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November 9, 2010

VIA RESS, EMAIL and COURIER

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms Walli:

Re: EB- 2010-0333: Enbridge Gas Distribution Inc. ("Enbridge") – Pre-Approval of Long-Term Natural Gas Transportation Contract

The Ontario Energy Board's (the "Board") Filing Guidelines for the Pre-Approval of Natural Gas Supply and/or Upstream Transportation Contracts from the EB-2008-0280 proceeding (the "Guidelines") entitle Enbridge to apply for pre-approval of the cost consequences of a long-term natural gas transportation contract that supports the development of new infrastructure.

Enclosed is Enbridge's Application and supporting evidence seeking pre-approval of the cost consequences of a new long-term natural gas transportation contract that supports the development of new natural gas infrastructure.

The contract that Enbridge would like to execute is with TransCanada PipeLines Limited ("TCPL"), and has a ten-year term commencing November 1, 2012. The contract is for transportation from Niagara to Enbridge's CDA. That transportation path will allow Enbridge to obtain gas supply from Marcellus shale gas production. As set out in the supporting evidence, TCPL will have to undertake a construction project to construct or modify facilities to accommodate the transportation service offered under the contract.

Enbridge's supporting evidence, which is attached to the Application, addresses the requirements set out in the Guidelines and explains that the benefit of the contract with TCPL would be to provide Enbridge and its customers with improved security and diversity of gas supply. As explained in the supporting evidence, the cost consequences of the long-term transportation contract are prudent.

Enbridge was awarded the transportation capacity that is the subject of the contract with TCPL though an open season process earlier this year. Under the terms of that open season process, Enbridge must sign the contract with TCPL this month, but has until January 31, 2011 to terminate the contract without penalty. If the Board's approval of the cost consequences of the contract is not obtained on or before January 28, 2011, Enbridge will not proceed under the contract and will instead give notice of termination to TCPL.

In these circumstances, Enbridge respectfully requests that the Board establish an expedited process, in writing, to consider the approval of the cost consequences of Enbridge's contract with TCPL, so that the Board's decision may be issued by January 28, 2011.

Please contact me at (416) 753-6280 if you have any questions or wish to discuss this submission in more detail.

Yours truly,

Norm Ryckman
Director Regulatory Affairs

c.c.: D. Stevens, Aird & Berlis LLP

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an order or orders pre-approving the costs associated with a long-term gas transportation contract.

APPLICATION

1. The Applicant, Enbridge Gas Distribution Inc. ("Enbridge" or the "Company"), is an Ontario corporation with its head office in the City of Toronto. It carries on the business of selling, distributing, transmitting and storing natural gas within Ontario.

2. Enbridge Gas Distribution hereby applies to the Ontario Energy Board (the "OEB" or the "Board"), pursuant to section 36 of the *Ontario Energy Board Act, 1998* as amended (the "Act"), for an Order or Orders pre-approving the costs associated with a long-term gas transportation contract with TransCanada PipeLines Limited ("TCPL").

3. In the EB-2008-0280 proceeding, the Board indicated that it would consider applications for the pre-approval of the cost consequences of long-term contracts that support the development of new natural gas infrastructure. The Board issued Filing Guidelines for the Pre-Approval of Natural Gas Supply and/or Upstream Transportation Contracts (the "Guidelines") setting out the items to be included in any such Application. Enbridge's supporting evidence addresses the items set out in the Guidelines.

4. Through an open season process conducted by TCPL earlier this year, Enbridge has been awarded capacity for a long-term contract for transportation services from November 1, 2012 to October 31, 2022. These transportation services are for a path from a receipt point at Niagara Falls to the Kirkwall delivery point (until October 31, 2013) or to Enbridge's central delivery area ("CDA") (for the remainder of the contract

term). TCPL will have to undertake a construction project to construct or modify facilities to accommodate the transportation service offered under the contract.

5. The contract to be signed is a "Precedent Agreement", which will be replaced by a standard TCPL firm transportation ("FT") contract when the facilities necessary to support deliveries to CDA are in service. The new transportation services provided by TCPL under the contract would allow Enbridge to procure Marcellus shale gas supply. This will allow Enbridge to diversify its gas supply portfolio and increase its security of supply.

6. The contract is for "firm transportation" with a daily volume of 30,000 GJ, which would represent approximately 5% of Enbridge's current gas supply purchases. At current National Energy Board ("NEB") rates, the annual demand commitment is $991,000 CDN for the first year, and $1.325 million CDN for each of the remaining years of the contract. The average landed gas supply cost of the contract is competitive with costs for Enbridge's current transportation and supply contracts.

7. Under the terms of TCPL's open season process, Enbridge must sign the contract with TCPL before the end of November 2010, but has until January 31, 2011 to terminate the contract without penalty. Enbridge intends to sign the contract during November 2010. In the event that Board approval of the cost consequences of the contract is not received by January 28, 2011, Enbridge intends to provide TCPL with notice of termination of the contract.

8. Enbridge Gas Distribution therefore applies to the Board for such final and interim Orders as may be necessary to pre-approve the cost consequences associated with the contract over its ten year term. The Company further applies to the Board pursuant to the provisions of the Act and the Board's *Rules of Practice and Procedure* for such final and interim Orders and directions as may be necessary in relation to the Application and the proper conduct of this proceeding.

9. The persons affected by this Application are the customers of Enbridge Gas Distribution. It is impractical to set out the names and addresses of the customers because they are too numerous.

10. Enbridge does not believe that an oral hearing is required, and requests that the Board establish a process to determine this Application in writing such that a decision can be rendered on or before January 28, 2011.

11. Enbridge Gas Distribution requests that a copy of all documents filed with the Board by each party to this proceeding be served on the Applicant and the Applicant's counsel as follows:

Mr. Norm Ryckman
Director, Regulatory Affairs
Enbridge Gas Distribution Inc.

Address for personal service:	500 Consumers Road Willowdale, Ontario M2J 1P8
Mailing address:	P.O. Box 650 Scarborough, Ontario M1K 5E3
Telephone:	416-495-5499
Fax:	416-495-6072
E-mail:	egdregulatoryproceedings@enbridge.com

The Applicant's counsel:

Mr. David Stevens
Aird & Berlis LLP

Address for personal service and mailing address:	Brookfield Place, PO Box 754 Suite 1800, 181 Bay Street Toronto, Ontario M5J 2T9
Telephone:	416-865-7783
Fax:	416-863-1515
E-mail:	dstevens@airdberlis.com

DATED November 9, 2010 at Toronto, Ontario.

ENBRIDGE GAS DISTRIBUTION INC.

Per: ______________________

APPLICATION FOR PRE-APPROVAL OF A LONG TERM TRANSPORTATION CONTRACT

A. INTRODUCTION

1. Enbridge Gas Distribution Inc. ("Enbridge") participated in a New Capacity Open Season conducted by TransCanada Pipelines Limited ("TCPL") between July 5th, 2010 and August 25th, 2010. As a result Enbridge was awarded long term capacity from Niagara to the Enbridge central delivery area ("CDA") on the TCPL Mainline. Enbridge is seeking preapproval from the Ontario Energy Board (the "OEB" or the "Board") on or before January 28, 2011 to recover the resulting costs of this contract in rates over the ten year contract term.

2. The TCPL Open Season offered transportation services commencing September 1, 2011, or later, for paths with a receipt point of Niagara and delivery point of Kirkwall. Enbridge expressed interest in commencing service in 2012 from Niagara to Kirkwall, provided that this service switches over to the Enbridge CDA in 2013. Accordingly, the transportation service awarded by TransCanada is as follows;
   i. To the Kirkwall delivery point for the period November 1, 2012 to October 31, 2013,
   ii. To the Enbridge CDA for the period November 1, 2013 to October 31, 2022.

3. Both transportation paths are encompassed by a single contract referred to as the "Niagara to Enbridge CDA" contract in this application. Enbridge has received a Precedent Agreement ("PA") with an appended pro forma Firm Transportation ("FT") contract, and a Financial Assurance Agreement ("FAA"), collectively referred to as the "Agreements", for FT service from TCPL. TCPL's PA has an effective date of January 31st, 2011 beyond which EGD will incur a pro-rata share of capital expenditures expended to date in the event that it does not execute an FT contract.

EGD expects to provide TCPL with notice of cancellation of the FT contract if preapproval is not received on or before January 28, 2011.

4. The following is Enbridge's evidence supporting its request for OEB pre-approval of the cost consequences of the Niagara to Enbridge CDA contract. The evidence is based on the guidelines issued by the Board in EB-2008-0280 under which utilities may apply for preapproval of the cost consequences of the long-term contracts that support the development of new natural gas infrastructure.

5. Appendix A is a schematic of the Enbridge franchise in relation to the requested transportation paths. Appendices B, C and D include TCPL's pro forma PA, FT contract, and the FAA respectively.

6. The PA describes the rights and obligations of the shipper and TCPL until the facility is in service and a FT contract is executed. The FAA describes the mutual covenants between TCPL and the shipper to ensure financial security for the payment of the charges to be paid by the shipper pursuant to the Contract. It is Enbridge's understanding that every shipper awarded capacity in the New Capacity Open Season will be required to sign a standardized PA and that once the facilities are in service the PA will be replaced by an executed FT Service Contract.

B.1. NEED AND BENEFITS

7. Expected shifts in gas flows as a result of North American shale gas production and the resulting new pipeline infrastructure prompted Enbridge to consider further diversifying its natural gas supply portfolio. A recent study conducted by PIRA for Enbridge projected Marcellus production to reach 6.6Bcf/d by 2025. The Marcellus shale formation is located in the northeastern U.S. and extends through Pennsylvania, New York, Ohio and West Virginia. As such it is located close to

many natural gas markets in the northeast US and Ontario Canada. Enbridge's current transportation capacity does not have access to Marcellus supplies.

8. Increased production from many shale gas formations including Marcellus is expected to substantially alter pipeline flows from Canada to the northeast U.S.. Exports to the U.S. are expected to decline and imports from the U.S., specifically at Niagara and Chippawa, are expected to increase due to Marcellus production. As a result of these new supply sources pipeline operators interconnecting at Niagara and Chippawa have announced open seasons for new capacity and requested the FERC to grant export licenses to Canada.

9. The Niagara Falls interconnect is a border-crossing point between eastern Canada and the northeastern U.S., north of Niagara Falls, N.Y. It receives deliveries from the TCPL Mainline and connects with Tennessee Gas Pipeline, National Fuel Gas Supply, Dominion Transmission and Texas Eastern Transmission through the Niagara Spur Loop Line. This point serves as a major export point for Western Canadian Sedimentary Basin ("WCSB") gas serving the northeast U.S. region.

10. The Marcellus formation is in close proximity to Ontario and Enbridge's customers can benefit from this new supply source being transported through a well established pipeline network at Niagara. The Niagara to Enbridge CDA contract will improve security and diversity of supply and provides Enbridge with operational and contractual flexibility to meet natural gas demand in its franchise area. In addition, the ability to flow gas to Kirkwall, in conjunction with Union M12 and TCPL short haul services will provide Enbridge with the option to flow gas to either the Enbridge CDA or the Enbridge EDA in the winter to meet Enbridge's winter requirements. In

the summer, Enbridge could utilize its C1/M12x services with Union Gas to move this gas to storage at Dawn.

11. The number of system gas customers has grown in recent years due to migration of Direct Purchase customers to system gas. From a planning and operational perspective, seeking other economically viable supply improves system reliability and integrity. The Niagara to Enbridge CDA contract provides diversity benefits by accessing new, abundant and low cost Marcellus shale supply.

B.2. COSTS

12. The annual demand commitment for the Niagara to Kirkwall transportation path (November 1, 2012 to October 31, 2013) at the current approved NEB rate is $991,000 CDN/year and the annual demand commitment for the Niagara to Enbridge CDA transportation path (November 1, 2013 to October 31, 2022) at the current approved NEB rate is $1,325,000 CDN/year. The total cost for the 10 year term of the Niagara to Enbridge CDA contract at current rates is $12.9 million. An assessment of the landed costs (supply and transportation costs including fuel) for the Niagara to Enbridge CDA contract compared to possible alternatives is found in Appendix F.

13. The landed cost analysis is conducted using forecasted gas pricing, plus transportation tolls and fuel ratios in effect at the time Enbridge conducted its analysis in October of 2010. The analysis uses forecast gas prices at the supply sources over the 10 year term of the contract, and assumes that TCPL, Alliance and Vector tolls and fuel ratios remain constant for 10 years at their current levels.

14. The ten year average landed gas supply cost of the Niagara to Enbridge CDA contract is projected to be $6.69 Cdn/GJ. Based on the assumptions above, the

landed cost analysis indicates Niagara supply is comparable with Dawn and Vector and is cheaper then Alliance and TCPL supply from the WCSB.

C. CONTRACT PARAMETERS & CONTRACT DIVERSITY

15. The parameters for the Niagara to Enbridge CDA contract with TCPL are listed below:

- Transportation Provider: TCPL Pipeline
- Quality of Service: FT (Firm Transportation Service)
- Primary Term: November 1, 2012 through October 31, 2022
- Volume: 30,000 GJ/d
- Receipt Point: Niagara Falls
- Delivery Point:
    - Kirkwall: November 1, 2012 to October 31, 2013
        - Rate: TCPL NEB approved mainline toll, currently demand is at $2.75281/GJ/month
    - Enbridge CDA: November 1, 2013 to October 31, 2022.
        - Rate: TCPL NEB approved mainline toll, currently demand is at $3.67800/GJ/month
- Renewal Notice: Enbridge has the Renewal Option of extending the existing term of the Contract for a period of no less than one 1 year and revising the Contract Demand to a level no greater than the Contract Demand set out in the Contract, with 6 months prior notice.

16. Table A shows Enbridge's forecast of gas supply acquisition for 2011. Table B shows the impact of the new Niagara supply on forecast gas supply acquisition.

TABLE A				
Contract Type	Budgeted Gas Supply Acquisition - 2011			
	10^6m^3	Bcf	PJ	%
Western Canadian Supply	2,706.1	95.5	101.99	44.58%
Ontario Production	1.5	0.1	0.06	0.02%
Peaking	52.4	1.8	1.97	0.86%
Chicago Supply	1,846.5	65.2	69.59	30.42%
Dawn Supply	1,463.9	51.7	55.17	24.12%
Total	**6,070.4**	**214.3**	**228.8**	**100%**

TABLE B				
Contract Type	Impact on Budgeted Supply Acquisition			
	10^6m^3	Bcf	PJ	%
Western Canadian Supply	2,706.1	95.5	101.99	44.58%
Ontario Production	1.5	0.1	0.06	0.02%
Peaking	52.4	1.8	1.97	0.86%
Chicago Supply	1,846.5	65.2	69.59	30.42%
Dawn Supply	1,173.4	41.4	44.22	19.33%
Niagara Supply	*290.5*	*10.3*	*10.95*	*4.79%*
Total	**6,070.4**	**214.3**	**228.8**	**100%**

17. Enbridge's annual gas supply purchases are underpinned by a variety of upstream transportation contracts, based on supply basin, transportation provider, volume and term. Enbridge proposes to add the Niagara to Enbridge CDA contract for the purpose of further diversifying the sources of supply within this portfolio. Assuming some displacement of Dawn purchases and no change to the forecast of total gas supply acquisition, Table B shows the Niagara to Enbridge CDA contract will result

in annual imports of 10.95 PJ's from the developing Marcellus play, or 4.8% of total gas purchases.

18. Appendix E provides a graphical summary of contract demand volumes and the term structure of Enbridge's transportation contracts. Enbridge's gas transportation portfolio is comprised of 1 to 10 year contracts and the company reviews its options to renew, terminate or add gas transportation contracts on a frequent basis. Enbridge's total transport and peaking supply portfolio on Nov 1, 2010 equals 3,236,694 GJ/d. Of this volume, 70% will remain in-place for one to four years, 16% for 5 years, 8% for 6-8 years and approximately 6% for 8-10 years.

D. RISK ASSESSMENT

19. The guidelines for preapproval of long term contracts require that the following risks be identified and addressed:
    - Forecasting Risk: Future demand, prices, actual landed cost and performance of basin
    - Commercial Risk: Competitive and creditworthiness of operator
    - Construction and Operational Risks: Costs escalations, delays or reliability issues pertaining to new construction
    - Regulatory Risk: Changes in laws or regulations

<u>Forecasting Risks</u>

20. The proposed transportation path from Niagara to the CDA accounts for approximately 5% of system supply requirements based on forecasted 2011 customer demand. Enbridge's gas supply portfolio provides significant flexibility to shed alternative transport and supply arrangements in response to any future

reduction in demand for sales service either due to conservation or due to migration to direct purchase.

21. The landed cost analysis shown in Appendix F indicates that the Niagara path is competitive with alternative supply paths based on forecast basis differentials. Price risk exists to the extent that actual basis is different from forecast basis. One Marcellus producer has expressed a willingness to offer Niagara supply at no more than the index cost of Dawn supply landed in the CDA, albeit in exchange for a longer term supply contract. Such an arrangement would eliminate basis risk associated with the path relative to the liquid and competitive market hub at Dawn.

22. The Niagara delivery point serves as an interconnect between Canadian and US border. While not as liquid as Dawn, Niagara is liquid and information pertaining to the price and volume traded is well reported by major publications.

23. Enbridge believes that the Niagara market will evolve to be a more liquid and competitive market with multiple sellers and marketers. This assessment is based on robust forecasts of Marcellus supply growth over the next decade. Enbridge also notes the significant producer interest in bringing Marcellus production to Niagara based on commitments in open seasons conducted by Empire, National Fuel and Tennessee Pipelines. Table C summarizes the results of these open seasons.

TABLE C			
Pipeline	Producer/Shipper	Capacity	Term
National Fuel Gas Supply Corporation	Statoil Natural Gas (SNG)	320,000 Mcf/d	20 Years
Empire Pipeline	East Resources -Royal Dutch Shell Talisman	200,000 Dth/d 150,000 Dth/d	10 Years
Tennessee Gas Pipeline Company	Cabot Oil & Gas, Anadarko Energy and Seneca Resources	150,000 Dth/d	15 Years

Commercial Risks

24. Enbridge does not believe that the producers mentioned above or the pipeline operators (National Fuel, Empire, Tennessee, Union, TCPL) pose credit or default risks. Enbridge's Gas Supply Procurement policies require Enbridge to purchase supply only from parties with whom it has signed Gas Supply Master Agreement and who have adequate creditworthiness.

Construction and Operational Risk

25. The FT contract requires TCPL to provide ten days advance notice of the anticipated availability of the new capacity. In the event of a delay in service date or an operational disruption, Enbridge has the needed flexibility in its system to procure the supply from alternate sources including Dawn and the TCPL Mainline. Enbridge expects to record gas cost changes related to the alternatives in the Company's Purchase Gas Variance Account, similar to the treatment of other gas cost changes. Based on available information on Marcellus supply, the requirement to meet pipeline quality standards and the fact that Enbridge will receive gas

comingled from various sources, Enbridge is not concerned about gas quality or gas interchangeability issues.

Regulatory Risk

26. Examples of regulatory risks include failure to receive NEB approval, or failure to receive permits, certificates from appropriate regulatory or judicial bodies. The PA contemplates an Event of Cancellation triggered by either TCPL or the shipper whereby the shipper would be required to bear a prorata share of any costs incurred by TCPL as a result of the cancellation. The maximum liability established by TCPL in the PA is an estimated amount of $19,788,400 of which approximately half relates to costs of TCPL acquiring transportation service on Union and the remainder relates to capital expenditures by TCPL. The PA also requires TCPL to use all reasonable efforts to minimize and mitigate costs incurred prior to the Event of Cancellation.

E. RELATIONSHIPS

27. The Applicant, Enbridge, is a wholly owned subsidiary of Enbridge Inc. Enbridge is an Ontario corporation with its head office in the City of Toronto. It carries on the business of selling, distributing, transmitting and storing natural gas within Ontario. TCPL is a subsidiary of TransCanada Corporation. Enbridge, its affiliates and parent are unrelated to TCPL, its affiliates and parent.

28. Enbridge contracts for natural gas transportation services on TCPL to serve its franchise customers. These commercial arrangements operate under NEB's approved terms of service and are the only rights or obligations that exist between the parties of the contract.

F. CONTRACT

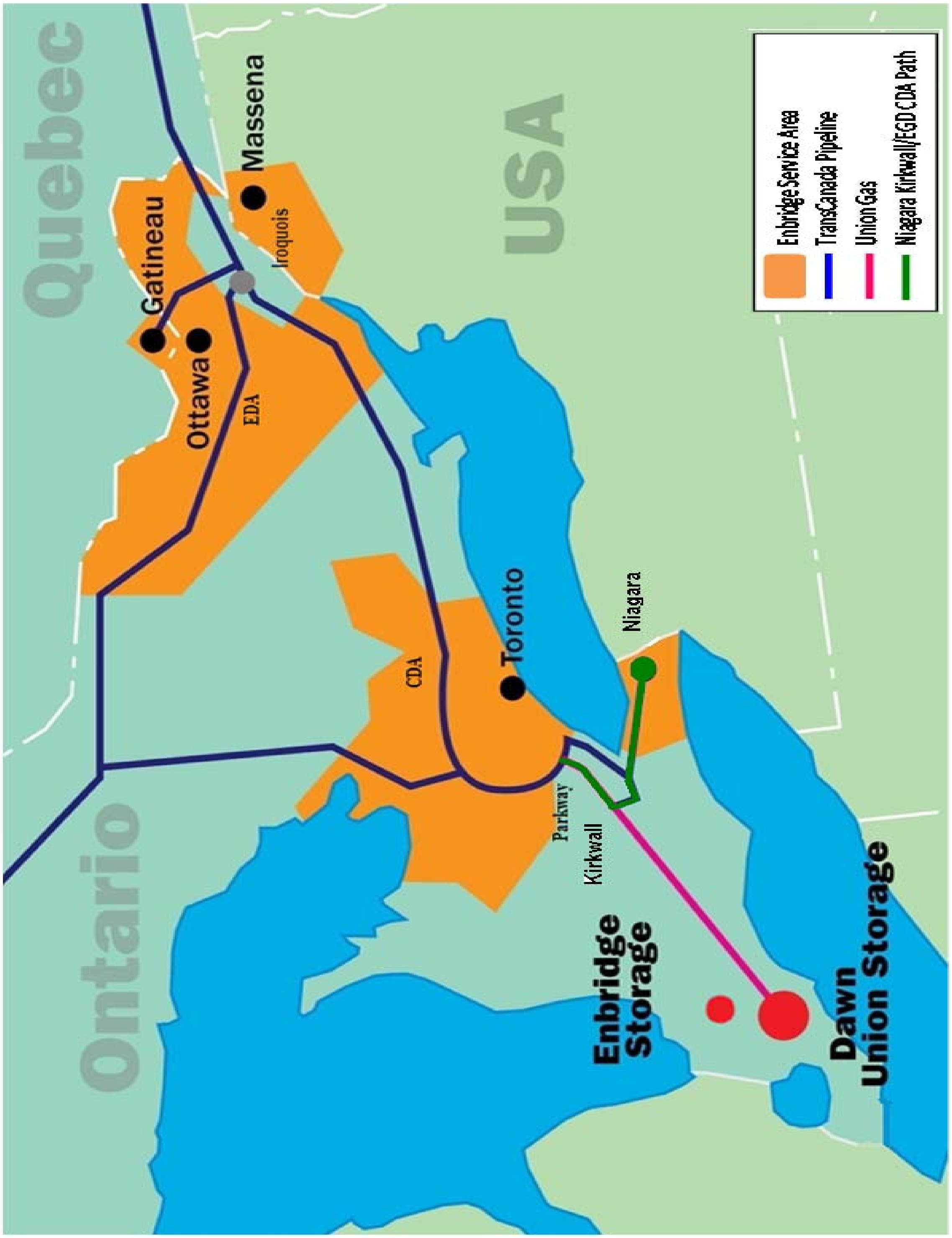
29. Enbridge may request confidential treatment of the Niagara to Enbridge CDA contract in accordance with the Board's Practice Direction on Confidential Filings. The Agreements related to this contract are contained in Appendixes B, C and D.

G. SUMMARY

30. Enbridge submits that the long term transportation contract from Niagara to the Enbridge CDA benefits its customers by providing a cost competitive supply that increases diversity of supply and reliability. Enbridge also submits that the cost consequences of the long-term transportation contract are prudent and respectfully requests the Board's preapproval on or before January 28, 2011 in order to proceed towards execution of a firm transportation contract with TransCanada.

Filed: 2010-11-09
EB-2010-0333
Exhibit B
Tab 1
Schedule 1
Appendix A

Schematic of Requested Transportation Path



PRECEDENT AGREEMENT

THIS PRECEDENT AGREEMENT made as of the 19th day of October, 2010.

BETWEEN:

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

OF THE FIRST PART

AND:

ENBRIDGE GAS DISTRIBUTION INC.
a Corporation incorporated under the laws of
the Province of Ontario
("**Shipper**")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the Canada/United States of America International Border (the "**TransCanada System**"); and

WHEREAS TransCanada utilizes capacity available from the TransCanada System and from its firm transportation service entitlements on the natural gas transmission systems of the Great Lakes Gas Transmission Limited Partnership, Union Gas Limited, and Trans Quebec & Maritimes Pipeline Inc. (the "**TBO Pipelines**") to enable it to provide transportation service to its customers (such capacity on the TransCanada System and the TBO Pipelines is collectively defined as the "**Combined Capacity**"); and

WHEREAS pursuant to a new capacity open season which closed on August 25, 2010 (the "**New Capacity Open Season**"), Shipper requested TransCanada to transport up to 30,000 GJ/d of natural gas from the Niagara Falls receipt point (the "**Receipt Point**"): (i) to the Kirkwall delivery point for the period of November 1, 2012 to October 31, 2013, then (ii) to the Enbridge CDA delivery point for the period of November 1, 2013 to October 31, 2022 (each of (i) and (ii) a "**Delivery Point**"), for delivery for the account of Shipper commencing the November 1, 2012 (the "**In-Service Date**") or as soon as possible thereafter and terminating the October 31, 2022 (collectively, the "**Requested Service**"); and

WHEREAS others have requested gas transportation services pursuant to the New Capacity Open Season (the "**Other Requests**").

WHEREAS TransCanada and Shipper recognize that, taking into account Shipper's request for the Requested Service and the Other Requests, an increase to the Combined Capacity may be necessary to accommodate the Requested Service and, subject to the terms and conditions of this Precedent Agreement, TransCanada is willing to use reasonable efforts to increase the Combined Capacity to the extent necessary, taking into account Shipper's request for the Requested Service and the Other Requests, in order to provide Shipper with the Requested Service, it being recognized that the extent to which it is necessary to increase the Combined Capacity may change from time to time, (the "**Required Increase**").

WHEREAS TransCanada will use reasonable efforts to provide the Requested Service, Other Requests and Required Increase in the most efficient manner which may or may not require an increase to the Combined Capacity; and

WHEREAS Shipper will support TransCanada's efforts to provide the Requested Service, Other Requests and Required Increase using the most efficient manner, including without limitation, consideration of options which may or may not require the installation of additional pipeline facilities; and

WHEREAS TransCanada and Shipper recognize that the Required Increase may rely on the installation of facilities which are required solely on account of Shipper's request for the Requested Service and/or facilities which are required on account of both Shipper's request for the Requested Service and one or more of the Other Requests; and

WHEREAS Shipper and TransCanada agree that, upon an Event of Cancellation, Shipper shall bear the risk of all reasonably incurred financial obligations and outlays in connection with TransCanada's efforts to increase the Combined Capacity to the extent necessary, taking into account the Requested Service and TransCanada's obligations pursuant to the Other Requests, in order to provide Shipper with the Requested Service, subject to the cost allocations and limitations set forth herein; and

WHEREAS Shipper has provided TransCanada with evidence of natural gas supply, market and upstream and downstream transportation arrangements corresponding to the Requested Service, as applicable; and

WHEREAS TransCanada and Shipper have executed a financial assurances agreement dated effective as of the Effective Date of this Precedent Agreement (such financial assurances agreement, as amended from time to time, being hereinafter called the "**Financial Assurances Agreement**"), pertaining to the financial security that TransCanada may require from Shipper in connection with the payment of transportation charges for the provision of the Requested Service; and

WHEREAS, subject to the terms and conditions of this Precedent Agreement, TransCanada and Shipper desire to enter into a firm transportation service contract substantially in the form attached hereto as Exhibit "A" (the "**Firm Transportation Service Contract**").

NOW THEREFORE THIS CONTRACT WITNESSES THAT, in consideration of the covenants and agreement herein contained, the Parties hereto covenant and agree as follows:

1. Except where the context expressly states otherwise, the following capitalized terms, when used in this Precedent Agreement, shall have the following meanings:

DEFINITIONS:

(a) "**Additional Information**" shall have the meaning given to it in Paragraph 2(b).

(b) "**Allocated Cancellation Costs**" means all Cancellation Costs which are not included in the definition of Shipper Specific Cancellation Costs.

(c) "**Availability Provisions**" shall have the meaning given to it in Paragraph 2(a).

(d) "**Banking Day**" shall have the meaning ascribed thereto in the General Terms and Conditions of TransCanada's Canadian Mainline Transportation Tariff, as amended from time to time.

(e) "**Cancellation Charges**" means, to the extent such costs and charges arise from, are attributable to or are incurred in respect of an Event of Cancellation, all reasonably incurred costs and charges whatsoever which TransCanada incurs or becomes obligated to pay as a result of:

(i) not fulfilling all or any of its obligations under; or

(ii) cancelling or terminating all or any portion of,

any third party contract or agreement entered into in respect of, in whole or in part, the design, engineering, procurement, manufacture, construction or supply of any property, equipment, services or other components whatsoever related to, arising from or attributable to Shipper's request for the Requested Service, regardless of whether such costs or charges are incurred prior to or after an Event of Cancellation.

(f) "**Cancellation Costs**" means the sum of all the following amounts, whether such amounts were incurred prior to or after the Effective Date of this Precedent Agreement, and provided that to the extent any amount falls within more than one of the categories described in this definition such amount shall only be accounted for once:

(i) all Cancellation Charges; plus

(ii) all Financial Loss; plus

(iii) all Monthly Carrying Costs incurred in respect of Retained Equipment and Materials until such time as such Retained

Equipment and Materials are utilized, or otherwise disposed of, by TransCanada; plus

(iv) all Project Costs not otherwise accounted for pursuant to subparagraphs (i), (ii) or (iii) of this definition; plus

(v) any other financial obligations and outlays reasonably incurred by TransCanada not otherwise accounted for pursuant to subparagraphs (i), (ii), (iii) or (iv) of this definition to the extent they arise from, are attributable to or are incurred in respect of Shipper's request for the Requested Service, regardless of whether such obligations and outlays are incurred prior to or after an Event of Cancellation ("**Other Financial Obligations and Outlays**").

(g) "**Combined Capacity**" shall have the meaning given to it in the 2nd recital.

(h) "**Conditions Precedent**" shall have the meaning given to it in Paragraph 29.

(i) "**Delivery Point**" shall have the meaning given to it in the 3rd recital.

(j) "**Effective Date**" shall mean January 31, 2011.

(k) "**Estimated Liability Limit**" shall have the meaning given to it in Paragraph 15(a).

(l) "**Estimated Liability Limit Notice**" shall have the meaning given to it in Paragraph 15(b).

(m) "**Event of Cancellation**" shall mean any one of the following events:

(i) any declaration of an Event of Cancellation made in accordance with the terms and conditions of this Precedent Agreement becoming effective; or

(ii) in accordance with Paragraph 10 hereof, Shipper withdrawing its request for the Requested Service at any time prior to the execution of the Firm Transportation Service Contract.

(n) "**Financial Assurances**" shall have the meaning given to it in Paragraph 20.

(o) "**Financial Assurances Agreement**" shall have the meaning given to it in the 11th recital.

(p) "**Financial Assurances Request**" shall have the meaning given to it in Paragraph 20.

(q) "**Financial Loss**" means, to the extent arising from, attributable to or incurred in respect of an Event of Cancellation, any negative variance between cash proceeds received by TransCanada from the sale, disposal or return of property, equipment, materials, services or other components whatsoever related to, arising from or attributable to Shipper's request for the Requested Service (less any reasonably incurred costs of TransCanada related to such sale, disposal or return), and TransCanada's reasonably incurred costs (including, without limitation, costs for design, engineering, procurement, manufacture, construction, supply and any related costs) incurred in originally acquiring same, regardless of whether such amounts are incurred prior to or after an Event of Cancellation.

(r) "**Firm Transportation Service Contract**" shall have the meaning given to it in the 12th recital.

(s) "**GJ**" shall mean gigajoule, being 1,000,000 joules and include the plural as the context requires.

(t) "**In Service Date**" shall have the meaning given to it in the 3rd recital.

(u) "**Monthly Carrying Costs**" means the monthly financial costs that TransCanada shall charge Shipper in respect of Retained Equipment and Materials, which costs shall be calculated, for any calendar month, by multiplying the aggregate amount of all out-of-pocket expenses incurred in the acquisition of Retained Equipment and Materials pursuant to this Precedent Agreement (calculated on the last day of such month) by that percentage amount equal to one twelfth (1/12) of the sum of the Canadian Imperial Bank of Commerce's prime lending rate per annum for Canadian dollar commercial loans in effect on the last day of such month plus one (1) percent.

(v) "**NEB**" means the National Energy Board.

(w) "**New Capacity Open Season**" shall have the meaning given to it in the 3rd recital.

(x) "**Notice**" shall have the meaning given to it in Paragraph 23.

(y) "**Other Requests**" shall have the meaning given to it in the 4th recital.

(z) "**Other Request Allocated Cancellation Costs**" means, with respect to each of the Other Requests pursuant to which a precedent agreement (similar to this precedent agreement) has been entered into, the "Allocated Cancellation Costs" (as defined therein).

(aa) "**Parties**" means TransCanada and Shipper, "**Party**" means either one of them.

(bb) "**Precedent Agreement**" means this precedent agreement between TransCanada and Shipper.

(cc) "**Project Costs**" means the reasonably incurred internal and third party costs, expenses and charges of TransCanada arising from, attributable to or incurred in respect of:

(i) any regulatory proceedings to the extent related to, arising from or attributable to Shipper's request for the Requested Service, including the preparatory work effected in connection therewith; and

(ii) all engineering, design, procurement and construction related costs, expenses and charges to the extent related to, arising from or attributable to Shipper's request for the Requested Service, regardless of whether such amounts are incurred prior to or after an Event of Cancellation. Internal costs, expenses and charges shall only be included in the definition of Project Costs if such amounts are directly and exclusively charged and attributable to the project or projects which are wholly or partially attributable to Shipper's request for the Requested Service.

(dd) "**Receipt Point**" shall have the meaning given to it in the 3rd recital.

(ee) "**Requested Service**" shall have the meaning given to it in the 3rd recital.

(ff) "**Required Increase**" shall have the meaning given to it in the 5th recital.

(gg) "**Retained Equipment and Materials**" means property, equipment, materials, services or other components, to the extent that the purchase of such property, equipment, materials, services or other components relates to, arises from or is attributable to Shipper's request for the Requested Service and to the extent that the construction of the contemplated facilities into which such property, equipment, materials, services or other components were to be incorporated has been cancelled in accordance with Paragraph 13 herein, that TransCanada, acting in a commercially reasonable manner, elects to retain rather than return, sell, cancel or otherwise divest.

(hh) "**Shipper Authorizations**" shall have the meaning given to it in Paragraph 2(c).

(ii) "**Shipper Specific Cancellation Costs**" means the Cancellation Costs which relate to, arise from or are attributable to contemplated facilities which are solely attributable to the Shipper's request for the Requested Service, if any.

(jj) "**TBO Pipeline**" shall have the meaning given to it in the 2nd recital.

(kk) "**TransCanada Authorizations**" shall have the meaning given to it in Paragraph 3.

(ll) "**TransCanada System**" shall have the meaning given to it in the 1st recital.

SHIPPER AUTHORIZATIONS

2. Shipper shall use reasonable efforts to do, or cause to be done, all lawful acts that may be necessary to:

(a) qualify Shipper for service under the Firm Transportation Service Contract by complying, inter alia, with Section 1.1 (b) of the "Availability" provisions of the FT Toll Schedule as set out in TransCanada's Canadian Mainline Transportation Tariff as amended from time to time (the "**Availability Provisions**");

(b) present to TransCanada, when requested by TransCanada, any information pertaining to Shipper's natural gas supply, markets and upstream and downstream transportation arrangements that are related to Shipper's request for the Requested Service and that may be required by TransCanada, acting reasonably, to fulfill the requirements of Part III of the National Energy Board Act and the National Energy Board Filing Manual (both as amended from time to time) in seeking approval for TransCanada's facilities application(s) in relation to Shipper's request for the Requested Service (the "**Additional Information**"), and to the extent that such Additional Information is not available, Shipper shall provide TransCanada with the written reasons therefore; and

(c) as applicable, obtain, or have others obtain, such certificates, permits, orders, licenses and authorizations from regulators or other governmental agencies in the United States and Canada, as the case may be, as are necessary to enable Shipper, or others designated by Shipper, to receive and make use of the Requested Service, including where applicable, the authority to purchase the gas to be transported and to export from the United States and to import and deliver into Canada to TransCanada at the Receipt Point(s) and to receive from TransCanada, to export from Canada, and to import and deliver into the United States at the Delivery Point(s) the quantities of natural gas to be transported by TransCanada under the Firm Transportation Service Contract (individually, a "**Shipper Authorization**" and collectively, the "**Shipper Authorizations**") provided that nothing herein shall obligate Shipper to appeal any decision of a regulatory or judicial authority which has the effect of denying any such certificate, permit, order, license or authorization or granting same on conditions unsatisfactory to the Parties hereto.

TRANSCANADA AUTHORIZATIONS

3. TransCanada shall, taking into account Shipper's request for the Requested Service, Other Requests and Required Increase, use reasonable efforts to do, or cause to be done, all lawful acts that may be necessary to obtain, or cause to be obtained, such certificates, permits, licenses, orders, approvals and other authorizations TransCanada determines are necessary to enable it to provide the Requested Service, Other Requests and Required Increase in the most efficient manner (individually, a "**TransCanada Authorization**" and collectively the "**TransCanada Authorizations**") provided that nothing herein shall obligate TransCanada to appeal, or seek a review of, any decision of a regulatory or judicial authority which has the effect of denying any such

certificate, permit, order, license or authorization or granting same on conditions unsatisfactory to either of the Parties hereto. Shipper shall actively support TransCanada's efforts to obtain the TransCanada Authorizations, provided however that such obligation to actively support TransCanada's efforts shall not obligate Shipper to actively support any aspect of TransCanada's efforts to the extent that it would not be reasonable or prudent for Shipper to do so having regard to any material adverse impact TransCanada's efforts may have on Shipper. Notwithstanding the foregoing, if Shipper fails to provide such support as determined by TransCanada, TransCanada may declare an Event of Cancellation. Notwithstanding anything to the contrary herein, the National Energy Board's leave to open with respect to the Required Increase shall not be included within the definition of TransCanada Authorizations.

SHIPPER'S FAILURE TO PROVIDE ADDITIONAL INFORMATION

4. If Shipper does not provide TransCanada with the Additional Information requested pursuant to Paragraph 2(b) hereof and does not provide TransCanada with reasons satisfactory to TransCanada for not providing the said Additional Information, TransCanada may declare an Event of Cancellation by providing Notice of its intention to do so to Shipper. Any such declaration of an Event of Cancellation shall become effective on the expiration of fifteen (15) days following receipt of such Notice by Shipper, unless prior to the expiration of such period Shipper has provided TransCanada with the Additional Information or given satisfactory reasons (in TransCanada's reasonable opinion) for not providing such Additional Information within such period.

ACCEPTANCE OR REJECTION OF SHIPPER'S AUTHORIZATIONS

5. Upon obtaining each of the Shipper Authorizations and Shipper having exercised any avenue of appeal or review with respect to such Shipper Authorizations, Shipper shall promptly provide to TransCanada a copy of such Shipper Authorizations (as varied, if applicable). TransCanada shall within thirty (30) days of receipt of such Notice from Shipper give Notice to Shipper of TransCanada's acceptance or rejection of such Shipper Authorization. If TransCanada does not respond to Shipper's Notice within such thirty (30) day period, TransCanada shall be deemed to have accepted such Shipper Authorization. Acceptance of any Shipper Authorization by TransCanada shall not be unreasonably withheld and any Notice of rejection of a Shipper Authorization shall be accompanied by written reasons for such rejection. TransCanada acknowledges that it shall not reject an otherwise acceptable Shipper Authorization in the nature of an import or export permit by reason only that such permit is for a term which is shorter than the term of the Firm Transportation Service Contract. Shipper acknowledges that TransCanada's acceptance of any Shipper Authorization shall in no way constitute a representation by TransCanada that such Shipper Authorization will satisfy any regulatory requirements for obtaining acceptable TransCanada Authorizations.

ACCEPTANCE OR REJECTION OF TRANSCANADA'S AUTHORIZATIONS

6. Upon obtaining each of the TransCanada Authorizations and TransCanada having exercised any avenue of appeal or review with respect to such TransCanada Authorization as TransCanada, in its sole discretion, decides to undertake, TransCanada shall promptly provide to Shipper a copy, where applicable, of such TransCanada Authorization (as varied, if applicable) and Notice of TransCanada's acceptance or rejection of such TransCanada Authorization. Acceptance of any TransCanada Authorization by TransCanada shall not be unreasonably withheld and any Notice of

rejection of a TransCanada Authorization shall be accompanied by written reasons for such rejection. TransCanada acknowledges that it will not reject any TransCanada Authorization provided such TransCanada Authorization is issued to TransCanada in the form and substance TransCanada applied for and provided such TransCanada Authorization is not subject to any conditions which are unacceptable to TransCanada, acting reasonably.

FAILURE TO OBTAIN TRANSCANADA'S AUTHORIZATIONS

7. In the event of a rejection by TransCanada of a Shipper Authorization or a TransCanada Authorization, either Party shall thereafter have the right, but not the obligation, to declare an Event of Cancellation by providing Notice of its intention to do so to the other Party. Any such declaration of an Event of Cancellation shall become effective on the expiration of thirty (30) days following receipt of such Notice by the other Party, unless within such thirty (30) day period the Parties agree in writing that such declaration of an Event of Cancellation shall not become effective as aforesaid or, provided such Event of Cancellation is only with respect to a rejection of one or more Shipper Authorizations, Shipper waives the requirement for all such rejected Shipper Authorizations in accordance with the provisions of Paragraph 5.

BANKRUPTCY OR INSOLVENCY

8. Upon any bankruptcy, winding-up, liquidation, dissolution, insolvency or other similar proceeding affecting Shipper or its assets or upon the commencement of any proceeding relating to the foregoing, TransCanada may declare an Event of Cancellation by providing Notice of its intention to do so to Shipper. Any such declaration of an Event of Cancellation shall become effective immediately upon receipt of such Notice by Shipper.

EXECUTION OF THE FIRM TRANSPORTATION SERVICE CONTRACT

9. The Parties shall execute the Firm Transportation Service Contract forthwith after:

(a) Shipper has complied to TransCanada's satisfaction, acting reasonably, with the Availability Provisions referred to in Paragraph 2(a) hereof;

(b) TransCanada has received and accepted all of the TransCanada Authorizations pursuant to Paragraph 6 hereof;

(c) Shipper has received, and TransCanada has accepted, all of the Shipper Authorizations pursuant to Paragraph 5 hereof ; and

(d) Shipper has supplied to TransCanada (where necessary) the financial assurances pursuant to Section 1 of the Financial Assurances Agreement.

Provided however, that if Shipper fails to execute and return to TransCanada the Firm Transportation Service Contract duly proffered by TransCanada within fifteen (15) days of receipt thereof by Shipper, TransCanada may, in its sole discretion, declare an Event of Cancellation by providing Notice of its intention to do so to Shipper. Any such declaration of an Event of Cancellation shall become effective on the expiration of five

(5) days following receipt of such Notice by Shipper, unless within such five (5) day period Shipper has executed and returned the Firm Transportation Service Contract to TransCanada.

WITHDRAWAL OF REQUESTED SERVICE

10. Shipper may withdraw its request for the Requested Services at any time prior to the execution of the Firm Transportation Service Contract.

SUNSET PROVISION

11.

(a) Notwithstanding any other provision in this Precedent Agreement, if by May 1, 2012, any of the requirements referred to in Paragraph 9 hereof have not been satisfied, then either Party may thereafter declare an Event of Cancellation by providing Notice of its intention to do so to the other Party. If any of the requirements referred to in Paragraph 9 hereof remain unsatisfied on the fifteenth (15th) day next following receipt of such Notice, any such declaration of an Event of Cancellation shall become effective.

(b) If at any time TransCanada is of the opinion, acting reasonably, that any of the requirements referred to in Paragraph 9 will not be satisfied by May 1, 2012, despite the use of reasonable efforts, TransCanada may, in its sole discretion, declare an Event of Cancellation by providing Notice of its intention to do so to Shipper. Any such declaration of an Event of Cancellation shall become effective on the expiration of thirty (30) days following receipt of such Notice by Shipper, unless within such thirty (30) day period the Parties agree in writing that such declaration of an Event of Cancellation shall not become effective as aforesaid.

AUTHORIZATION TO SPEND

12. Shipper hereby authorizes TransCanada, prior to the receipt of all regulatory approvals TransCanada, taking into account Shipper's request for the Requested Service and the Other Requests, determines necessary for the Required Increase, to forthwith acquire all materials, enter into all agreements with individuals and/or organizations and take such other actions which TransCanada, acting reasonably, considers necessary: (i) for the timely commencement of the Requested Service by the In-Service Date, or as soon as possible thereafter; and (ii) for the timely commencement of the service requested pursuant to the Other Requests by the in-service dates requested pursuant to the Other Requests, or as soon as possible thereafter. Shipper recognizes that the provision of the Requested Service may rely on the installation of facilities which are required for both the provision of the Requested Service and for the provision of service pursuant to one or more of the Other Requests and that TransCanada's actions, as described above, may be influenced by any obligations TransCanada has with respect to the Other Requests.

EVENT OF CANCELLATION

13. Upon the occurrence of an Event of Cancellation, TransCanada's and Shipper's obligations pursuant to Paragraphs 2, 3, 5, 6 and 9 shall terminate. TransCanada may, at its discretion, decide to cancel, in whole or in part, the construction of facilities which arise from or are attributable to Shipper's request for the Requested Service or to continue with, in whole or in part, the construction of facilities which arise from or are attributable to Shipper's request for the Requested Service. In making such decision, TransCanada shall act in a commercially reasonable manner, having regard to all materially relevant matters, including any obligations TransCanada has with respect to the Other Requests. Shipper recognizes that any decision made by TransCanada as described above may be influenced by any obligations TransCanada has with respect to the Other Requests and that such decisions may impact Shipper's obligations pursuant to this Precedent Agreement. Shipper further recognizes that any decision made by TransCanada as described above may be subject to change upon any change in any obligations TransCanada has with respect to the Other Requests, and that such change may impact Shipper's obligations pursuant to this Precedent Agreement. Subject to the foregoing, TransCanada shall use commercially reasonable efforts to minimize all costs payable by Shipper to TransCanada pursuant to Paragraph 14 below (which shall include efforts to minimize costs committed to prior to TransCanada receiving and accepting all of the TransCanada Authorizations and efforts to utilize in a prospective expansion within a reasonable time period, equipment, materials or internal or third party work product arising out of facilities contemplated on account of the Requested Service and the Other Requests (the construction of which has been cancelled), provided that such efforts shall be subject to TransCanada's other obligations with respect to the Requested Service and the Other Requests, including TransCanada's obligations with respect to the In-Service Date for the Requested Service and the in-service date for the Other Requests. Upon making any determination, or changing any determination, of how it will proceed upon an Event of Cancellation, TransCanada shall provide Shipper with Notice describing the decision made.

PAYMENT OF CANCELLATION COSTS

14. If an Event of Cancellation is declared on or after the Effective Date, Shipper shall pay to TransCanada the sum of the following amounts, subject to TransCanada's obligations pursuant to Paragraph 13 to use commercially reasonable efforts to minimize all costs payable by Shipper to TransCanada pursuant to this Paragraph 14:

(a) 100% of the Shipper Specific Cancellation Costs, if applicable; plus

(b) the product of:

(i) the sum of the Allocated Cancellation Costs plus the Other Request Allocated Cancellation Costs for each of the Other Requests pursuant to which a precedent agreement (similar to this precedent agreement) has been entered into and pursuant to which precedent agreements an "Event of Cancellation" (as defined therein) has occurred; multiplied by

(ii) a fraction, the numerator of which equals Shipper's contract demand pursuant to the Requested Service (in GJ/Day) multiplied by the sum of the 100% LF Toll applicable to the Requested Service and the Daily Equivalent Delivery Pressure Toll for Shipper's Receipt Point (as the 100% LF Toll and the Daily Equivalent Delivery Pressure Toll are set forth in TransCanada's Canadian Mainline Transportation Tariff, as amended from time to time), and the denominator of which equals the sum of the numerator plus the sum of the results obtained by applying the calculation set forth in the numerator to each of the Other Requests pursuant to which a precedent agreement (similar to this precedent agreement) has been entered into and pursuant to which precedent agreements an "Event of Cancellation" (as defined therein) has occurred (i.e. by inserting the appropriate contract demand, 100% LF Toll and Daily Equivalent Delivery Pressure Toll for each such Other Request).

Payments will be paid in accordance with the procedures set forth in Paragraph 17 herein.

ESTIMATED LIABILITY LIMIT

15. (a) Shipper's total liability pursuant to Paragraph 14 upon an Event of Cancellation shall be the actual amount payable pursuant to Paragraph 14. The estimated liability limit is $19,788,400, plus applicable taxes (the "**Estimated Liability Limit**"). The Estimated Liability Limit is calculated in accordance with the provisions set forth in Paragraph 16. TransCanada and Shipper acknowledge and agree that the Estimated Liability Limit is an estimate provided for information purposes only based upon the calculation described in Paragraph 16, and that to the extent Shipper's actual liability pursuant to Paragraph 14 is greater than or less than the Estimated Liability Limit Shipper's obligation to pay such amounts shall not be impacted by the provisions of this Paragraph 15. Shipper acknowledges that as of the Effective Date of this Precedent Agreement TransCanada's design of the facilities and the estimate, performed in accordance with Paragraph 16, are preliminary, and in particular, Shipper acknowledges that TransCanada's current design and estimate, performed in accordance with Paragraph 16, are based upon the assumption that all of the Other Requests will result in signed precedent agreements, similar to this Precedent Agreement.

(b) In the event that TransCanada determines at any time that the currently applicable Estimated Liability Limit is less than 90% of TransCanada's current estimate performed in accordance with Paragraph 16, then TransCanada shall forthwith give Shipper Notice (the "**Estimated Liability Limit Notice**") of such and, in such Estimated Liability Limit Notice, shall provide Shipper with a new estimate performed in accordance with Paragraph 16. The Estimated Liability Limit Notice shall also include an explanation of TransCanada's reasons for the changes to the Estimated Liability Limit.

(c) The Estimated Liability Limit Notice shall and is hereby deemed to constitute a request by TransCanada to amend Paragraph 15(a) of this

Precedent Agreement by increasing the Estimated Liability Limit to the amount set forth in the new estimate contained in the Estimated Liability Limit Notice.

(d) If Shipper agrees to the amendments set forth in the Estimated Liability Limit Notice, or fails to respond to the Estimated Liability Limit Notice within fifteen (15) days of receiving the Estimated Liability Limit Notice, Paragraph 15(a) shall be deemed amended to increase the Estimated Liability Limit to the amount set forth in the Estimated Liability Limit Notice.

(e) If Shipper does not agree to the amendments set forth in the Estimated Liability Limit Notice, TransCanada shall thereupon have the right, in its sole discretion, to declare an Event of Cancellation by providing Notice of its intention to do so to Shipper, which Event of Cancellation shall become effective immediately upon receipt of such Notice by Shipper.

ESTIMATED LIABILITY LIMIT CALCULATION

16. The Estimated Liability Limit is equal to the sum of the following:

(a) With respect to any contemplated facilities on the TransCanada System which, pursuant to TransCanada's current design, arise from or are attributable only to Shipper's request for the Requested Service, TransCanada's estimate of all internal and third party costs, expenses and charges TransCanada will incur to bring into service such facilities; and

(b) With respect to any contemplated facilities on the TransCanada System which, pursuant to TransCanada's current design, arise from or are attributable to both Shipper's request for the Requested Service and the Other Requests, TransCanada's estimate of all internal and third party costs, expenses and charges TransCanada will incur to bring into service such facilities multiplied by a fraction, the numerator of which equals Shipper's contract demand pursuant to the Requested Service (in GJ/Day) multiplied by the sum of the 100% LF Toll applicable to the Requested Service and the Daily Equivalent Delivery Pressure Toll for Shipper's Receipt Point (as the 100% LF Toll and the Daily Equivalent Delivery Pressure Toll are set forth in TransCanada's Canadian Mainline Transportation Tariff, as amended from time to time), and the denominator of which equals the sum of the numerator plus the sum of the results obtained by applying the calculation set forth in the numerator to each of the Other Requests (i.e. by inserting the appropriate contract demand, 100% LF Toll and Daily Equivalent Delivery Pressure Toll for each applicable Other Request), provided that in calculating such fraction, if calculated after execution and delivery of this Precedent Agreement, the calculation of the denominator shall only be based upon the Other Requests which have resulted in a signed precedent agreement (similar to this Precedent Agreement).

INVOICING AND PAYMENT

17. TransCanada shall invoice and Shipper shall pay all obligations under this Precedent Agreement to TransCanada as they may arise from time to time. Within fifteen (15) days following receipt of any invoices on account of such obligations, Shipper shall remit payment to TransCanada. If Shipper fails to pay any invoice in full within the time herein required, interest on the unpaid portion shall accrue from the date such payment is first overdue until payment is made at a rate of interest equal to the prime rate of interest per annum of the Canadian Imperial Bank of Commerce applicable to Canadian dollar commercial loans on the date such payment is first overdue, plus one (1) percent in addition thereto, and such interest shall be immediately due and payable.

AUDIT RIGHTS

18. Provided Shipper has paid to TransCanada all amounts invoiced hereunder, no earlier than fifteen (15) days after TransCanada has received a written request from Shipper, Shipper shall have the right, at its cost, to audit TransCanada's supporting documentation related to the particular invoice(s) to verify the accuracy of the invoice in question. Shipper's audit rights shall be granted during normal business hours. Shipper's audit rights shall not include any right to break down the standard labour rates charged by TransCanada. The total number of audits commenced in any calendar year shall not exceed one. Any audit request by Shipper must be received by TransCanada within a period of two years after the invoice in question was received pursuant to Paragraph 17.

RETAINED EQUIPMENT AND MATERIALS

19. Upon an Event of Cancellation, TransCanada shall:

(a) provide to Shipper details of the current costs to be recovered from Shipper at the time of invoicing; and

(b) within thirty (30) days following the receipt of TransCanada's invoice(s), and not as precondition to payment:

(i) allow Shipper, upon Shipper's written request, to inspect any Retained Equipment and Materials on which Shipper has been invoiced a Monthly Carrying Cost; and

(ii) supply Shipper, upon Shipper's written request, copies of invoices relating to all Cancellation Charges, Retained Equipment and Materials and details of any Financial Loss, Project Costs and Other Financial Obligations and Outlays incurred by TransCanada.

If TransCanada shall not have disposed of or utilized any Retained Equipment and Materials within six (6) months from the date TransCanada makes a determination to cancel construction of the facilities to which such Retained Equipment and Materials related, then Shipper shall have the right to purchase from TransCanada such property, equipment, materials, services or other components which in whole or in part fall within the definition of Retained Equipment and Materials at the manufacturers' invoiced cost plus any costs of TransCanada related to the original purchase of such property, equipment, materials, services or other components and plus any costs of TransCanada related to the sale of such property, equipment, materials, services or other components to Shipper.

FINANCIAL ASSURANCES

20. TransCanada may as a condition of entering into this Precedent Agreement and at any time and from time to time during the term of this Precedent Agreement request, by Notice to Shipper, that Shipper provide financial security for the performance of its obligations pursuant to this Precedent Agreement or (if applicable) request that Shipper replace, increase or otherwise amend any financial security for the performance of its obligations pursuant to this Precedent Agreement previously provided by Shipper to TransCanada ("**Financial Assurances**"), such financial security to be in form and substance acceptable to TransCanada, in its sole discretion, and in an amount not to exceed TransCanada's estimate of the maximum payment obligations Shipper could be subject to upon an Event of Cancellation (the "**Financial Assurances Request**"). From time to time, and at any time, during the term of this Precedent Agreement TransCanada may assess the Shipper's creditworthiness related to the performance of its obligations pursuant to this Precedent Agreement. When performing any such assessment, TransCanada shall apply the same criteria in assessing Shipper's creditworthiness as it applies when determining whether to request financial security pursuant to TransCanada's Canadian Mainline Transportation Tariff (as amended from time to time) from a shipper on the TransCanada System. TransCanada shall not require financial security pursuant to this Paragraph 20 unless, pursuant to any assessment performed as described above, TransCanada makes a determination that Shipper is not creditworthy. No later than eight (8) Banking Days from receipt of a Financial Assurances Request made during the term of this Precedent Agreement, Shipper shall provide TransCanada with the financial security in the form and amount specified in such Financial Assurances Request. In addition to any other remedies TransCanada may have if Shipper fails to provide such financial security within eight (8) Banking Days from receipt of such Financial Assurances Request, provided that no Event of Cancellation has occurred, TransCanada shall have the right, in its sole discretion, to declare an Event of Cancellation by providing Notice of its intention to do so to Shipper, which Event of Cancellation shall become effective immediately upon receipt of such Notice by Shipper.

TERM

21. This Precedent Agreement shall remain in effect until the earlier of:

(a) The date where Shipper and TransCanada have entered into the Firm Transportation Service Contract and TransCanada has completed the Required Increase; or

(b) The date where TransCanada has utilized or disposed of all the Retained Equipment and Materials, has invoiced the Shipper, and has been paid by Shipper for all obligations payable by Shipper pursuant to this Precedent Agreement.

WAIVER OF DEFAULT

22. No waiver by TransCanada of any default by Shipper in the performance of any provision of or obligation under this Precedent Agreement shall operate or be construed as a waiver of any continuing or future default or defaults, whether of a like or different character.

NOTICE

23. Any notice, request or demand ("**Notice**") to or upon the respective Parties hereto shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier, first class mail, or facsimile to the address hereinafter mentioned:

IN THE CASE OF TRANSCANADA	**TRANSCANADA PIPELINES LIMITED**
(i) Mailing Address:	450 – 1st Street SW Calgary, AB T2P 5H1
(ii) Delivery Address:	450 – 1st Street SW Calgary, AB T2P 5H1
	Attention: Director, Customer Service Facsimile: (403) 920-2446
IN THE CASE OF SHIPPER:	**ENBRIDGE GAS DISTRIBUTION INC.**
(i) Mailing Address:	500 Consumers Road North York, ON M2J 1P8
(ii) Delivery Address:	Same as above
	Attention: Malini Giridhar Facsimile: (416) 495-5802

Such Notice sent as aforesaid shall be deemed to have been received by the Party to whom it is sent: (a) at the time of its delivery if personally delivered or if sent by facsimile, or (b) on the day following transmittal thereof if sent by courier, or (c) on the third day following the transmittal thereof if sent by first class mail; provided however, that in the event normal mail service, courier service, or facsimile service shall be interrupted by a cause beyond the control of the Parties hereto, then the Party sending the Notice shall utilize any service that has not been so interrupted or shall personally deliver such Notice. Each Party shall provide Notice to the other of any change of address for the purposes hereof.

ASSIGNMENT

24. Any company which shall succeed by purchase, merger or consolidation to the assets substantially or in entirety, of Shipper or TransCanada, as the case may be, shall

be entitled to the rights and shall be subject to the obligations of its predecessor under this Precedent Agreement. Either Party may, without relieving itself of its obligations under this Precedent Agreement, assign any of its rights and obligations hereunder to an affiliate (as such term is defined in the *Canada Business Corporations Act*) of such Party without the consent of the other Party hereto, but otherwise no assignment of this Precedent Agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the written consent thereto of the other Party, such consent not to be unreasonably withheld. It is agreed, however, that the restrictions on assignment contained in this paragraph shall not in any way prevent either Party to this Precedent Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. This Precedent Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties hereto.

APPLICABLE LAW

25. This Precedent Agreement shall be construed and applied in accordance with, and be subject to, the laws of the Province of Alberta, and, where applicable, the laws of Canada, and shall be subject to the rules, regulations, decisions and orders of any regulatory or legislative authority having jurisdiction over the matters contained herein.

SEVERANCE

26. If any provision of this Precedent Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall apply only to such provision and all other provisions hereof shall continue in full force and effect.

REPRESENTATION

27. Shipper represents that neither Shipper nor any third party acting on behalf of Shipper have executed arrangements with other parties with respect to the acquisition of natural gas which would have the effect of eliminating Shipper's need for the Requested Service, and Shipper agrees that it shall not enter into any such arrangements without the prior written consent of TransCanada while this Precedent Agreement is in effect.

SOLE BENEFIT

28. TransCanada and Shipper hereby stipulate and agree that this Precedent Agreement is executed for the sole benefit of TransCanada and Shipper, including all successors and assignees permitted under the terms of this Precedent Agreement. TransCanada and Shipper expressly intend that no rights under this Precedent Agreement inure to any other parties.

CONDITIONS PRECEDENT

29. The following are conditions precedent to this Precedent Agreement coming into force or effect that:

(a) TransCanada shall have obtained the approval of its Board of Directors for the transaction contemplated herein on or before January 28, 2011; and

(b) Shipper shall have provided to TransCanada the supporting documentation referred to in sub-section 5.1(a)(ii) of the "Access to New

System Capacity" provisions of the Transportation Access Procedures as set out in TransCanada's Canadian Mainline Transportation Tariff within the time period set out therein and that such supporting documentation shall be complete, conform to the requirements therein and be in a form satisfactory to TransCanada.

These Conditions Precedent are for the sole exclusive benefit of TransCanada and may be waived by TransCanada, in its sole discretion, at any time on or before.

EFFICIENT PROVISION OF REQUESTED SERVICE

30. Shipper acknowledges and agrees that TransCanada shall have the option to determine how the Requested Service, Other Requests and Required Increase will be provided in the most efficient manner, including, without limitation, consideration of options which may or may not require the installation of additional pipeline facilities.

IN WITNESS WHEREOF, the duly authorized Parties hereto have executed this Precedent Agreement as of the date first above written.

ENBRIDGE GAS DISTRIBUTION INC.

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

TRANSCANADA PIPELINES LIMITED

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

Contract Approval	
Customer Service Leader	
Customer Representative	
Legal Review	

FIRM TRANSPORTATION SERVICE CONTRACT

THIS FIRM TRANSPORTATION SERVICE CONTRACT, made as of the **[•]** day of **[•]**.

BETWEEN:

TRANSCANADA PIPELINES LIMITED
a Canadian corporation
("TransCanada")

OF THE FIRST PART

AND:

[•]
a «Entity» «formed» under the laws of
[•]
("Shipper")

OF THE SECOND PART

WITNESSES THAT:

WHEREAS TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the Canada/United States of America International Border; and

WHEREAS Shipper has satisfied in full, or TransCanada has waived, each of the conditions precedent set out in Sections 1.1 (b) and (c) of TransCanada's Firm Transportation Service Toll Schedule referred to in Section 7.1 hereof (the "FT Toll Schedule"); and

WHEREAS Shipper has requested and TransCanada has agreed to transport quantities of gas, that are delivered by Shipper or Shipper's agent to TransCanada at the Receipt Point(s) referred to in Section 3.2 hereof (the "Receipt Point(s)"), to the Delivery Point(s) referred to in Section 3.1 hereof (the "Delivery Point(s)") pursuant to the terms and conditions of this Contract; and

WHEREAS the Parties hereto have heretofore entered into an agreement dated effective as of the **[•]** day of **[•]**, 200**[•]**, (the "Precedent Agreement") which bound them, subject to fulfillment or waiver of the conditions precedent therein set forth, to enter into a Contract substantially upon the terms and conditions hereinafter described; and

WHEREAS the conditions precedent of the Precedent Agreement have been satisfied or waived; and

WHEREAS the quantities of gas delivered hereunder by Shipper or Shipper's agent to TransCanada are to be removed from the province of production of such gas by Shipper and/or Shipper's suppliers and/or its (their) designated agent(s) pursuant to valid and subsisting permits and/or such other authorizations in respect thereof.

NOW THEREFORE THIS CONTRACT WITNESSES THAT, in consideration of the covenants and agreement herein contained, the Parties hereto covenant and agree as follows:

ARTICLE I – COMMENCEMENT OF SERVICE

1.1 TransCanada shall use reasonable efforts to have the additional facilities (and/or obtain such transportation arrangements on other gas transmission systems) as may be required to effect the transportation of the gas hereunder (the "Necessary Capacity") in place by the **[•]** day of **[•]**, 200**[•]**, or as soon as possible thereafter. TransCanada's ability to provide service by the **[•]** day of **[•]**, 200**[•]**, will be subject to, inter alia,

a) the timing of the receipt by Shipper and TransCanada of the authorizations referred to in paragraphs 2 and 3 of the Precedent Agreement which are required prior to the commencement of construction of TransCanada's facilities and the timing of the commencement of the services required by TransCanada (if any) on the systems of Great Lakes Gas Transmission Limited Partnership, Trans Québec and Maritimes Inc. and Union Gas Limited; and

b) the lead time required for the acquisition, construction and installation of those facilities required by TransCanada.

TransCanada shall use reasonable efforts to provide Shipper with ten (10) days advance Notice of the anticipated availability of the Necessary Capacity (the "Advance Notice"). TransCanada shall give Shipper Notice of the actual date of availability of the Necessary Capacity ("TransCanada's Notice), and service hereunder shall not commence prior to the actual date of availability of the Necessary Capacity.

1.2 The date of commencement of service hereunder (the "Date of Cornmencement") shall be the earlier of :

a) the date for which Shipper first nominates and TransCanada authorizes service hereunder; or

b) the tenth (10^{th}) day following the day on which Shipper received TransCanada's Notice; PROVIDED that Shipper shall not be obligated to a Date of Commencement which is earlier than the **[•]** day of **[•]**, 200**[•]**, unless mutually agreed upon by both Parties.

ARTICLE II – GAS TO BE TRANSPORTED

2.1 Subject to the provisions of this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions referred to in Section 7.1 hereof, TransCanada shall provide transportation service hereunder for Shipper in respect of a quantity of gas which, in any one day from the Date of Commencement until the **[•]** day of **[•]**, 200**[•]**, shall not exceed **[•]** GJ/d (the "Contract Demand").

ARTICLE III – DELIVERY POINT(S) AND RECEIPT POINT(S)

3.1 The Delivery Point(s) hereunder are those points specified as such in Exhibit "1" which is attached hereto and made a part hereof.

3.2 The Receipt Point(s) hereunder are those points specified as such in Exhibit "1" hereof.

ARTICLE IV -TOLLS

4.1 Shipper shall pay for all transportation service hereunder from the Date of Commencement in accordance with TransCanada's FT Toll Schedule, List of Tolls, and General Terms and Conditions set out in TransCanada's Transportation Tariff as the same may be amended or approved from time to time by the National Energy Board ("NEB").

ARTICLE V – TERM OF CONTRACT

5.1 This Contract shall be effective from the date hereof and shall continue until the **[•]** day of **[•]**, 200**[•]**.

ARTICLE VI – NOTICES

6.1 Any notice, request, demand, statement or bill (for the purpose of this paragraph, collectively referred to as "Notice") to or upon the respective Parties hereto shall be in writing and shall be directed as follows:

IN THE CASE OF TRANSCANADA:		TRANSCANADA PIPELINES LIMITED	
(i)	mailing address:	P.O. Box 1000 Station M Calgary, Alberta T2P 4K5	
(ii)	delivery address:	TransCanada Tower 450 - 1st Street S.W. Calgary, Alberta T2P 5H1	
		Attention: Telecopy:	Director, Customer Service (403) 920 - 2446
(iii)	nominations:	Attention: Telecopy:	Manager, Nominations and Allocations (403) 920 - 2446
(iv)	invoices:	Attention: Telecopy:	Manager, Contracts and Billing (403) 920 - 2446
(v)	other matters:	Attention: Telecopy:	Director, Customer Service (403) 920 – 2446

IN THE CASE OF SHIPPER: **[•]**

(i)	mailing address:	**[•]**	
(ii)	delivery address:	same as above	
(iii)	nominations:	Attention: Telecopy:	**[•]** **[•]**
(iv)	invoices:	Attention: Telecopy:	**[•]** **[•]**
(v)	other matters:	Attention: Telecopy:	**[•]** **[•]**

Notice may be given by telecopier or other telecommunication device and any such Notice shall be deemed to be given four (4) hours after transmission. Notice may also be given by personal delivery or by courier and any such Notice shall be deemed to be given at the time of delivery. Any Notice may also be given by prepaid mail and any such Notice shall be deemed to be given four (4) days after mailing, Saturdays, Sundays and statutory holidays excepted. In the event regular mail service, courier service, telecopier or other telecommunication service shall be interrupted by a cause beyond the control of the Parties hereto, then the Party sending the Notice shall utilize any service that has not been so interrupted to deliver such Notice. Each Party shall provide Notice to the other of any change of address for the purposes hereof. Any Notice may also be given by telephone followed immediately by personal delivery, courier, prepaid mail, telecopier or other telecommunication, and any Notice so given shall be deemed to be given as of the date and time of the telephone notice.

ARTICLE VII – MISCELLANEOUS PROVISIONS

7.1 The FT Toll Schedule, the List of Tolls, and the General Terms and Conditions set out in TransCanada's Transportation Tariff as amended or approved from time to time by the NEB are all by reference made a part of this Contract and operations hereunder shall, in addition to the terms and conditions of this Contract, be subject to the provisions thereof. TransCanada shall notify Shipper at any time that TransCanada files with the NEB revisions to the FT Toll Schedule, the List of Tolls, and/or the General Terms and Conditions (the "Revisions") and shall provide Shipper with a copy of the Revisions.

7.2 The headings used throughout this Contract, the FT Toll Schedule, the List of Tolls, and the General Terms and Conditions are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions thereof nor to be deemed in any way to quality, modify or explain the effect of any such provisions or terms.

7.3 This Contract shall be construed and applied, and be subject to the laws of the Province of Alberta, and, when applicable, the laws of Canada, and shall be subject to the rules, regulations and orders of any regulatory or legislative authority having jurisdiction.

IN WITNESS WHEREOF, the duly authorized Parties hereto have executed this Contract as of the date first above written.

[•]	**TRANSCANADA PIPELINES LIMITED**
Per: ______________________	Per: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Per: ______________________	Per: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

Contract Approval	
Customer Service Leader	
Customer Representative	
Legal Review	Proforma Approved

EXHIBIT "1"

This is EXHIBIT "1" to the FIRM TRANSPORTATION SERVICE CONTRACT made as of the **[•]** day of **[•]** between TRANSCANADA PIPELINES LIMITED ("TransCanada") and **[•]** ("Shipper").

The Delivery Point(s) hereunder is the point(s) of interconnection between the pipeline facilities of TransCanada and **[•]** which is located at:

[•]

The Receipt Point(s) hereunder is the point(s) of interconnection between the pipeline facilities of TransCanada and **[•]** which is located at:

[•]

FINANCIAL ASSURANCES AGREEMENT

This Financial Assurances Agreement made the 19th day of October, 2010.

BETWEEN:

TransCanada PipeLines Limited
a Canadian corporation
(hereinafter called "TransCanada")

AND:

Enbridge Gas Distribution Inc.
a corporation incorporated under the laws of
the Province of Ontario
(hereinafter called "Shipper")

WITNESSES THAT:

WHEREAS, upon Shipper and TransCanada executing this Financial Assurances Agreement (hereinafter called the "Financial Assurances Agreement"), Shipper and TransCanada shall enter into a Precedent Agreement (hereinafter called the "Precedent Agreement") wherein both parties shall agree, subject to satisfaction of the conditions contained in the Precedent Agreement, to enter into a Firm Service Transportation Contract substantially in the form attached as Exhibit "A" to the Precedent Agreement (hereinafter called the "Contract"); and

WHEREAS, the Contract, upon execution, will be for gas transportation and related services where TransCanada determined it must construct facilities in order to provide such service ("Expansion Capacity Service"); and

WHEREAS, the Contract, upon execution, would provide for TransCanada to transport for the account of Shipper up to 30,000 GJ per day of natural gas from Niagara Falls to Kirkwall commencing November 1st, 2012 and replaced by Niagara Falls to Enbridge CDA commencing November 1, 2013 or as soon as possible thereafter; and

WHEREAS the General Terms and Conditions of TransCanada's Canadian Mainline Transportation Tariff that are applicable to the Contract, as such may be amended, replaced or varied from time to time (hereinafter called the "Tariff"), sets out that TransCanada may request and Shipper shall provide if TransCanada so requests, financial security for the payment of the charges to be paid by Shipper pursuant to the Contract; and

WHEREAS, the parties wish to enter into this Financial Assurances Agreement for the purpose of describing the manner in which such security is to be provided by Shipper.

NOW THEREFORE THIS FINANCIAL ASSURANCES AGREEMENT WITNESSES THAT, in consideration of the mutual covenants and agreements contained herein, Shipper and TransCanada agree as follows:

1. Prior to the execution of the Contract, TransCanada may request financial security from Shipper, in form and substance acceptable to TransCanada and in an amount determined in accordance with the Tariff for Expansion Capacity Service. Shipper shall provide such financial security within four (4) Banking Days of TransCanada's request or such other time as may be set forth by TransCanada in the request. Upon receipt by TransCanada of the requested financial security, section 9(d) of the Precedent Agreement shall be satisfied, and until receipt by TransCanada of the requested financial security, section 9(d) of the Precedent Agreement shall not be satisfied.

2. TransCanada may request that Shipper at any time and from time to time prior to and during service, provide TransCanada with financial security acceptable to TransCanada, in form and substance satisfactory to TransCanada and in an amount determined in accordance with the Tariff for Expansion Capacity Service (the "Financial Assurances Request").

3. Shipper shall provide TransCanada with the financial security requested in the Financial Assurances Request within the time period set out in the Tariff.

4. If Shipper fails to provide TransCanada with the financial security requested, then TransCanada may, in addition to any other remedy available to it, exercise any remedies available to it in the Precedent Agreement or the Tariff.

5. This Financial Assurances Agreement shall become effective on the date of execution hereof and shall remain in effect until:

    (a) the Precedent Agreement is terminated by either party in accordance with the terms thereof and all of the Shipper's obligations pursuant to the Precedent Agreement have been satisfied, and

    (b) if the Contract is executed,

(i) the Contract is terminated by either party in accordance with the terms thereof and all of the Shipper's obligations pursuant to the Contract have been satisfied; or

(ii) all of the Shipper's obligations pursuant to the Contract for the Existing Term have been satisfied.

6. For greater certainty, this Financial Assurances Agreement is deemed to be a financial assurances agreement under the Tariff.

7. This Financial Assurances Agreement and the rights and obligations of the parties hereunder shall be subject to all present and future laws, rules, regulations, decisions and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction over any of the matters contained herein, including without limitation the General Terms and Conditions of the Tariff.

8. Any notice, request or demand (hereinafter called a "Notice") to or upon the respective parties hereto, shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier, first class mail, or telecopier to the address hereinafter mentioned:

In the case of TransCanada:	**TransCanada PipeLines Limited**
Delivery Address:	TransCanada PipeLines Tower 450 – 1st Street S.W. Calgary, Alberta T2P 5H1
Mailing Address:	P.O. Box 1000, Station M Calgary, Alberta T2P 4K5
	Attention: Counter Party Risk Manager Telecopier: (403) 920-2359

In the case of Shipper:	**Enbridge Gas Distribution Inc.**
Delivery Address:	500 Consumers Road North York, Ontario M2J 1P8
Mailing Address:	Same As Above
	Attention: Malini Giridhar Telecopier: (416) 495-5802

Any Notice shall be sent in order to ensure prompt receipt by the other party. Such Notice sent as aforesaid shall be deemed to have been received by the party to whom it is sent: (a) at the time of its delivery if personally delivered or if sent by telecopier, or (b) on the business day following transmittal thereof if sent by courier, or (c) on the third (3^{rd}) Banking Day following the transmittal thereof if sent by first class mail; provided, however, that in the event normal mail service, courier service, or telecopier service shall be interrupted by a cause beyond the control of the parties hereto, then the party sending the Notice shall utilize any of the said services which has not been so interrupted or shall personally deliver such Notice. Each party shall provide Notice to the other of any change of address for the purposes hereof.

9. Any company which shall succeed by purchase, merger or consolidation to the assets substantially or in entirety, of Shipper or TransCanada, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor under this Financial Assurances Agreement. Either party may, without relieving itself of its obligations under this Financial Assurances Agreement, assign any of its rights and obligations hereunder to an affiliate (as such term is defined in the Canada Business Corporations Act) of such party without the consent of the other party hereto, but otherwise no assignment of this Financial Assurances Agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the written consent thereto of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, Shipper may not assign its rights or obligations hereunder unless Shipper concurrently assigns its rights and/or obligations under the Precedent Agreement or the Contract to the same assignee. It is agreed, however, that the restrictions on assignment contained in this paragraph shall not in any way prevent either party to this Financial Assurances Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. This Financial Assurances Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

10. This Financial Assurances Agreement shall be construed and applied in accordance with, and be subject to, the laws of the Province of Alberta, and, where applicable, the laws of Canada.

11. If any provision of this Financial Assurances Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or enforceability shall apply only to such provision and all other provisions hereof shall continue in full force and effect.

12. TransCanada and Shipper hereby stipulate and agree that this Financial Assurances Agreement is executed for the sole benefit of TransCanada and Shipper, including all successors and assignees permitted under the terms of this Financial Assurances Agreement. TransCanada and

Shipper expressly intend that no rights under this Financial Assurances Agreement inure to any other parties.

13. Shipper acknowledges and agrees that it has reviewed and is familiar with the terms, conditions and provisions of the Tariff.

14. TransCanada and Shipper agree that any upper case terms not defined herein shall have the meaning ascribed thereto in the Tariff.

15. This Financial Assurances Agreement may be so executed in counterpart and a complete set of counterpart pages shall be provided to each party.

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

Enbridge Gas Distribution Inc.

Per: ______________________

Name: ______________________

Title: ______________________

Per: ______________________

Name: ______________________

Title: ______________________

TransCanada PipeLines Limited

Per: ______________________

Name: ______________________

Title: ______________________

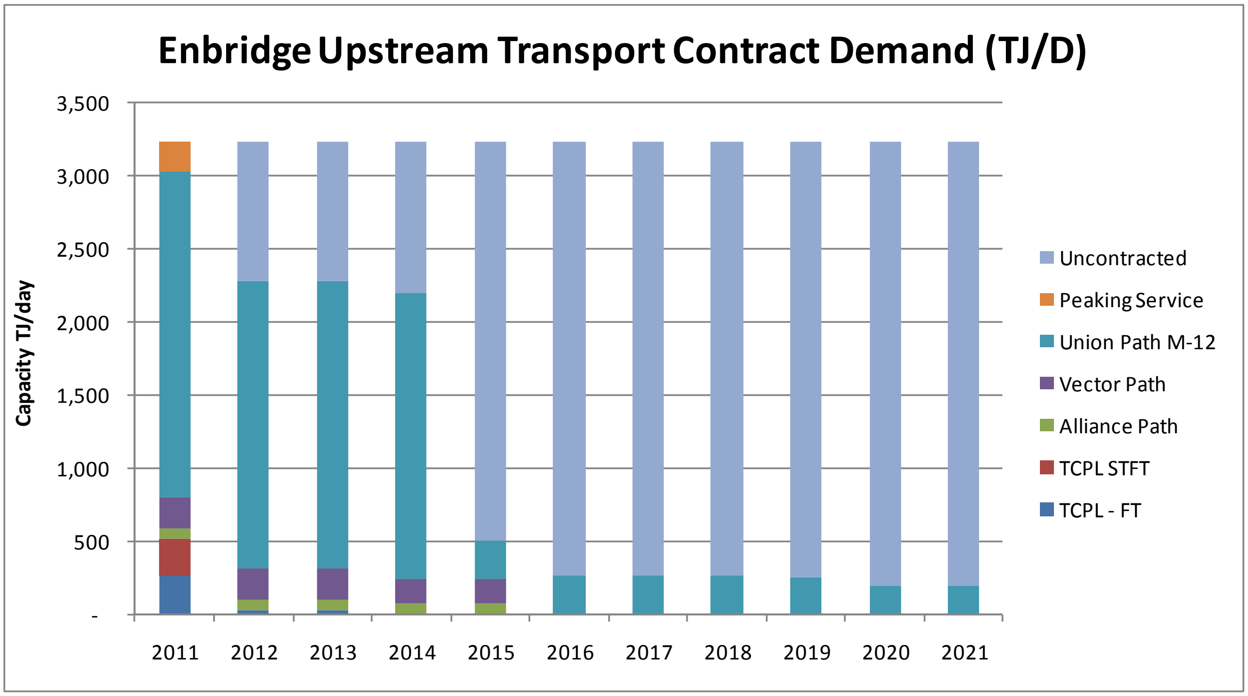
Per: ______________________

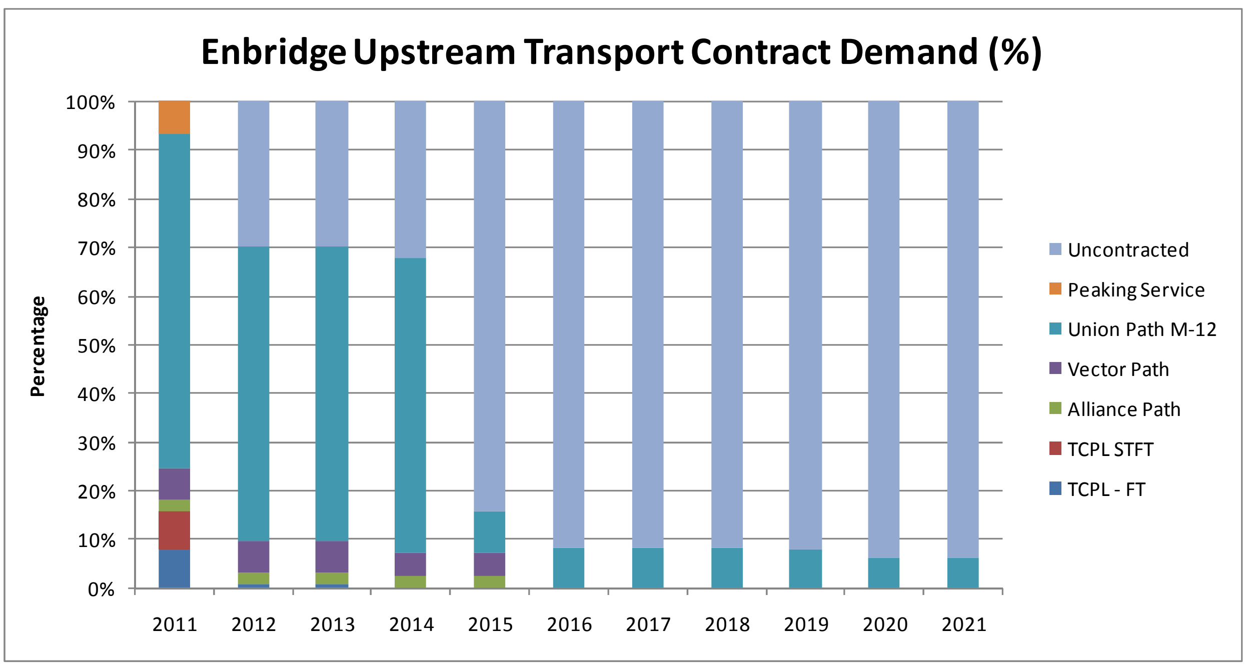
Name: ______________________

Title: ______________________

Contract Approval	
Customer Service Leader	
Customer Representative	
Legal Review	

Enbridge Upstream Transport Contract Demand





Landed Cost Analysis

Pipeline/Path (A)	Point of Supply (B)	Basis Differential $US/mmBtu (C)	Supply Cost $US/mmBtu (D) = Nymex + C	Unitized Demand Charge $US/mmBtu (E)	Commodity Charge $US/mmBtu (F)	Fuel Charge $US/mmBtu (G)	100% LFT With Fuel $US/mmBtu (H) = E+F+G	Landed Cost $US/mmBtu (I) = D+H	**Landed Cost CAD$/GJ (J)**	Point of Delivery (K)
Niagara	Niagara	0.25	6.57	0.1249	0.0038	0.0181	0.1469	6.71	**6.69**	Enbridge CDA
Dawn	Dawn	0.21	6.53	0.1856	0.0065	0.0270	0.2192	6.74	**6.72**	Enbridge CDA
Vector/Dawn	Chicago	-0.10	6.22	0.4412	0.0065	0.0945	0.5423	6.77	**6.74**	Enbridge CDA
Alliance/Vector/Dawn	CREC	-1.19	5.13	1.8979	-0.3083	0.3266	1.9162	7.05	**7.02**	Enbridge CDA
TCPL	Empress	-1.01	5.31	1.6222	0.0698	0.1634	1.8554	7.17	**7.14**	Enbridge CDA

Annual Gas Supply & Fuel Ratio Forecasts	Point of Supply Col (B) above	2013 $US/mmBtu	2014 $US/mmBtu	2015 $US/mmBtu	2016 $US/mmBtu	2017 $US/mmBtu	2018 $US/mmBtu	2019 $US/mmBtu	2020 $US/mmBtu	2021 $US/mmBtu	2022 $US/mmBtu	Average Annual Gas Supply Cost $US/mmBtu Col (D) above	Fuel Ratio Forecasts Col (G) above
Henry Hub		6.52	6.58	6.47	6.43	6.43	6.13	6.07	6.12	6.19	6.26	6.32	
Niagara	Niagara	6.84	6.90	6.80	6.74	6.70	6.36	6.26	6.31	6.35	6.42	6.57	0.28%
Dawn	Dawn	6.76	6.83	6.78	6.72	6.69	6.34	6.24	6.25	6.29	6.35	6.53	0.41%
Vector	Chicago	6.45	6.51	6.43	6.38	6.38	6.05	5.96	5.98	6.02	6.07	6.22	1.08%
Alliance	CREC (AECO+Basis)	5.28	5.35	5.39	5.34	5.30	4.97	4.88	4.93	4.95	4.95	5.13	4.44%
TCPL	Empress (AECO+Basis)	5.45	5.52	5.57	5.51	5.48	5.15	5.06	5.10	5.13	5.13	5.31	3.08%

Source of Assumptions:

Gas Supply Prices Col (D): PIRA Energy Group; March 2010

Basis (CREC and Empress) Col (D): Average of monthly forward curves

Transportation Tolls Col (E & F): Tolls in effect on Alternative Routes at the time of Enbridge's Analysis

Fuel Ratios Col (G): Average ratio over 2010 (Jan - Sep) or Pipeline Forecast

Foreign Exchange Col (J): $1 Us = 1.051 CDN

Energy Conversions Col (J): 1 Dth = 1 mmBtu = 1.055056 GJs

Real Commodity Prices were used for the Analysis