



uniongas

A Spectra Energy Company

October 16, 2008

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2008-0273

The Board held an Issues Day for proceeding EB-2008-0273 on Wednesday October 15, 2008.

At Issues Day, Union agreed to provide NRG's financial statements for the fiscal year ending September 30, 2007. NRG's 2007 financial statements are included as Attachment 1.

In addition, Union has provided NRG's financial statements for the fiscal year ending September 30, 2005 (Attachment 2) and a copy of the Bundled t-contract referenced in Union's prefiled evidence dated October 9, 2008 (Attachment 3).

The Board will convene a hearing in this proceeding on October 20 and October 21. Union will put forward two witnesses. The CV's for Patricia Elliott, Controller and David MacEacheron, Strategic Manager, Industrial Markets are included as Attachment 4.

If you have any questions, please contact me at 519-436-5275 or mkitchen@uniongas.com.

Yours truly,

[original signed by]

Mark Kitchen

CC: Michael Penny, Torys
Mark Bristoll, NRG
Richard King, Ogilvy Renault
Heather Adams, Town of Aylmer
Philip Tunley, Stockwoods LLP
Jim Grey, IGPC
Dennis M. O'Leary, Aird Berlis
Scott Stoll, Aird Berlis



Natural Resource Gas Limited

Wednesday, July 16, 2008

Via Courier

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

Attention: Mr. Ken Graham, Manager, Regulatory Audit

Dear Sirs:

Further to your letter of July 3, 2008 and as per Section 2.1.6 of the Natural Gas RRR, please find enclosed a copy of Natural Resource Gas Limited Financial Statements as at September 30, 2007.

Trusting this is satisfactory.

Yours truly,
Natural Resource Gas Limited

Per Mark Bristoll
President

NATURAL RESOURCE GAS LIMITED
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007



NEAL, PALLETT & TOWNSEND_{LLP}

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors
Natural Resource Gas Limited

We have audited the balance sheet of Natural Resource Gas Limited as at September 30, 2007 and the statements of income, deficit, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The company has issued and outstanding Class C shares with a redemption value of \$13,461,418. Canadian generally accepted accounting principles require that the company present and classify shares that are retractable at the option of the shareholder as a liability on the balance sheet. The company has presented these shares as part of Shareholders' equity. If the shares were classified as liabilities, then the total liabilities would increase by \$13,461,418 and share capital would decrease by \$13,461,418.

In our opinion, except that the Class C shares of the company have been presented as part of Shareholders' equity rather than as a liability, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with the basis of accounting disclosed in the summary of significant accounting policies.

Neal, Pallett & Townsend LLP

London, Canada
May 6, 2008

Neal, Pallett & Townsend LLP
Chartered Accountants
Licensed Public Accountants

NATURAL RESOURCE GAS LIMITED

Balance Sheet

As at September 30

	2007	2006
Assets		
Current assets:		
Cash	\$ 1,881,375	\$ 683,120
Accounts receivable (note 5)	1,106,066	2,075,529
Inventory	128,864	153,510
Prepaid expenses	64,426	6,921
Income taxes recoverable	-	83,647
Due from related company (note 5)	668,347	-
	3,849,078	3,002,727
Property, plant, and equipment (note 1)	9,549,902	9,430,278
Other assets:		
Franchises and consents (note 2)	64,547	71,817
Deferred finance costs (note 3)	33,455	43,014
Deferred charges (note 4)	149,277	191,928
	247,279	306,759
	\$ 13,646,259	\$ 12,739,764

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Balance Sheet

As at September 30

	2007	2006
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,621,083	\$ 1,445,775
Income taxes payable	90,712	-
Deferred revenue	217,713	187,251
Customer deposits	602,860	280,974
Term note payable (note 6)	6,359,538	6,454,484
	8,891,906	8,368,484
Shareholders' equity:		
Share capital (note 8)	13,461,439	13,461,439
Deficit	(8,707,086)	(9,090,159)
	4,754,353	4,371,280
Commitments (note 9)		
Contingent liability (note 10)		
	\$ 13,646,259	\$ 12,739,764

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Deficit

Year ended September 30

	2007	2006
Balance, beginning of year	\$ (9,090,159)	\$ (9,362,117)
Net income for the year	383,073	271,958
Balance, end of year	\$ (8,707,086)	\$ (9,090,159)

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Income

Year ended September 30

	2007	2006
Gas commodity revenue	\$ 7,509,837	\$ 8,947,781
Gas commodity cost	7,306,666	8,757,743
Gross margin on commodity	203,171	190,038
Distribution revenue	3,751,671	3,529,715
Distribution costs	439,629	494,736
Gross margin on distribution	3,312,042	3,034,979
Other sales	1,057,476	1,162,561
Other costs	637,258	683,797
Gross margin on other sales	420,218	478,764
Other revenue	170,456	123,199
Total gross margin	4,105,887	3,826,980
Expenses	3,417,916	3,375,022
Income before provision for income taxes	687,971	451,958
Provision for income taxes (note 7)	304,898	180,000
Net income for the year	\$ 383,073	\$ 271,958

Included in expenses are the following:

Amortization of deferred financing costs	\$ 9,559	\$ 22,013
Amortization of deferred charges	\$ 42,651	\$ 21,326
Amortization of franchises and consents	\$ 7,270	\$ 7,270
Amortization of property, plant and equipment	\$ 720,037	\$ 690,084
Interest on long-term debt	\$ -	\$ 141,393
Interest on short-term debt	\$ 483,490	\$ 251,352

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Cash Flows

Year ended September 30

	2007	2006
Cash flows from operating activities:		
Net income for the year	\$ 383,073	\$ 271,958
Items not affecting working capital:		
Amortization	779,517	740,693
Changes in non-cash working capital:		
Accounts receivable	969,463	(620,015)
Inventory	24,646	(31,986)
Prepaid expenses	(57,505)	286
Income taxes recoverable (note 7)	83,647	(83,647)
Accounts payable and accrued liabilities	175,308	(419,017)
Income taxes payable (note 14)	90,712	(58,560)
Deferred revenue	30,462	40,522
Customer deposits	321,886	175,929
	2,801,209	16,163
Cash flows from investing activities:		
Additions to property, plant, and equipment	(839,661)	(692,016)
Additions to deferred charges	-	(213,254)
Additions to deferred financing costs	-	(47,793)
	(839,661)	(953,063)
Cash flows from financing activities:		
Repayments of long-term debt	-	(2,723,409)
Reduction of stated capital of Class A shares	-	(2,038,581)
Proceeds from term note payable	-	6,500,000
Repayments of term note payable	(94,946)	(45,516)
Advances to related company	(668,347)	-
Repayments of demand debenture payable	-	(118,000)
	(763,293)	1,574,494
Increase in cash and cash equivalents during the year	1,198,255	637,594
Cash and cash equivalents, beginning of year	683,120	45,526
Cash and cash equivalents, end of year	\$ 1,881,375	\$ 683,120

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements

September 30, 2007

Summary of significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are summarized below.

Regulation:

The utility operations of the company is a rate regulated, natural gas distribution utility and operates within a limited area of Southwestern Ontario under franchise agreements that are approved by the Ontario Energy Board (OEB).

The utility operations are subject to regulations under The Ontario Energy Board Act and The Energy Act (Ontario). Revenue rate schedules are approved periodically by the OEB and are designed to permit a fair and reasonable return to the Company on the utility investment. Realization of the allowed rate of return is subject to actual operating conditions experienced during the year.

The Company follows Canadian generally accepted accounting principles. Such accounting principles may differ for regulated entities from those otherwise expected in non-regulated entities. These differences occur when the regulatory agencies render their decisions on the Company's rate applications and generally involve the timing of revenue and expense recognition to ensure that the Company has achieved a proper matching of revenues and expenses, and as a result the Company records assets and liabilities that would not have been recorded under GAAP for non-regulated entities.

In addition to defining certain accounting requirements, the regulatory agencies have jurisdiction over a number of other matters, which include the rates to be charged for the distribution of gas and approval and recovery of costs for major construction and operations.

Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is defined as replacement cost.

Deferred charges:

Certain costs, required or permitted by the OEB, have been deferred for recovery from future revenues. The period of recovery for these deferrals have been or will be determined by decisions of the OEB, and will determine the classification of these charges in the financial statements.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

Property, plant, and equipment:

Property, plant and equipment is recorded at cost, including associated labour and overhead costs. Expenditures which substantially increase the useful life of existing pipeline installations and additions to the pipeline are capitalized. Such expenditures include material, labour and overhead. Maintenance and repairs which do not extend the useful life of pipeline installations are charged to income.

Pursuant to the regulations of the OEB on the disposal of property, plant, and equipment, excluding major disposals, the company transfers the original cost of the retired assets, plus any related removal costs and net of any proceeds on disposition, to accumulated amortization. Proceeds from disposition are credited to accumulated amortization. This effectively credits gains, or charges losses on disposition to accumulated amortization. For major disposals, gains or losses are included in current earnings.

The company has reviewed its long-lived assets and determined there exists no asset retirement obligation as of September 30, 2007.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

Amortization:

Pursuant to the periodic review and approval by the OEB of amortization rates, amortization is calculated using the straight-line method on the total gross cost of each asset category at the end of the year, rather than on an asset specific basis, at the following annual rates for the property, plant and equipment categories listed below:

Automotive equipment	17 %
Buildings	2 %
Computer equipment	33 %
Computer software	20 %
Furniture and fixtures	7 %
Machinery and equipment	6 % to 9 %
Meters and regulators	3 % to 4 %
Pipeline installations	3 % to 13 %

Amortization of deferred finance costs (related to the issue of debt) is calculated at the annual rate of 20% using the straight-line method over the life of the related debt issuance. In the current year, the company refinanced some of its existing debt. The deferred finance costs associated with the retired debt was amortized in full in the year of retirement.

Amortization of franchises and consents is calculated using the straight-line method over the term of the applicable franchise and consent.

Pursuant to the approval of the OEB, the company changes its amortization rates for the various categories of property, plant and equipment as well as for franchises and consents based upon OEB Rate Case filings. The last change was made at the start of the fiscal 2005 year and any such changes in estimate are applied on a prospective basis.

Income taxes:

The company's rate and revenues, established for regulatory purposes, allow for the recovery of income taxes on a formula basis which differs from the amount as determined under the tax allocation basis of accounting. Accordingly, the company accounts for income taxes using the taxes payable basis. This basis does not provide for future income taxes which may be payable in future years as a result of the difference between current financial reporting and reporting for income tax purposes. This method is followed for accounting purposes as there is a reasonable expectation that all such taxes will ultimately be recovered through rates when they become payable. Future income taxes not provided in these financial statements would amount to a recovery of \$41,000 for the year ended September 30, 2007 (2006 - \$4,000 provision) and an accumulated future liability of \$387,000 at September 30, 2007 (2006 - \$428,000).

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

Revenue recognition:

The Company recognizes revenues when gas has been delivered or services have been performed. Gas distribution revenues are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the reporting period.

A significant portion of the Company's operations are subject to regulation and accordingly there are circumstances where the revenues recognized do not match the amounts billed. Revenue is recognized in a manner consistent with the underlying rate setting mechanism as mandated by the OEB. This may give rise to regulatory deferral accounts on the balance sheet pending disposition by a decision of the OEB.

Gas commodity costs:

Gas commodity costs are recorded using prices approved by the OEB in the determination of customers sales rates. Differences between the OEB approved reference prices and those costs actually incurred are deferred in accounts receivable or accounts payable for future disposition subject to the approval of the OEB, usually within a maximum timeframe of the next fiscal year. In a non-regulated environment periodic variances between gas commodity sales rates and costs would be reported through the income statement annually without the use of deferral accounts.

Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

1. Property, plant, and equipment:

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 71,700	\$ -	\$ 71,700	\$ 71,700
Buildings	682,331	106,989	575,342	590,489
Furniture and fixtures	54,884	31,820	23,064	25,904
Machinery and equipment	2,430,507	1,072,584	1,357,923	1,307,671
Computer equipment	176,139	137,513	38,626	41,173
Computer software	106,519	90,629	15,890	15,890
Automotive equipment	465,655	180,192	285,463	321,346
Meters and regulators	3,118,865	1,468,010	1,650,855	1,669,104
Pipeline installations	9,431,137	3,900,098	5,531,039	5,387,001
	\$ 16,537,737	\$ 6,987,835	\$ 9,549,902	\$ 9,430,278

2. Franchises and consents:

	2007		2006	
Franchises and consents	\$	151,094	\$	151,094
Less: accumulated amortization		86,547		79,277
	\$	64,547	\$	71,817

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

3. Deferred finance costs:

		2007		2006
Deferred finance costs	\$	47,793	\$	47,793
Less: accumulated amortization		14,338		4,779
	\$	33,455	\$	43,014

4. Deferred charges - other assets:

		2007		2006
Total deferred charges - other assets	\$	213,253	\$	213,253
Less: accumulated amortization		63,976		21,325
	\$	149,277	\$	191,928

The company has been given approval by the OEB to recover the above costs already incurred, from rate payers over future periods. The recovery will occur over the next four years as noted below.

2008	\$	42,651
2009		42,651
2010		42,651
2011		21,324
	\$	149,277

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

5. Related party transactions:

Due from related companies consists of the following:

	2007	2006
Non interest bearing with no set repayment terms	\$ 203,347	\$ -
Demand promissory note receivable, bearing interest at 4.59% payable monthly	465,000	-
	\$ 668,347	\$ -

Included in accounts receivable are amounts receivable from related companies of \$nil as at September 30, 2007 (2006 - \$8,726).

Included in accounts payable and accrued liabilities are amounts payable to related companies of \$254,575 as at September 30, 2007 (2006 - \$665,948).

During the year, rent of \$9,600 (2006 - \$9,600) and management fees of \$107,250 (2006 - \$117,000) were paid to a related company.

During the year, the company purchased gas in the amount of \$2,606,281 (2006 - \$4,006,684) from a related company.

During the year, maintenance charges of \$60,460 (2006 - \$58,200) were charged to a related company.

Related companies are companies controlled, directly or indirectly, by trusts, where the beneficiaries of the trusts are common to both trusts, but the trustee or group of trustees which exercise control over any of the related parties are different than the group of trustees of the trust which controls Natural Resource Gas Limited.

These transactions are in the normal course of business, and are measured at the exchange amount which approximates fair value.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

6. Term note payable:

	2007	2006
Bank of Nova Scotia term note payable, 7.52% interest, repayable in blended monthly installments of \$48,201, due March 2011	\$ 6,359,538	\$ 6,454,484

Although the above loan is due on demand, the company expects to make installments as per the amortization schedule which forms part of the loan agreement. The aggregate amount of principal payments required in each of the next 5 years to meet minimum retirement provisions is as follows:

2008	\$ 102,346
2009	110,348
2010	118,963
2011	6,027,881
	\$ 6,359,538

The company has pledged the following as security against the term note payable, the operating line of credit, and the revolving line of credit:

- General assignment of book debts
- General Security Agreement over all of the present and future personal property and undertaking of the company
- Security under Section 427 of the Bank Act with appropriate insurance coverage assigned to the Bank
- Demand Debenture for \$15,000,000 secured by a first fixed and floating charge over all assets including, but not limited to, the Certificate of Public Convenience and Necessity and all Municipal Franchise Agreements, with replacement cost fire insurance coverage, loss if any, payable to the Bank as mortgagee.

The company also has unused credit facilities in the amount of \$2,000,000 which it obtained in conjunction with the term note, consisting of:

- Operating line of credit in the amount of \$1,000,000 with interest at the Bank's Prime Rate on any advances, and
- Revolving line of credit in the amount of \$1,000,000 to be used for financing capital expenditures with interest at the Bank's Prime Rate plus 0.25% on any advances.

The company has not used either of the above credit facilities during the year, and their continuation is subject to annual review by the Bank.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

7. Income tax expense:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The reasons for the difference and the related tax effects are as follows:

	2007	2006
Income before provision for income taxes	\$ 687,971	\$ 451,958
Statutory tax rate	36.12 %	36.12 %
Tax on net income at statutory rates	248,495	163,247
Amortization on financial statements in excess of Capital Cost Allowance for tax purposes	55,527	49,883
Ontario Small Business Deduction utilized	-	(34,000)
Non-deductible expenses	876	870
Provision for income taxes	\$ 304,898	\$ 180,000

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

8. Share capital:

	2007	2006
Authorized:		
Unlimited Class A shares, non-voting, redeemable and retractable at the paid up amount, with non-cumulative dividends		
Unlimited Class B shares, participating, non-voting, with non-cumulative dividends ranking pari passu with common shares on dissolution		
Unlimited Class C shares non-voting, with preferential 7% non-cumulative dividends redeemable and retractable at \$100 per share		
Unlimited Class Z shares voting, redeemable and retractable at \$1 per share, with no dividend entitlement		
Unlimited number of common shares		
Issued and outstanding:		
Retractable shares:		
50,000 Class A shares	\$ 1	\$ 1
10 Class B shares	10	10
134,614.18 Class C shares	13,461,418	13,461,418
10 Class Z shares	10	10
	\$ 13,461,439	\$ 13,461,439

9. Commitments:

The Company has entered into various contracts, whereby it has agreed to construct a 28.5 kilometre natural gas pipeline between London and Aylmer to service a new customer, at an estimated cost of \$9,100,000. As part of an agreement between the Company and the customer, the customer has agreed to pay a \$3,790,000 construction subsidy to the Company to share in the construction cost of the pipeline, effectively reducing the pipeline's capital cost to the Company.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

10. Contingent liability:

The company is aware of a potential regulatory liability in an amount of a maximum of \$140,000. The matter is currently under appeal, and in the opinion of management, and its external legal counsel, the company will be successful in its appeal. The OEB and its counsel have made no attempt to defend the appeal and these proceedings, as the company's external counsel believes there to be no precedent in the OEB regulations for the regulator to levy such amounts against the company. As such, no liability has been accrued in these financial statements.

11. Gas imbalances:

The Company, in the normal course of its operations experiences imbalances in the quantity of gas purchased and the quantities of gas sold and provides the gas balancing services to customers. The company records the net liability (or net asset) associated with gas imbalance volumes.

Accounts payable and accrued liabilities include \$723,354 (2006 - \$43,441) related to gas imbalances. Natural gas volumes owed from the Company are valued at the natural gas reference price as approved by the OEB as of the balance sheet dates.

12. Regulatory matters:

The Company has rates that are approved by the OEB. The fiscal year 2007 was a one year Cost of Service Rate filing. The company received the OEB decision dated September 28, 2006 and the rate order was effective September 28, 2006. The company did not make a submission for the fiscal year 2008 which left rates unchanged from 2007.

Rates for the sale of gas commodity are adjusted quarterly to reflect updated commodity price forecasts. The difference between the approved and the actual cost of gas incurred in the current period is deferred for future recovery subject to approval by the OEB. These differences are directly flowed through to customers and, therefore, no rate of return is earned on the deferred balances. The OEB's approval for recovery of these gas purchase costs primarily considers the prudence of costs incurred.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2007

13. Financial instruments:

The carrying values of the company's financial current assets and liabilities, including cash, accounts receivable, and accounts payable and accrued liabilities approximate their values due to their short-term maturity.

The fair value of the non interest bearing portion of the amount due from related company is less than its carrying value. As the amount is non interest bearing, and the timing of repayment is uncertain, the fair value is not readily obtainable. The fair value of the demand promissory note receivable from related company approximates the carrying value as the market interest rate at the time the note was issued is not significantly different than the market interest rate around year end.

The fair value of the term note payable is estimated using a discounted cash flow calculation that uses market interest rates currently charged for similar debt instruments at September 30, 2007 to expected maturity dates. Since the market interest rate at the time the term note payable was entered into is not significantly different than the market interest rate around year end, the carrying value approximates its fair value.

Natural gas prices:

The Company has entered into several material contracts for the supply of natural gas. The Company employs established policies and procedures in order to manage the risk associated with the market fluctuations of natural gas prices. The Company, through the rate regulations imposed by the OEB, is effectively allowed to fully recover its costs, reasonably incurred, and as such the ratepayers, and not the Company, are ultimately exposed to the risk of these market fluctuations.

Credit risk:

Credit risk arises from the potential that a trade customer will fail to pay its account. The company is exposed to credit risk from its customers. However, the company has a large number of diverse customers, which minimizes concentration of credit risk.

14. Additional cash flow statement information:

	2007	2006
Interest paid	\$ 483,490	\$ 385,085
Income taxes paid	\$ 149,896	\$ 289,045

ADDITIONAL COMMENTS OF AUDITORS

The accompanying schedule of expenses is presented as supplementary information only. In this respect, it does not form part of the financial statements of Natural Resource Gas Limited for the year ended September 30, 2007 and is hence excluded from the opinion expressed in our report dated May 6, 2008 to the board of directors on such financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the company and, in our opinion, is fairly presented in all respects material to those financial statements.

London, Canada
May 6, 2008

Neal, Pallett & Townsend LLP
Chartered Accountants
Licensed Public Accountants

NATURAL RESOURCE GAS LIMITED

Unaudited Schedule of Expenses

Year ended September 30

	2007	2006
Advertising	\$ 13,850	\$ 28,472
Automotive and maintenance	114,623	187,793
Bad debts	-	13,500
Bank charges and other interest	505,517	281,434
Capital tax	37,900	10,818
Consulting fees	199,629	95,972
Dues and fees	17,914	19,596
Employee benefits	113,602	126,485
Insurance	185,199	235,774
Interest on long-term debt	-	141,393
Legal and audit	67,308	145,446
Management fees - related company	107,250	117,000
Miscellaneous	52,709	15,593
Office	102,882	93,487
Ontario Energy Board hearings	48,559	164,540
Promotional rebates	2,652	11,511
Property taxes	286,180	261,404
Rent - affiliated company	9,600	9,600
Salaries and wages	886,050	832,251
Telephone	54,018	41,658
Travel and promotion	6,972	2,158
Utilities	14,541	16,565
Amortization - Automotive equipment	77,299	74,039
Buildings	15,148	15,148
Computer equipment	14,375	12,428
Computer software	6,441	8,051
Deferred finance costs and charges	52,210	43,339
Franchises and consents	7,270	7,270
Furniture and Fixtures	3,705	3,646
Machinery and equipment	41,182	39,817
Meters and regulators	113,504	110,047
Pipeline installations	311,198	296,915
	3,469,287	3,463,150
Equipment expenses capitalized to pipeline installations	(15,152)	(17,102)
Interest expense (income)	(27,490)	(60,747)
Amortization capitalized to pipeline installations	(8,729)	(10,279)
	\$ 3,417,916	\$ 3,375,022

NATURAL RESOURCE GAS LIMITED
FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NEAL, PALLETT & TOWNSEND

NP T

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Jonathan R. Townsend C.A.*
L.J. Sandy Weinstein C.A.*

**Professional Corporation*

AUDITORS' REPORT

To the Board of Directors
Natural Resource Gas Limited

We have audited the balance sheet of Natural Resource Gas Limited as at September 30, 2005 and the statements of income, deficit, and cash flows for the year then ended. These financial statements have been prepared, with the unanimous consent of the company's shareholders, in accordance with Canadian generally accepted accounting principles using differential reporting options available to non-publicly accountable enterprises, as described in the summary of significant accounting policies attached to the financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with the basis of accounting disclosed in the summary of significant accounting policies.

Neal, Pallett & Townsend

London, Canada
November 24, 2005

CHARTERED ACCOUNTANTS

NATURAL RESOURCE GAS LIMITED

Balance Sheet

As at September 30

	2005	2004
Assets		
Current assets:		
Cash	\$ 45,526	\$ -
Accounts receivable (note 5)	1,455,365	1,289,437
Inventory	121,524	130,262
Prepaid expenses	7,207	23,919
Income taxes recoverable	-	58,978
Deferred charges	149	32,795
	1,629,771	1,535,391
Property, plant, and equipment (note 1)	9,428,346	9,271,362
Other assets:		
Franchises and consents (note 2)	79,087	86,358
Deferred financing costs (note 3)	17,234	23,430
	96,321	109,788
	\$ 11,154,438	\$ 10,916,541

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Balance Sheet

As at September 30

	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ -	\$ 49,178
Demand debenture payable (note 4)	118,000	118,007
Accounts payable and accrued liabilities (note 5)	1,864,792	1,720,803
Income taxes payable	58,560	-
Deferred revenue	146,729	118,938
Customer deposits	105,045	102,214
Current portion of long-term debt (note 6)	387,780	345,042
	2,680,906	2,454,182
Long-term debt (note 6)	2,335,629	2,723,409
Shareholders' equity:		
Share capital (note 7)		
Retractable shares (redemption value \$15,500,010)	15,500,010	15,500,010
Participating shares	10	10
Deficit	(9,362,117)	(9,761,070)
	6,137,903	5,738,950
Contingent liabilities (note 6)		
	\$ 11,154,438	\$ 10,916,541

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Deficit

Year ended September 30

	2005	2004
Balance, beginning of year	\$ (9,761,070)	\$ (10,177,634)
Net income for the year	398,953	416,564
Balance, end of year	\$ (9,362,117)	\$ (9,761,070)

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Income

Year ended September 30

	2005	2004
Gas commodity revenue	\$ 7,342,777	\$ 5,891,799
Gas commodity cost	7,132,905	5,964,681
Gross margin on commodity	209,872	(72,882)
Distribution revenue	3,704,162	3,588,796
Distribution costs	544,676	459,931
Gross margin on distribution	3,159,486	3,128,865
Other sales	1,208,357	1,262,628
Other costs	779,635	817,489
Gross margin on other sales	428,722	445,139
Other revenue	79,137	65,128
Total gross margin	3,877,217	3,566,250
Expenses	3,204,264	2,907,186
Income before provision for income taxes	672,953	659,064
Provision for income taxes	274,000	242,500
Net income for the year	\$ 398,953	\$ 416,564

Included in expenses are the following:

Amortization of deferred financing costs	\$ 6,196	\$ 6,196
Amortization of franchises and consents	\$ 7,270	\$ 6,542
Amortization	\$ 657,232	\$ 541,865
Interest on long-term debt	\$ 320,867	\$ 360,588
Interest on short-term debt	\$ 4,164	\$ 8,941

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Cash Flows

Year ended September 30

	2005	2004
Cash flows from operating activities:		
Net income for the year	\$ 398,953	\$ 416,564
Items not affecting working capital:		
Amortization	670,698	554,603
Changes in non-cash working capital:		
Accounts receivable	(165,929)	(423,522)
Inventory	8,738	(34,389)
Prepaid expenses	16,712	11,676
Income taxes recoverable (note 11)	58,978	73,863
Accounts payable and accrued liabilities	143,989	(396,311)
Income taxes payable (note 11)	58,560	-
Deferred revenue	27,791	4,379
Deferred charges	32,646	(14,525)
Customer deposits	2,831	11,774
	1,253,967	204,112
Cash flows from investing activities:		
Additions to property, plant, and equipment	(814,214)	(516,781)
Cash flows from financing activities:		
Repayments of long-term debt	(345,042)	(307,015)
Advances from (repayments of) demand debenture payable	(7)	7
Increase (decrease) in cash and cash equivalents during the year	94,704	(619,677)
Cash and cash equivalents, beginning of year	(49,178)	570,499
Cash and cash equivalents, end of year	\$ 45,526	\$ (49,178)

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements

September 30, 2005

Summary of significant accounting policies:

The company, with the unanimous consent of its shareholders, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles (GAAP), using differential reporting options available to non-publicly accountable enterprises as described below:

(a) Share capital:

The company has elected to apply the differential reporting measurement option allowed for the accounting for retractable shares and, therefore has presented as equity instead of disclosing as a liability, the issued and outstanding Class A and Class C shares of the company.

Regulation:

The utility operations of the company is a rate regulated, natural gas distribution utility and operates within a limited area of Southwestern Ontario under franchise agreements that are approved by the Ontario Energy Board (OEB).

The utility operations are subject to regulations under The Ontario Energy Board Act and The Energy Act (Ontario). Revenue rate schedules are approved periodically by the OEB and are designed to permit a fair and reasonable return to the Company on the utility investment. Realization of the allowed rate of return is subject to actual operating conditions experienced during the year.

The Company follows Canadian generally accepted accounting principles. Such accounting principles may differ for regulated entities from those otherwise expected in non-regulated entities. These differences occur when the regulatory agencies render their decisions on the Company's rate applications and generally involve the timing of revenue and expense recognition to ensure that the Company has achieved a proper matching of revenues and expenses, and as a result the Company records assets and liabilities that would not have been recorded under GAAP for non-regulated entities.

In addition to defining certain accounting requirements, the regulatory agencies have jurisdiction over a number of other matters, which include the rates to be charged for the distribution of gas and approval and recovery of costs for major construction and operations.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is defined as replacement cost.

Deferred charges:

Certain costs, required or permitted by the OEB, have been deferred for recovery from future revenues. Certain regulatory deferrals are subject to future decisions by the OEB, who will determine the financial reporting to be provided for these deferred accounts.

Property, plant, and equipment:

Property, plant and equipment is recorded at cost, including associated labour and overhead costs. Expenditures which substantially increase the useful life of existing pipeline installations and additions to the pipeline are capitalized. Such expenditures include material, labour and overhead. Maintenance and repairs which do not extend the useful life of pipeline installations are charged to income.

Pursuant to the regulations of the OEB on the disposal of property, plant, and equipment, excluding major disposals, the company transfers the original cost of the retired assets, plus any related removal costs and net of any proceeds on disposition, to accumulated amortization. Proceeds from disposition are credited to accumulated amortization. This effectively credits gains, or charges losses on disposition to accumulated amortization. For major disposals, gains or losses are included in current earnings.

The company has reviewed its long-lived assets and determined there exists no asset retirement obligation as of September 30, 2005.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

Amortization:

Pursuant to the periodic review and approval by the OEB of amortization rates, amortization is calculated using the straight-line method on the total gross cost of each asset category at the end of the year, rather than on an asset specific basis, at the following annual rates for the property, plant and equipment categories listed below:

Automotive equipment	17 %
Buildings	2 %
Computer equipment	33 %
Computer software	20 %
Furniture and fixtures	7 %
Machinery and equipment	6 % to 9 %
Meters and regulators	3 % to 4 %
Pipeline installations	3 % to 13 %

Amortization of deferred finance costs (related to the issue of long-term debt) is calculated at the annual rate of 7% using the straight-line method over the life of the related debt issuance.

Amortization of franchises and consents is calculated using the straight-line method over the term of the applicable franchise and consent.

Pursuant to the approval of the OEB, the company has changed its amortization rates for the various categories of property, plant and equipment as well as for franchises and consents in the current year. This change in estimate has been applied on a prospective basis.

Income taxes:

The company's rate and revenues, established for regulatory purposes, allow for the recovery of income taxes on a formula basis which differs from the amount as determined under the tax allocation basis of accounting. Accordingly, the company accounts for income taxes using the taxes payable basis. This basis does not provide for future income taxes which may be payable in future years as a result of the difference between current financial reporting and reporting for income tax purposes. This method is followed for accounting purposes as there is a reasonable expectation that all such taxes will ultimately be recovered through rates when they become payable. Future income taxes not provided in these financial statements would amount to a recovery of \$102,000 for the year ended September 30, 2005 (2004 - \$20,000) and an accumulated future liability of \$424,000 at September 30, 2005 (2004 - \$526,000).

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

Revenue recognition:

The Company recognizes revenues when gas has been delivered or services have been performed. Gas distribution revenues are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the reporting period.

A significant portion of the Company's operations are subject to regulation and accordingly there are circumstances where the revenues recognized do not match the amounts billed. Revenue is recognized in a manner consistent with the underlying rate setting mechanism as mandated by the OEB. This may give rise to regulatory deferral accounts on the balance sheet pending disposition by a decision of the OEB.

Gas commodity costs:

Gas commodity costs are recorded using prices approved by the OEB in the determination of customers sales rates. Differences between the OEB approved reference prices and those costs actually incurred are deferred in accounts receivable for future disposition subject to the approval of the OEB, usually within a maximum timeframe of the next fiscal year. In a non-regulated environment periodic variances between gas commodity sales rates and costs would be reported through the income statement annually without the use of deferral accounts.

Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

1. Property, plant, and equipment:

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 71,700	\$ -	\$ 71,700	\$ 71,700
Buildings	682,331	76,694	605,637	620,785
Furniture and fixtures	53,189	24,469	28,720	31,286
Machinery and equipment	2,219,701	943,219	1,276,482	1,214,999
Computer equipment	106,064	96,219	9,845	-
Computer software	106,519	90,629	15,890	-
Automotive equipment	455,714	79,522	376,192	359,537
Meters and regulators	2,801,467	1,264,274	1,537,193	1,538,480
Pipeline installations	8,801,038	3,294,351	5,506,687	5,434,575
	\$ 15,297,723	\$ 5,869,377	\$ 9,428,346	\$ 9,271,362

2. Franchises and consents:

	2005		2004	
Franchises and consents	\$	151,094	\$	151,094
Less: accumulated amortization		72,007		64,736
	\$	79,087	\$	86,358

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

3. Deferred finance costs:

	2005	2004
Deferred finance costs	\$ 92,945	\$ 92,945
Less: accumulated amortization	75,711	69,515
	\$ 17,234	\$ 23,430

4. Demand debenture payable:

	2005	2004
Demand debenture payable, with interest payable monthly at the floating ScotiaBank prime lending rate for Canadian dollar demand commercial loans in Canada plus 1.5%	\$ 118,000	\$ 118,007

The debenture is secured by a general security agreement over the accounts, monies and inventory of the company.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

5. Related party transactions:

During the year, rent of \$9,600 (2004 - \$9,600) and management fees of \$87,000 (2004 - \$85,000) were paid to an affiliated company.

During the year, the company purchased gas in the amount of \$2,028,997 (2004 - \$1,296,886) from an affiliated company.

During the year, maintenance charges of \$41,280 (2004 - \$41,280) were charged to an affiliated company.

During the year, the company provided installation services and product to an affiliated company in the amount of \$15,015 (2004 - \$208,171).

Included in accounts payable and accrued liabilities are amounts payable to affiliated companies of \$462,345 as at September 30, 2005 (2004 - \$419,464).

Included in accounts receivable are amounts receivable from affiliated companies of \$16,642 as at September 30, 2005 (2004 - \$49,570).

Affiliated companies are companies controlled, directly or indirectly, by trusts, where the beneficiaries of the trusts are common to both trusts.

These transactions are in the normal course of business, and are measured at the exchange amount.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

6. Long-term debt:

	2005	2004
Debenture payable, 11.8%, repayable in blended monthly instalments of \$44,525 principal and interest, due July 31, 2009	\$ 1,615,977	\$ 1,938,607
Debenture payable, 11.03%, repayable in blended monthly instalments of \$3,384, principal and interest, due September 30, 2010	156,432	178,844
Debenture payable, 9.57% (interest rate adjusted annually based upon the allowed rate of return as set by the Ontario Energy Board. Minimum rate of 9.25%), repayable in monthly interest only instalments, due July 31, 2009	951,000	951,000
	2,723,409	3,068,451
Less: current portion	387,780	345,042
	\$ 2,335,629	\$ 2,723,409

The aggregate amount of principal payments required in each of the next 5 years to meet retirement provisions is as follows:

2006	\$ 387,780
2007	435,815
2008	489,803
2009	1,371,674
2010	38,337
	\$ 2,723,409

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

6. Long-term debt - continued:

The following has been pledged as security for the mortgage payable:

- a) fixed and floating charge over all of the assets of the company;
- b) general security agreement;
- c) general assignment of accounts receivable; and,
- d) assignment of all risk insurance over the assets of the company.

In addition, a limited recourse guarantee and postponement of claim has been provided.

The debentures payable are secured by general security agreements which are subordinate to the security agreement registered for mortgage payable.

The company was in breach of three covenants during the year with respect to the mortgage payable. These were management fees of \$12,000 in excess of the authorized amount, the company made \$304,339 of capital expenditures in excess of the \$550,000 annual limit, and the company's Total Debt Service Coverage Ratio was less than the required ratio.

The company has had similar experience in the prior years and also has not been in compliance with a few other covenants since fiscal 1995. The company did obtain a waiver from the lender subsequent to the issuance of the financial statements for the year ended September 30, 1998 with respect to the covenants violated in that year, but has been unable to obtain a waiver for any subsequent years including the current year. The company has continued to make all required payments under this loan in accordance with the terms of the loan and the conditions remain unchanged from those which existed in the prior year.

As in prior years, the company does not expect the loan agreement to be terminated or penalties imposed with respect to this event and as such the company has not accrued any penalty in these financial statements. The calculation of the amount of any penalty is ambiguous under the terms of the lending agreement but could be interpreted as an amount up to \$166,000. Accordingly, the company has continued to treat this loan as a long-term liability.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

7. Share capital:

	2005	2004
Authorized:		
Unlimited Class A shares, non-voting, redeemable and retractable with non-cumulative dividends		
Unlimited Class B shares, participating, non-voting, with non-cumulative dividends ranking pari passu with common shares on dissolution		
Unlimited Class C shares non-voting, with preferential 7% non-cumulative dividends redeemable and retractable at \$100 per share		
Unlimited Class Z shares voting, redeemable and retractable at \$1 per share, with no dividend entitlement		
Unlimited number of common shares		
Issued and outstanding:		
Retractable shares:		
50,000 Class A shares	\$ 2,038,582	\$ 2,038,582
134,614.18 Class C shares	13,461,418	13,461,418
10 Class Z shares	10	10
	\$ 15,500,010	\$ 15,500,010
Participating shares:		
10 Class B shares	\$ 10	\$ 10

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

8. Gas imbalances:

The Company, in the normal course of its operations experiences imbalances in the quantity of gas purchased and the quantities of gas sold and provides the gas balancing services to customers. The company records the net liability (or net asset) associated with gas imbalance volumes.

Accounts payable and accrued liabilities include \$84,351 (2004 - \$305,242) related to gas imbalances. Natural gas volumes owed from the Company are valued at the natural gas reference price as approved by the OEB as of the balance sheet dates.

9. Regulatory matters:

The Company has rates that are approved by the OEB. The fiscal year 2005 was a one year Cost of Service Rate filing. The company received the OEB decision dated December 20, 2004 and the rate order was dated December 31, 2004. The company did not make a submission for the fiscal year 2006 which left rates unchanged from 2005. The company is currently working on the fiscal 2007 submission to the OEB.

Rates for the sale of gas commodity are adjusted quarterly to reflect updated commodity price forecasts. The difference between the approved and the actual cost of gas incurred in the current period is deferred for future recovery subject to approval by the OEB. These differences are directly flowed through to customers and, therefore, no rate of return is earned on the deferred balances. The OEB's approval for recovery of these gas purchase costs primarily considers the prudence of costs incurred.

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

10. Financial instruments:

The carrying values of the company's financial current assets and liabilities, including cash, accounts receivable, prepaid expenses, deferred charges, demand debenture payable, accounts payable and accrued liabilities, deferred revenue and customer deposits approximate their values due to their short-term maturity.

The fair value of long-term debt is estimated using a discounted cash flow calculation that uses market interest rates currently charged for similar debt instruments at September 30, 2005 to expected maturity dates.

Based upon the above calculation the carrying value of \$ 2,723,409 of long-term debt has a fair value of \$ 3,252,817.

Natural gas prices:

The Company has entered into several material contracts for the supply of natural gas. The Company employs established policies and procedures in order to manage the risk associated with the market fluctuations of natural gas prices. The Company, through the rate regulations imposed by the OEB, is effectively allowed to fully recover its costs, reasonably incurred, and as such the ratepayers, and not the Company, are ultimately exposed to the risk of these market fluctuations.

Credit risk:

Credit risk arises from the potential that a trade customer will fail to pay its account. The company is exposed to credit risk from its customers. However, the company has a large number of diverse customers, which minimizes concentration of credit risk. Included in accounts receivable is an allowance for doubtful accounts of \$38,022 (2004 - \$43,668)

11. Additional cash flow statement information:

	2005	2004
Interest paid	\$ 325,099	\$ 400,062
Income taxes paid	\$ 226,118	\$ 190,478

NATURAL RESOURCE GAS LIMITED

Notes to the Financial Statements - continued

September 30, 2005

12. Comparative balances:

Certain of the comparative balances have been reclassified to conform to the presentation adopted for the current year.

NEAL, PALLETT & TOWNSEND



CHARTERED ACCOUNTANTS
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Jonathan R. Townsend C.A.*
L.J. Sandy Weinstein C.A.*

**Professional Corporation*

ADDITIONAL COMMENTS OF AUDITORS

The accompanying schedule of expenses is presented as supplementary information only. In this respect, it does not form part of the financial statements of Natural Resource Gas Limited for the year ended September 30, 2005 and is hence excluded from the opinion expressed in our report dated November 24, 2005 to the board of directors on such financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the company and, in our opinion, is fairly presented in all respects material to those financial statements.

Neal, Pallett & Townsend

London, Canada
November 24, 2005

CHARTERED ACCOUNTANTS

NATURAL RESOURCE GAS LIMITED

Unaudited Schedule of Expenses

Year ended September 30

	2005	2004
Advertising	\$ 29,888	\$ 41,450
Automotive and maintenance	233,851	217,669
Bad debts	8,000	17,000
Bank charges and other interest	26,854	32,524
Capital tax	24,524	25,615
Consulting fees	35,800	30,000
Dues and fees	22,543	17,351
Employee benefits	129,604	105,374
Insurance	263,750	245,436
Interest on long-term debt	320,867	360,588
Legal and audit	105,327	87,751
Management fees - affiliated company	87,000	85,000
Miscellaneous	37,538	32,429
Office	82,181	66,372
Ontario Energy Board hearings	150,256	114,372
Property taxes	285,288	274,237
Rent - affiliated company	9,600	9,600
Salaries and wages	773,372	683,246
Telephone	39,366	41,000
Travel and promotion	6,787	3,212
Utilities	14,263	11,597
Amortization - Automotive equipment	75,649	32,137
Buildings	15,148	30,773
Computer equipment	7,716	3,655
Computer software	2,575	-
Deferred finance costs	6,196	6,196
Franchises and consents	7,270	6,542
Furniture and Fixtures	3,590	2,710
Machinery and equipment	37,006	35,414
Meters and regulators	101,970	100,604
Pipeline installations	290,692	236,868
Equipment expenses capitalized to pipeline installations	3,234,471	2,956,722
Interest expense (income)	(31,690)	(25,657)
Amortization capitalized to pipeline installations	12,521	(14,638)
	(11,038)	(9,241)
	\$ 3,204,264	\$ 2,907,186

Contract Id	SA918
Contract Name	NRG

This Southern BUNDLED T GAS CONTRACT ("Contract"), made as of the 1st day of October, 2004.

BETWEEN:

UNION GAS LIMITED

hereinafter called "Union"

- and -

NATURAL RESOURCE GAS LIMITED

hereinafter called "Customer"

WHEREAS the intent of this Contract is for Union to provide Services, on a bundled basis, whereby Union receives daily quantities of Gas from Customer; and either stores or delivers Gas to Customer under Gas Distribution Contracts according to their respective Rate Schedule;

AND WHEREAS in cases where the Agent is not the End User, Agent has represented and warranted that it has the authority and right to act as Agent for the Customers listed in Schedule 3.

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

1 ATTACHMENTS

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

- a) Contract Parameters and Notice Lists in Schedule 1; and
- b) Bundled T Terms and Conditions contained in Schedule 2; and
- c) End Use List in Schedule 3; and
- d) Union's General Terms and Conditions.

2 PRELIMINARY AND CONTINUING CONDITIONS

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

- a) If required under the General Terms and Conditions financial assurances shall be supplied and maintained with Union; and
- b) Customer and Union shall have executed, delivered and maintained in good standing the Gas Distribution Contract(s); and
- c) If required, Agent shall have a valid Gas Marketer's License as defined by the OEB Act and Regulations.

The above conditions must be initially satisfied by Customer or it's Agent 25 days prior to the Day of First Receipt.

3 **CONTRACT TERM**

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

4 **SERVICES PROVIDED**

Union agrees to provide Service under the terms and conditions as set out in this Contract and the referenced attachments. Subject to Authorization Notice being granted by Union, Service under this Contract shall be Firm for the quantities and Receipt Points as specified in Schedule 1.

5 **RATES FOR SERVICE**

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

- a) The Rate Schedules R-1 as it may be amended from time to time by the Ontario Energy Board; and
- b) this Contract and the attachments hereto.

6 **NOTICES**

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

7 **AGENCY**

If an Agent on behalf of the Customer(s) executes this Contract then, if requested by Union, the Agent shall at any time provide a copy of such authorization to Union.

If more than one Customer executes this Contract, they shall in writing appoint an Agent, a copy of which shall be provided to Union.

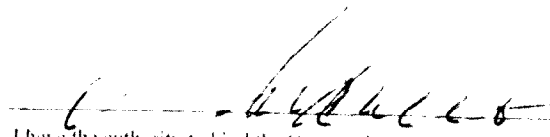
As long as the agency continues, the Agent shall be the only person to deliver or receive all Notices, invoices, and payments. Any Notice, invoice, or payment made to Union by the Agent will be deemed to be received from all Customers. Any Notice, invoice, or payment made by Union to the Agent will be deemed to be received by all Customers. Union shall not be responsible to communicate to the other Customers or End Users any such Notice, invoice, or payment from or to such Agent.

8 **CONTRACT SUCCESSION**

This Contract replaces all previous Bundled T Contracts, subject to settlement of any Surviving Obligations.

The undersigned execute this Contract as of the above date.

UNION GAS LIMITED


I have the authority to bind the Corporation, or Adhere C.S. if applicable

Wayne Andrews

CUSTOMER



Natural Resources Gas Union
for the

I have the authority to bind the Corporation, or Adhere C.S. if applicable

UD BLAKE

Please print name

SCHEDULE "1"
Contract Parameters and Notice Lists
Southern Bundled T

Contract Id	SX018
Contract Name	NRG
DCNS	DCNS04387

1. Dates

"Day of First Receipt" means the 1st day of October, 2004.

The first Contract Year shall expire at the end of September, 2005.

2. Daily Contract Quantity (DCQ)

Upstream Point(s) of Receipt

Location	Obligated DCQ GJ per Day
Western	761
Western (Exchange)	0

Ontario Point(s) of Receipt

Location	Obligated DCQ GJ per Day	Location	Obligated DCQ GJ per Day	Location	Obligated DCQ GJ per Day
Parkway	1,189	Dawn-Vector	0	Ojibway	0
Parkway (Trunkline)	0	Dawn-Vector (A/V)	0	St. Clair	0
Parkway (PEPL)	0	Dawn-Vector (Vector)	0	Bluewater	0
		Dawn	0		

Obligated DCQ does not include fuel.

On days when requested by Customer and Authorization Notice is given by Union, the above quantity parameters, Upstream Point(s) of Receipt, and Ontario Point(s) of Receipt shall be deemed to be amended in accordance with such Authorization Notice.

3. Maximum BGA Balances

All units referenced in the table below are GJ's.

BGA Balancing Period Date	Maximum Positive Variance	Maximum Negative Variance
30-Sep-2005	28,470	-28,470

4. Checkpoint Balancing Parameters

For the period prior to February 2005, the checkpoint parameters as noted below are for Customer's information purposes only. Neither Customer nor Union shall be accountable for any contractual performance related to these checkpoints until February 2005.

Checkpoint	Fall/Winter Checkpoint Date	Fall/Winter Checkpoint Quantity (GJ)
WINTER	28-Feb-2005	-155,114

This Contract operates on the basis of:

☐ Customer Determined Balancing Option

Or ☒ Union Determined Balancing Option

5. Contact List for Notices

Notices for Nomination Matters

President & General Manager

Mail: 39 Beech Street E., P.O. Box 307, Aylmer, ON N5H 2S1

Courier: 39 Beech Street E., Aylmer, ON N5H 2S1

Phone: (519) 773-5321 Ext.205

FAX: (519) 773-5335

Union Gas Limited

Manager, Gas Management Services

50 Keil Drive N, Chatham, ON N7M 5M1

Phone: (519) 436-4545

FAX: (519) 436-4635

Notices for Billing Matters

President & General Manager

Mail: 39 Beech Street E., P.O. Box 307, Aylmer, ON N5H 2S1

Courier: 39 Beech Street E., Aylmer, ON N5H 2S1

Phone: (519) 773-5321 Ext.205

FAX: (519) 773-5335

Union Gas Limited

Manager, Revenue Cycle Services

50 Keil Drive N, Chatham, ON N7M 5M1

Phone: (519) 352-3100

FAX: (519) 436-5320

Notices for All Other Matters

President & General Manager

Mail: 39 Beech Street E., P.O. Box 307, Aylmer, ON N5H 2S1

Courier: 39 Beech Street E., Aylmer, ON N5H 2S1

Phone: (519) 773-5321 Ext.205

FAX: (519) 773-5335

Union Gas Limited

Manager, Customer Support

50 Keil Drive N, Chatham, ON N7M 5M1

Phone: (519) 352-3100

FAX: (519) 436-4645

SCHEDULE "2"
Southern Bundled T Terms And Conditions

1 UPSTREAM TRANSPORTATION COSTS

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

2 OBLIGATIONS TO DELIVER AND RECEIVE

Subject to the provisions of this Contract, Union agrees to receive the Obligated DCQ parameters in Schedule 1 each Day. Customer accepts the obligation to deliver the Obligated DCQ parameters in Schedule 1 to Union on a Firm basis. On days when an Authorization Notice is given, the DCQ parameters are as defined in the Authorization Notice.

For all Gas to be received by Union at the Upstream Point of Receipt, Customer shall in addition to the DCQ, supply on each Day sufficient Compressor Fuel as determined by the Transporter.

3 BANKED GAS ACCOUNT

The Banked Gas Account ("BGA") will be used to accumulate the daily differences between the total quantities of Gas received by Union (excluding fuel) from the Customer, and the total quantities of Gas distributed by Union to the End Use locations listed in Schedule 3, plus any BGA transactions permitted by Authorization Notice. Where the cumulative quantities received by Union exceed the cumulative quantities distributed by Union, the resulting BGA balance shall be positive. Where the cumulative quantities distributed by Union exceed the cumulative quantities received by Union, the resulting BGA balance shall be negative.

Customer shall plan and operate in a manner that will achieve a BGA balance of zero at the end of each Contract Year. In addition, Customer is expected to take balancing actions early in the summer to ensure that the BGA balance does not exceed the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is also expected to take balancing actions early in the winter to ensure that the BGA balance is not less than the Winter Checkpoint Quantity as of the Winter Checkpoint Date. The checkpoint quantities and dates are identified in Section 4 of Schedule 1.

Customer's ability to manage the BGA balance through changes in its supply arrangements shall require authorization from Union. Customer's request for a change does not require or obligate Union to accept a request which Union, acting reasonably, determines it cannot accommodate. If Union cannot accommodate such request, Customer shall not be relieved from its obligations for the Fall Checkpoint Date or the Winter Checkpoint Date, or any BGA Balancing Period Date.

Provided this Contract is in place for a subsequent Contract Year, that portion, if any, of the BGA balance not exceeding the Maximum Positive Variance or the Maximum Negative Variance identified in Schedule 1 shall be carried forward into the BGA of the subsequent Contract Year.

3.01 Service under the Union Determined Balancing Option

Where Schedule 1 identifies the balancing option as "Union Determined Balancing Option", Section 3.01 of this Schedule 2 shall apply to the exclusion of Section 3.02.

Under the Union Determined Balancing Option, Union will determine and advise Customer of the incremental quantity of Gas that must be supplied by Customer for the BGA balance to be greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and the quantity of Gas that must be disposed of for the BGA balance to be less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is obligated to supply and to dispose of the quantities of Gas as determined by Union.

Winter Check Point

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date ("Winter BGA Balance") using recent third party weather forecasts and Customer's monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer's obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer's consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

During February, if Union determines that the estimated BGA will be less than the Winter Checkpoint Quantity then Union will advise Customer of the additional quantity of Gas that must be delivered. Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day, or if Union has approved a balancing transaction and the Gas is not delivered by Customer, then Union will sell to Customer, and Customer will accept, that quantity of Gas at the Banked Gas Purchase commodity charge from the R1 Rate Schedule.

Fall Checkpoint

During September, Union will determine and advise Customer of the quantity of Gas that must be disposed of in advance of the Fall Checkpoint Date to ensure that the BGA balance is not greater than the Fall Checkpoint Quantity on the Fall Checkpoint Date. If, by the Fall Checkpoint Date, Customer has not disposed of a quantity of Gas greater than or equal to the quantity directed by Union, then Customer shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule multiplied by the difference between the quantity directed by Union and the actual quantity disposed of by Customer. In addition, Customer shall take immediate steps to dispose of this difference.

3.02 Service under the Customer Determined Balancing Option

Where Schedule 1 identifies the balancing option as "Customer Determined Balancing Option", Section 3.02 this Schedule 2 shall apply to the exclusion of Section 3.01.

Under the Customer Determined Balancing Option, Customer is responsible for determining the quantity of Gas that must be supplied and executing the actions required to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and determining the quantity of Gas that must be disposed of and executing the actions required to ensure that the actual BGA balance is less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date.

Winter Check Point

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date ("Winter BGA Balance") using recent third party weather forecasts, if applicable, and Customer's monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer's obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer's consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

If Customer determines that it requires a change in its supply arrangements to meet its Winter Checkpoint Quantity as of the Winter Checkpoint Date, Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day of February then Union is not obligated to accept the request if it cannot be reasonably accommodated or exposes Union to incremental costs.

If the actual BGA balance is less than the Winter Checkpoint Quantity on the Winter Checkpoint Date then Union will sell to Customer, and Customer will accept, a quantity of Gas equal to the difference between the actual BGA balance and the Winter Checkpoint Quantity, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

Fall Checkpoint

If the actual BGA balance is greater than the Fall Checkpoint Quantity on the Fall Checkpoint Date, Customer shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule multiplied by the difference between the actual BGA balance and the Fall Checkpoint Quantity. In addition, Customer shall take immediate steps to dispose of the quantity in excess of the Fall Checkpoint Quantity.

3.03 Additional BGA Monitoring and Maintenance Obligations

In addition to meeting the Fall Checkpoint Quantity on the Fall Checkpoint Date and the Winter Checkpoint Quantity on the Winter Checkpoint Date above, Customer agrees to monitor its BGA balance on an ongoing basis, and shall maintain a BGA balance such that it does not exceed the

Maximum Positive Variance or Maximum Negative Variance on the BGA Balancing Period Date(s) specified in Section 3 of Schedule 1. If Customer anticipates a BGA balance outside of any of these parameters then Customer shall promptly notify Union.

If Union forms the opinion that the BGA balance will exceed the Maximum Positive Variance at the end of a BGA Balancing Period Date as referenced in Section 3 of Schedule 1 then Union, in its discretion, shall have the right to refuse receipt of Gas.

Union's refusal to receive Gas under any circumstances described in this section does not relieve Customer of its obligation on any subsequent Day to deliver its Obligated DCQ to Union should Union require it. Union agrees to act in a reasonable and responsible manner when interpreting the relevant data for determining the forecasted BGA balances. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.04 Positive BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Positive Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Positive Variance then such excess shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule.

3.05 Negative BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Negative Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Negative Variance then the excess shall be sold by Union and purchased by Customer at the Banked Gas Purchase charge in the R1 Rate Schedule.

3.06 Energy Conversion

Balancing of receipt by Union with distribution to Customer is calculated in energy. The distribution to Customer is converted from volume to energy using Union's standard practices.

3.07 Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a contract for Storage Services with Union then, except as authorized by Union, no positive BGA balance shall be allowed. Unless otherwise agreed to by Union, any positive BGA balance remaining in Customer's BGA as of such date of termination or expiry shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. Customer shall incur such charge until the balance has been reduced to zero.

Unless otherwise agreed to by Union, any negative BGA balance as of the date of termination shall be sold by Union, and purchased by Customer, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

3.08 BGA Carryover Limitation During Late Season Injection

If the current Contract Year ends during the period September 15 to November 15, Union will provide Storage Services for a positive BGA balance on a reasonable efforts basis only. If in Union's opinion such Service is not available, Customer, when requested by Union, shall reduce deliveries to Union to ensure that the positive balance is reduced to zero or to an amount specified by Union. Such request by Union shall release Customer from its Obligation to deliver during the period specified. Any Gas in excess of the amount specified by Union shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule.

4 CHANGES TO CONTRACT PARAMETERS (SCHEDULE 1)

Any changes to End Use locations, consumption patterns, or upstream supply may have a corresponding change to the parameters in Schedule 1 as determined by Union. If there is a change, Customer will receive a revised Schedule 1 from Union prior to the effective date of the change. If Customer does not acknowledge and agree to the revised Schedule 1 in writing at least 25 days prior to the effective date of the change then the Contract will be terminated.

5 CUSTOMER'S FAILURE TO DELIVER GAS

5.01 Customer's Failure To Deliver Obligated DCQ to Union

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

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

In addition to any rights of interruption in the Gas Distribution Contract(s), Union may immediately suspend distribution of Gas to the Consumption Points or Union may direct Customer to immediately curtail or cease consumption of Gas at the Consumption Points.

Customer shall immediately comply with such direction. Such suspension or curtailment shall not constitute an Interruption under the Gas Distribution Contract(s).

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

5.02 Notice Of Failure

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

5.03 Customer Failure To Deliver Compressor Fuel

For Gas to be delivered by Customer to Union at an Upstream Point of Receipt, if Customer fails to deliver sufficient Compressor Fuel then, in addition to any other remedy, Union shall deem the first Gas received to be Compressor Fuel and Section 5.01 will apply.

SCHEDULE "3"

End Use List

Contract Id	SA1550
Contract Name	NRG

The locations stated hereunder shall collectively be defined as Point(s) of Consumption. The parties acknowledge that the Union account number(s) is for ease of administration and should any number be changed to a new number, this Contract is deemed to be automatically amended to include such new number.

For all Bundled T Contracts submitted and administered electronically by the Customer or its Agent using Unionline, the End Use List is provided in the Unionline Price Point Cross Reference Report ("Price Report").

<u>Union Account #</u>	<u>Consumer Name</u>
SA1550	NRG LIMITED

<u>Address</u>
30040 BR WESTCHESTER LI 24 DORCHESTER N IP ON

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GENERAL TERMS AND CONDITIONS

1 Nomination Requirements for Infranchise Contracted Services

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

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

1.01 Nomination Cycle Timelines

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

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

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

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

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

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

1.03 Nomination Quantities (Units)

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

1.04 Compressor Fuel

For Services requiring Customer to provide compressor fuel in kind the nominated fuel requirements will be calculated by rounding to the nearest whole GJ

1.05 Union's Acceptance of Nominations

Union will accept Nominations for contracted Services on each of the 4 standard nomination cycles. The Nomination will be rejected if the activity on the Nomination does not properly balance or if the nominated quantities violate Customer's contractual entitlements.

If a Nomination is not received prior to the nomination deadline it will be held for scheduling in the subsequent nomination cycle for the Gas Day.

1.06 Confirmation Process

The confirmation process validates nominated quantities to flow between interconnecting pipelines to ensure Customers have nominated identical quantities to both pipeline operators. In the case where there is a discrepancy between the nominated quantities and the discrepancy cannot be resolved with Customer, then the lower quantity will be the confirmed scheduled quantity.

1.07 Scheduling Process

During the scheduling process Union compares all of the requests for services (Nominations) to the physical capacity available for the Gas Day in question.

If there is insufficient capacity available to meet all of the nominated quantities Union will complete scheduling reductions of Nominated interruptible services.

If Union is unable to completely schedule an interruptible service Customer will be advised of their scheduled quantities no later than the close of the scheduling deadline for the applicable nomination cycle. Once notified, Customer is, within 30 minutes, required to submit a revised Nomination to meet the scheduled quantity for the interruptible service. In order to be accepted, this Nomination must be properly balanced and the nominated quantities must not violate Customer's contractual entitlements. If a revised Nomination is not submitted, Union will, using the contracted services Customer has available, re-balance the Nomination to match the scheduled quantities.

Scheduling of Firm Services must be nominated on the Timely Nomination Cycle. Nominations for increasing quantities for Firm Services after the Timely Nomination Cycle will be treated as Interruptible Services and will only be scheduled if there is sufficient capacity available.

1.08 Subsequent Nominations

All scheduled Nominations for infranchise Services will remain in effect until a new Nomination is provided by Customer.

The Unbundled Service requires a valid daily Nomination.

1.09 Parkway Call

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

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

2 FORCE MAJEURE

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

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

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

Force Majeure means:

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

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

2.01 Force Majeure Not Available

A party claiming Force Majeure shall not be entitled to the benefit of the provisions of Force Majeure if any one or more of the following circumstances prevail:

- a) the failure resulting in the Force Majeure was caused by the negligence of the party claiming Force Majeure;
- b) the party claiming Force Majeure failed to make all reasonable efforts (not including litigation, if such remedy would require litigation) to remedy the Force Majeure;
- c) the Force Majeure was caused by lack of funds;
- d) the party claiming Force Majeure did not give Notice required, as soon as reasonably possible after the Force Majeure occurred.

2.02 Force Majeure Declared by Union

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

2.03 Force Majeure Declared by Customer

During a Force Majeure declared by Customer, all demand charges and all commodity charges otherwise payable under this Contract will be continue to be payable. Where Customer's Contract includes an Obligation to Deliver Gas to Union, such Obligation to Deliver Gas to Union at the Point of Receipt shall not be relieved under Force Majeure where such Force Majeure occurs at Customer's facilities downstream of the Point of Consumption. Union will not be responsible for any Transporter charges.

2.04 Applicability to Contractual Annual Quantity Requirements

- a) The number of days of Force Majeure will proportionally reduce any minimum annual quantity upon which any minimum bills are determined, and such reduced minimum annual quantity will not be limited to the minimum quantity required to qualify for the applicable Rate Schedule.
- b) Service taken during the period of Force Majeure will be deemed not to have been taken for purposes of determining the applicable minimum annual quantity.

3 TERMINATION and SUSPENSION

3.01 Terminations By Either Party

Either party may terminate this Contract under the conditions and procedures as set out below.

Subject to the other provisions of this Contract, in the event of a breach, misrepresentation, non-observance or non-performance by any party to this Contract of any covenant, provision, representation, condition, continuing condition, restriction or stipulation contained in this Contract, the party not in default may give written Notice to the defaulting party requiring it to remedy such default. If the defaulting party fails to fully remedy the party not in default for all consequences of such default within a period of ten (10) Business Days from receipt of such Notice, this Contract may be terminated by Notice from the party not in default.

These rights shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

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

3.02 Suspension of Service

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

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

3.03 Effect of Termination

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

4 NOTICE

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

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

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

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

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

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

Email is not an acceptable form of Notice.

5 BILLING

5.01 Monthly Billing

Each Month, Union shall render a bill for Services and any other charges for the preceding Month. Charges may be based on estimated quantities. If actual quantities are unavailable in time to prepare the bill, Union shall provide, in a future Month's billing, an adjustment based on any difference between actual quantities and estimated quantities.

5.02 Right of Examination

Both Union and Customer shall have the right to examine at any reasonable time copies of the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of this Contract.

5.03 Payments

5.03-1 Payment Date

Payment date is identified in the applicable Rate Schedule. If payment date is not identified in a Rate Schedule, it will be as identified on the invoice.

5.03-2 Remedies For Non-Payment

In the event that Customer fails to pay Union when payment is due, late payment charges as identified in the applicable Rate Schedule and the termination and suspension provisions will apply.

5.03-3 Adjustment of Underpayment, or Overpayment

If a Customer disputes a bill or any portion thereof, Customer shall pay the undisputed portions of the bill. Together with such payment, Customer shall provide written Notice to Union setting out the portions of the bill that are in dispute, an explanation of the dispute and the amount that Customer believes is the correct amount.

If it is subsequently determined that Customer has been overcharged and Customer has actually paid the bill(s) containing the overcharge then, within thirty (30) days after the final determination, Union shall refund the amount of any such overcharge with Interest.

If it is subsequently determined that Customer has been undercharged, Customer shall pay the amount of any such undercharge within thirty (30) days after the final determination. Any claim related to overcharge or undercharge must be made within twelve (12) Months from date such overcharge or undercharge is believed to have occurred.

5.04 Financial Assurance

If at any time during the Term of this contract, Union has reasonable grounds to believe that Customer's creditworthiness under the Contract has become unsatisfactory, then Union may by written Notice request financial assurances from Customer in an amount determined by Union in a commercially reasonable manner. Upon receipt of such written Notice, Customer shall have 14 days to provide such financial assurances.

The financial assurances requested by Union will not exceed the sum of the following:

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

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

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

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

5.05 Non-Payment Remedy

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

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

6 QUALITY

6.01 Natural Gas Quality

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

6.02 Freedom from Objectionable Matter

The Gas received by Union and delivered to Customer hereunder shall be free (at prevailing pressure and temperature in Union's pipeline at the Point of Receipt or Point of Consumption,

as the case may be) from dust, or other solids or liquids which cause injury to, or interfere with proper operation of the lines, regulators, or meters through which it flows.

6.03 Parties' Responsibilities

If the Gas being received by Union from Customer or delivered by Union to Customer fails at any time to conform to any of the specifications set forth in this Section 6, the party receiving such Gas shall notify the delivering party of such deficiency and thereupon the party receiving the Gas may, at its option, refuse to accept receipt of Gas pending correction by the party delivering the Gas. Neither party is responsible for any loss, damage, or injury unless there has been gross negligence or wilful misconduct.

7 MEASUREMENT

7.01 Determination of Volume and Energy

- a) The volume and energy amounts shall be determined in accordance with the Electricity and Gas Inspection Act, assented to 31 March, 1982 and the Electricity and Gas Inspection Regulations, P.C. 1986-116, 16 January, 1986, and any documents issued under the authority of the Act and Regulations and any amendments thereto. Where there is no site specific energy measurement, the Union's Average Heat Value will be used to convert volumes to energy.
- b) The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion.

7.02 Metering by Union, Check Measuring Equipment

Union will install and operate meters and related equipment in accordance with the Act and the Regulations referenced in these General Terms and Conditions.

Customer may install, maintain, and operate, such check measuring equipment as desired, and shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Consumption Point. This check measuring equipment will be downstream of the Consumption Point and at Customer's own expense.

Where Union has installed heat value measuring equipment at Customer's End Use location, the heating value properly measured at this site will be used to convert volume to energy for Gas delivered by Union to Customer.

7.03 Observation of Measurement Work

Union and Customer shall have the option to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment. Each party shall provide reasonable notification to the other party in connection with testing, calibrating or adjusting measuring equipment, to enable the other party to be present if desired.

7.04 Calibration and Test of Meters

The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals.

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

7.05 Correction of Metering Errors - Failure Of Meters

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

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

8 POSSESSION OF AND RESPONSIBILITY FOR GAS

8.01 Point of Receipt and Point of Consumption Controls

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

8.02 Title to the Gas

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

8.03 Common Carrier and Insurance

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

8.04 Right to Commingle the Gas

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

9 FACILITIES AT CONSUMPTION POINT

9.01 Construction, Maintenance and Entry

Union may construct on Customer's property (whether owned by Customer or some other party), at each Point of Consumption the metering stations and facilities required by Union. Union employees or agents may at any reasonable time, with notification to Customer (except in cases of emergency where no notification is required), enter Customer's property provided that in all cases Union's employees or agents agree to abide by Customer's facility security policies and procedures and health and safety policies provided that they are reasonable and provided by Customer to Union's employees or agent prior to entry to the property.

9.02 Property, Easements, Utilities

Customer agrees that all stations and facilities installed by Union, including the meter station, are the property of Union whether the facilities are on property belonging to Customer or some other party.

Customer grants to Union on such commercial terms and conditions as may be agreed upon any required easements or agreements and undertakes to obtain or execute and deliver to Union such required easements or agreements to allow Union to have the related use of Customer's land interests which may be reasonably required by Union to facilitate Construction..

In the event that the meter at the Point of Consumption has telemetry capabilities, Customer agrees to provide and pay for, a minimum of one (1) 115 V.A.C. single phase 15 ampere power circuit and one exclusive telephone line at the metering stations for Union's telemetry purposes.

10 INDEMNITY

Each party hereby agrees to indemnify and save the other harmless from and against all claims, demands, actions, causes of action, damage, loss, deficiency, cost, liability and expense which may be brought against such party or which such party may suffer or incur as a result of, in respect of, or arising out of:

- a) any non-performance or non-fulfilment of any covenant or agreement on the part of the other party contained in this Contract;
- b) any misrepresentation, inaccuracy, incorrectness or breach of any representation or warranty made by the party contained in this Contract or contained in any document given pursuant to this Contract;
- c) payment of any Goods and Services Tax or other government tax made on behalf of the other party; and

- d) *(Subsection 10(d) is only applicable to Agent or Customer)*
the failure of Customer or Agent to satisfy its obligations to End Use locations listed in Schedule 3 (where a Schedule 3 is included in this Contract);
- e) *(Subsection 10(e) is only applicable to Agent)*
any dispute arising out of any aspect of the relationship between the Agent and Customer;
- f) all costs and expenses including, without limitation, legal fees, incidental to or in respect of the foregoing;
- g) any negligence or wilful misconduct.

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

11 REPRESENTATIONS AND WARRANTIES BY AGENT

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

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

12 MISCELLANEOUS PROVISIONS

12.01 Interpretation

12.01-1 Definitions and Industry Usage

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

12.01-2 Expanded Meaning

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

- a) words importing the singular shall include the plural and vice versa;
- b) words importing the gender shall include the masculine, feminine and neuter genders; and
- c) references to any statute shall extend to any orders in-council or regulations passed under and pursuant thereto, of any amendment or re-enactment or such statute, orders-in-council or regulations, or any statute, orders-in-council or regulations substantially in replacement thereof.

12.01-3 Inconsistency

In the event of a conflict among the terms of the (i) Rate Schedules; (ii) Contract; (iii) Schedules; and, (iv) General Terms and Conditions, the terms of the documents shall govern in the priority as listed.

12.01-4 Currency

Unless otherwise indicated, all reference to dollars in this Contract shall mean Canadian dollars.

12.01-5 Time

All references to time in this Contract shall be stated in Eastern Clock Time.

12.02 Assignability

Neither the rights nor the obligations of Customer under this Contract shall be assignable without the prior written consent of Union. Union's consent may not be unreasonably withheld or delayed.

12.03 Proper Law of Contract

The Contract shall be governed by and construed in accordance with the laws of the Province of Ontario, and the parties to this Contract exclusively attorn to the jurisdiction of the Courts of Ontario.

12.04 Successors and Assigns

The Contract shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and permitted and lawful assigns.

12.05 Entire Contract

This Contract constitutes the entire agreement between the parties pertaining to the subject matter hereof. This Contract supersedes any prior agreements, understandings, negotiations or discussions, whether oral or written, between the Parties in respect of the subject matter hereof.

12.06 Confidentiality

Except for credit purposes, unless the Parties to this Contract otherwise expressly agree in writing, the terms of this Contract will remain strictly confidential except as otherwise

required by applicable law or by any competent regulatory body or court of competent jurisdiction.

12.07 Priority of Service

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

12.08 Waiver and Future Default

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

12.09 Laws, Regulations and Orders

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

12.10 Right to Contract

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

12.11 Surviving Obligations

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

- a) confidentiality as outlined in Section 12.07
- b) liability and Gas balancing obligations to the extent any liabilities and Gas balancing obligations have accrued prior to the date of termination or expiry of this Contract, and may continue as a result of an event occurring prior to the termination or expiry of this Contract (for the period until all liabilities and Gas balancing and reconciliation's have been completed)
- c) settlement of accounts; rights to set off; calling any Letter of Credit; collecting on any security (for the period until all accounts have been settled).

12.12 Joint and Several Liability

In the event that Customer is more than one person the obligations of all of such persons shall be joint and several and Union shall not be required to exhaust its rights and remedies against any one person prior to exercising its rights and remedies in respect of any other person.

12.13 Invalidity of Provisions

If any of the provisions of this Contract are invalid, illegal or unenforceable in any respect, the validity or legality of enforceability of the remaining provisions shall not in any way be affected.

12.14 Service Curtailment

Union may be required from time to time to perform Construction to its facilities, which may impact Union's ability to meet Customer's requirements. In such event, Union shall have the right to suspend Service in whole or in part but will use reasonable efforts to determine a mutually acceptable period during which such maintenance or Construction will occur and also to reasonably limit the extent and duration of any impairments. Union shall provide at least fifteen (15) days Notice (except in cases of emergency, then it may be done immediately with Notice provided as soon as reasonably possible afterwards) to Customer of the extent that Union's ability to provide Service may be impaired. During any such curtailment, Customer will be relieved of the demand charges for Services directly related to the said curtailment, but commodity and proportionate demand charges for Gas Service available to Customer will be payable.

12.15 Unauthorized Use of Services

If Customer exceeds the contract parameters (including Service, after notification of interruption of Interruptible Service or Curtailment resulting from a Force Majeure), in addition to charges identified in the Rate Schedules, Customer shall also be responsible for any direct damages resulting from exceeding the contract parameters and/or not complying fully with the any Notice.

If Customer uses Interruptible Services, in breach of notification of Interruption, Union will have the right to change Customer from Interruptible Service to Firm Service or increase its Firm Service, by an amount equivalent to the quantity of such excess Interruptible Service used on any day effective on the first day of any Month following such breach.

12.16 Consequential Claims or Damages

Neither party shall be responsible for consequential or indirect damages..This provision shall survive the termination or expiration of this Contract.

12.17 Further Assurances

Each party will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents, and assurances as may reasonably be requested for the carrying out and performance of this Contract.

12.18 Amendment

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

12.19 Counterparts

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

13 DEFINITIONS

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

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

7. **"Bundled Service"** means a Service provided by Union under the Bundled T and Gas Distribution Contract without daily Nominations at the Consumption Point.
8. **"Bundled T"** means the contract with Union under which Customer receives Receipt Services.
9. **"Compressor Fuel"** means an amount of Gas specified by Transporter to be supplied by a shipper as a fuel source for Transporter's pipeline compressors.
10. **"Construction"** means constructing, maintaining, removing, operating and/or repairing Union's facilities for the purpose of commencing, maintaining, or discontinuing deliveries of Gas to Customer.
11. **"Contract Demand"** ("CD") means the maximum volume or quantity of Gas that Union is obliged to deliver in any one day to a Customer under all Services or, if the context so requires, a particular Service at the Consumption Point.
12. **"Contract Year"** means a period of twelve (12) consecutive Months beginning on the day of First Delivery and each anniversary date thereafter unless mutually agreed otherwise.
13. **"Cubic Metre"** ("m³") means the volume of Gas which occupies one cubic metre when such Gas is at a temperature of 15 degrees Celsius, and at an absolute pressure of 101.325 kilopascals.
14. **"Day"** means a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. in the Eastern Time Zone. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence.
15. **"Daily Contract Quantity"** ("DCQ") means the sum of the Firm Entitlements.
16. **"Day of First Delivery"** means the date the Service, obligations, terms and conditions of the Gas Distribution Contract commence, as set out in its Schedule 1.
17. **"Day of First Receipt"** means the date the Service, obligations, terms and conditions of the Bundled T commence, as set out in its Schedule 1.
18. **"Delivery Services"** means the transportation Services of Gas by Union to Storage or the Consumption Points.
19. **"Distribution Services"** means any Services that provide for the Storage or Delivery of Gas.
20. **"End User"** means the ultimate user of the Gas in Union's franchise area.
21. **"Failure to Deliver"** means the circumstance where Customer is Obligated to deliver a quantity of Gas to Union, and all or a portion of the said quantity is not received by Union at the Points of Receipt.

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

36. **"OEB"** means the Ontario Energy Board.
37. **"Points of Consumption" or "Consumption Points"** means, unless otherwise specified in this Contract, the outlet side of the Union measuring equipment located at Customer's or End User locations as specified in Schedule 1 or Schedule 3, as applicable.
38. **"Price Point Values"** means the amount specified by the Agent for Services listed in the Unionline Price Point Cross Reference Report as permitted by the Gas Services Agreement.
39. **"Rate Schedule"** means the Ontario Energy Board approved Rate Schedule applicable to the Service being provided, (including Schedules attached thereto), or such other replacement Rate Schedule as approved by the Ontario Energy Board from time to time.
40. **"Receipt Services"** means the approved receipt of Gas from Customer to Union at the Points of Receipt.
41. **"Receipt Point" or "Points of Receipt"** shall mean the points listed on Schedule 1 of the Bundled T where Union may receive Gas from Customer.
42. **"Seasonal"** means any Gas service that is available during a specified period of the Year.
43. **"Services"** means Gas Receipt, Delivery and Storage Services provided by Union.
44. **"Stand Alone Fees"** means the amount specified by the Agent for other Services listed in Unionline Price Point Cross Reference Report, excluding Price Point Values, as permitted by the Gas Services Agreement.
45. **"Storage Services"** means the space and deliverability service for storage, either Bundled or Unbundled Service.
46. **"Surviving Obligations"** means those Surviving Obligations set out in Section 12.12 of the General Terms and Conditions.
47. **"TCPL"** means TransCanada PipeLines Limited.
48. **"TCPL Delivery Zone"** means one of "Manitoba, Western, Northern, Sault Ste. Marie, Central, and Eastern Delivery Areas," or other such applicable areas created by TCPL.
49. **"Transporter"** means the Gas transmission company that transports the Gas to the Receipt Point.
50. **"Unbundled Service"** means a Service provided by Union under which Customer will nominate and balance daily for Receipt, Storage and Delivery Services.

51. **"Unionline"** means Union's electronic web based system for Customer and Union to interact electronically, including but not limited to Nominating and information exchange.
52. **"When Available"** means any interruptible Gas service that is available based on Union's sole discretion after Firm and Interruptible services have been exhausted and is priced at the interruptible rate in the applicable Rate Schedule.
53. **"Western"** means the points of receipt on the TCPL system where Union is able to receive Gas.
54. **"Year"** means a period of 365 days; provided, however, that any such Year, which contains a date of February 29, shall consist of 366 days.

Statement of Qualifications
J. Patricia Elliott

Experience:

Union Gas Limited

Controller, Union Gas
2008

Director, Accounting and Internal Controls
2007

Director, Accounting
2002

Controller
1999

Manager, Financial Planning
1997

Manager, Rates and Cost of Service
1995

Manager, Rate Design and Cost of Service
1989

Supervisor, Cost of Service Studies
1987

Supervisor, Plant Accounting
1985

Supervisor, Accounting Systems
1983

Senior EDP Auditor
1981

Clarkson Gordon - London
1977

Education:

Chartered Accountant - 1981

Bachelor of Mathematics
University of Waterloo - 1980

Memberships: Institute of Chartered Accountants of Ontario
Canadian Institute of Chartered Accountants

Appearances: (Ontario Energy Board)

EB-2007-0598
EB-2005-0211
EB-2005-0520
RP-2003-0063
RP-2002-0130
RP-1999-0017
E.B.R.O. 499
E.B.R.O. 493/494
E.B.R.O. 486-04
E.B.R.O. 486-03
E.B.R.O. 486-02
E.B.R.O. 486
E.B.L.O. 246
E.B.R.O. 476-06
E.B.R.O. 476-05
E.B.R.O. 476-03
E.B.R.O. 476-02
E.B.R.O. 478
E.B.R.O. 476-01
E.B.R.O. 470
E.B.R.O. 462
E.B.R.O. 412-III
E.B.L.O. 230
E.B.L.O. 234

**Statement of Qualifications
David MacEacheron**

Experience:

Union Gas Limited

Strategic Manager, Industrial Markets
2002

Strategic Manager, Retail Energy Markets
1998-2002

Manager, NGV Business Unit
1996-1998

Manager, NGV Business Development
1993-1996

Manager, NGV Operations
1991-1993

Sales Manager, Brantford Division
1989-1991

Manager, Major Gas Sales
1986-1989

Supervisor, Commercial Industrial Sales – Hamilton
1983-1986

Distribution Planning Engineer & Station Engineer
1979-1983

Education:

Civil Engineering, BSc, University of New Brunswick
1979

Associations:

Professional Engineer PEO

Appearances:

(Ontario Energy Board)
EB-2007-0725