to the extent any liabilities and Gas balancing obligations have accrued prior to the date of termination or expiry of this Contract, and may continue as a result of an event occurring prior to the termination or expiry of this Contract (for the period until all liabilities and Gas balancing and reconciliations have been completed)
- c) Settlement of accounts; rights to set off; calling any Letter of Credit; collecting on any security (for the period until all accounts have been settled).



12.18 Amendment

Union may from time to time incorporate updates to Schedule 2 and/or the General Terms and Conditions which are intended to be applicable to all of Union's customers on non-discriminatory basis. Union will notify Customer not less than 60 days prior to the effective date of the update and post the update on Union's website. Union will notify Customer again not less than 30 days prior to the effective date of the update. If 10 Business Days prior to the effective date, Customer has not provided Notice to Union objecting to the update, then Customer will be deemed to have accepted the revised Schedule 2 and/or General Terms and Conditions, as the case may be, which shall, as of the effective date, apply to this Contract. If Customer has provided Notice objecting to the update, the revision shall not apply to this Contract.

12.19 Counterparts

This Agreement may be executed in several counterparts, each of which so executed being deemed to be an original. Such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution shall be deemed to be made and dated as of the date hereof.

13 DEFINITIONS

Except where this Contract expressly states another meaning, the following definitions, when used in these Terms and Conditions or in this Contract and its Schedules, shall be construed to have the following meanings:

1. **"10³m³"** means one thousand (1000) cubic metres of Gas.
2. **"Act and Regulations"** means all relevant legislation or regulations applicable to the Services including but not limited to the following Ontario Acts: Ontario Energy Board Act 1988, Public Utilities Act, Energy Act, Municipal Franchises Act, Electricity and Gas Inspection Act 1982, and Electricity and Gas Inspection Regulations 1986.
3. **"Affiliate"** means with respect to the relationship between corporations that one of them directly and beneficially owns voting securities representing direct and beneficial ownership of not less than fifty-one percent (51%) of the equity capital of the other.
4. **"Average Heat Value"** means the average forecasted heating value of all Gas to be received by Union for the applicable Delivery Area for the applicable period.
5. **"Authorization Notice"** means the written approval provided by Union in response to Customer's request for a short-term amendment to certain contract parameters. Such Authorization Notice shall specify the approved amended parameters and the term for the amendment.
6. **"Business Day"** means any day upon which Union's head office in Chatham, Ontario, is normally open for business.
7. **"Bundled Service"** means a Service provided by Union under the Bundled T and Gas



sections titled Force Majeure; Service Curtailment; and Priority of Service of these Terms and Conditions.

23. **"Firm Entitlements"** means the quantity of Gas as set out in Schedule 1, which Customer will nominate and deliver to Union and Union shall, receive at each Receipt Point.
24. **"FT Toll"** means the transportation toll and all other applicable costs in effect for such day on the applicable Transporters system for firm transportation service calculated at 100% load factor.
25. **"Gas"** means Gas as defined in the Ontario Energy Board Act, 1998, as amended, supplemented or re-enacted from time to time, which may be commingled supplies.
26. **"Gas Distribution Contract"** means a written Contract, (or the unwritten Contract for General Service), to provide Services to the Consumption Point of End User.
27. **"Gas Marketers License"** means the license required to carry on business as a Gas marketer as set out in the Part IV of the Ontario Energy Board Act 1998.
28. **"Interruptible"** means any gas services subject to interruption, after being notified by Union.
29. **"Interest"** means the minimum commercial lending rate of Union's principal banker for the relevant period.
30. **"Joule"** (J) means the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "Megajoule" (MJ) shall mean 1,000,000 Joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 Joules.
31. **"Manitoba, Western, Northern, Sault Ste. Marie, Central, and Eastern Delivery Areas"** means the receipt zones of Union which are defined as the delivery zones of TCPL for service under its applicable toll schedules.
32. **"Month"** means a period beginning at 10:00 a.m. (Eastern Clock Time) on the first day of the calendar month and ending at the same hour on the first day of the next succeeding calendar month.
33. **"Nomination"** means a request to Union for a Gas Service in accordance with Union's nomination provisions.
34. **"Non-Obligated"** means any quantities of Gas that are not committed to be delivered by Customer and received by Union on a Firm basis.
35. **"Obligated"** means that volume of Gas which Customer is Obligated to deliver to Union on a Firm basis at the Points of Receipt.
36. **"OEB"** means the Ontario Energy Board.



exchange.

52. **"When Available"** means any interruptible Gas service that is available based on Union's sole discretion after Firm and Interruptible services have been exhausted and is priced at the interruptible rate in the applicable Rate Schedule.
53. **"Western"** means the points of receipt on the TCPL system where Union is able to receive Gas.
54. **"Year"** means a period of 365 days; provided, however, that any such Year, which contains a date of February 29, shall consist of 366 days.



Appendix B

FIRST AMENDING AGREEMENT

THIS AGREEMENT effective as of August 15, 2007, between Union Gas Limited (“**Union**”) and LANXESS Inc. (“**LANXESS**”):

WHEREAS Union and LANXESS entered into a Gas Storage and Distribution Contract dated as of October 15, 2006 (the “**Contract**”);

AND WHEREAS, pursuant to the Capstone Agreement, dated March 28, 2001 between Union, LANXESS and other parties, the term of the Sarnia Regional Cogeneration Project (“**SRCP**”) portion of this Agreement shall end October 31, 2012 and remains unchanged;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Amendment.** The Contract is hereby amended as follows:
Section 3 **CONTRACT TERM** is deleted in its entirety and replaced with the following:

3 CONTRACT TERM

a) Storage Services

The Storage Services shall commence on October 1, 2006 and continue until October 31, 2012, and continuing thereafter on a year to year basis unless written notice to terminate is provided by one party to the other at least ninety (90) days prior to the expiration of the then current term.

b) Receipt Services and Distribution Services

a) LANXESS East and LANXESS West

Receipt Services and Distribution Services shall commence on November 1, 2006. Subject to the provisions hereof, this Contract shall continue for each Contract Year until notice to terminate is provided by either Union or Customer. Such Notice must be delivered at least three (3) months prior to the end of the Contract Year.

b) **LANXESS SRCP**

Receipt Services and Distribution Services shall commence November 1, 2006 and continue until October 31, 2012, and continuing thereafter on a year to year basis unless written notice to terminate is provided by one party to the other at least ninety (90) days prior to the expiration of the then contact term.

2. **Acknowledgement.** The parties acknowledge that save as otherwise indicated herein, the Contract shall continue unamended, is in all respects confirmed, ratified and preserved.

3. **Further Assurances.** The parties shall, at all times hereafter at the reasonable request of the other, execute and deliver to the other all such further documents and instruments and shall do and perform such acts as may be necessary to give full effect to the intent and meaning of this Agreement.

4. **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the Laws of the Province of Ontario, without regard to the principles governing the conflict of laws.

5. **Counterparts.** This Agreement may be executed in any number of counterparts. Each executed counterpart shall be deemed to be an original. All executed counterparts taken together shall constitute one agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

LANXESS INC.

UNION GAS LIMITED

By: _____
Authorized Signature

By: _____
Authorized Signature