



January 17, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2010-0300 – Union Gas Limited – Pre-Approval of the Cost
Consequences of Three Long-Term Transportation Contracts – Amended
Application and Precedent Agreement for Niagara to Kirkwall Contract.**

On October 5, 2010, Union Gas Ltd. (“Union”) filed with the Board an application and supporting evidence requesting pre-approval of the cost consequences of three long term transportation contracts. The three contracts were for transportation on the Trans-Canada Pipeline (“TCPL”) system between Niagara and Kirkwall (the “Niagara Contract”), between Parkway and Union’s Eastern Delivery Area (“EDA”), and between Parkway and Union’s Northern Delivery Area (“NDA”) (the “Parkway Contracts”).

Union’s application arose out of an open season conducted by TCPL in summer 2010. During that open season, Union bid on and was awarded three new long term transportation contracts on the TCPL system. Precedent Agreements (“PAs”) were to be signed between TCPL and all shippers by Friday January 7, 2011. This date was extended by TCPL until Friday January 14, 2011. Although Union and TCPL were able to execute the PA for the Niagara Contract, Union and TCPL were not able to come to terms agreeable to both parties on the PAs for the Parkway Contracts.

Therefore, Union will only be seeking pre-approval of the cost consequences associated with the Niagara Contract and is withdrawing its request for pre-approval of the Parkway Contracts. Please accept this letter as Union’s notice of withdrawal of its application as it pertains to the Parkway Contracts.

Please find attached Union Gas Limited’s amended application in the above noted proceeding and a copy of the signed PA executed on Friday, January 14, 2011 for the Niagara Contract.

Please contact me at (519) 436-5473 if you have any questions.

Yours truly,

[Original signed by]

Karen Hockin
Manager, Regulatory Initiatives

c.c.: Emily Kirkpatrick, Torys
Mark Kitchen, Union Gas
Neil McKay, Board Staff

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders pre-approving of the costs associated with one long-term gas transportation contract;

AMENDED APPLICATION

1. Union Gas Limited (“Union”) is a business corporation, incorporated under the laws of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storing gas within the meaning of the *Ontario Energy Board Act, 1998* (the “Act”).
3. In accordance with the Filing Guidelines for Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts, issued by the Ontario Energy Board (the “Board”) in EB 2008-0280, Union is seeking pre-approval of the costs associated with one long-term gas transportation contract.
4. From July 5 to August 25, 2010, TransCanada Pipelines (“TCPL”) conducted a New Capacity Open Season. During that Open Season, Union bid on and was awarded three new long-term transportation contracts on the TCPL system. One contract will be pursued by Union and that contract is for transportation on the TCPL system between Niagara and Kirkwall... This contract is aimed at improving the security and diversity of supply for Union’s infranchise customers.

5. Union's bid for this contract was made conditional on receiving pre-approval from the Board to recover the resulting costs through its rates.
6. The Niagara to Kirkwall contract is a minimum ten-year contract for 21,101 GJ/d (20,000 Dth/d) firm transportation service. The annual demand commitment for this transportation contract at current approved NEB rates is \$697,000 CDN/year or \$7 million over the 10 year term of the contract. Service on the Niagara to Kirkwall contract will commence November 1, 2012.
7. Union hereby applies for an order or orders, pursuant to section 36 of the Act, pre-approving the costs associated with the Niagara to Kirkwall contract.
8. Union also applies to the Board for such interim order or orders approving interim rates or other charges and accounting orders as may from time to time appear appropriate or necessary.
9. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
10. This application is supported by written evidence. This evidence may be amended from time to time as required by the Board, or as circumstances may require.
11. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

12. The address of service for Union is:

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

Attention: Karen Hockin
Manager, Regulatory Initiatives

Telephone: (519) 436-5473
Fax: (519) 436-4641

- and -

Torys LLP
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Emily Kirkpatrick

Telephone: (416) 865-7337
Fax: (416) 865-7380

DATED: January 17, 2010

UNION GAS LIMITED

By its Solicitors

[Original signed by]

Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2
Attention: Emily Kirkpatrick
Telephone: (416) 865-7337
Fax: (416) 865-7380

PRECEDENT AGREEMENT

THIS PRECEDENT AGREEMENT made as of the 9th day of December, 2010.

BETWEEN:

TRANSCANADA PIPELINES LIMITED
a Canadian corporation
("TransCanada")

OF THE FIRST PART

AND:

UNION GAS LIMITED
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 21,101 GJ/d of natural gas from the Niagara Falls receipt point ("**Receipt Point**") to the Kirkwall delivery point (the "**Delivery Point**") for delivery for the account of Shipper commencing the 1st day of November, 2012 (the "**In-Service Date**") or as soon as possible thereafter and terminating the 31st day of October, 2022 (the "**Requested Service**"); and

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

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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**").

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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

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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(c).
- (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

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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.

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- (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

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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

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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

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(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

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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

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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 AND PROJECT COSTS

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 \$232,241, 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) Shipper acknowledges that it has been provided a quarterly estimated spend profile for the Project Costs. Where Shipper requests in writing from TransCanada a status update related to that spend profile, TransCanada shall provide an update of the key milestones and the aggregate of the Project Costs and future financial commitments if those costs exceed the estimated spend profile at that time. TransCanada shall provide such statement to Shipper within 30 days of the end of the calendar quarter in which Shipper made such request.
- (c) 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

Precedent Agreement

also include an explanation of TransCanada's reasons for the changes to the Estimated Liability Limit.

- (d) 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.
- (e) 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.
- (f) 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

Precedent Agreement

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

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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

Precedent Agreement

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: **Union Gas Limited**

(i) Mailing Address: P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7L 3V9

(ii) Delivery Address: Same as above

Attention: Manager, Transportation
Acquisition
Facsimile: (519) 436-4643

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 & BOARD OF DIRECTORS APPROVAL

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

Precedent Agreement

- (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 January 28, 2011.

30. If a Bid Amendment has been made, as defined in the letter from TransCanada to Shipper dated November 26, 2010, and TransCanada determines the approval of its Board of Directors is required in order to accommodate the Bid Amendment and any related additional facilities attributable to the Bid Amendment, TransCanada shall use reasonable efforts to obtain such approval as soon as practicable. If TransCanada determines such approval is required but is unable to obtain approval from its Board of Directors on or before April 30, 2011, TransCanada may declare an Event of Cancellation. If TransCanada determines that no such Board of Directors approval is required, TransCanada shall inform Shipper as soon as practicable.

EFFICIENT PROVISION OF REQUESTED SERVICE

31. 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.

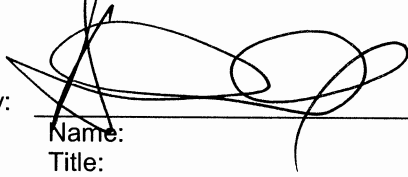
Precedent Agreement

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

UNION GAS LIMITED

By: _____

Name:
Title:

By:  _____

Name:
Title:

ALLEN C. CAPPS
Vice President, Business Dev Storage & Transmission

TRANSCANADA PIPELINES LIMITED

By: _____

Name:
Title:

By: _____

Name:
Title:

Contract Approval	
Customer Service Leader	
Customer Representative	
Legal Review	

Exhibit "A"

Transportation Tariff

TransCanada PipeLines Limited

FT CONTRACT

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

Exhibit "A"

Transportation Tariff

TransCanada PipeLines Limited

FT CONTRACT

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 Commencement") shall be the earlier of :

Exhibit "A"

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TransCanada PipeLines Limited

FT CONTRACT

- a) the date for which Shipper first nominates and TransCanada authorizes service hereunder; or
- b) the tenth (10th) 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:

Exhibit "A"**Transportation Tariff****TransCanada PipeLines Limited**

FT CONTRACT

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: Director, Customer Service
Telecopy: (403) 920 - 2446 |
| (iii) | nominations: | Attention: Manager, Nominations and Allocations
Telecopy: (403) 920 - 2446 |
| (iv) | invoices: | Attention: Manager, Contracts and Billing
Telecopy: (403) 920 - 2446 |
| (v) | other matters: | Attention: Director, Customer Service
Telecopy: (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

Exhibit "A"

Transportation Tariff

TransCanada PipeLines Limited

FT CONTRACT

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 qualify, 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.

Exhibit "A"**Transportation Tariff****TransCanada PipeLines Limited**

FT CONTRACT

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 "A"

Transportation Tariff

TransCanada PipeLines Limited

FT CONTRACT

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:

[•]

Gas Supply Arrangements

Union is responsible for arranging supply and upstream transportation to serve system customers (approximately 70% of the residential and small/commercial customer base). Union builds and manages a portfolio of supply, storage and transportation services (containing a diverse set of contractual arrangements) to meet annual demand, refill underground storage inventory, and manage peak month and peak day requirements.

Union's annual gas supply planning process is guided by a set of principles that is intended to ensure that customers receive secure, diverse gas supply at prudently incurred costs. These principles are:

1. Ensure secure and reliable gas supply to the Union Gas service territory.
2. Minimize risk by diversifying contract terms, supply basins and upstream pipelines.
3. Encourage new sources of supply as well as new infrastructure to the Union Gas service territory.
4. Meet planned peak-day and seasonal gas delivery requirements.
5. Deliver gas to various receipt points on the Union Gas system to maintain system integrity.

These guidelines underpin all gas supply decisions Union makes and do not change from year to year. These principles are also applied independent of the current market conditions.

Union uses a competitive tendering process to procure its system supply. The process is designed to ensure fair and equitable terms and conditions are reached in Union's gas purchases. The policy and procedures dictating Union's tendering process are on file with the Ontario Energy Board.

Union intends to use its current tendering process to acquire the additional supply necessary to serve its TCPL capacity request commencing on November 1, 2012. The tendering process will be initiated once Union is certain the required FT capacity will be made available and upon such time that market conditions warrant.

Market Requirement

Union's Annual Report can be accessed on the internet at www.uniongas.com.

Union Gas Limited is a major natural gas storage, transmission and distribution company based in Ontario with nearly 100 years of experience and service to customers.

The distribution business serves 1.3 million residential, commercial and industrial customers in more than 400 communities across northern, southwestern and eastern Ontario. The current 1% per year rate of growth in the customer base is expected to continue.

The pipeline transportation and associated supply requirements to satisfy anticipated demand can be found in EB-2010-300 Exhibit B.1.4e) attachment (pipeline transportation portfolio).

Union Gas Limited
Utility Transportation Portfolio for November 1, 2010

North Portfolio

Pipeline	Primary Receipt Point	Primary Delivery Point	Service	Term	Volume (GJ/d)	Demand Charge/ Year \$CDN	Service Commencement Date	Current End Date	Current Utilization
TCPL	Empress	Union NCDA	FT	One Year - renewable	1,545	885,673	April 1, 1989	October 31, 2011	100%
TCPL	Empress	Union EDA	FT	One Year - renewable	8,675	4,972,955	November 1, 1993	October 31, 2011	100%
TCPL	Empress	Union NDA	FT	One Year - renewable	76,546	33,734,006	January 1, 1989	December 31, 2011	100%
TCPL	Empress	Union WDA	FT	One Year - renewable	39,880	11,385,454	January 1, 1989	December 31, 2011	100%
TCPL	Empress	Union SSMDA	FT	One Year - renewable	4,161	4,161,553	January 1, 1989	December 31, 2011	100%
TCPL	Empress	Union EDA	FT	One Year - renewable	52,481	30,084,800	January 1, 1989	December 31, 2011	100%
TCPL	Empress	Union NCDA	FT	One Year - renewable	9,494	5,442,448	January 1, 1989	December 31, 2011	100%
TCPL	Empress	Union MDA	FT	One Year - renewable	4,522	777,535	April 1, 1990	December 31, 2011	100%
TCPL	Parkway	Union EDA	FT	6 Years Remaining	30,000	2,120,555	November 1, 2006	October 31, 2016	100%
TCPL	Parkway	Union EDA	FT	7 Years Remaining	5,000	353,425.80	November 1, 2007	October 31, 2017	100%
TCPL	Union WDA	Parkway	STS	One Year - renewable	3,150	883,511.87	April 1, 1992	December 31, 2011	100%
TCPL	Union NDA	Parkway	STS	One Year - renewable	49,100	5,265,485.96	April 1, 1992	December 31, 2011	2% *
TCPL	Parkway	Union EDA	STS	One Year - renewable	68,520	4,754,602.80	April 1, 1992	December 31, 2011	0% *
CTHI	Spruce	Union MDA	FT	One Year - renewable	8,440	494,323	November 1, 1990	October 31, 2011	100%
CPMI	Sprague	Baudette	FT	One Year - renewable	8,440	120,644	November 1, 1990	October 31, 2011	100%

South Portfolio

Pipeline	Primary Receipt Point	Primary Delivery Point	Service	Term	Volume (GJ/d)	Demand Charge/ Year \$CDN	Service Commencement Date	Current End Date	Current Utilization
TCPL	Empress	Union CDA	FT	One Year - renewable	3,699	2,120,456	April 1, 1993	January 31, 2011	100%
TCPL	Empress	Union CDA	FT	One Year - renewable	13,149	7,537,681	November 1, 1999	October 31, 2011	100%
TCPL	Empress	Union CDA	FT	One Year - renewable	40,000	22,930,051	November 1, 2003	October 31, 2011	100%
TCPL	Empress	Union CDA	FT	One Year - renewable	1,979	1,134,464	November 1, 1996	December 31, 2011	100%
TCPL	Empress	Union CDA	FT	6 Years Remaining	12,500	7,165,641	November 1, 2010	December 31, 2015	100%
TCPL	Dawn	Parkway	FT	One Year - renewable	60,000	34,395,077	November 1, 2003	October 31, 2011	100%
Alliance	Northern Alberta	Canada/U.S. Border	FT	5 Years Remaining	84,405	26,114,510	December 1, 2000	November 30, 2015	100%
Alliance	Canada/U.S. Border	Chicago	FT	5 Years Remaining	84,405	16,169,472	December 1, 2000	November 30, 2015	100%
Vector	Chicago	Dawn	FT	5 Years Remaining	84,405	7,451,840	December 1, 2000	November 30, 2015	100%
Vector	Chicago	Dawn	FT	One Year	15,826	1,411,192	November 1, 2010	October 31, 2011	100%
Vector	Chicago	Dawn	FT	5 Years Remaining	85,460	7,544,988	November 1, 2008	November 30, 2015	100%
ANR	Shelbyville	Farwell	FT	One Year	10,656	526,804	November 1, 2010	October 31, 2011	100%
GLGT	Farwell	St.Clair	FT	One Year	10,551	447,110	November 1, 2010	October 31, 2011	100%
TCPL	Farwell	Union SWDA	FT	One Year	10,551	143,789	November 1, 2010	October 31, 2011	100%
ANR	Shelbyville	Willow Run	FT	One Year	10,762	570,128	November 1, 2010	October 31, 2011	100%
MichCon	Willow Run	St. Clair	FT	One Year	10,551	167,666	November 1, 2010	October 31, 2011	100%
Panhandle	Panhandle Field Zone	Ojibway	FT	7 Years Remaining	26,376	3,879,000	November 1, 2010	October 31, 2017	100%
Trunkline/Panhandle	East Louisiana	Ojibway	FT	2 Years Remaining	21,101	1,387,000	November 1, 2007	October 31, 2012	100%

Note: The contract volumes noted above is the total firm contract commitment for Union Gas and includes volumes that are allocated to Direct Purchase and Unbundled customers.
* 100% utilization on peak day

FINANCIAL ASSURANCES AGREEMENT

This Financial Assurances Agreement made the 9th day of December, 2010.

BETWEEN:

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

AND:

Union Gas Limited
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 21,101 GJ per day of natural gas from Niagara Falls to Kirkwall commencing November 1st, 2012 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: **Union Gas Limited**

Delivery Address: P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7L 3V9

Mailing Address: Same As Above

Attention: Manager, Transportation Acquisition
Telecopier: (519) 436-4643

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 (3rd) 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.

Union Gas Limited

Per: _____


Name: _____

Title: _____

Per: _____

Name: _____

Title: _____


ALLEN C. CAPPS
Vice President, Business Dev Storage & Transmission

TransCanada PipeLines Limited

Per: _____

Name: _____

Title: _____

Per: _____

Name: _____

Title: _____

Contract Approval	
Customer Service Leader	
Customer Representative	
Legal Review	Proforma