

will cause to be constructed in conjunction with the construction of the said Northern Ontario section of the said all-Canadian pipe line the portions thereof from the vicinity of Winnipeg, Manitoba to the Manitoba-Ontario border, and from the vicinity of Kapuskasing, Ontario to Brooklin, Ontario, so that all portions of the said pipe line to be constructed by Trans-Canada will be ready for operation at the time of completion of the Northern Ontario section.

2. The Government of Canada will recommend to Parliament that a Crown Corporation of the Government of Canada be established and that funds be provided to such Crown Corporation to enable it in due course and in conjunction with the building of the said all-Canadian pipe line to acquire the necessary right-of-way and to construct thereon the Northern Ontario section of the said all-Canadian pipe line.

3. If evidence satisfactory to the Government of Canada is presented by Trans-Canada before May 1st, 1956 that it has arranged for financing of all the costs and commitments in connection with the said program of construction, the Government of Canada will cause the said Crown Corporation to acquire the said right-of-way and construct thereon a natural gas pipe line of the size and specifications laid down by order of the Board of Transport Commissioners for Canada under which Trans-Canada is authorized to construct the said all-Canadian pipe line. The said Northern Ontario section shall commence at the Ontario-Manitoba border west of Kenora, Ontario, thence to Port Arthur and Fort William, Ontario, thence to or in the vicinity of Nipigon, Ontario, thence to the vicinity of Geraldton, Hearst and Kapuskasing in the Province of Ontario, being a distance of approximately 675 miles and costing a currently estimated total of \$117,633,000. The said pipe line shall consist of 30-inch diameter pipe of $\frac{3}{8}$ -inch wall thickness and initially shall be equipped with pressure capacity capable of transmitting approximately 300 million cubic feet of gas per day and designed to have its capacity increased to 530 million cubic feet per day by installing additional compression facilities. The engineering and design of the facilities included in the said Northern Ontario section and the standards of construction and workmanship shall be in accordance with the design and construction standards specified by the engineering firm responsible to Trans-Canada for such matters for the whole all-Canadian pipe line.

4. In the carrying out of their respective undertakings hereunder, Trans-Canada and the said Crown Corporation shall co-operate

in every respect to the end that (a) the said all-Canadian pipe line shall be completed as one integrated project on the most economical basis from the point of view both of costs of construction and operation, and (b) the construction of the Northern Ontario section and the installation of the facilities are properly carried out to meet the designs, plans and specifications thereof.

5. After completion of construction of the Northern Ontario section, the Crown Corporation will install and bear the cost of additional integral parts of the pipe line, including additional compression facilities, if required by increased gas demand east of the Manitoba-Ontario border, without, however, being required to build any additional pipe line or looping of the Northern Ontario section or sales laterals therefrom.

6. The Crown Corporation will retain title to the Northern Ontario section and will enter into a lease thereof to Trans-Canada substantially on the following terms:

(a) The lease shall be for a period of 25 years from the completion of construction;

(b) The lessee will, during the term of the lease

(i) at its own cost and expense operate and maintain the Northern Ontario section so as to make the maximum practical use thereof having regard to gas demand east of the Manitoba-Ontario border;

(ii) pay local and municipal taxes and assessments;

(iii) pay to the Crown Corporation a monthly rental equal to the number of Mcf. of natural gas actually transmitted by the Northern Ontario section in the preceding month multiplied by the transportation cost per Mcf. as hereinafter provided. The said transportation cost shall be that amount per Mcf. which, if the line were operated for one year at $\frac{3}{8}$ of initially designed capacity, would yield an amount in that year equal to $4\frac{1}{2}$ per cent of the capital cost to the Crown Corporation of the Northern Ontario section as constructed at its initially designed capacity. In calculating the said capital cost, there shall be included, in addition to all costs of materials, supplies, right-of-way, installation of other costs incurred in the construction of the section, interest costs and all other expenses of the Crown Corporation during construction;

(iv) commencing in the fourth full calendar year of the term of the lease, and for each calendar year thereafter, pay to the Crown Corporation by way of additional rental the amount by which in such