

**CONTRAT DE DISTRIBUTION**

**CONTRACT – RATE : STABLE VOLUME  
( Load-balancing, Distribution )**

Account n° : N/A

Dated: July 23, 2004 \_\_\_\_\_

**BETWEEN GAZ MÉTRO LIMITED PARTNERSHIP**  
acting through its General Partner Gaz Métro, Inc.  
with a place of business located at 1717, rue du Havre, Montréal (Québec) H2K 2X3  
(" Partnership ")

**AND TRANSCANADA ENERGY LTD.**  
with a place of business located at 450 1<sup>st</sup> Street S.W., Calgary (Alberta) T2P 5H1  
(" Customer ")

1. The Customer declares that it operates a **cogeneration plant** at the **Bécancour Industrial Park**.  
(" Facilities ")

**2. NATURAL GAS PROVISION AND COMPRESSOR FUEL**

The Customer agrees to provide (without any transfer of ownership) to the Partnership the natural gas the Customer withdraws at its Facilities. The Customer shall also be responsible for the compressor fuel required to transport said natural gas to the territory and network of the Partnership. The Customer also agrees to comply with the terms and conditions of the provision contract concluded with the Partnership, which provision contract shall set out the provision conditions.

**3. TRANSPORTATION OF NATURAL GAS**

The Customer agrees that it shall be responsible for the delivery to the distribution system in the territory of the Partnership of the gas the Customer withdraws at its Facilities. Furthermore, the Customer agrees to conclude the required contracts with the Partnership necessary to set out the conditions of such delivery.

**4. LOAD-BALANCING SERVICE**

The Customer agrees to adhere to the load-balancing service of the Partnership used to manage on a daily basis the gas it withdraws at its Facilities. The load-balancing price is the price established in the load-balancing rate of the Rates.

As a new customer, the agreed projected annual volume for the first year is as established pursuant to Rider number 1.

**5. DISTRIBUTION SERVICE**

The Customer agrees to adhere to the distribution service of the Partnership described in the chart below:

**DISTRIBUTION RATE : D 4 STABLE VOLUME**

Decision in force at the preparation date of the present contract	Rate zone	Effective delivery pressure (kPa)	Maximum hourly flow (m <sup>3</sup> )
D-2003-180	South	3550	127 000

Daily subscribed volume (m <sup>3</sup> )	Minimum daily obligation (¢/m <sup>3</sup> )	Percentage of reduction on distribution billing (%)	Peak shaving (%)
2 639 219 (see Rider)	0,46220	26	15

The parties hereby understand and agree that this distribution contract, although duly signed, is subject to the right of TCE, right hereby specifically reserved, to apply to the Régie de l'énergie to obtain a discount under clause 2.6 of D-4 Distribution Tarif. If applicable, and in the event that the Régie de l'énergie authorizes a discount under said clause 2.6 of the D-4 Distribution Tarif, said discount will automatically be applied to this Contract.

**6. OTHER DISPOSITIONS**

6.1 Subject to paragraphs 6.4 and 6.5, the load-balancing and distribution services provided in this contract are effective on **April 1<sup>st</sup>, 2006** for a period of **245 months** and ending on **August 31, 2026**. Notwithstanding the foregoing, the Customer may terminate the load-balancing service in accordance with the provisions of the Rates in order to supply it itself.

6.2 The gas provision, compressor fuel, transportation, load-balancing and distribution services are subject to the provisions of the Rates, including the interpretative, general and transitory provisions that are an integral part thereof and to the General Conditions printed in Annex A of this Contract.

6.3 The present Contract is subject to tariff changes approved by the Régie de l'énergie and is deemed to be amended by these changes.

- 6.4 The coming into force of the present contract is conditional upon:
- Régie de l'énergie's approval requested under paragraph 73 of the Loi sur la Régie de l'énergie for the purchase of all pipes needed by Partnership for the extension of its natural gas distribution system being granted by August 16, 2004 at the latest or such other date as may be agreed by Customer and Partnership acting reasonably; and,
  - all of the authorizations (governmental, environmental, regulatory or of any other kind) as listed in Appendix B required for the extension of the Partnership's natural gas distribution system to the Customer's Facilities being granted by December 17, 2004 at the latest, or such other dates as may be agreed by Customer and Partnership acting reasonably; and
  - all of the material authorizations of any kind required for the construction or operation of Customer's Facilities being granted by April 1st, 2006 at the latest or such other dates as may be agreed by Customer and Partnership acting reasonably, and
  - the Customer is able to demonstrate to the Partnership's reasonable satisfaction by February 1st, 2005 that it has all requisite transportation capacity for the delivery to the Partnership of the minimum daily subscribed volume of natural gas (2 375 297 m3). Such demonstration taking the form of a firm transportation contract or a written commitment from the transporter to supply the required volume to Customer.

Furthermore, the coming into force of the present contract is conditional upon the Customer's Facilities being completed and operational with a natural gas design by April 1, 2006 at the latest or such other date as Customer decides, but no later than April 1st 2007, or such other date as may be agreed by Customer and Partnership acting reasonably and,

- No bankruptcy, insolvency, liquidation, foreclosure or other similar proceedings have been instituted against the Customer or its assets, and the Customer has not made a voluntary assignment of its assets pursuant to said legislation; and,
- The Customer has not sought to place itself or its assets under the protection of any bankruptcy, insolvency or creditor arrangement legislation; and,
- There is no voluntary or forced liquidation of the Customer; and,
- No receiver, trustee, court-appointed officer, or other person having similar powers (whether appointed by law or pursuant to a private agreement) has taken control of the assets or affairs of the Customer.

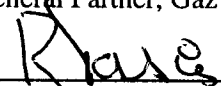
- 6.5 The Parties recognize that any postponement of a date pursuant to paragraph 6.4 can delay the in-service date, provided for in paragraph 6.1, which will, in that case, be adjusted accordingly by Partnership acting reasonably. Any such postponement of the in-service date shall be related to the postponement of date pursuant to paragraph 6.4
- 6.6 Subject to the General Conditions number 8 "Force Majeure", the Parties hereby agree that if the Partnership is unable to distribute natural gas to the Customer at its Facilities as provided for in this Contract, the Partnership shall compensate the Customer only for its immediate damages suffered as a result of the Partnership's delay in distributing natural gas to the Facilities. This compensation shall not exceed a maximum amount of 13 000\$ per day and shall also be subject to a maximum aggregate amount of 2 000 000 \$.
- 6.6 The Customer expressly renounces to and waives any unilateral right of resiliation of this contract, or any contract related thereto, it might have pursuant to article 2125 of the Civil Code of Québec.
- 6.7 Except for the Agreement concluded on this day between the parties, this contract replaces and revokes all previous offers, proposals, negotiations, representations, agreements and communications between the parties, be they oral or written, and constitutes the entire agreement between the parties to this effect. It may not be changed without written notice endorsed by both parties.

Signed at Montreal, this 30<sup>th</sup> day of July 2004

Signed at Calgary, this 28<sup>th</sup> day of July 2004

**GAZ MÉTRO LIMITED PARTNERSHIP**  
Per its General Partner, Gaz Métro Inc.

**TRANSCANADA ENERGY LTD.**

By: 


By: 

Name: Robert Tessier

Name: Rhonda E.S. Grant

Title: Président

Title: Corporate Secretary

By: 

By: 


Name: Sophie Brochu

Name: Donald Marland

Title: VP CUSTOMERS & GAS SALES

Title: Vice-President, Finance



LEGAL	
CONTENT	

**RIDER no. 1 to Contract – Rate : Stable volume**

Date of Contract: July 23, 2004  
Date of Rider: July 23, 2004

Account n° : N/A

**BETWEEN GAZ MÉTRO LIMITED PARTNERSHIP**  
acting through its General Partner Gaz Métro inc.  
with a place of business located at 1717, rue du Havre, Montréal  
(Québec) H2K 2X3  
("Partnership")

**AND TRANSCANADA ENERGY LTD.**  
with a place of business located at 450 1<sup>st</sup> Street S.W., Calgary  
(Alberta) T2P 5H1  
("Customer")

Whereas the Customer provides its own transportation services;

Whereas the Customer will build a new plant, the Partnership and the Customer agree that adjustments to the Subscribed Volume may become necessary during the contract term, specifically during the commissioning of the plant (April 1<sup>st</sup>, 2006 to August 31<sup>st</sup>, 2006);

Therefore, the parties agree to the following dispositions:

**1. Commissioning period (April 1<sup>st</sup>, 2006 to August 31<sup>st</sup>, 2006)**

***Daily Subscribed Volume (Art. 5 of Contract)***

From April 1<sup>st</sup>, 2006, the daily subscribed volume will be at least of 220 000 m<sup>3</sup>/ day. Recognizing that the needs for natural gas may be unpredictable during the commissioning of the Plant, the Partnership agrees that the Customer will be authorized to adjust its subscribed volume every month, up or down, with a minimum of 220 000 m<sup>3</sup>/ day. Customer will confirm to the Partnership, on or before the 5<sup>th</sup> working day of the month, the Subscribed Volume to apply to the consumption of the previous month; the Partnership will provide to the Customer, on or before the 4<sup>th</sup> day of the month, a schedule of its daily consumption of the previous month.

Notwithstanding the preceding paragraph, Partnership agrees that the Customer has the right to avail itself of Tariff 1 for the Commissioning period, as per its applicability, by informing by written notice the Partnership before March 1st, 2006.

***Load balancing***

The Customer will inform the Partnership of its projected annual volume before March 1<sup>st</sup>, 2006. As of today, the projected volume for the commissioning period is 55 286 936 m<sup>3</sup>.

At the end of the Commissioning period, the parties agree that the Customer will be billed for the load-balancing price balance pursuant to article 2.4 of the Load-Balancing section of the Tariff.

**2. Full production period (from September 1st, 2006)**

***Load balancing ( Art. 4 of contract )***

From September 1<sup>st</sup>, 2006 the Partnership agrees according to the present Tariff provisions, to consider a new projected volume of **916 694 351 m<sup>3</sup>** to be used as the first year volume and divided uniformly over the contract year to calculate the unit price of the load-balancing service provided by the distributor. The Customer has the right to change the projected volume anytime before September 1<sup>st</sup>, 2006.

**Daily Subscribed Volume (art. 5 of the Contract)**

On September 1<sup>st</sup>, 2006, the Daily Subscribed Volume will be of 2 639 219 m<sup>3</sup> (100 000 Gj) unless the Customer has sent a written notice to the Partnership by March 1<sup>st</sup> of the same year, that it wishes a different Daily Subscribed Volume to cover its natural gas needs from September 1<sup>st</sup>, 2006. This new Daily Subscribed Volume will be at least of 2 375 300 m<sup>3</sup> (90 000 Gj) nor higher than 3 048 298 m<sup>3</sup> (115 500 Gj).

After at least 12 months with the same Daily Subscribed Volume, the Customer will have the privilege of revising its Daily Subscribed Volume annually by sending a written notice to the Partnership by March 1<sup>st</sup> of the same year. The new Daily Subscribed Volume cannot be lower than 2 375 300 m<sup>3</sup> (90 000 Gj) nor higher than 3 048 298 m<sup>3</sup> (115 500 Gj) and will apply from September 1<sup>st</sup> of the same year. In years six (6), twelve (12) and eighteen (18) of the contract, TCE will have the right to lower the Daily Subscribed Volume to 263 900 m<sup>3</sup> (10,000 Gj) for a one month period for each of those years by sending a written notice to the Partnership by March 1<sup>st</sup> of the previous year..

**Additional Reductions (art. 5 of the contract)**

Should the Distributor, during the term of the contract, offer to other customers additional reductions that could apply to the present contract, the Distributor would also offer to the Customer the same reductions, subject to prior authorisation of the Régie.

**3. Minimum Daily Obligation (art. 5 of the Contract)**

For each new Subscribed Volume, the Minimum Daily Obligation will be recalculated for billing purposes.

**4. Pressure and quality of gas**

The gas delivered to the Facilities will be at a minimum pressure of 3 550 Kpa (515 Psig) and a maximum pressure of 4 135 Kpa (600 Psig).

The gas delivered to the Facilities will not contain particulate matter or liquid droplets any greater than 10 microns absolute.

GMLP agrees to remove mercaptan from natural gas distributed to the Plant, subject to the Régie du bâtiment's approval.

5. The Partnership will endeavour to coordinate his distribution system inline inspections with outage of Customer's Facilities.

6. The present Rider is valid only if executed by both parties

7. The present Rider forms an integral part of the Contract.

SIGNED AT MONTREAL, THIS 30<sup>TH</sup> DAY OF JULY 2004

SIGNED AT CALGARY, THIS 28<sup>TH</sup> DAY OF JULY 2004

GAZ MÉTRO LIMITED PARTNERSHIP  
Per its General Partner, Gaz Métro Inc.

TRANSCANADA ENERGY LTD.

By: [Signature]  
Name: Robert Tessier  
Title: Président  
By: [Signature]  
Name: Sophie Brochu  
Title: VP Customer & GA

By: [Signature]  
Name: Rhonda E.S. Grant  
Title: Corporate Secretary  
By: [Signature]  
Name: Donald Marchand  
Title: Vice-President, Finance



LEGAL	[Signature]
CONTENT	

**1. DEFINITIONS**

Unless stated otherwise, the following words and expressions have the meaning defined below:

“**equipment**”: any appliance, boiler or other installation supplied with natural gas;

“**delivery point**”: point where the Partnership's distribution system meets the piping or other conduit that is linked to equipment and located, whichever the case may be, at the exit valve of a metering station of the Partnership;

“**distribution system**”: as defined in the *Loi sur la Régie de l'énergie* (the « Loi ») L.Q. 1996, c.61;

« **interest rate** » : the interest rate established according to article 28 of the *Loi sur le ministère du Revenu*, L.R.Q. c. M-31;

“**natural gas sale**”: includes the supply, transport and distribution of natural gas.

**2. SUPPLY**

If the Customer uses the gas supply services provided by the Partnership, subject to the quality standards provided herein, the Partnership shall select, at its discretion, the suppliers from which it intends to acquire the gas necessary to supply the Customer's equipment.

**3. QUALITY**

**3.1. Gas** – All the gas sold by the Partnership must be natural gas or the equivalent sourced from suppliers which have been chosen or accepted by the Partnership; however, helium, natural gasoline, butane, propane or all other hydrocarbons, with the exception of methane, can be removed before delivery to the Customer. The Partnership can subject the gas or allow it to be subjected to compression, refrigeration, cleaning or any other procedure.

**3.2. Purity** – Unless otherwise agreed in writing by the Parties, at the agreed pressure and the ambient temperature at the delivery point, the gas sold by the Partnership as well as the gas supplied to the Partnership by the Customer, where applicable, shall not contain more than twenty-three (23) milligrams of hydrogen sulphur or more than four hundred and seventy (470) milligrams of sulphur per cubic metre of gas, as determined by the usual methods of analysis.

Furthermore, the gas supplied by the Customer to the Partnership shall not contain any solid or liquid that could significantly interfere with the proper functioning of the pipelines, regulators, meters or other devices through which the gas passes

**4. MEASUREMENT**

**4.1.** The unit of gas sale is the cubic metre (m<sup>3</sup>) of gas measured in conformity with the *Loi sur l'inspection de l'électricité et du gaz*, L.R.C. 1985, c.E-4.

**4.2.** The density and calorific content of the gas delivered by the Partnership shall be in accordance with the provisions in the Tariffs and/or the contracts between the Partnership and its transporters or suppliers.

**4.3.** The Partnership may install, maintain and operate, at or near the delivery point, a metering station equipped with gas metering devices.

**4.4.** The Customer may install, maintain and operate its own metering devices downstream from the Partnership's metering station on condition that these devices are installed, maintained and operated in a safe manner and do not impeded the functioning of the distribution system. If there is a divergence between the Customer's metering devices and those of the Partnership, the reading given by the Partnership's devices will prevail, subject to the *Loi sur l'inspection de l'électricité et du gaz*, L.R.C. 1985, c. E-4.

**5. TRANSFER OF PROPERTY**

The delivery and transfer of gas property to the Customer, if sold by the Partnership to the Customer, are at the point of delivery.

**6. INSTALLATIONS ON CUSTOMER PROPERTY**

**6.1. Construction and maintenance** – The Partnership may, without indemnity or compensation to the Customer, build, maintain and operate on the Customer's property or sites occupied or used by the latter, necessary installations for the transport, distribution, delivery and measurement of gas. The Customer states and guarantees, if necessary, that it has the required authorization and permission from the site owner to this effect. The Customer will supply the Partnership proof of such authorization, on request.

**6.2. Access** – The Customer grants the Partnership, without cost, all rights of entry, passage or access at any time to the property owned, occupied or used by the Customer to allow the Partnership to build, maintain, operate, repair remove or change its installations.

**6.3. Damage to distribution system** – The Customer and eligible parties are responsible for any damage caused to the Partnership's distribution system located on the Customer's property or on property occupied or used by the Customer, when the damage is the fault or the result of negligence on the part of the Customer, eligible parties, persons over whom the Customer or his eligible parties have control, or persons found on said property or said location with the consent of the Customer or his eligible parties, or by factors that persons described above have under their responsibility.

**7. BILLING AND PAYMENT**

**7.1.** The Partnership must bill the Customer in compliance with the Rate. The Customer must pay, to the Partnership's address shown on the bill, the payable amount by the indicated due date.

**7.2.** Subject to the *Loi sur l'inspection de l'électricité et du gaz*, L.R.C. 1985, c. E-4, when, by error, the Customer pays an amount less or more than due, this difference must be repaid or reimbursed, whichever the case, without delay after discovery of the error. If the payment or reimbursement of the difference is effected more than thirty (30) days after the date of the error, this difference will carry interest from the date of the insufficient payment or over payment, at the defined interest rate.

**8. FORCE MAJEURE**

Neither party shall be liable to the other for damage or losses sustained because the Partnership is unable to deliver the natural gas in whole or in part, or because

the Customer is unable to withdraw natural gas in whole or in part, on account of any fortuitous event, strike, lock-out, work conflict, act of public enemy, war, blockade, insurrection, riot, act of vandalism, sabotage, epidemic, collapse, lightning, earthquake, fire storm, flood, undermining, civil disturbance, explosion, breakage, freezing or accident to machinery of piping, power failure, suspension or restriction of gas supplies of the Partnership, Federal, Provincial or Municipal government intervention or intervention from any body of these governments, court ordinance of directive, or any other cause, whether or not of the nature indicated above, that fall outside the control of the party invoking this cause and which, despite the exercise of reasonable diligence, such party is incapable of preventing or surmounting. However, the cause that prevents either party to meet the requirements of the contract shall not release the party that invokes such cause from its obligations if it does not act diligently to correct the situation appropriately and equitably. In all cases where the Customer invokes a force majeure, it shall nevertheless be obliged to meet the minimum consumption provided for in the Rate. In all cases where the Partnership invokes force majeure, the subscribed volume shall be reduced for the duration of the said force majeure in proportion to the extent and duration of the force majeure.

**9. NOTICE OF INTERRUPTION**

When the Partnership is expressly required to give notice of interruption of interruptible service to the Customer, this notice will be considered duly given when it is transmitted by telephone, facsimile or by hand.

The Customer acknowledges and agrees that the telephone conversation by which the Partnership gives notice of interruption will be recorded using an audio recording system. The recording may be kept by the Partnership and, if needed, used in any dispute related to the transmittal of a service interruption notice.

**10. SUBJECTION TO LAWS, REGULATIONS AND OTHER DECISIONS**

The present contract is subject to the Rate set by the *Régie de l'énergie*. The contract is automatically changed by any law, order, judgement, decision of any legislative or regulatory organization, or any competent authority having effect on the terms of the contract including, without limiting the preceding general characteristics, any law, ordinance, judgement, decision or decree relative to rates, taxes or metering standards.

**11. TYPES OF SERVICES**

The Customer chooses between firm service of interruptible service and assumes the consequences of this choice. In addition, the Customer recognizes that this choice is supported solely by his decision.

**12. ASSESSMENT OF CUSTOMER CONSUMPTION**

The Partnership may, from time to time, ask the Customer for an estimate of its daily, monthly or annual gas heating or processing needs for a period of at least two (2) years in the future. The Customer must make all reasonable efforts to supply this information to the Partnership in the sixty (60) days that follow the Partnership's request. This information must account for growth or withdrawal factors as well as all other forecasted changes that might affect the Customer's needs. The information supplied by the Customer is not an undertaking on his part and must be treated confidentially by the Partnership.

**13. GENERAL PROVISIONS**

**13.1** This contract replaces and revokes all previous contracts and all offers, proposals, negotiations, representations, agreements and communications between the parties, be they oral or written, and constitutes the entire agreement between the parties to this effect. It may not be changed without written notice endorsed by both parties.

**13.2.** The rights and recourses available to the Partnership described in this contract or any other agreement or pending agreement between it and the Customer or as recognized by the law may be accumulated, unless stated otherwise.

**13.3.** The failure by the Partnership to require the Customer to execute any of its obligations under this contract, to terminate this contract or to exercise rights or recourses available to it, does not prejudice its right to do so in the future, unless it expressly renounces this right in writing. Such a renunciation applies only to the case specifically noted.

**13.4.** The contract binds and benefits the successors and assignees of the parties. Nothing herein prohibits either party to assign or encumber its rights under the terms of this contract as a guarantee for its obligations. However, no assignment shall release the assignee from the obligations to which it is bound under this contract.

**13.5.** Unless stated otherwise, any notice, request, authorization, renunciation or liberation (hereafter called "notice") required or allowed under terms of this contract must be given in writing and either remitted by hand or sent by prepaid registered mail in Canada, except in the event of an interruption in postal service, transmitted by facsimile, to the addresses of the parties indicated in this contract.

**13.6.** All notice thus given will be incontestably considered to have been received on the day of its forwarding or transmission by facsimile or, if mailed, on the fifth day following its mailing. The parties may change their address in order to receive notice in conformity with procedures of this contract.

**13.7.** On request, the parties agree to sign and ensure that are signed, and to submit and ensure that are submitted, all required and useful documents to give full effect to the letter and spirit of this contract.

**13.8.** Other than the parties, the current contract binds their successors, representatives and authorized beneficiaries.

**13.9.** The obligations stemming from this contract are assumed jointly when the Customer is more than one person.

**13.10** When the context requires, use of the singular also includes the plural and vice versa.

**13.11** This contract is governed by the laws of Québec.

**13.12** This contract shall take effect and be binding on the Partnership only when it has been accepted in writing and endorsed by its duly authorized representatives.

**13.13** Les parties ont convenu que la langue du contrat serait l'anglais. The parties have agreed to adopt English as the language of the contract.

## APPENDIX B

### GMLP Project Authorizations

<u>Organismes</u>	
Ministre de l'environnement (Québec) Gouvernement du Québec	
CPTAQ	
Ministère des Transports (Québec)	
Hydro Québec	
Canadien National	
Canadien Pacifique	
Municipalité de Champlain	
Société du parc Ind. et portuaire de Bécancour	
Ville de Trois-Rivières	
Ministère des Pêches et Océans (Canada)	
Transport Canada (Garde côtière)	
Gazoduc Trans Québec et Maritimes	
Régie de l'énergie	

GMLP guarantees and represents that to the best of its knowledge, this list of authorizations includes all material authorizations required for the construction of the Project.