



uniongas

A Spectra Energy Company

April 5, 2007

Re: Union Gas Limited “Downstream Pipeline Balancing Service” Binding Open Season (the “Open Season”)

Dear Shipper:

In response to continuing customer interest, Union Gas Limited (“Union”) is pleased to commence a Binding Open Season for a new short notice balancing service at Parkway or Kirkwall called Downstream Pipeline Balancing Service (“DPB Service”). This new service will commence July 1, 2008 for limited quantities and November 1, 2008 for the remaining available quantities. Union introduced four new services during the Ontario Energy Board’s Natural Gas Electric Interface Review (EB-2005-0551), including DPB Service.

This document is provided for information purposes only and only to establish the terms and conditions of the Open Season as set out under the headings, “Awarding DPB Service Capacity” and “Submitting a Binding Bid for DPB Service”. Reference should be made to the definitive agreements for the proposed services (available at www.uniongas.com/openseason) to determine the actual legally binding obligations and liabilities of the parties. However, Shipper should be aware that by submitting a bid, Shipper is making a binding offer.

The Downstream Pipeline Balancing Service:

The DPB Service is a short notice balancing service available at either Parkway or Kirkwall to shippers outside of Union’s distribution service franchise area. The DPB Service will offer flexibility to gas fired power generators and others that are sourcing gas at Dawn for delivery to points downstream of Union’s system. The service is open and available to any long term M12 firm transportation Shipper.

The DPB Service is an intra-day balancing service with receipts and deliveries at Parkway or Kirkwall to be used in conjunction with Shipper’s M12 Firm Transportation Contract (The “**Designated Transportation Contract**”). This service is intended to link and integrate with TCPL’s FT-SN Service. Shippers will nominate to move gas, from Dawn, on their M12 Transportation Contract, for injection into their DPB Service Account at Parkway or Kirkwall. Injections in the DPB Storage Account are available from Dawn on the standard 4 NAESB nomination windows or 13 nomination windows available with Union’s F24-T Service. Shippers can withdraw gas from the DPB Service Account on as little as 15 minutes notice for downstream transportation using their FT-SN contract on TCPL. Similarly, if gas has been nominated to flow downstream of Union and the requirement for that gas has been reduced; Shippers can inject their surplus gas into the DPB Service account on as little as 15 minutes notice.

The DPB Service is like a park and loan service that brings the flexibility of Union's Dawn assets to either Parkway or Kirkwall. Shippers contract for the amount of hourly withdrawals or injections that they require from the DPB Storage Account (Hourly DPBS Quantity), in GJ/hour. The total quantity of storage and loan space available under the DPB Service is limited to 6 times the Hourly DPBS Quantity. The maximum or upper limit (storage limit) of the DPB Storage Account (Maximum DPBS Balance) is limited to plus 3 times the Hourly DPBS Quantity, and the minimum or lower limit (loan limit) of the DPB Service Account (Minimum DPBS Quantity) is limited to negative 3 times the Hourly DPBS Quantity.

The DPB Service is used in conjunction with a Designated Transportation Contract to provide flexibility at Parkway or Kirkwall when there is sufficient unutilized capacity (GJ/hour) under the Designated Transportation Contract and the activity would not exceed the limits on the DPB Storage Account. For maximum flexibility, Shippers should ensure that the Hourly DPBS Quantity is equal to 1/20th of the Contract Demand under their Designated Transportation Contract.

Since this service requires a Designated Transportation Contract, this Open Season is available to all of Union's current M12 long term firm transportation Shippers or Shippers that have recently been awarded a M12 transportation contract in Union's 2008 Transportation Open Season.

This new service is provided using the storage expansion facilities described in the Sept. 5, 2006 Storage Open Season and is conditional on the continued endorsement, by the Ontario Energy Board, of market pricing of storage services and storage forbearance in their November 7, 2006 decision in the Natural Gas Electricity Interface Review (NGEIR) (EB-2005-0551) proceeding. Accordingly, Union invites your company to submit binding bids for DPB Service, for service commencing as early as July 1, 2008, at market based pricing. All offers received will be deemed to be for any quantities available "up to a maximum of the quantity indicated by Shipper". The minimum term for the DPB Service is 10 years.

DPB Service Contracting:

Union's DPB Service contract is available at www.uniongas.com/openseason under the heading for April 5, 2007 – "Downstream Pipeline Balancing Service Open Season".

DPB Service Parameters:

- There will be no incremental fuel required for the DPB Service when used in conjunction with the Designated Transportation Contract.
- The DPB Service Receipt Point and Delivery Point will be on the Union side of the Delivery Point of the Designated Transportation Contract, (either at Parkway or Kirkwall, upstream of the Union side of the junction of Union's and TransCanada Pipelines' facilities).
- Term of the contract will be as bid, minimum 10 years.

- This service does not have renewal rights.
- DPB Service will commence November 1, 2008 (partial service may be available starting July 1, 2008).
- Shipper can elect to contract for any amount of DPB Service via the Hourly DPBS Quantity, up to the hourly limit of the Designated Transportation Contract capacity (1/20th of Contract Demand).
- The term of the DPB Service cannot exceed the remaining term of the Designated Transportation Contract term. If Shipper wishes to extend the term of the existing M12 Transportation Contract, they may elect to do so on the bid form.

DPB Service Pricing:

- As a new competitive ex-franchise storage service, as contemplated in the NGEIR decision, the DPB Service is priced at market prices.
- In determining their bid price, Shippers are encouraged to consider several issues including:
 - The value, to them, of an extremely short notice service.
 - The alternatives currently in the market.
 - The nature of likely alternatives in the future and,
 - The consequences of not having gas at the gate station, when they might need it most, or having excess gas, at the gate station, when they don't need it.

Conditions:

- The DPB Service is the fourth new service that Union has brought to market in response to interest in new power services. As such, it is subject to the same NGEIR conditions as the three prior services (UPBS, F24-T and F24-S) that were offered as part of Union's September 5th, 2006 open season. All four services are conditional on the continued endorsement, by the Ontario Energy Board, of market pricing of storage services and storage forbearance in their November 7, 2006 decision in the Natural Gas Electricity Interface Review (NGEIR) (EB-2005-0551) proceeding.
- Union will require storage deliverability assets to provide this service and therefore the service is conditional on storage expansion facilities.
- Union will also require information technology enhancements to provide the services and therefore service is conditional on the implementation of information technology enhancements required to provide DPB Service.

Awarding DPB Service Capacity:

In the event that bids received exceed capacity available, capacity will be awarded to Shippers bidding the greatest present value per unit of Hourly DPBS Quantity (GJ/hr); and if two or more bids are tied for the purposes of evaluation, the remaining capacity will be allocated on a pro-rata basis. The discount rate and method of evaluating the Present Value of the DPB Service bids will be identical to the process outlined in the

2008 Dawn Deliverability Open Season document as posted on September 5, 2006 at www.uniongas.com/openseason.

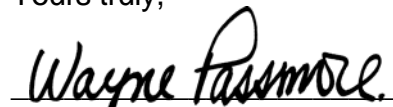
Submitting a Binding Bid for DPB Service:

If you wish to participate in this Open Season, please sign and return the attached Downstream Pipeline Balancing Service Term Sheet by fax to (519) 436-4643, Attention: Wayne Passmore on or before 12:00 noon Eastern Time on Tuesday, April 24, 2007. Union will advise each Shipper by written notice on or before 2:30 p.m. Eastern Time Friday, April 27, 2007 of the actual quantity awarded to Shipper, if any.

Union has the right to reject any and all bids, in its sole discretion. Without limiting the foregoing, Union may, but is not required to, reject any bids which do not conform to this Open Season, are incomplete with the terms and conditions outlined in this Open Season, contain additional or modified terms, or are otherwise deficient in any respect.

By participating in this Open Season, Shipper further agrees to the terms set out in the attached Downstream Pipeline Balancing Service Term Sheet.

Yours truly,

A handwritten signature in black ink that reads "Wayne Passmore". The signature is written in a cursive style and is positioned above a horizontal line.

Wayne Passmore, P.Eng.

Account Manager, Ex-Franchise Markets
Union Gas Limited

DOWNSTREAM PIPELINE BALANCING SERVICE TERM SHEET

If you wish to participate in this Binding Open Season, please complete, sign, and return this Term Sheet to: Fax: (519) 436-4643, Attention: Wayne Passmore, Business Development, Storage and Transmission.

By signing and returning this DPB Service Term Sheet, subject to Union's acceptance and notification of quantities allocated to Shipper, Shipper hereby irrevocably commits to enter into the DPB Service Agreement (found at www.uniongas.com/openseason under the Posting for April 5, 2007) with Union, on the terms outlined below (modified as applicable by Union's notification of the quantities allocated to Shipper). If Shipper fails to execute the contract, by May 31, 2007, Union may, in its sole discretion, elect by written notice to Shipper within 15 days thereafter, to either terminate Shipper's participation in this Open Season; or treat Shipper's signature and return of this DPB Service Term Sheet as the legally binding agreement (modified as applicable by Union's notification of the quantities allocated to Shipper).

Downstream Pipeline Balancing Service:

Designated Transportation Contract reference number (eg. M12xxx): _____ Contract Demand: _____ GJ/d

Delivery Point under Designated Transportation Contract (eg. Parkway): _____

DPB Service Start Date (circle one): November 1, 2008 or _____

Term (years) (10 year minimum) _____ years or end date: _____

Hourly DPBS Quantity (GJ/hour): _____ (not to exceed 1/20th of Contract Demand of the Designated Transportation Contract)

Bid Price (\$ per month per GJ/hr of Hourly DPBS Quantity) _____

Dated this _____ day of _____, 2006

SHIPPER LEGAL NAME: _____

By: _____
Signature

Name

Phone