Algonquin Incremental Market (AIM) Project
Securing New England’s energy future by providing access to domestic, clean, and abundant supplies of natural gas

Open Season Notice for Firm Service
September 20, 2012 – November 2, 2012
**Algonquin Incremental Market (AIM) Project**

*Securing New England’s energy future by providing access to domestic, clean, and abundant supplies of natural gas*

Spectra Energy’s Algonquin Gas Transmission, LLC (“Algonquin”), a leading provider of natural gas transportation to the Northeast and New England, is proposing an expansion of its existing system to meet growing New England demand with abundant natural gas supplies from regional supply sources. In this Open Season, Algonquin invites parties interested in obtaining AIM capacity to submit a firm service request form. Algonquin has recently executed an agreement with a shipper in support of the development of the AIM Project that qualifies the shipper for Anchor Shipper status. The service commencement date for this project is targeted for November 1, 2016.

**Project Background**

Natural gas demand in New England is growing rapidly as natural gas is becoming the fuel of choice for home heating and electric power generation. Converting home heating units from oil to natural gas represents a substantial source of energy production from natural gas. New England will need substantial replacement coal. New England has grown from 15% in 2000 to 52% in 2011, almost completely displacing oil and natural gas represents a substantial source of home heating.

Likewise, ISO New England reports that electric energy production from natural gas has grown from 15% in 2000 to 52% in 2011, almost completely displacing oil and substantially replacing coal. New England will need additional natural gas pipeline infrastructure to reliably meet increased demands from home heating and electric generation. While demand is increasing, regional production is also becoming increasingly available to the Algonquin system and more production is expected to enter Algonquin in the coming years. These additional supplies are a natural fit for meeting the natural gas demand needs of the region. The AIM Project is an infrastructure investment that would increase pipeline capacity and allow abundant supplies from regional production to flow to the New England LDC and power generation markets. A study conducted by Concentric Energy Advisors concluded that New England natural gas and electric customers could realize from $240 to $310 million annually in direct savings as a result of additional natural gas infrastructure.

Algonquin has the proven ability and experience to execute the AIM Project. Further, with most of the construction expected to occur within existing rights-of-way and company-owned facilities, Algonquin will develop the project while minimizing impacts to landowners, local communities and the environment. The AIM Project will provide New England with a unique opportunity to secure a cost effective, domestically produced, environmentally friendly source of energy to support its current demand for clean burning natural gas and future growth.

**Project Service**

AIM will provide shippers with an opportunity to obtain firm transportation service from a receipt point at Ramapo to multiple existing and proposed mainline delivery points up to and including the head of the G-system. Algonquin contemplates a project expansion capacity of 450,000 Dth/d. Algonquin is willing to consider alternate receipt points as far upstream as Mahwah, as well as alternate delivery points, and an increased or reduced level of expansion capacity depending on project economics. A bidder in the Open Season can qualify as an “Anchor Shipper” for the project by submitting a bid of 100,000 Dth/d or more for a term of 15 years or more. Algonquin is interested in acquiring Anchor Shippers appropriate rate and rate-related incentives, including but not limited to lower rates than non-anchor shippers, and certain most favored nations rights. Algonquin is also willing to consider providing Anchor Shippers certain other incentives, such as a limited term reduction right and priority rights to obtain unsubscribed project capacity or to relinquish capacity if the project is oversubscribed prior to the service commencement date for AIM. In addition, Algonquin may consider offering other service enhancements or flexibility based on requests made by interested shippers on the Service Request Form. Algonquin anticipates that the AIM expansion project will have a target in-service date of November 2016, but Algonquin is also willing to consider offering service earlier than 2016, depending on project economics and timing of regulatory approvals.

**Project Rates**

Rates will be determined at the conclusion of the Open Season and are dependent upon the scope and final facilities required to satisfy the firm service requests for shippers who are awarded capacity and who have executed binding precedent agreements. Shippers will have the option of paying Algonquin’s applicable recourse rates for service on the AIM facilities or a negotiated rate for such service, plus any applicable fuel and applicable charges and surcharges.
Nomination Process
During the Open Season period (9:00 a.m., EST, Thursday, September 20, 2012, to 5:00 p.m., EST, on Friday, November 2, 2012) interested parties must submit a Service Request Form, which specifies the Maximum Daily Transportation Quantity (MDTQ), contract term (15-year minimum required), and desired primary receipt and delivery points. The Service Request Form is included in this package. The completed Service Request Form must be executed by a duly authorized representative and mailed, faxed, or emailed in pdf format to Algonquin’s offices at:

5400 Westheimer Court, Houston, TX 77056
Attn: Greg Crisp, Director, Business Development
gncrisp@spectraenergy.com
Fax No. (713) 627-4727

Algonquin reserves the right to reject any Service Request Form that is not received on or before 5:00 p.m. EST, on November 2, 2012.

Contracting for Service
After the Open Season concludes, Algonquin representatives will contact all parties who have submitted valid requests and been awarded capacity for the project in order to finalize the terms on which service will be provided. Any party who is awarded AIM capacity must enter into a binding Precedent Agreement. Algonquin reserves the right to reject any party’s valid request for service in the event a duly authorized representative of such party has not executed a binding Precedent Agreement on or before 30 days following the end of the Open Season.

Capacity Allocation Process
In the event Algonquin receives valid requests for service that exceed the quantity of pipeline, point or segment capacity that Algonquin is willing to propose for the AIM Project, and Algonquin determines not to expand the applicable pipeline, point or segment capacity, then Algonquin will allocate such capacity on a not unduly discriminatory basis first to qualifying Anchor Shippers executing binding Precedent Agreements and next to other shippers that have executed binding Precedent Agreements. With respect to Anchor Shippers, Algonquin will pro rate such capacity on a not unduly discriminatory basis taking into account the quantities subscribed under each such binding Precedent Agreement, the quantities associated with the primary points and primary firm paths under each such agreement, and other factors on a not unduly discriminatory basis but deeming the economic value of each such agreement to Algonquin to be equal. If, after allocating capacity to Anchor Shippers, Algonquin is able to accommodate some but not all of the pipeline, point or segment capacity nominated by other (non-anchor) shippers, Algonquin will allocate such capacity on a net present value basis among such other shippers based on rate, contract term and MDTQ nominated, with Algonquin having the discretion to grant capacity to any bid or combination of bids that provides the highest net present value. Multiple affiliates of a single entity that collectively submit bids in the aggregate totaling at least 100,000 Dth/d will, upon request, all be considered Anchor Shippers. A shipper’s status as an Anchor Shipper, and the Anchor Shipper’s attendant rights, will continue to apply even if the shipper’s aggregate capacity (including the capacity of its affiliates) falls below the minimum quantity required to qualify as an Anchor Shipper due to any pro rata allocation resulting from the Open Season.

Limitations and Reservations
Algonquin reserves the right, in its sole discretion, to decline to proceed with the AIM Project. Algonquin also reserves the right to proceed with one or more projects that will be defined through the contracting process and to develop alternative projects from the requests received during this Open Season that may be more representative of the timing requested and markets served. Algonquin reserves the right to negotiate with only those parties that submit valid bids as part of this AIM Open Season. Algonquin also reserves the right to reject any and all bids that do not satisfy the requirements set forth in this Open Season Notice. Without limiting the foregoing, Algonquin may, but is not required to, reject any request for service in which the Service Request Form is incomplete, is inconsistent with the terms and conditions outlined in this Open Season Notice, contains additional or modified terms, or is otherwise deficient in any respect. Algonquin also reserves the right to reject requests for service in the event requesting parties are unable to meet applicable creditworthiness requirements. No request for service shall be binding on Algonquin unless and until duly authorized representatives of both a requesting party and Algonquin have executed a binding Precedent Agreement.

Reverse Open Season
A reverse open season will also be held after this Open Season whereby existing shippers will be afforded an opportunity to turn back existing capacity in accordance with the terms set forth in the reverse open season notice.

Communications
At any time during the Open Season, interested parties are encouraged to contact their Algonquin account manager or Greg Crisp at (713) 627-4611 to discuss any questions or to seek additional information.

Spectra Energy Corp (NYSE: SE), a FORTUNE 500 company, is one of North America’s premier natural gas infrastructure companies serving three key links in the natural gas value chain: gathering and processing, transmission and storage, and distribution. For nearly a century, Spectra Energy and its predecessor companies have developed critically important pipelines and related infrastructure connecting natural gas supply sources to premium markets. Based in Houston, Texas, the company operates in the United States and Canada approximately 19,300 miles of transmission pipeline, more than 300 billion cubic feet of storage, as well as natural gas gathering and processing, natural gas liquids operations and local distribution assets. The company also has a 50 percent ownership in DCP Midstream, one of the largest natural gas gatherers and processors in the United States. Spectra Energy is a member of both the Dow Jones Sustainability Midstream Index and the U.S. S&P 500 Carbon Disclosure Project’s Leadership Index. For more information, visit www.spectraenergy.com.
AIM Project  
Service Request Form

Shipper Information
Company ________________________________________________________________
Contact ________________________________________________________________
Title ____________________________
Address ________________________________________________________________
Telephone ____________________________ Fax ____________________________
Email ________________________________________________________________

Contract Requirements

Maximum Daily Transportation Quantity (dekatherms): ____________________________

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Service Commencement Date: ____________________________

Contract Term: (15-year minimum required)

Other: ________________________________________________________________

[Please specify other service enhancements or flexibility, such as firm, non-ratable, hourly swing service, that may be of interest. This information will not affect the validity of the service request. The incorporation of any such service enhancement or flexibility into this Project will be at Algonquin’s sole discretion and, further, will be dependent upon project economics, timing, and requests for service received during this Open Season.]

Signature of Requester/Customer: ____________________________ Date: ____________________________

Please mail, fax or email a pdf of the completed service request form to:
Greg Crisp, Director, Business Development
Algonquin Gas Transmission, LLC 713-627-4727 fax
gncrisp@spectraenergy.com
5400 Westheimer Court
Houston, TX 77056
