

**CONTRAT DE REMBOURSEMENT
DE COÛTS**

AGREEMENT

BETWEEN:

GAZ MÉTRO LIMITED PARTNERSHIP, a limited partnership having its principal place of business at 1717 du Havre, Montréal, province of Québec, H2K 2X3, acting through its General Partner, Gaz Métro inc. and represented for the purposes of this Agreement by Sophie Brochu and René Bédard, who are duly authorized for this purpose,

(hereinafter "GMLP")

AND:

TRANSCANADA ENERGY LTD., a body corporate having its head office at 450 1st Street S.W., Calgary, Alberta, T2P 5H1, represented for the purposes of this Agreement by the below-signed representatives, who are duly authorized for this purpose, as evidenced by the Officer's Certificate dated October 7, 2003, with respect to Section 2.03 of By-Law Number 1 of TransCanada Energy Ltd., attached hereto as Schedule A, the Officer's Certificate dated October 7, 2003 with respect to the Resolution of the Board of Directors of TransCanada Energy Ltd. dated June 9, 2003, attached hereto as Schedule B, and the Officer's Certificate of Incumbency dated October 7, 2003, attached hereto as Schedule C,

(hereinafter "TCE")

WHEREAS on June 13, 2003, TCE executed an agreement with Hydro-Québec (the "Hydro Agreement") in order to supply the latter with electricity for a period of 20 years, beginning in September 2006;

WHEREAS TCE plans to build and operate a 547 MW cogeneration plant (the "Plant") in the Bécancour industrial park to meet its obligations under the Hydro Agreement;

WHEREAS TCE will be responsible for the gas supply of the plant (the "Gas") and will enter into all requisite transportation agreements to have the Gas delivered to the Plant, including all requisite service agreements with GMLP;

WHEREAS GMLP will only be able to deliver the Gas to the Plant by extending its natural gas distribution system (the "Project");

WHEREAS GMLP will require various material authorizations, including those of the Régie de l'énergie and the Government of Québec as listed in Appendix B, (the "GMLP Project Authorizations") in order to be able to complete the Project;

WHEREAS TCE will also have to obtain various material authorizations, including that of the Government of Québec, for the construction and operation of its Plant (the «TCE Plant Authorizations»);

WHEREAS GMLP has already taken and must continue to take various steps in order to complete the Project by April 1, 2006, the currently targeted date for the commissioning of the Plant, and in so doing has and will continue to incur significant costs (the "Project Costs") in addition to the costs incurred to obtain the Project Authorizations (the "Authorization Costs");

WHEREAS TCE agrees to reimburse the Project Costs only, incurred by GMLP in the event of non-completion of the Plant;

WHEREAS the Parties wish to set forth their respective rights and obligations in the event of non-completion of the Project or the Plant;

IN CONSEQUENCE WHEREOF, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. GMLP shall act in a diligent manner to complete the Project by the April 1st, 2006 in-service date.
2. In consideration of the fact that GMLP is already incurring Project Costs paid or to be paid at a further date, should any of the events described in paragraphs 2.1, 2.2, 2.3, 2.4 or 2.5 below occur, TCE shall, within thirty (30) days of a Notice from GMLP to that effect, reimburse GMLP for the Project Costs it will have incurred, and either paid or to be paid at a further date, up to and including the date on which the event occurs.
 - 2.1 TCE has not substantially completed the construction of its Plant or should the Plant not be operational with a natural gas design for any reason whatsoever by April 1, 2006 or such other date as TCE decides which shall not be later than April 1st, 2007, or such other date as may be agreed to by TCE and GMLP, acting reasonably;
 - 2.2 Bankruptcy, insolvency, liquidation, foreclosure or other similar proceedings have been instituted against TCE or its assets, or TCE has made a voluntary assignment of its assets pursuant to said legislation, or TCE has sought to place itself or its assets under the protection of any bankruptcy, insolvency or creditor arrangement legislation, or there is a voluntary or forced liquidation of TCE, or a 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 TCE;

- 2.3 The 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 GMLP for the Project is not received by August 16, 2004 or such other date as may be agreed to by TCE and GMLP, acting reasonably; or any other GMLP Project Authorization is not received by December 17, 2004 or such other dates as may be agreed to by TCE and GMLP, acting reasonably; or if one of TCE's Plant authorization is not received by April 1st, 2006 for the construction or operation of the Plant, or such other dates as may be agreed to by TCE and GMLP, acting reasonably; GMLP and TCE agree to provide to the other party within 72 hours, a Notice if one of its authorizations (TCE's Plant Authorizations or GMLP Project Authorizations) is not received by the date hereinabove mentioned. Upon receipt of such a Notice the parties acting reasonably agree to start negotiating the possibility to establish a new date to obtain the missing authorization;
 - 2.4 TCE is unable to demonstrate to GMLP's reasonable satisfaction by February 1, 2005 that it has all requisite transportation capacity for the delivery to GMLP of the minimum daily subscribed volume (2 375 297 m³) of natural gas mentioned in the contract between the parties for the delivery of natural gas to the Plant by GMLP («Distribution Contract»), annexed to the present contract as Appendix C. Such demonstration shall take the form of a firm transportation contract or a written commitment from the transporter to supply the required volume to TCE;
 - 2.5 TCE provides Notice to GMLP of its decision not to pursue the construction of its Plant.
3. The Parties recognize that any postponement of a date pursuant to paragraphs 2.1 or 2.3 may delay the in-service date of the Distribution Contract, which will, in that case, be adjusted accordingly by GMLP acting reasonably. Any such postponement of the in-service date of the Distribution Contract shall be related to the postponement of date pursuant to paragraphs 2.1 or 2.3. Furthermore, TCE agrees to pay to GMLP upon written notice to that effect all reasonable additional financing costs incurred by GMLP and the operational costs (66 000 \$ estimate per year) due to the postponement of the said in-service date under Section 2.1
 4. Should any one of the events referred to in paragraphs 2.1, 2.2, 2.3, 2.4 or 2.5 occur, the Parties hereto agree that the Distribution Contract shall be cancelled and GMLP and TCE shall be relieved of all of their obligations arising thereunder without payment of any amount or penalty under such Distribution Contract and GMLP shall be released of all its obligations arising under this Agreement.

5. An estimate of the Project Costs is appended hereto as Appendix A. It is however agreed that the enumeration found in Appendix A is only indicative of the type of costs that may be incurred as Project Costs and that the amounts indicated are only an estimate and that TCE shall be required to pay the reasonable actual Project Costs incurred by GMLP.
6. GMLP shall keep accurate and complete records and accounts regarding the activities and costs contemplated herein. TCE shall have the right to receive information, inspect and audit such records and accounts upon five (5) business days written notice, such right to survive the termination of this Agreement for twenty-four (24) months.
7. GMLP shall submit a monthly report to TCE identifying the Project Costs incurred by GMLP as well as an estimate of the Project Costs for the following month. Any supporting documentation with respect to said Project Costs shall be retained by GMLP at its premises.

GMLP will notify TCE by written Notice of any intra-month costs in excess of \$100,000 that is not specified in Appendix A or the estimate of the Project Costs for the following month.

8. TCE and GMLP shall keep each other informed on an appropriate regular basis of the activities they have undertaken or propose to undertake to realize the Project or the Plant.
9. Notwithstanding the termination of this Agreement and for a maximum period of 10 years from the date of the request for payment provided for under paragraph 2, if GMLP or any affiliate transfers or utilizes any or all of the material work and material information generated by the Project for the purpose of transporting or distributing natural gas or any other product to a customer other than pursuant to the Distribution Contract, and for which the costs were assumed by TCE and were part of the Project Costs pursuant to this Agreement, then GMLP shall reimburse TCE without interest, for such amount of Project Costs so utilized in proportion of its use.

The Parties shall collaborate with a view, to the extent possible, of selling the equipment and accessories acquired by GMLP in connection with the Project at the best possible price. Any sale shall be pre-approved by TCE. Any amount received by GMLP for such sale shall be remitted to TCE.

10. Any amount owing pursuant to this Agreement that is not paid when due shall bear interest at an annual rate equivalent to the prime rate as published from time to time by National Bank of Canada plus 2%.
11. This Agreement shall become effective upon the Effective Date and shall terminate, if applicable, on the date the Distribution Contract become effective.

12. If, for any reason whatsoever, the credit rating of TransCanada PipeLines Limited, as determined by Dominion Bond Rating Service ("DBRS") falls below BBB (based on the ratings scale in effect on the date this Agreement is signed or the equivalent thereof, if a new ratings scale is used), GMLP may require by Notice, an irrevocable letter of credit from TCE issued by a Canadian chartered bank (Schedule I or II) or a guarantee from another entity rated by DBRS at BBB or better, covering all Project costs. Should TCE fail to provide such letter of credit within five (5) business days of said written Notice, TCE shall, if requested by GMLP, reimburse GMLP for all the Project Costs incurred for the realization of the Project and the Distribution Contract shall be cancelled, in accordance with the provisions of Section 4 of this Agreement.
13. Except for the Distribution Contract, this Agreement replaces and revokes all previous contracts and all offers, proposals, negotiations, representations, agreements and suretyships 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.
14. TCE may not assign its rights or obligations pursuant to this Agreement without the prior written consent of GMLP, which shall not be unreasonably withheld.
15. The rights and recourses available to the Parties described in this Agreement or any other agreement or pending agreement between the Parties or as recognized by law are cumulative, unless expressly stated otherwise.
16. The failure by a Party to require the execution by the other of its obligations under this Agreement, to terminate this Agreement or to exercise any of the rights or recourses available to it thereunder, does not in any way affect 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.
17. Unless stated otherwise, any notice, request, authorization, renunciation or release (a "Notice") required or allowed under terms of this Agreement 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 or transmitted by telecopier to the addresses of the Parties indicated in the Agreement.

Any Notice so given will be deemed to have been received by the other Party on the day of its remittance by hand or transmission by telecopier, or, if mailed, on the fifth day following its mailing. Each Party must notify the other of any change of address by way of a written notice forwarded in the manner described above.

18. All Notices are to be sent to the to address or numbers set forth below:

- (a) if to TCE, to it, at:

450 1st Street, S.W.

Calgary , Alberta

T2P 5H1

Attention: Corey Goulet, Project Manager

Fax: (403) 920-2339

(b) if to GMLP, to it, at:

1717 du Havre

Montréal (Québec) H2K 2X3

Attention : Vice-president – Exploitation

Fax: (514) 598-3725

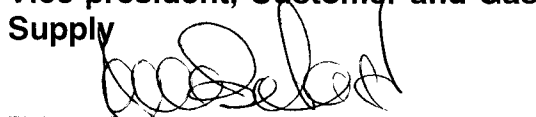
- 19. When the context requires, use of the singular also includes the plural and viceversa.
- 20. This Agreement shall be governed by the laws applicable in Québec.
- 21. Les Parties ont convenu que la langue de la présente entente serait l'anglais.
The Parties have agreed to adopt English as the language of this Agreement.

THE PARTIES HAVE SIGNED THIS AGREEMENT EFFECTIVE AS OF THIS
30TH **DAY OF JULY 2004 («Effective Date»).**

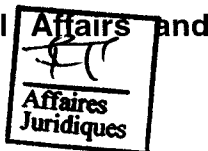
**GAZ MÉTRO LIMITED
 PARTNERSHIP BY ITS GENERAL
 PARTNER, GAZ MÉTRO INC.**



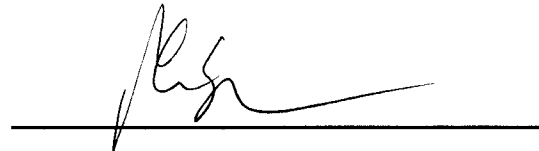
**Sophie Brochu
 Vice-president, Customer and Gas
 Supply**




**René Bédard
 Vice-president Legal Affairs and
 Corporate Secretary**



TRANSCANADA ENERGY LTD.





LEGAL	
CONTENT	

SURETYSHIP

TransCanada PipeLines Limited hereby undertakes and obliges itself solidarily (jointly and severally) with TCE, to fulfil all the obligations contracted by TCE towards GMLP pursuant to this Agreement.

The present suretyship is irrevocable.

TRANSCANADA PIPELINES LIMITED

Garry Lamb

for and on behalf of

LEGAL	<i>[Signature]</i>
CONTENT	

SCHEDULE A


TRANSCANADA ENERGY LTD.

OFFICER'S CERTIFICATE

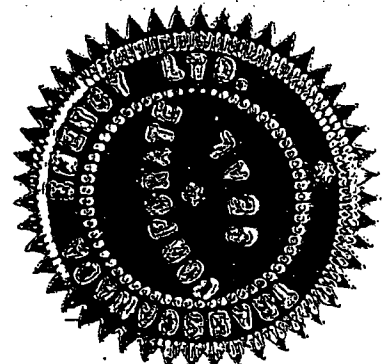
I, JOHN B. CASHIN, Secretary of TransCanada Energy Ltd. (the "Corporation or the Amalgamated Corporation"), a corporation incorporated under the laws of Canada, DO HEREBY CERTIFY ON BEHALF OF THE CORPORATION:

- 1) THAT pursuant to Section 2.03 of By-Law Number 1 of the Corporation
"Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two directors or officers or any officer or director together with any other person designated from time to time by the President and Secretary. If the Corporation only has one director, that director alone may sign any instruments on behalf of the Corporation. Any signing officer may affix the corporate seal to any instrument requiring the same."
- 2) THAT the above Section 2.03 is an excerpt from By-Law Number 1 which was passed by the directors of the Corporation on October 3, 1994 and approved by the sole shareholder on the same date. Thereafter, pursuant to an Amalgamation Agreement made the 1st day of January, 1997, between the Corporation and TransCanada Power Corp., the by-laws of the Corporation continued to be the by-laws of the Amalgamated Corporation, until repealed, amended, altered or added to.
- 3) THAT Section 2.03 of By-Law Number 1 has not been modified, amended or rescinded and is still in full force and effect.

IN WITNESS WHEREOF I have hereunder set my hand and affixed the corporate seal of the Corporation this 7 day of October, 2003 at Calgary, Alberta.



John B. Cashin
Secretary



SCHEDULE B

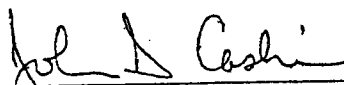
TRANSCANADA ENERGY LTD.

OFFICER'S CERTIFICATE

I, JOHN B. CASHIN, Secretary of TransCanada Energy Ltd. (the "Corporation"), a corporation incorporated under the laws of Canada, DO HEREBY CERTIFY ON BEHALF OF THE CORPORATION:

- 1) THAT attached hereto as Exhibit "A" is a true copy of resolutions in writing, dated June 9, 2003, of the Directors of the Corporation; and
- 2) THAT the resolutions attached hereto have not been modified, amended or rescinded and are still in full force and effect.

IN WITNESS WHEREOF I have hereunder set my hand and affixed the corporate seal of the Corporation this 7th day of October, 2003, at Calgary, Alberta, Canada.



John B. Cashin
Secretary

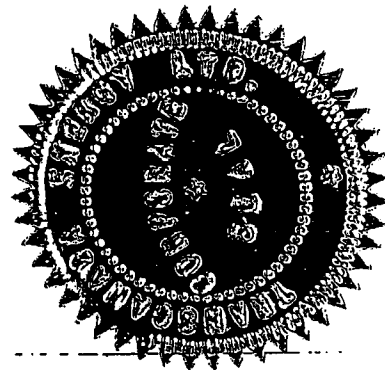


Exhibit "A"

RESOLUTIONS IN WRITING OF THE
DIRECTORS OF TRANSCANADA
ENERGY LTD. (the "Corporation")
DATED JUNE 9, 2003

APPROVAL OF THE BÉCANCOUR COGENERATION PROJECT

WHEREAS the Corporation, in response to a public call for tenders, submitted a bid to Hydro-Québec Distribution, a division of Hydro-Québec, ("Hydro-Québec") for the supply of electricity from a 547 MW natural gas fired cogeneration plant to be built at Bécancour, Québec (the "Project"), generally in accordance with the terms outlined previously to the Board of Directors;

AND WHEREAS Hydro-Québec selected the Corporation's bid for further negotiation and Hydro-Québec and the Corporation have now completed negotiation of an Electricity Supply Contract acceptable to both parties.

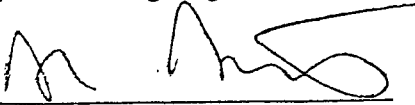
NOW THEREFORE BE IT RESOLVED THAT:

1. The Corporation is hereby authorized to develop, construct, finance and operate the Project.
2. The Corporation is hereby authorized to enter into an Electricity Supply Contract with Hydro-Québec.
3. The Corporation is hereby authorized to enter into contracts for the sale of steam produced at the Project.
4. The Corporation is hereby authorized to enter into contracts for the procurement of equipment for the Project and for the construction of the Project.
5. Any two officers of the Corporation are hereby authorized to negotiate, sign, execute and deliver in the name and on behalf of the Corporation, any and all of the agreements, contracts, and other written instruments, and to make such determinations and to take all such other actions, including making application for any regulatory approval, permit or license, as such officers may deem necessary or appropriate in relation to the Project in order to give effect to each and all foregoing resolutions and that the execution of such agreements, contracts and instruments and the taking of such actions by any such officers shall conclusively evidence the granting of any approvals by the proper officers

of the Corporation required under the foregoing resolutions with respect to the said agreements, contracts and instruments.

These resolutions may be executed in counterpart and each counterpart is to be read as an original document and all such counterparts are to be deemed as representing the same document. Signatures delivered by facsimile shall be deemed for all purposes to be original counterparts of these resolutions.

The undersigned, being all of the directors of the Corporation, hereby consent to the passing of the foregoing resolutions.



A.W.A. BELLSTEDT

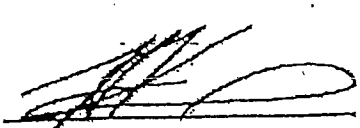
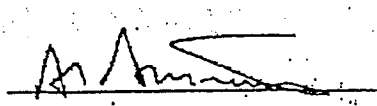

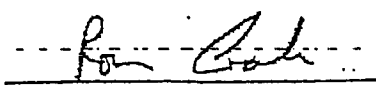
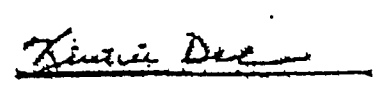


H.N. KVISLE

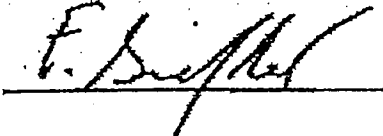
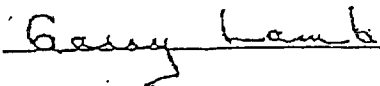
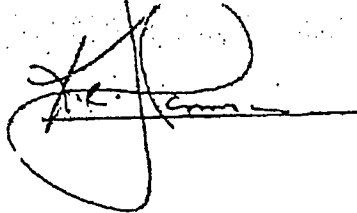
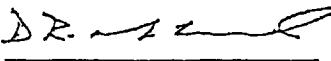
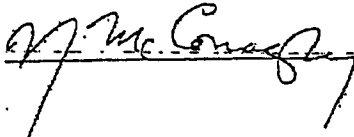
SCHEDULE C

Certificate of Incumbency and Signatures of the Corporate Officers and Directors of TransCanada Energy Ltd.

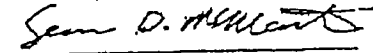
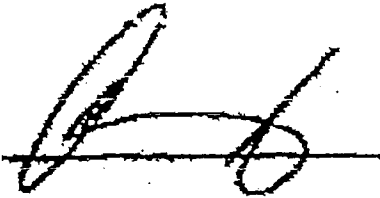
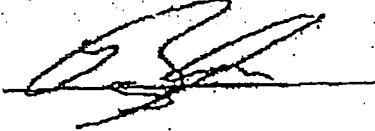
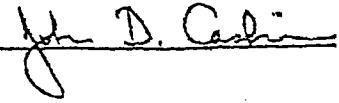
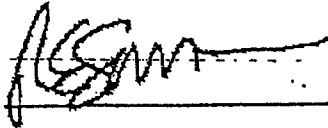
I, John B. Cashin, the undersigned Secretary of TransCanada Energy Ltd., hereby certify that each of the persons named below has been duly appointed to the office in TransCanada Energy Ltd. set opposite his or her respective name and that each such person is now holding such office and is acting as such officer and/or director and that the signature set opposite his or her name is a true specimen of his or her signature.

Name	Office	Specimen Signature
Harold N. Kvisle	Director and President	
Albrecht W.A. Bellstedt	Director	
Ronald D. Anderson	Vice-President	
Ronald L. Cook	Vice-President, Taxation	
Kristine L. Delkus	Vice-President	

SIGNATURES OF CORPORATE OFFICERS AND DIRECTORS
TransCanada Energy Ltd.
Page 2 of 4

Name	Office	Specimen Signature
Finn Greiflund	Vice-President	
Garry Lamb	Vice-President	
Karl Johanhson	Vice-President	
Donald R. Marchand	Vice-President, Finance and Treasurer	
Dennis J. McConaghy	Vice-President	

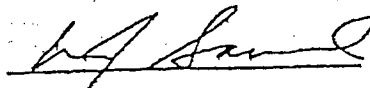
SIGNATURES OF CORPORATE OFFICERS AND DIRECTORS
TransCanada Energy Ltd.
Page 3 of 4

Name	Office	Specimen Signature
Sean D. McMaster	Vice-President	
Alexander J. Pourbaix	Vice-President	
William C. Taylor	Vice-President	
John B. Cashin	Secretary	
Rhonda E.S. Grant	Assistant Secretary	


SIGNATURES OF CORPORATE OFFICERS AND DIRECTORS
TransCanada Energy Ltd.
Page 4 of 4

Murray J. Samuel

Assistant Secretary



DATED at Calgary, Alberta, Canada on this 7th day of October, 2003.



John B. Cashin
Secretary.

**APPENDIX A
Gazoduc Bécancour
Costs estimate**

Activity	Estimated total cost	Authorizations Costs	Project Costs
Approvals	950,000 \$	950,000 \$	
1 Route study			
2 Archeology			
3 Prep. of approval requests (MEF-CPTAQ-CEAA)			
4 Permit requests and follow up			
5 Risk analysis			
6 Legal fees for approvals			
7 Communications			
Land	1,480,000 \$		
8 Negotiation - Professional fees		114,450 \$	
9 Acquisition costs			1,350,550 \$
10 Notary fees			
11 Right of Entry costs			
12 Legal fees		15,000 \$	
13 Follow up during the construction			
Land survey	300,000 \$		
14 Technical survey			220,000 \$
15 Legal survey		80,000 \$	
Engineering	1,476,464 \$		1,276,464 \$
16 Engineering management			
17 Preparation of permit requests		200,000 \$	
18 Conception			
19 Geotechnical studies			
20 Plans and estimates			
Materials	5,543,835 \$		5,543,835 \$
21 Pipe			
22 Valves			
23 Pig traps			
24 Cathodic protection			
25 Hot bends (pipeline)			
26 Miscellaneous			
27 Storage during construction			
Construction management and field inspection	1,203,900 \$		1,203,900 \$
28 Technical inspection			
29 Environmental inspection			
30 Inspection by UPA			
31 X-Rays			
32 Construction management			
Emergency response plan	29,070 \$	15,000 \$	14,070 \$
33 Preparation for Emergency response plan			
34 Training courses for municipalities			
General construction costs	861,040 \$		861,040 \$
35 Insurances			
36 Legal fees - Contracts			
37 Professional fees - Consultants			
38 Line pack			
39 Miscellaneous construction expenses			
Management GMLP	1,550,000 \$	300,000 \$	1,250,000 \$
40 Management - GMLP			
Stations			
41 Meter station	2,800,000 \$		2,800,000 \$
42 Tie-in with existing network (distribution line and station)	2,000,000 \$	2,000,000 \$	
Construction	24,044,200 \$		24,044,200 \$
43 Clearing			
44 Installation			
45 Roc in trench			
46 Roc on right-of-way			
47 Swamp zones			
48 Farmlands			
49 Horizontal borings (roads, rail crossings)			
50 Directional boring in earth			
51 Directional boring in roc			
52 Open trenching roads and rivers			
53 Section valves			
54 Pig traps			
55 Cathodic protection			
56 Smart pig and hydrostatic tests			
57 Commissioning			
58 Contouring and clean-up			
59 Revegetation			
Total direct costs	42,238,509 \$	3,674,450 \$	38,564,059 \$
Contingency - 20% excluding tie-in de 2 000 000 \$ (42)	8,047,702 \$	334,890 \$	7,712,812 \$
Contingency - 15% for tie-in de 2 000 000 \$ (42)	300,000 \$	300,000 \$	
Total direct costs + contingency	50,586,211 \$	4,309,340 \$	46,276,871 \$
Construction interest cost excluding tie in - 7.36767%	3,557,569 \$	148,042 \$	3,409,527 \$
Construction interest cost for tie in	15,387 \$	15,387 \$	
TOTAL	54,159,166 \$	4,472,769 \$	49,686,398 \$

APPENDIX B

GMLP Project Authorizations

Organismes

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.

APPENDIX C

**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 1st 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 ³)
D-2003-180	South	3550	127 000

Daily subscribed volume (m ³)	Minimum daily obligation (¢/m ³)	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 1st, 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 30th day of July 2004

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

By: [Signature]

Name: Robert Tessier

Title: Président

By: [Signature]

Name: Sophie Brochu

Title: VP CUSTOMERS & GAS SALES



Signed at Calgary, this 28th day of July 2004

TRANSCANADA ENERGY LTD.

By: [Signature]

Name: Rhonda E.S. Grant

Title: Corporate Secretary

By: [Signature]

Name: Donald Marland

Title: Vice-President, Finance

LEGAL	<u>[Signature]</u>
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 1st 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 1st, 2006 to August 31st, 2006);

Therefore, the parties agree to the following dispositions:

1. Commissioning period (April 1st, 2006 to August 31st, 2006)

Daily Subscribed Volume (Art. 5 of Contract)

From April 1st, 2006, the daily subscribed volume will be at least of 220 000 m³/ 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 m³/ day. Customer will confirm to the Partnership, on or before the 5th 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 4th 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 1st, 2006. As of today, the projected volume for the commissioning period is 55 286 936 m³.

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 1st, 2006 the Partnership agrees according to the present Tariff provisions, to consider a new projected volume of **916 694 351 m³** 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 1st, 2006.

Daily Subscribed Volume (art. 5 of the Contract)

On September 1st, 2006, the Daily Subscribed Volume will be of 2 639 219 m³ (100 000 Gj) unless the Customer has sent a written notice to the Partnership by March 1st of the same year, that it wishes a different Daily Subscribed Volume to cover its natural gas needs from September 1st, 2006. This new Daily Subscribed Volume will be at least of 2 375 300 m³ (90 000 Gj) nor higher than 3 048 298 m³ (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 1st of the same year. The new Daily Subscribed Volume cannot be lower than 2 375 300 m³ (90 000 Gj) nor higher than 3 048 298 m³ (115 500 Gj) and will apply from September 1st 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 m³ (10,000 Gj) for a one month period for each of those years by sending a written notice to the Partnership by March 1st 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 30TH DAY OF JULY 2004

SIGNED AT CALGARY, THIS 28TH DAY OF JULY 2004

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

TRANSCANADA ENERGY LTD.

By: [Signature]

By: [Signature]

Name: Robert Tessier

Name: Rhonda E.S. Grant

Title: President

Title: Corporate Secretary

By: [Signature]

By: [Signature]

Name: Sophie Brochu

Name: Donald Marchand

Title: UP CUSTOMER / GAZ METRO

Title: Vice-President, Finance



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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 (m³) 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.