IR Number: Centra-TCPL 1.01

Reference: TCPL Herbert Application, PDF page 4, Paragraph 7

Preamble: Centra has three concerns regarding the Herbert LTFP proposal: process, criteria and impact. An expedited process for considering special contracts should have an established framework for evaluating the rationale and the effects. This is the first application by TransCanada for highly-discounted firm transportation tolls. At present, there are no criteria to determine if the proposed toll is reasonable, in terms of both the degree of Mainline cost recovery and impact on captive customers.

TCPL states that TransGas is the only party entitled to Herbert LTFP service as the service is a case-specific offering.

Request:

a) Was the recently-offered Dawn LTFP service also a “case-specific offering?” Please describe in detail how it differs from the Herbert LTFP service?

b) Would TCPL contemplate offering LTFP service to incremental loads at other locations on a “case-specific” basis? Please specify and explain the criteria that would be used.

Response:

a) The Dawn LTFP offering was a case-specific offering because it was intended to serve a particular purpose. TransCanada declines to provide the requested comparison on the grounds that it is irrelevant to the assessment of the proposed Herbert LTFP service and that it relates to a commercial initiative that did not result in an application for approval of a new service to the NEB. Further, the attributes that were proposed in that open season are publicly available through the open season documents and the offering is described at a high level in the response to NEB 1.4(a).

b) Refer to the response to NEB 1.4(c).

IR Number: Centra-TCPL 1.02

Reference:
i. TCPL Herbert Application, PDF page 6, Paragraph 15,
ii. TCPL Herbert Application, PDF page 10, Paragraph 32

Preamble: In reference i), TCPL states that Service will commence once the Power Plant commences commissioning, which is expected to be between November 1, 2018 and June 30, 2019. The Power Plant is targeted to be fully in-service in Q4 of 2019.

In reference ii) TCPL states that The increase in Mainline billing determinants, revenues and cost of service resulting from the implementation of Herbert LTFP service will be reflected in the calculation of tolls in subsequent tolls applications.

Request: In calculating revenues for the 2018-2020 review, what amount of revenue will TCPL include for 2018 and 2019?

Response:

Refer to the response to EGDI 1.16.

IR Number: Centra-TCPL 1.03

Reference:
i. TCPL Herbert Application PDF page 4, Paragraph 7
ii. TCPL Herbert Application PDF page 11, Paragraph 41

Preamble: In reference i) TCPL says that Herbert LTFP service was designed to attract incremental load and associated revenues that would not otherwise be derived to the benefit of the Mainline and its shippers.

In reference ii) TCPL claims that Absent Herbert LTFP service, the Mainline would not be able to attract the contract quantities and revenues associated with the service over the long term.

Request:

a) If the Herbert LTFP service is not approved, will Foothills attract the contract quantity and revenues from the Power Plant load?

b) Why does TCPL, as owner of both the Mainline and Foothills, consider it preferable that the load and revenues be received by the Mainline rather than by Foothills?

c) If Foothills served the load, would Foothills shippers receive the benefit? If so, by what process (e.g., 2018 tolls filing)? If no, why not?

d) Did Foothills Pipeline present a load attraction/retention offer to TransGas? If so, what was it? If no, why not?

e) What is the ratio of the incremental Power Plant revenues to existing (2016 and/or 2017) revenues from other shippers for each of Foothills and the Mainline? Explain any assumptions used.

Response:

a) TransCanada understands that TransGas will seek the Shaunavon Option absent the approval of Herbert LTFP. Refer to the response to NEB 1.4(b).

b) See the response to Centra-TCPL 1.06 c) through e).

c) If Foothills were to provide service, the revenue and incremental costs associated with providing the service to TransGas would be reflected in the establishment of the Foothills tolls, which are usually effective on January 1 of each year. Also refer to the response to e).

d) No. See the responses to NEB 1.4(b) and Centra-TCPL 1.06 c) through e).

e) Herbert LTFP service will generate $2.5 million per year of incremental revenue for the Mainline. The 2016 forecasted total revenue for the Mainline is $2.1 billion[1]. The ratio of the incremental revenue from the proposed Herbert LTFP service to the 2016 forecasted total revenue is $2.5 million/$2.1 billion or 0.12%.

If the 58 TJ/d was contracted on Foothills to Shaunavon, the associated annual revenue would be $1.1 million, which represents 2.3% of the Foothills Saskatchewan (Zone 9) revenue requirement of $45.5 million.[2] To the extent the 58 TJ/d was not incremental but displaced volumes that would otherwise flow at a higher toll to Monchy, the net impact would be an annual reduction in revenue of $0.4 million or -0.9% of the revenue requirement. The ratio of incremental revenue relative to the revenue requirement for service to Shaunavon would therefore be within -0.9% and 2.3%.

[1] Mainline Q3 2016 Surveillance Report, Schedule 1.1 (NEB Filing ID: A80599)
[2] 2016 Forecast Revenue Requirement.

IR Number: Centra-TCPL 1.04

Reference: TCPL Herbert Application, PDF page 6, Paragraph 16, Table 1

Preamble: TCPL states that the Herbert LTFP service is substantially different, and more restrictive, than the alternative of Mainline FT service. Table 1 provides a summary and comparison of the various attributes of Mainline FT service with those of Herbert LTFP service.

Request:

a) What is the cost saving to the Mainline of each of the "more restrictive" attributes of the LTFP service as compared with Mainline FT service:

Attribute	Mainline FT	Herbert LTFP	Saving $/GJ
Eligible receipt point	Any eligible receipt point	Empress	
Eligible delivery point	Any eligible delivery point	Herbert	
Term	1 year minimum	10 years	
Renewal rights	Renewal minimum term is 1 year; 2 years' renewal notice required prior to contract expiry Applicable term-up provision	Not renewable	
Conversion rights	Can convert to FT-SN, EMB, or MFP Service; from long-haul to short-haul service	Can convert to FT at end of contract term. Term-up provision.	
Alternate receipt point and diversion	Available	Not available	
Temporary receipt and delivery points	Available	Not available	

b) Please explain in what way the Abandonment Surcharge in the Herbert LTFP service is more restrictive than in Mainline FT, given that both are described as being based on the distance between receipt point (Empress) and the delivery point?

Response:

a) It is not possible to provide the requested information. The service attributes specified in Table 1 of the Application are generally value-based features, such that the cost to provide a particular feature cannot be quantified into $/GJ "cost savings". The value ascribed to a particular feature varies from shipper to shipper, and the impact of the feature on the Mainline also varies based on the use of a particular feature by the shipper. For example, the use of diversions by Mainline shippers imposes an opportunity cost on the Mainline since absent diversion, some market opportunities could otherwise be captured through Mainline discretionary services and generate revenues that would contribute to reduce tolls on the Mainline.

b) The Abandonment Surcharge is calculated in the same manner for Herbert LTFP as it is for FT, and it is therefore no more restrictive for Herbert LTFP than for Mainline FT service. Also see the response to Centra-TCPL 1.08.

IR Number: Centra-TCPL 1.05

Reference:

i. TCPL Herbert Application, PDF page 7, Paragraph 17,

ii. TCPL Herbert Application, PDF page 18, Appendix A, Memorandum of Understanding, Section 3

Preamble:

In reference i) TCPL states that's TransGas has agreed to hold at least 80 TJ/d of FT service to the TransGas SSDA during the term of the Herbert LTFP Contract. This commitment is conditioned on FT tolls to the TransGas SSDA not increasing by more than 25% over any two-year period during the contract term. If TransGas does not hold 80 TJ/d of FT service during the term, TransCanada may terminate the Herbert LTFP Contract. TransGas currently holds 80 TJ/d of FT to the TransGas SSDA, which reflects the current needs of TransGas for firm Mainline service.

In reference ii) TCPL outlines that absent the conditional commitment to hold at least 80 TJ/d of FT service, and given the interconnections with other pipeline systems described below, TransGas would have the ability to replace Mainline FT service with increased receipts from other sources and use Herbert LTFP to serve existing firm requirements.

Request:

a) TCPL's response Centra-TCPL 1.05 in RH-001-2016 stated that the TransGas SSDA has "no Current Alternative to the Western Mainline". Please explain what "other sources" TCPL now considers TransGas SSDA to have.

b) Please confirm that current TransGas contracts expire in 2020 (52,000 GJ/d) and 2021 (28,000 GJ/d). If not confirmed, please explain.

c) Please provide details on how the 25% "off-ramp" increase in FT tolls would be calculated. For example, does it include the Abandonment Surcharge and/or Fuel cost?

d) Please provide an example calculation of the maximum cumulative FT toll increase to TransGas SSDA over a five-year period (post 2020) that would still allow TCPL to stay within the 25% limit over any two-year period.

e) If TransGas reduces its SSDA FT contract amount because of an increase exceeding 25% over any two-year period, does that give TCPL the right to terminate Herbert LTFP service?

f) Did TCPL provide TransGas with any forecast FT tolls to the TransGas SSDA over the term of the LTFP? If so, please provide.

Response:

a) As noted in the RH-001-2016 response, which is reproduced below for context, TransCanada had not evaluated the extent to which each of its shippers could access other energy sources or other natural gas transmission providers. TransCanada understands that TransGas had and continues to have access to alternatives to the Mainline, as discussed in response to NEB 1.3(c) and NEB 1.5(e). In developing the proposed Herbert LTFP service, TransCanada assessed the alternatives available to TransGas, with a particular focus on the alternatives available to serve the Power Plant. TransCanada is not aware of new alternative sources of supply available to TransGas, other than that which would be associated with the Shaunavon Option.

RH-001-2016 Information Request Centra-TCPL 1.05

Request:

b) Please confirm that Centra is currently a captive customer on the Western Mainline and is included in the "800 million" referenced by Mr. Johannson.

c) Please identify all "captive" customers on the Western System which are included in the 800 million referenced by Mr. Johannson, and their approximate share of the 800 million.

Response:

b) and c)

The extent to which a market is captive is a function of the cost of the next best alternative for acquiring the good or service. Markets that may be captive in the short-term may, in the long term, be able to develop better alternatives through investments that may take several years to complete.

At present, TransCanada considers that there is approximately 800 MMcf/d of markets that have no alternative to receiving gas than gas transported on the Western Mainline, although these markets may have access to multiple paths on the Western Mainline (e.g., short-haul transportation from Emerson). Markets that are currently included in this approximately 800 MMcf/d are shown in Table Centra-TCPL 1.05-1, along with existing firm contract quantities to these markets as of May 1, 2016.

TransCanada has not evaluated the extent to which each of its shippers could access other energy sources or other natural gas transmission providers in the future.

Table Centra-TCPL 1.05-1: Markets with no Current Alternative to the Western Mainline

Market	*May 1, 2016 Contracts GJ/d*
Calstock NDA	*1,000*
Centram MDA	*291,371*
Centram SSDA	*5,382*
Centrat MDA	*5,655*
GMIT NDA	*20,397*
Nipigon WDA	*7,900*
Spruce	*10,023*
Transgas SSDA	*134,014*
Tunis NDA	*-*
Union NDA	*154,419*
Union SSMDA	*75,621*
Union WDA	*65,240*
Welwyn	*1,332*
Total	***772,354***

b) Confirmed for contracts to the TransGas SSDA. In addition, TransGas holds contracts to other locations. Refer to the response to NEB 1.5(a).

c) For this provision, a toll increase would be measured exclusive of the abandonment surcharge and fuel and be calculated as the percentage change in the toll from any date up to and including a date 24 months later.

d) Any increase that does not at any time exceed 25% over a two-year period would not affect TransGas' obligation to hold a minimum of 80 TJ/d of FT contracts to the TransGas SSDA. For example, annual increases of 11% would result in a 68% cumulative increase over 5 years, but no two-year period would experience increases in excess of 25%.

e) Yes. Refer to the response to NEB 1.5(f).

f) No.

IR Number: Centra-TCPL 1.06

Reference: TCPL Herbert Application, PDF page 7, Paragraph 20

Preamble: The reference states in order to serve the Power Plant load, TransCanada understands that TransGas was considering transportation on Foothills from McNeill to a new delivery interconnection at Shaunavon, Saskatchewan, from which gas would be transported on existing and new MIPL facilities to the Power Plant (Shaunavon Option). TransGas cited lower tolls on the Foothills system as the reason for pursuing service via Foothills instead of FT service on the Mainline.

Request:

a) Were any of the same TCPL personnel (account representatives, managers, executives, officers, etc.) involved in discussions or in the approval of negotiated terms with TransGas on behalf of Foothills and on behalf of the Mainline? If so, who were they? If not, how was separation of the two entities maintained, including the roles of any dual officers or executives?

b) Please specify what Code of Conduct provisions govern communication between different TCPL entities?

c) Please explain how the Mainline became aware that TransGas was contemplating taking service from Foothills.

d) When did TransGas begin discussions with Foothills?

e) When did TransGas begin discussions with the Mainline?

Response:

a) As noted in response c) below, both Foothills and TransCanada were involved in discussions with TransGas regarding the Herbert and Shaunavon Options. However, the terms of the MOU were negotiated between TransGas and TransCanada personnel responsible for Mainline commercial matters. Different TransCanada personnel responsible for Foothills commercial matters responded to TransGas' request for service on Foothills. The MOU was executed by the Senior Vice President & General Manager, Canadian Natural Gas Pipelines, who has responsibility for both the Mainline and Foothills. This common management of regulated affiliates is permitted by the section 3.1.3 of the Canadian Mainline Code of Conduct (see Attachment Centra-TCPL 1.06-1).

b) The sharing of information by TransCanada with its affiliates is addressed in section 6 of the Canadian Mainline Code of Conduct in Attachment Centra-TCPL 1.06-1. In particular, section 6.5 addresses the sharing of information between regulated affiliates.

c) through e)

During 2015 and early 2016, representatives of TransCanada, Foothills, NGTL, TransGas and MIPL jointly met to manage increasing TransGas delivery requirements and plan orderly expansions. The facilities planning represenatives for each company conducted analyses on their respective systems using established common criteria and produced a ranking of locations with incremental volumes, ordered by their combined lowest capital cost.

TransGas (through MIPL) formally requested Foothills interconnection for the Shaunavon Option in January 2016. TransCanada became aware of this request through discussions with both Foothills and TransGas representatives.

As summarized in response to NEB 1.1(d), the overall least cost alternative to supply the Power Plant is through Herbert on the Mainline. Despite being the least cost alternative from an optimal design perspective, the option of providing service for the Power Plant through FT service would have resulted in higher tolling costs to TransGas relative to receiving service through Foothills.

As a result, in late April 2016, TransCanada approached TransGas to indicate it would consider developing a service to attract the new Power Plant load. Such a service was determined necessary in order for the overall least cost solution to serve the Power Plant to be achieved. In addition, a negotiated solution provided TransCanada the opportunity to attract the revenues to the Mainline that would not otherwise occur to the benefit of the Mainline and its shippers. These discussions ultimately resulted in the execution of the MOU in October 2016.

TRANSCANADA PIPELINES LIMITED

CANADIAN MAINLINE

CODE OF CONDUCT

December 21, 2007

Contents

TRANSCANADA PIPELINES LIMITED
CANADIAN MAINLINE
CODE OF CONDUCT

1 PURPOSE AND OBJECTIVES OF THE CODE

1.1 Purpose of the Code

The purpose of this Code is to establish standards and conditions for interaction between TCPL, TCPL Mainline and their Affiliates, as defined in clause 2.1, in relation to the provision of TCPL Mainline Services. The Code sets parameters for transactions, information sharing and the sharing of services and resources which protect TCPL Mainline's customers against inappropriate inter-Affiliate behaviour and practices. These parameters also reflect the integrated nature of the TransCanada group of companies and businesses and allow TCPL and TCPL Mainline to engage in inter-Affiliate relationships and transactions to achieve operating efficiencies from economies of scale and scope in a manner that concords with the objectives of the Code.

1.2 Objectives of the Code

The principle objectives of the Code are:

i) to create a clearly defined set of rules to enhance transparency, fairness and senior management accountability with respect to interactions between TCPL, TCPL Mainline and their Affiliates;

ii) provide an environment in which inter-Affiliate economies and efficiencies can legitimately occur for the mutual advantage of TCPL Mainline's customers and TCPL shareholders;

iii) develop support and respect for the Code by the employees, officers and directors of TCPL, which will in turn promote ratepayer confidence in the application of the Code; and

iv) create regulatory processes and cost efficiencies through the consistent application of a clear set of standards and reporting requirements for transactions between TCPL, TCPL Mainline and their Affiliates, enhanced by a practical, resolution driven, dispute process.

1.3 Respect for the Code

TCPL is committed to upholding the spirit and intent of the Code and requires individuals to whom the Code applies to adhere to and respect it in providing TCPL Mainline Services.

2 GENERAL PROVISIONS

2.1 Definitions

In this Code the following words and phrases shall have the following meanings:

a) **"Affiliate"** means with respect to TCPL Mainline or TCPL:

i) an "affiliate" as defined in the CBCA;

ii) a unit or division within TCPL or any Body Corporate referred to in clause (b)(i) above;

iii) a partnership, joint venture, or Person in which TCPL or any Body Corporate referred to in clause (b)(i) above has a controlling interest or that is otherwise subject to the control of TCPL or such Body Corporate, or that has or reasonably expects to have a commercial or operational arrangement with TCPL and TCPL or any Body Corporate referred to in clause (b)(i) above owns more than 10% of the votes necessary to elect directors;

iv) any partnership, joint venture, or Person deemed by the NEB to be an affiliate of TCPL Mainline or TCPL for the purposes of this Code; and

v) an agent or other Person acting on behalf of any Body Corporate, unit, division, partnership, joint venture or Person referred to in clauses (b)(i) to (iv) above.

b) **"Affiliated Party Transactions Summary"** unless otherwise directed by the NEB, means in respect of any period of time, a summary overview of each type of business transaction or service performed by an Affiliate for TCPL Mainline or by TCPL Mainline for an Affiliate, which summary shall contain a general description of the transactions and services, the parties involved and the approximate aggregate value of each type of transaction or service during the said period.

c) **"Body Corporate"** means a "body corporate" as defined in the CBCA.

d) **"CBCA"** means the *Canada Business Corporations Act.*

e) **"Code"** means this TCPL Mainline Code of Conduct.

f) **"Compliance Officer"** shall have the meaning ascribed thereto in section 7.3 hereof.

g) **"Compliance Plan"** shall mean the document to be prepared and updated by TCPL Mainline pursuant to section 7.5 hereof.

g.1) "**Compliance Plan Committee**" means a committee which shall meet at least quarterly and be comprised of at least the following TCPL representatives:

- President, Pipelines Division;

- Controller;
- Chief Compliance Officer; and
- Senior Vice-President, Canadian and Eastern US Pipelines.

h) **"Compliance Report"** shall have the meaning ascribed thereto in section 7.6 hereof.

i) **"Confidential Information"** means any information relating to a specific customer or potential customer of TCPL Mainline, which information TCPL Mainline has obtained or compiled in the process of providing current or prospective TCPL Services and which is not otherwise available to the public.

j) **"Cost Recovery Basis"** with respect to:

i) the use by TCPL Mainline of an Affiliate's personnel, means the fully burdened costs of such personnel for the time period they are used by TCPL Mainline, including salary, benefits, vacation, materials, disbursements and all applicable overheads;

ii) the use by TCPL Mainline of an Affiliate's equipment, means an allocated share of capital and operating costs appropriate for the time period the equipment is utilized by TCPL Mainline;

iii) the use by an Affiliate of TCPL Mainline's equipment, means an allocated share of the capital and operating costs appropriate for the time period the equipment is utilized by the Affiliate;

iv) the use by TCPL Mainline of an Affiliate's services, means the complete costs of providing the services, determined in a manner acceptable to TCPL Mainline, acting prudently;

v) the use by an Affiliate of TCPL Mainline's services, means the complete costs of providing the services, determined in a manner acceptable to TCPL Mainline, acting prudently; and

vi) the transfer of equipment, plant inventory, spare parts or similar assets between TCPL Mainline and a Regulated Affiliate, means the net book value of the transferred assets.

k) **"Fair Market Value"** means the price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act.

l) **"For Profit Affiliate Service"** means any service, provided by TCPL on behalf of TCPL Mainline to an Affiliate, or by an Affiliate to TCPL on behalf of TCPL Mainline on a for-profit basis.

m) **"Information Services"** means any computer systems, computer services, databases, electronic storage services or electronic communication media utilized by TCPL Mainline relating to TCPL Mainline customers or TCPL Mainline operations.

n) **"NEB"** means the National Energy Board.

o) **"Non-Executive Officer"** means an officer of TCPL who is not also a senior officer of TransCanada Corporation with an executive officer title.

p) **"Non-Regulated Affiliate"** means an Affiliate that is not a Regulated Affiliate.

q) "**Occasional Services**" shall have the meaning ascribed thereto in section 3.3.6 hereof.

r) **"Person"** means a "person" as defined in the CBCA.

s) **"Regulated Affiliate"** means an Affiliate whose tolls and tariffs are regulated by the NEB, the Alberta Energy and Utilities Board or the Federal Energy Regulatory Commission.

t) **"Services Agreement"** means an agreement entered into between TCPL and one or more Affiliates for the provision of Shared Services or For Profit Affiliate Services to or from TCPL Mainline and shall provide for the following matters as appropriate in the circumstances:

   i) the type, quantity and quality of service;
   ii) pricing, allocation or cost recovery provisions;
   iii) confidentiality arrangements;
   iv) the apportionment of risk;
   v) dispute resolution provisions; and
   vi) a representation by TCPL and each Affiliate party to the agreement that the agreement complies with the Code.

u) **"Shared Service"** means any service provided on a Cost Recovery Basis by TCPL on behalf of TCPL Mainline to an Affiliate or by an Affiliate to TCPL on behalf of TCPL Mainline.

v) **"TCPL"** means TransCanada PipeLines Limited.

w) **"TCPL Mainline"** means the TCPL line of business under which TCPL owns and operates a high pressure natural gas transmission system that extends from the Alberta border across Saskatchewan, Manitoba, Ontario, and through a portion of Quebec, and connects to various downstream Canadian and international pipelines.

x) **"TCPL** Mainline **Service"** means a TCPL Mainline service, the terms and conditions of which are regulated by the NEB.

2.2 Interpretation

Headings are for convenience only and shall not affect the interpretation of this Code. Words importing the singular include the plural and vice versa. A reference to a statute, document or a provision of a document includes an amendment or supplement to, or a replacement of, that statute, document or that provision of that document.

2.3 To Whom this Code Applies

TCPL Mainline is obligated to comply with this Code and all Affiliates of TCPL Mainline are obligated to comply with the Code to the extent they interact with TCPL Mainline.

2.4 Coming into Force

This Code comes into force 90 days after approval by the NEB, provided however that, to the extent existing agreements or arrangements are in place between parties to whom this Code applies that do not conform with this Code, such agreements or arrangements must be brought into compliance with this Code within 60 days after this Code comes into force.

2.5 Amendments to this Code

This Code may be reviewed and amended from time to time by the NEB on its own initiative, or pursuant to a request by any party to whom this Code applies or by any interested party.

2.6 Exemptions

TCPL Mainline may apply to the NEB for an exemption with respect to compliance with any provision of this Code. Any such application will specify if the requested exemption is in respect of a particular transaction, series of transactions, for a specified period of time, or is for a general exemption from a particular provision.

2.7 Authority of the NEB

This Code does not detract from, reduce or modify in any way, the powers of the NEB to deny, vary, approve with conditions, or overturn, the terms of any transaction or arrangement between TCPL Mainline and one or more Affiliates that may be done in compliance with this Code. Compliance with the Code does not eliminate the requirement for specific NEB approvals or filings where required by statute, regulation, or by NEB decisions, orders or directions.

3 GOVERNANCE AND SEPARATION OF TCPL BUSINESS

3.1 Governance

3.1.1 Separate Operations

The commercial business and affairs of TCPL Mainline should be managed and conducted separately from the commercial business and affairs of its Non-Regulated Affiliates, except as required to fulfill corporate governance, policy, and strategic direction responsibilities of a corporate group of businesses as a whole.

3.1.2 Common Directors

TCPL may have common directors with its Affiliates.

3.1.3 Separate Management

TCPL Mainline must have a separate management team from its Non-Regulated Affiliates. Subject to Section 3.1.4 hereof, TCPL must have separate officers from TCPL Mainline's Non-Regulated Affiliates. However, TCPL Mainline may share management team members, and TCPL may share officers, with other Regulated Affiliates of TCPL Mainline.

3.1.4 Separate Management Exception

Officers of TCPL may also be officers of any Affiliate, as may be required to perform corporate governance, policy and strategic direction responsibilities of an affiliated group of businesses. However, this exception shall not allow a Non-Executive Officer in a commercial or operational role to be an officer of a Non-Regulated Affiliate that has or reasonably expects to have commercial or operational arrangements with TCPL Mainline.

3.1.5 Guiding Principle

Notwithstanding sections 3.1.2, 3.1.3 and 3.1.4 hereof, an individual shall not act both as a director, or officer of TCPL, or a member of a management team of TCPL Mainline, and as a director, or officer, or member of a management team of any other Affiliate (thereby acting in a dual capacity) unless the individual is able to carry out his/her responsibilities in a manner that preserves the form, and the spirit and intent, of this Code. In particular, an individual:

(a) shall not agree to act in a dual capacity if the individual, acting reasonably, determines that acting in a dual capacity could be detrimental to the interests of customers of TCPL Mainline; and

(b) if acting in a dual capacity, shall abstain from engaging in any activity that the individual acting reasonably, determines could be detrimental to the interests of customers of TCPL Mainline.

3.2 Degree of Separation

3.2.1 Accounting Separation

TCPL shall ensure accounting separation of TCPL Mainline from all Affiliates and shall maintain separately identifiable financial records and books of accounts.

3.2.2 Separation of Information Services

Where TCPL Mainline shares Information Services with a Non-Regulated Affiliate, all Confidential Information must be protected from unauthorized access by the Non-Regulated Affiliate. Access to TCPL Mainline's Information Services shall include appropriate computer data management and data access protocols as well as contractual provisions regarding the breach of any access protocols. Compliance with the access protocols shall be periodically confirmed by TCPL Mainline.

3.2.3 Financial Transactions with Affiliates

TCPL shall ensure that any loan, investment, or other financial support provided by TCPL Mainline to a Non-Regulated Affiliate is provided on terms no more favorable than what that Non-Regulated Affiliate would be able to obtain as a stand-alone entity from the capital markets.

3.2.4 Physical Separation

TCPL Mainline shall put appropriate measures in place to restrict physical access of representatives with commercial responsibilities for Non-Regulated Affiliates to Confidential Information.

3.3 Resource Sharing

3.3.1 Sharing of Assets

The operational plant, assets and equipment of TCPL Mainline shall be separately identifiable from the operation plant, assets and equipment of other TCPL lines of business and separated in ownership from the operational plant, assets and equipment of other Non-Regulated Affiliates.

3.3.2 Shared Services Permitted

Where TCPL determines it is prudent in operating TCPL Mainline's business to do so, it may obtain Shared Services from, or provide Shared Services to, an Affiliate. TCPL shall periodically review the prudence of continuing Shared Services arrangements with a view to making any necessary adjustments to ensure that each of TCPL Mainline and its Affiliates bears its proportionate share of costs.

3.3.3 Services Agreement

TCPL shall enter into a Services Agreement with respect to any Shared Services it provides to, or acquires from, an Affiliate for the operation of TCPL Mainline.

3.3.4 Sharing of Employees

3.3.4.1 TCPL Mainline and its Affiliates

Subject to section 3.3.4.2 hereof, TCPL Mainline may share employees with an Affiliate on a Cost Recovery Basis, provided that the employees to be shared are able to carry out their responsibilities in a manner that preserves the form, spirit and intent of this Code. In particular, an employee:

(a) shall not be shared if it could reasonably be considered detrimental to the interests of TCPL Mainline's customers, and

(b) if being shared, shall abstain from engaging in any activity that could reasonably be considered detrimental to the interests of TCPL Mainline's customers.

3.3.4.2 Employees That May Not Be Shared

TCPL Mainline may not share employees with a Non-Regulated Affiliate that:

(a) routinely participate in making decisions with respect to the provision of TCPL Mainline Services or how TCPL Mainline Services are delivered;

(b) routinely deal with or have direct contact with customers of TCPL Mainline; and

(c) are routinely involved in commercial management of the business of TCPL Mainline.

3.3.5 Occasional Services Permitted

Where TCPL Mainline has otherwise acted prudently, it may receive, or provide, one-off, infrequent or occasional services ("Occasional Services") to, or from, an Affiliate on a Cost Recovery Basis, documented by way of work order, purchase order or similar instrument. In the event that occasional services become material as to value, frequency or use of resources, TCPL shall enter into a Services Agreement with the Affiliate for Shared Services.

3.3.6 Emergency Services Permitted

In the event of an emergency, TCPL Mainline may share services and resources with an Affiliate without a Services Agreement on a Cost Recovery Basis.

4 TRANSFER PRICING

4.1 For Profit Affiliate Services

Where TCPL determines it is prudent in operating TCPL Mainline's business to do so, it may obtain For Profit Affiliate Services from an Affiliate or provide For Profit Affiliate Services to an Affiliate.

If TCPL intends to outsource to an Affiliate a service it presently provides for TCPL Mainline, TCPL shall, in addition to any other analysis it may require to demonstrate the prudence of a For Profit Affiliate Services arrangement, undertake a net present value analysis appropriate to the life cycle or operating cycle of the services involved.

TCPL shall periodically review the prudence of continuing For Profit Affiliate Services arrangements.

4.2 Pricing For Profit Affiliate Services

4.2.1 TCPL Acquires For Profit Affiliate Service

When TCPL acquires For Profit Affiliate Services it shall pay no more than the Fair Market Value of such services. The onus is on TCPL to demonstrate that the For Profit Affiliate Services have been acquired at a price that is no more than the Fair Market Value of such services.

4.2.2 TCPL Provides For Profit Affiliate Service

When TCPL provides For Profit Affiliate Services, it shall not charge less than the Fair Market Value of such services. The onus is on TCPL to demonstrate that the For Profit Affiliate Services have been charged at a price that is not less than the Fair Market Value of such services.

4.3 Services Agreement

TCPL shall enter into a Services Agreement with respect to any For Profit Affiliate Services it acquires or provides for the operation of TCPL Mainline.

4.4 Asset Transfers

Assets transferred, mortgaged, leased or otherwise disposed of by TCPL Mainline to a Non-Regulated Affiliate shall be at Fair Market Value.

4.5 Determination of Fair Market Value

In demonstrating that Fair Market Value was paid or received pursuant to a For Profit Affiliate Service arrangement or a transaction contemplated by sections 4.1, 4.2 and 4.4 hereof, TCPL Mainline, subject to any prior or contrary direction by the NEB, may utilize any method to determine Fair Market Value that it believes appropriate in the circumstances. These methods may include, without limitation: competitive tendering, competitive quotes, bench-marking studies, catalogue pricing, replacement cost comparisons or recent market transactions. TCPL Mainline shall bear the onus of demonstrating that the methodology or methodologies utilized in determining the Fair Market Value of the subject goods or services was appropriate in the circumstances.

4.6 Asset Transfers Between TCPL Mainline and Regulated Affiliates

Where operational efficiencies between TCPL Mainline and Regulated Affiliates can be obtained through the use of common facilities (such as shared warehousing or field offices), combined purchasing power or through the use of other cost saving procedures, individual assets or groups of assets used in TCPL Mainline's and Regulated Affiliates' operations (such as equipment, plant inventory, spare parts or similar assets) may be transferred in the ordinary course of business between TCPL Mainline and Regulated Affiliates at net book value or other reasonable standard acceptable to the Board. All such transactions shall be properly accounted for on the books of TCPL.

5 EQUAL TREATMENT WITH RESPECT TO TCPL MAINLINE SERVICES

5.1 Impartial Application of Tariff

TCPL Mainline shall apply and enforce all tariff provisions relating to TCPL Mainline Services impartially, in the same timeframe, and without preference in relation to its Affiliates and all other customers or prospective customers.

5.2 Equal Access

TCPL Mainline shall not favor any Affiliate with respect to access to information concerning TCPL Mainline Services or with respect to the obtaining of, or the scheduling of, TCPL Mainline Services. Requests by an Affiliate or an Affiliate's customers for access to TCPL Services shall be processed and provided in the same manner as would be processed or provided for other customers or prospective customers of TCPL Mainline.

5.3 No Undue Influence

TCPL Mainline shall not condition or otherwise tie the receipt of TCPL Mainline Services to a requirement that a customer must also deal with an Affiliate. TCPL Mainline shall ensure that its representatives do not, explicitly or by implication, suggest that an advantage will accrue to a customer in dealing with TCPL Mainline if the customer also deals with an Affiliate of TCPL Mainline.

5.4 Affiliate Activities

TCPL Mainline shall take reasonable steps to ensure that an Affiliate does not imply in its marketing material or otherwise, favored treatment or preferential access to TCPL Mainline Services. If TCPL Mainline becomes aware of any such inappropriate activity by an Affiliate, it shall:

(a) immediately take reasonable steps to notify affected customers of the violation;

(b) take necessary steps to ensure the Affiliate is aware of the concern; and

(c) inform the NEB in writing of such activity and the remedial measures that were undertaken by TCPL Mainline.

5.5 Access to Shared and Occasional Services

TCPL Mainline is not required to provide non-Affiliated parties with equal access to Shared Services or Occasional Services.

6 CONFIDENTIALITY OF INFORMATION

6.1 TCPL Mainline Information

Subject to section 6.2 hereof, TCPL Mainline shall not provide Non-Regulated Affiliates with information relating to the planning, operations, finances or strategy of TCPL Mainline before such information is publicly available.

6.2 Management Exception

Officers of TCPL who are also officers of an Affiliate as permitted pursuant to section 3.1.4 hereof may disclose, subject to the provisions of section 3.1.5 hereof, TCPL Mainline planning, operational, financial and strategic information to the Affiliate to fulfill their responsibilities with respect to corporate governance, policy and strategic direction of an affiliated group of businesses, but only to the extent necessary and not for any other purpose.

6.3 No Release of Confidential Information

Subject to section 6.5, TCPL Mainline shall not release to an Affiliate Confidential Information relating to a customer or prospective customer, without receiving the prior written consent of the customer or prospective customer, unless such Confidential Information may be disclosed to an Affiliate in connection with a disclosure required:

(a) for the purpose of a court proceeding or a proceeding before a quasi-judicial body to which the customer is a party;

(b) for the purpose of complying with a subpoena, warrant, or order issued or made by a court, person or body having jurisdiction to compel the production of information or with a rule of court that relates to the production of information;

(c) to a municipal or provincial police service for the purpose of investigating an offence involving the customer, if the disclosure is not contrary to the express request of the customer;

(d) by law or by an order of a government or agency having jurisdiction over TCPL Mainline; or

(e) for the purpose of providing Shared Services or For Profit Affiliate Services to the Affiliate or for the purpose of receiving Shared Services or For Profit Affiliate Services from the Affiliate; provided appropriate measures are first put in place by the Affiliate to protect the Confidential Information and the Confidential Information is used by the Affiliate only for the purpose intended by TCPL Mainline.

6.4 Aggregated Confidential Information

TCPL Mainline may disclose Confidential Information when aggregated with the Confidential Information of other customers in such a manner that an individual customer's Confidential Information can not be identified.

6.5 Release of Confidential Information to Regulated Affiliates

TCPL Mainline may release Confidential Information on an as-needed basis, to a Regulated Affiliate that is operated by the same entity that operates TCPL Mainline, or is operated by any Affiliate of TCPL Mainline, provided that the Regulated Affiliate does not release the Confidential Information to any other entity without receiving the prior written consent of the customer.

7 COMPLIANCE MEASURES

7.1 Responsibility for Compliance

TCPL Mainline shall be responsible for ensuring compliance with this Code.

7.2 Communication of Code

TCPL Mainline shall:

(a) communicate the contents of the Code, and any modifications to it from time to time, to each of its directors, officers, employees, consultants, contractors, agents and Affiliates; and

(b) make the Code available on TCPL's web site.

7.3 Compliance Officer

TCPL shall appoint a compliance officer (the "Compliance Officer"). TCPL shall ensure that the Compliance Officer is an officer of TCPL and has adequate resources to fulfill his or her responsibilities.

7.4 Responsibilities of the Compliance Officer

The responsibilities of the Compliance Officer shall include:

(a) providing advice and information to TCPL Mainline for the purpose of ensuring compliance with this Code;

(b) monitoring and documenting compliance with the Code by TCPL, TCPL Mainline, and as applicable, their directors, officers, representatives, consultants, contractors and agents;

(c) monitoring and documenting compliance with the Code by Affiliates of TCPL Mainline with respect to the interactions of the Affiliates with TCPL Mainline;

(d) providing for the preparation and updating, of a Compliance Plan for TCPL Mainline pursuant to Section 7.5 hereof;

(e) filing the Compliance Plan and any modifications or replacements with the NEB, posting the Compliance Plan on the TCPL's website, and advising interested parties promptly when the Compliance Plan, or any modifications or replacements, have been posted on the website;

(f) performing an annual review of compliance with the Compliance Plan and preparing an annual compliance report ("Compliance Report") containing the information required in section 7.6 hereof. The Compliance Officer shall file the Compliance Report with the NEB within 120 days of the fiscal year end of TCPL with respect to the immediately preceding fiscal year, post the Compliance Report on TCPL's website, and advise interested parties promptly when the Compliance Report has been posted on the website;

(g) receiving and investigating internal and external disputes, complaints and inquiries with respect to the application of, and alleged non-compliance, with the Code in accordance with Section 8 hereof;

(h) recommending to TCPL Mainline measures required to address events of non-compliance with the Code; and

(i) maintaining adequate records with respect to all aspects of the Compliance Officer's responsibility.

7.5 The Compliance Plan

TCPL Mainline shall prepare a Compliance Plan. The Compliance Plan shall detail the measures, policies, procedures and monitoring mechanisms that TCPL Mainline will employ to ensure its full compliance with the provisions of the Code by TCPL, TCPL Mainline, and as applicable, their directors, officers, representatives, consultants, contractors and agents, and by Affiliates of TCPL Mainline with respect to the interactions of the Affiliates with TCPL Mainline. TCPL Mainline shall review and update the Compliance Plan at least annually.

7.5.1 Responsibilities of the Compliance Plan Committee

The Compliance Plan Committee will meet at least quarterly, and will discharge its responsibilities as set out in the Compliance Plan by:

(a) receiving and reviewing the documentation including the certificates and reports as required by the Compliance Plan;

(b) making appropriate inquiries as to the sufficiency of the aforementioned certificates and reports;

(c) making appropriate recommendations regarding the sufficiency of the processes and mechanisms intended to maintain compliance as set out in the Compliance Plan;

(d) identifying any instances of non-compliance as set out in the Compliance Plan and ensuring that any such instance is treated as an inquiry under the Code (see Section 8).

7.6 The Compliance Report

The Compliance Report shall include the following information prepared in respect to the period of time covered by the Compliance Report:

(a) a copy of the Compliance Plan and any amendments thereto;

(b) a corporate organization chart for TCPL and its Affiliates indicating relationships and ownership percentages;

(c) a list of all Affiliates with whom TCPL Mainline transacted business, including business addresses, a list of the Affiliates' officers and directors, and a description of the Affiliates' business activities;

(d) a list of all Services Agreements in effect at any time during such period;

(e) an overall assessment of compliance with the Code by TCPL and TCPL Mainline, including as applicable compliance by the directors, officers, representatives, consultants, contractors and agents of TCPL and TCPL Mainline, and by Affiliates of TCPL Mainline with respect to the interactions of the Affiliates with TCPL Mainline;

(f) an assessment of the effectiveness of the Compliance Plan and any recommendations for modifications thereto;

(g) in the event of any material non-compliance with the Code, a comprehensive description thereof and an explanation of all steps taken to correct such non-compliance;

(h) subject to the confidentiality provisions of section 8.1 hereof, a summary of disputes, complaints and inquiry activity during the year;

(i) an Affiliated Party Transactions Summary;

(j) a summary list of any exemptions granted to this Code or exceptions utilized, including the exception for emergency services; and

(k) two certificates, each in the form attached as Schedule "A" attached to this Code, attesting to completeness of the Compliance Report and compliance with the Code, one certificate signed by the Compliance Officer and a second certificate signed by the highest ranking operating officer of TCPL.

7.7 Documents to be Provided to the NEB upon Request

If required by the NEB, TCPL Mainline shall provide the NEB with a copy of any document referred to in a Compliance Report or other supporting records and material.

7.8 Compliance Records and Audit

The records required to be maintained by the Compliance Officer pursuant to section 7.4(i) hereof shall be retained for a period of at least six years. Compliance records shall be maintained in a manner sufficient to support a third party audit of the state of compliance with the Code by TCPL and TCPL Mainline, and as applicable, their directors, officers, representatives, consultants, contractors and agents, and by Affiliates of TCPL Mainline with respect to the interactions of the Affiliates with TCPL Mainline. Subject to the confidentiality provisions of section 8.1 hereof, all such records shall be made available for inspection or audit as may be required by the NEB from time to time.

8 DISPUTES, COMPLAINTS AND INQUIRIES

8.1 Filing with the Compliance Officer

Disputes, complaints or inquiries from within TCPL Mainline, or from external parties respecting the application of, or alleged non-compliance with, the Code shall be submitted in writing to the Compliance Officer and may be made confidentially. The identity of the party making the submission to the Compliance Officer shall be kept confidential by the Compliance Officer unless the party otherwise agrees.

8.2 Processing by TCPL Mainline

8.2.1 Compliance Officer Acknowledgment

The Compliance Officer shall acknowledge all disputes, complaints or inquiries in writing within five working days of receipt.

8.2.2 Disposition

The Compliance Officer shall respond to the dispute, complaint or inquiry within 21 working days of its receipt. The response shall include a description of the dispute, complaint or inquiry and the initial response of TCPL Mainline to the issues identified in the submission. TCPL Mainline's final disposition of the dispute, complaint or inquiry shall be completed as expeditiously as possible in the circumstances, and in any event within 60 days of receipt of the dispute, complaint or inquiry, except where the party making the submission otherwise agrees.

8.3 Referral to the NEB

In the event:

(a) TCPL Mainline fails to abide by the process identified in section 8.2 hereof,

(b) TCPL Mainline or a party is unsatisfied with the resolution of a dispute, complaint or inquiry following the conclusion of the section 8.2 process, or

(c) of an urgent and significant matter, where there is a reasonable expectation that a party's position may be prejudiced by allowing the process contemplated by section 8.2 to operate,

TCPL Mainline (subject to the confidentiality provisions of section 8.1 hereof) or a party with a dispute, complaint or inquiry may refer the matter to the NEB for consideration. A referral to the NEB must be in writing and shall describe the dispute, complaint, or inquiry and must include the response, if any, of TCPL Mainline to the submission.

9 NON-COMPLIANCE WITH THE CODE

9.1 Non-Compliance

Any non-compliance with the Code by any director, officer, employee, consultant, contractor or agent of TCPL or TCPL Mainline, as applicable, or by an Affiliate (or any director, officer, employee, consultant, contractor or agent of an Affiliate) with respect to the interactions of the Affiliate with TCPL Mainline will be considered to be non-compliance by TCPL Mainline.

9.2 Consequences for Non-Compliance with Code

Non-compliance with the Code by TCPL Mainline shall subject TCPL Mainline to the full range of powers and authorities of the NEB. Non-compliance with the Code by a director, officer, employee, consultant, contractor or agent of TCPL or TCPL Mainline, as applicable, may subject such individual to disciplinary action by TCPL.

SCHEDULE A – OFFICERS CERTIFICATE

OFFICER'S CERTIFICATE

To: The National Energy Board

I, ________________________________ of the City of _________________, in the Province of Alberta, acting in my position as an officer of TransCanada PipeLines Limited and not in my personal capacity, to the best of my knowledge do hereby certify as follows:

1. My position with TCPL is ____________________________, and as such I have personal knowledge of, or have conducted due inquiry of individuals who have personal knowledge of, the facts and matters herein stated.

2. Capitalized terms used herein (which are not otherwise defined herein) shall have the meanings ascribed thereto in the TCPL Mainline Code of Conduct (the Code).

3. I have read the Code, the Compliance Plan of TCPL Mainline dated ________________ and the Compliance Report of TCPL Mainline dated ___________________.

4. The form and contents of the Compliance Report comply with the requirements of the Code and the matters reported therein are fully and accurately described.

5. I am not aware of any material non-compliance with the provisions of the Code by any director, officer, employee, consultant, contractor or agent of TCPL or TCPL Mainline, as applicable, or by any Affiliate of TCPL Mainline (including any director, officer, employee, consultant, contractor or agent of the Affiliate) with respect to the any interaction between an Affiliate and TCPL Mainline that is not fully and accurately described in the Compliance Report.

Name: __________________________________

Title: __________________________________

Date: __________________________________

IR Number: Centra-TCPL 1.07

Reference:

i. TCPL Herbert Application, PDF page 7, Paragraph 20

ii. TCPL Herbert Application, PDF page 9, Table 2: Mainline vs. Foothills Total Transportation Cost Comparison

Preamble:

In reference i) TCPL states that in order to serve the Power Plant load, TransCanada understands that TransGas was considering transportation on Foothills from McNeill to a new delivery interconnection at Shaunavon, Saskatchewan, from which gas would be transported on existing and new MIPL facilities to the Power Plant (Shaunavon Option).

In reference ii) TCPL outlines the cost comparison of the available alternatives

Request:

a) What new MIPL facilities would be needed between Shaunavon and MIPL?

b) What would be the investment in, operating costs, and revenue requirements of those facilities in (a)?

c) Figure 1 (page 5) appears to show that the new Power Plant is not immediately adjacent to the MIPL line. What facilities would connect the Power Plant to the MIPL line?

d) What are the investment in, operating costs, and revenue requirements of those connecting facilities in (c)?

e) What would be the tolls on the existing MIPL system for both the Foothills and Mainline options?

Response:

a) Refer to the response to NEB 1.1(d).

b) Refer to the response to NEB 1.1(d). TransCanada is not able to comment on MIPL's Shaunavon Pipeline operating costs or revenue requirement.

c) Refer to the response to NEB 1.1(d) for a schematic of the facilities required to serve the proposed Power Plant.

d) Refer to the response to NEB 1.1(d). TransCanada is not able to comment on MIPL's Shaunavon Pipeline operating costs or revenue requirement.

e) Refer to the response to EGDI 1.2 and NEB 1.1(f).

IR Number: Centra-TCPL 1.08

Reference: TCPL Herbert Application, PDF page 9, Table 2: Mainline vs. Foothills Total Transportation Cost Comparison.

Preamble: Centra seeks to understand some of the calculations and basis for some of the individual items presented in Table 2.

Request:

a) Please explain (with supporting data) how the Abandonment Surcharge for Herbert LTFP ($0.0115) was calculated and why it differs from the Empress-to-TransGas SSDA Surcharge of $0.0245.

b) Does TCPL serve any other DDAs s with delivery-point specific Surcharges?

c) What is the basis for TCPL to serve a DDA using a non-DDA toll or Surcharge? What, if any, criteria are used by TCPL to evaluate such differential tolling.

d) Can the Abandonment Surcharge increase in future years? If so, what is a possible “high case” for the Surcharge over the 10-year period (e.g., if Western Mainline volumes decline)?

e) Please explain (with supporting data) how the Fuel ratio of 0.46% was calculated and why it differs from the Empress-to-TransGas SSDA Fuel ratio of 0.88%

f) Please explain why the Herbert LTFP service includes a separate Abandonment Surcharge whereas the recently-proposed Dawn LTFP service had the Surcharge included in the fixed price.

Response:

a) The Abandonment Surcharge was calculated in accordance with the methodology approved in the MH-001-2013 Decision[1] and is based on the 2016 system average unit costs for determining Abandonment Surcharges and the distance between the receipt and delivery point. The same methodology is used for both Herbert LTFP and FT. The Abandonment Surcharge is calculated as:

energy system average unit cost + (energy-distance system average unit cost * distance)

As shown in the calculation, distance is a component of the Abandonment Surcharge. The distance from Empress to Herbert is 192.73 km resulting in an Abandonment

[1] MH-001-2013 Reasons for Decision (NEB Filing ID: A60676)

Surcharge of $0.0115/GJ.[2] The distance from Empress to the load center of the TransGas SSDA is 433.83 km resulting in an Abandonment Surcharge of $0.0245/GJ.[3] The difference in distance results in a lower Abandonment Surcharge for the proposed Herbert LTFP service.

b) TransCanada is not proposing to serve the TransGas SSDA with a delivery point specific surcharge. Rather the delivery point for the proposed Herbert LTFP service is only at Herbert with the abandonment surcharge based on the distance from receipt to delivery point (i.e., Empress to Herbert) which is consistent with abandonment surcharge determination for all other Mainline hauls including deliveries to domestic points such as Welwyn, Union Parkway Belt, North Bay Junction and export points such as Emerson 2. Also refer to the Application, pages 7-8, paragraphs 35 through 40 for the basis of the Herbert LTFP toll.

c) Not applicable.

d) The Abandonment Surcharge could increase or decrease in future years. TransCanada does not have a forecast of Abandonment Surcharges over the next 10 years.

e) The fuel ratio of 0.46% was calculated based on the 2015 average of monthly fuel ratios from Empress to Herbert. The fuel ratio is calculated as:

(system average unit cost of fuel x distance) + unit cost of loss and unaccounted for gas.

The distance from Empress to Herbert is 192.73 km and the distance from Empress to the load center of the TransGas SSDA is 433.83 km. As distance is a component of the Fuel ratio calculation, the difference in distance results in a lower Fuel ratio for the proposed Herbert LTFP service.

f) The service attributes and tolling of the proposed Herbert LTFP service were developed and negotiated based on the distinct and circumstance-specific factors that led to the Application, and as a result, are not directly comparable with the recently-proposed Dawn LTFP service. Also see the response to Centra-TCPL 1.01(a).

[2] 0.0011649203 $/GJ + (0.0000537338 $/GJ-km * 192.73 km) = $0.0115/GJ
[3] 0.0011649203 $/GJ + (0.0000537338 $/GJ-km * 433.83 km) = $0.0245/GJ

IR Number: Centra-TCPL 1.09

Reference:

i. TCPL Herbert Application, PDF page 10, paragraph 37

ii. TCPL Mainline 2013-2030 Settlement Agreement Application, Additional Written Evidence, PDF page 10

Preamble:

In reference i), TCPL states that the Board previously held the view that TransCanada should seek the higher of incremental costs or fair market value in all non-Tariff transactions from parties wishing to contract with it, and defined fair market value as whatever a competitive market is willing to pay. While Herbert LTFP would be a Tariff service, it is a market-driven solution. The tolling and service structure were negotiated between arm's-length entities. Therefore, the toll represents a fair assessment of the market value of the proposed service, which exceeds the incremental costs of providing the service."

In reference ii), TCPL describes Mainline tolls after 2020 could reflect a number of factors, including developments beyond cost of service regulation that would address fundamental allocations of risk and reward between TransCanada and its shippers. Although in this Application TransCanada is only requesting the Board's approval of certain parameters for tolls in the 2021-2030 period, TransCanada remains committed to continuation of balanced and effective at-risk models for some or all of the Mainline's revenue requirement.

Request:

a. What are the incremental costs to the Mainline of providing Herbert LTFP service?

b. How will the incremental costs change post 2020?

c. Does the Herbert LTFP toll take into account that the proposed service spans into the post 2020 timeframe when TCPL has indicated the Mainline will assume an "at risk" model?

d. Is the Herbert LTFP service an aspect of the "at risk" nature of the pipeline post 2020?

e. Is it TCPL's position that it can offer an LTFP toll as long as the toll is higher than the incremental cost of the service? If no, please explain the criteria used to determine whether to offer such a toll. What were the incremental costs for the Dawn LTFP offering?

Response:

a. Refer to the response to NEB 1.2(b).

b. No other incremental costs associated with Herbert LTFP service are expected post 2020.

c. and d.

The toll for Herbert LTFP service is proposed to be fixed for a 10-year term and is therefore expected to apply both prior to 2020 and after 2020, a period for which the applicable tolling methodology is not known other than that segmentation of the Eastern Triangle has been approved in principle.

e. Any new service proposed by TransCanada would require NEB approval before it can be implemented. Also refer to the responses to NEB 1.4(c) with respect to considering other competitive service offerings, and Centra-TCPL 1.01 with respect to Dawn LTFP.

IR Number: Centra-TCPL 1.10

Reference: TCPL Herbert Application, PDF page 9, Paragraph 27

Preamble: TCPL qualifies Table 2 by stating this comparison is illustrative only, as the Herbert LTFP toll is known for the entire ten-year period, while the other tolls are subject to change over that time period. Centra would like to better understand the Mainline environment for the ten year term of the Herbert LTFP service.

Request:

a) Please provide forecasts of the range of potential toll changes for the "other tolls" over the ten-year period. Explain any assumptions.

b) Please provide a graph depicting for the Prairies Line over the ten-year period:

   i. Prairie Line firm capacity.

   ii. Prairies Line firm capacity assuming "all units available" (i.e. no de-rating or units held out of service)

   iii. Prairies Line shipper requirement, distinguished between forecast captive load and any forecast shipper requirements incremental to this captive load.

c) Please replicate the graph in part (b) showing the incremental impacts of 1.5 PJ/d[1] contracted from Empress to Dawn and 1,100 TJ/d[2] of capacity removed for Energy East.

d) Please discuss the potential for the Prairies Line to be fully subscribed during the ten-year period?

e) Please provide any TCPL studies or forecasts showing its forecasted capacity and utilization of the Prairies Line during the ten year period.

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[1] TransCanada's 2017 Dawn Long Term Fixed Price Service Open Season, October 13, 2016 to November 10, 2016 sought 1.5 PJ/d of contracts.

[2] Energy East Pipeline Ltd. Application Volume 2: Sale and Purchase of Mainline Assets, Sect 4.2.2

Response:

a) TransCanada does not have a 10-year forecast of any of the tolls shown in Table 2, except for Herbert LTFP.

b) and c)

See Figure Centra-TCPL 1.10-1 which illustrates the Prairies design capacity, and firm contract levels including an incremental 1.5 PJ/d and capacity change associated with Energy East Project, over the term of the Herbert LTFP Contract. Eligible contracts are assumed to be renewed.

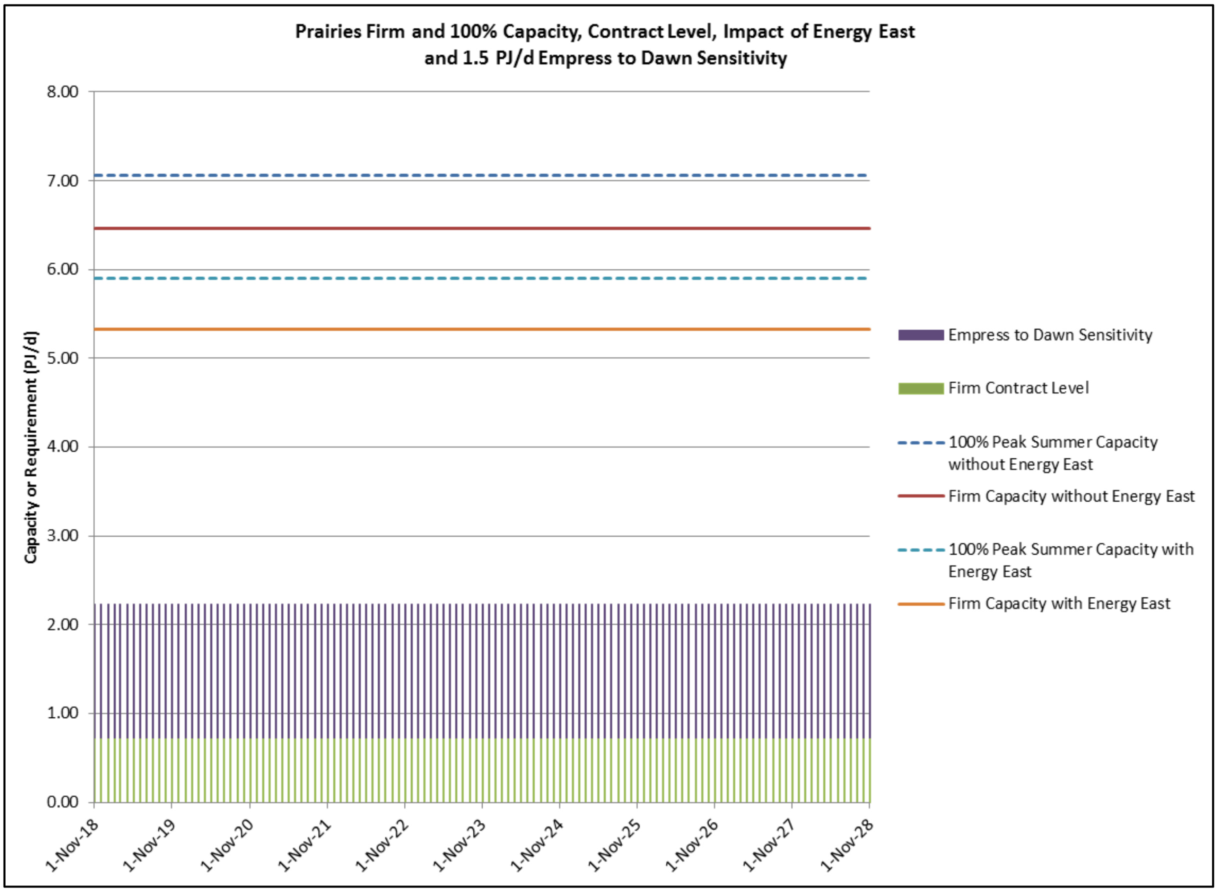

Figure Centra-TCPL 1.10-1: Prairies Capacity and Contracts

d) It is expected that available capacity will remain through the 10-year duration of the Herbert LTFP Contract.

e) Mainline Prairies flows are anticipated to be approximately in the range shown in Figure Centra-TCPL 1.10-1.

IR Number: Centra-TCPL 1.11

Reference:
i. TCPL Herbert Application, PDF page 10, Paragraph 31
ii. TCPL Herbert Application, PDF page 10, Paragraph 32

Preamble: In reference i), TCPL claims the Herbert LTFP service will contribute approximately $2.5 million in annual demand revenue, and the 10-year average annual cost of service will increase by approximately $0.3 million due to the $2.3 million capital addition related to the proposed delivery meter station facilities at Herbert. Herbert LTFP service is therefore expected to result in incremental net revenues of $2.2 million per year.

In reference ii), TCPL states the increase in Mainline billing determinants, revenues and cost of service resulting from the implementation of Herbert LTFP service will be reflected in the calculation of tolls in subsequent tolls applications.

Request:

a) In addition to the meter station, what other additional costs might TCPL incur in providing the service (e.g., regulatory, operating costs).

b) What are the non-averaged increases in revenue requirements for the first three years of the contract?

c) How will the added volumes, investment and any other costs affect the inter-company allocation of costs?

d) What is the expected impact on tolls of the Herbert LTFP service (i.e., FT tolls for Empress to each Mainline DDA? Please provide the underlying calculations.

e) What is the forecast dollar benefit to TCPL by year under the Mainline incentive provisions of the current tariff/settlement?

Response:

a) Refer to the response to NEB 1.2(b).

b) Refer to the response to NEB 1.2(a).

c) All revenues and costs associated with Herbert LTFP service will be allocated to the Mainline.

d) TransCanada does not have an estimate of the expected toll impact of the proposed Herbert LTFP service to each Mainline DDA. The average impact is expected to be proportional to the share of incremental revenue associated with the service and the Mainline revenue requirement, which is provided in response to Centra-TCPL 1.03 e).

e) TransCanada understands the request to mean the forecast dollar benefit to TCPL of Herbert LTFP service by year under the Mainline incentive provisions approved in the RH-001-2014 Decision.

Herbert LTFP is expected to commence between November 1, 2018 and June 30, 2019. As such, a forecast of the Herbert LTFP service billing determinants, revenues and cost of service will be reflected in subsequent tolls applications, and these values are expected to be stable and predictable over the 10-year Herbert LTFP Contract term. Accordingly, except for possible revenue variance associated with the forecast and actual commencement of Herbert LTFP service or in cost variance associated with the Herbert meter station, no incentive dollar benefit to TransCanada is expected to be earned as a result of Herbert LTFP service and the incremental revenues resulting from the service are expected to flow entirely to the account of shippers. Any revenue or cost variance could be positive or negative, such that they could contribute to increase or reduce applicable incentive earnings.

IR Number: Centra-TCPL 1.12

Reference: TCPL Herbert Application, PDF page 8, paragraph 24, and PDF page 10, paragraph 31

Preamble: Centra seeks to understand the costs and depreciated value of the Mainline Prairies Line facilities proposed to be used to provide the Herbert LTFPS, relative to facilities not being used to provide the LTFPS.

Request:

a) Please identify the assets that would be used to physically provide service to the Herbert plant under the LTFPS.

b) Please identify the assets that would not be used to physically provide service to the Herbert plant under the LTFPS.

c) Please provide the annual depreciated value of each of the assets used to provide the Herbert LTFP service over the life of the service.

d) Please provide the annual depreciation cost and operating costs associated with each line of the Prairies segment.

Response:

a) and b)

Gas is expected to flow from Empress to Herbert on the integrated Mainline assets on the Prairies segment.

c) The Mainline has a pooled asset base which is divided into three main segments for the purpose of depreciation: Prairies Line, Northern Ontario Line and the Eastern Triangle. The Herbert LTFP service would be provided on a path located entirely on the Prairies segment. The net book value as at November 30, 2016, of all Mainline transportation assets on the Prairies segment is estimated to be $1.36 billion. The various asset classes (pipe, compression, and metering) would continue to be depreciated at the approved depreciation rates for the Prairies segment during the term of the Herbert LTFP Contract.

d) The annual depreciation expense on the Prairies segment is estimated to range between $89 million and $92 million per year between 2015 and 2020.[1] The estimated Prairies segment operating costs, or “non-capital” associated costs, range from $124 million to $137 million per year from 2015-2020.[2]

[1] RH-001-2014 Compliance Filing, Schedule C-3, NEB Filing ID: A4K1I8
[2] *Ibid.*

IR Number: Centra-TCPL 1.13

Reference: TCPL Herbert Application, PDF page 14, paragraph 57 a)

Preamble: In the reference TCPL requests that the Board approve "the proposed Herbert LTFP service and the related toll methodology, as described in the Application"

Request: Please define and specify what "toll methodology" TCPL is seeking for the Board to approve.

Response:

TransCanada is seeking approval of the toll methodology for Herbert LTFP service, which is a fixed 10-year toll at a level of $0.12 GJ/day, plus applicable abandonment surcharge and fuel.