

PARKING AND LOAN SERVICE
GENERAL TERMS AND CONDITIONS

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I DEFINITIONS

Except where specifically defined hereunder, the terms as defined under "Section I, Definitions" in the General Terms are incorporated into these PALS General Terms. In the event of a contradiction or inconsistency between any term defined in the General Terms and these PALS General Terms, the meaning of such terms in these PALS General Terms shall prevail. The following terms, when used in these PALS General Terms, in the PALS Toll Schedule and in any PALS Contract into which these PALS General Terms are incorporated, shall have the following meanings:

1. "Duration" shall mean the period of time for which Parking and Loans are contracted. Unless otherwise indicated on the Exhibit "A", Duration for any Transaction shall mean from 09:00 hours CCT on the earliest "Start Date" listed on the applicable Exhibit "A" to 09:00 hours CCT on the latest "End Date" listed on the Exhibit.
2. "Eastern PALS Management Section" shall mean the section of TransCanada downstream of Station 41, excluding Emerson.
3. "Gas Replacement Factor" shall mean the highest daily spot price for gas for the preceding twelve (12) months, commencing and including the day of the default, at the applicable PALS point, as reported in the *BTU Daily Gas Wire*. In the event the applicable PALS point is not reported in the *BTU Daily Gas Wire* "Gas Replacement Factor" shall mean the highest daily spot price for gas for the preceding twelve (12) months, commencing and including the day of the default at Empress, plus three times the 100% load factor toll from Empress to the applicable PALS point in effect on the billing date.
4. "General Terms" shall mean the General Terms and Conditions of TransCanada's Transportation Tariff, as approved by the NEB and amended from time to time.
5. "Injection Rate" shall mean the daily rate at which PALS Account Holder can deliver gas to its PALS Account at the PALS point, as specified on each Exhibit "A" to a PALS Contract.
6. "Linepack Goal" shall mean the level of linepack inventory that TransCanada has determined as being optimal at a given time under the then current operating conditions and environment.
7. "Loan" shall mean a Transaction whereby TransCanada transfers a quantity of gas to a PALS Account Holder and debits that PALS Account Holder's PALS Account accordingly. PALS Account Holder subsequently delivers or transfers an equal quantity of gas to TransCanada, at which time the PALS Account is credited accordingly.

8. "NEB" shall mean National Energy Board of Canada.
9. "Net Loan Position" shall mean the net position of gas lent out under PALS. It is calculated as the difference between the sum of all loan transactions less the sum of all parking transactions at the applicable PALS Point or pipeline segment.
10. "Outstanding Balance" shall mean that quantity of gas remaining in a PALS Account, either positive or negative, after the End Date specified in each Exhibit "A" to a PALS Contract.
11. "PALS" shall mean the Parking and Loan Service offered by TransCanada pursuant to the PALS Toll Schedule, a PALS Contract and these PALS General Terms.
12. "PALS Account" shall mean the account through which a quantity of gas is Transacted as a Park or a Loan by PALS Account Holder at a PALS point pursuant to the PALS Toll Schedule and a PALS Contract.
13. "PALS Account Holder" shall mean the party contracting with TransCanada for PALS as specified in a PALS Contract.
14. "PALS Contract" shall mean the Parking and Loan Service Contract entered into between TransCanada and PALS Account Holder.
15. "PALS General Terms" shall mean these PALS General Terms and Conditions.
16. "PALS point" shall include any receipt or delivery point or area on the TransCanada system that TransCanada offers PALS.
17. "PALS Toll Schedule" shall mean the Parking and Loan Service Toll Schedule, as approved by the NEB and amended from time to time.
18. "Park" or "Parking" shall mean a Transaction whereby TransCanada receives a quantity of gas from PALS Account Holder and credits PALS Account Holder's PALS Account accordingly. TransCanada subsequently delivers an equal quantity of gas to PALS Account Holder at which time the PALS Account is debited accordingly.
19. "Total Quantity" shall mean that quantity of gas Transacted to or from a PALS Account at a PALS point at a defined Injection Rate or Withdrawal Rate over the Duration specified on each Exhibit "A" to a PALS Contract.

20. "Transacted" and "Transaction" shall refer to any Parking or Loan Transaction conducted pursuant to these PALS General Terms, the PALS Toll Schedule and a PALS Contract.
21. "Transportation Contract" shall mean any transportation service contract for transportation either to or from a PALS point.
22. "Transporter" shall mean any upstream or downstream carrier interconnecting with a PALS point.
23. "Western PALS Management Section" shall mean the section of TransCanada PipeLines upstream of Station 41, provided that the Western PALS Management section also includes Emerson.
24. "Withdrawal Rate" shall mean the rate at which PALS Account Holder can deliver gas from its PALS Account at a PALS point, as specified on each Exhibit "A" to a PALS Contract.

II APPLICABILITY AND CHARACTER OF SERVICE

Subject to the provisions of the PALS Contract, the PALS Toll Schedule and these PALS General Terms, on each day for which service is requested by PALS Account Holder and authorized by TransCanada, PALS Account Holder may nominate transfers to or from its PALS Account such quantities of gas specified by PALS Account Holder which, upon scheduling, shall be transferred by TransCanada to or from the PALS Account at the PALS point.

III TOLLS

Tolls and surcharges for PALS shall be determined in accordance with the PALS Toll Schedule.

IV POSSESSION OF GAS

PALS Account Holder shall be deemed to be in physical possession, custody and control of, and responsible for, gas at all times while it is at a PALS point and as it moves in and out of a PALS Account at a PALS point.

V BILLING

Billing for PALS shall be in accordance with Section X of the General Terms. For this purpose, the term "Shipper" in Section X of the General Terms shall include a PALS Account Holder and the term "Contract" in Section X of the General Terms shall include a PALS Contract.

VI PAYMENTS

Payments, remedies for non-payment, adjustment of underpayment, overpayment or error in billing, and time of payment extended if bill delayed, for PALS, shall be in accordance with Section XI of the General Terms. For this purpose, the term "Shipper" in Section XI of the General Terms shall include a PALS Account Holder and the term "Contract" in Section XI of the General Terms shall include a PALS Contract.

VII WARRANTY OF TITLE TO GAS

PALS Account Holder warrants that it owns or controls and has the right to transact for its account, the gas that is transacted through PALS Account Holder's PALS Account(s). PALS Account Holder further indemnifies and holds TransCanada harmless against all claims, actions or damages of any nature made or commenced by a third party claiming an interest in any of the gas being Transacted through PALS Account Holder's PALS Account(s).

VIII FORCE MAJEURE

Any event which constitutes an event of force majeure under Section XIV of the General Terms shall constitute an event of force majeure under these PALS General Terms. The provisions of Section XIV of the General Terms shall apply, mutatis mutandis, to these PALS General Terms.

IX AUTHORIZATION AND IMPAIRED PERFORMANCE

Authorization and impaired performance for PALS shall be determined in accordance with the provisions of the PALS Toll Schedule.

X DEFAULT AND TERMINATION

Default and termination provisions with respect to PALS shall be in accordance with Section XVII of the General Terms. For this purpose, the term "Shipper" in Section XVII of the General Terms shall include a PALS Account Holder and the term "Contract" in Section XVII of the General Terms shall include a PALS Contract.

XI NON-WAIVER AND FUTURE DEFAULT

No waiver by either TransCanada or PALS Account Holder of any one or more defaults by the other in the performance of any provision of a PALS Contract shall operate or be construed as a waiver of any continuing or future default or defaults whether of a like or different character.

XII INCORPORATION IN PALS TOLL SCHEDULES AND PALS CONTRACTS

1. These PALS General Terms are incorporated in and are a part of the PALS Toll Schedule and all PALS Contracts.
2. These PALS General Terms are subject to the provisions of the *National Energy Board Act* or any other legislation passed in amendment thereto or substitution therefor.

XIII NOMINATIONS

All transfer nominations for PALS shall be in accordance with the PALS Toll Schedule.

XIV FINANCIAL ASSURANCES

1. Prior to commencement and at any time during the term of any PALS Contract, a prospective or current PALS Account Holder shall provide TransCanada with sufficient financial information to assess their creditworthiness.
2. Based on its assessment, TransCanada, in its sole discretion, may request from the prospective or current PALS Account Holder financial assurances in an amount, form and on terms satisfactory to TransCanada prior to commencement or continuation of PALS Service. TransCanada will not be obligated to provide and PALS Account Holder shall not be entitled to receive PALS until the requested financial assurances are received.