

**TRANSCANADA PIPELINES LIMITED  
MAINLINE SETTLEMENT AGREEMENT**

Among:

**TRANSCANADA PIPELINES LIMITED**

- and -

**ENBRIDGE GAS DISTRIBUTION INC.**

- and -

**UNION GAS LIMITED**

- and -

**GAZ METRO LIMITED PARTNERSHIP**

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**TRANSCANADA PIPELINES LIMITED**  
**MAINLINE SETTLEMENT AGREEMENT**

THIS AGREEMENT made as of the 31<sup>st</sup> day of October, 2013.

**AMONG:**

**TRANSCANADA PIPELINES LIMITED**, a corporation incorporated under the laws of the Province of Alberta ("**TransCanada**")

- and -

**ENBRIDGE GAS DISTRIBUTION INC.**, a corporation incorporated under the laws of the Province of Ontario ("**Enbridge**")

- and -

**UNION GAS LIMITED**, a corporation incorporated under the laws of the Province of Ontario ("**Union**")

- and -

**GAZ METRO LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Quebec ("**Gaz Metro**")

**RECITALS:**

**WHEREAS** TransCanada owns and operates a natural gas pipeline system extending from a point near the Alberta/Saskatchewan border where TransCanada's facilities interconnect with the facilities of NOVA Gas Transmission Ltd. easterly to the Province of Quebec with branch lines extending to various points on the international border and including its firm transportation contracts on other pipelines ("**TBO**") such as Great Lakes Gas Transmission Limited Partnership, Trans Quebec and Maritimes Pipeline Inc., Union and Enbridge (the "**Mainline System**");

**WHEREAS** Enbridge owns and operates a natural gas distribution system in the Province of Ontario (the "**Enbridge System**");

**WHEREAS** Union owns and operates a natural gas transmission system in the Province of Ontario ("**Union's Dawn Parkway System**") and a natural gas distribution system in the Province of Ontario (collectively the "**Union System**");

**WHEREAS** Gaz Metro owns and operates a natural gas distribution system in the Province of Quebec (the "**Gaz Metro System**");

**WHEREAS** TransCanada and Enbridge terminated the MOU (as defined below) effective September 11, 2013, and the MOU is of no further force and effect;

**WHEREAS** the Ontario Energy Board has encouraged the Parties to cooperate and consult on the efficient development of natural gas infrastructure at or near Parkway; and

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**WHEREAS** the Parties wish to enter into this Agreement to resolve matters related to, among other things, the efficient development of natural gas infrastructure in Canada, specifically in the Provinces of Ontario and Quebec, in accordance with the terms and conditions set out herein.

**NOW THEREFORE**, in consideration of the premises and the covenants and agreements set forth herein, the Parties agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

The words and phrases set forth below shall have the respective meaning ascribed to them below. Any capitalized terms not defined in this Agreement will have the definitions ascribed to them in the Tariff.

- (a) "**2015 NCOS**" has the meaning as set out in subsection 11.1(a).
- (b) "**2016 NCOS**" has the meaning as set out in subsection 11.1(b).
- (c) "**Acceptable Regulatory Approval**" has the meaning as set out in Section 6.1.
- (d) "**Agreement**" means this Mainline Settlement Agreement and includes the recitals and all annexes, exhibits, appendices and schedules hereto as the same may be amended, restated or supplemented from time to time.
- (e) "**Albion Pipeline**" means the proposed gas pipeline to be owned and operated jointly by Union and Gaz Metro extending from Enbridge's Albion meter station to a new interconnect with TransCanada at or near Vaughan, Ontario and then a proposed pipeline from Vaughan to a new interconnect with TransCanada at or near Maple, Ontario.
- (f) "**Amended Union CDA**" means the amended distributor delivery area containing TransCanada's Hamilton Gate meter station and TransCanada's Nanticoke meter station located on the Mainline System.
- (g) "**Annual Bridging Amount**" means the amount to be included in the Revenue Requirement each year for that year's Bridging Contribution which includes associated income tax and return.
- (h) "**Average Unit Cost**" means the sum of the annual contract demand multiplied by the applicable FT toll for each FT Contract held by an LDC on the Mainline System divided by the sum of the annual contract demand held by such LDC on the Mainline System.
- (i) "**Bridging Amortization Account**" has the meaning as set out in subsection 12.4(a).
- (j) "**Bridging Contribution**" has the meaning as set out in subsection 13.2(c)(ii).
- (k) "**Delivery Point**" means a delivery point on the Mainline System.
- (l) "**Delivery Pressure Toll**" means the toll designed to recover on an incremental basis the average costs associated with guaranteeing minimum delivery pressures that are higher than the Mainline System's minimum pressure set out in the Tariff.

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- (m) **"Discretionary Services"** means gas transportation service provided on the Mainline System pursuant to the Interruptible Transportation Service – IT Toll Schedule, Short Term Firm Transportation Services – STFT Toll Schedule and Short Term Short Notice Service – ST-SN Toll Schedule.
- (n) **"Dispute"** has the meaning as set out in subsection 16.12(a).
- (o) **"ECR Service"** means the enhanced capacity release service on the Mainline System pursuant to the Enhanced Capacity Release Toll Schedule.
- (p) **"EDGA Service"** means the energy deficient gas allowance service on the Mainline System pursuant to the Energy Deficient Gas Allowance Service Toll Schedule.
- (q) **"Election Period"** has the meaning as set out in subsection 9.1(a).
- (r) **"Enbridge"** means Enbridge Gas Distribution Inc.
- (s) **"Enbridge System"** has the meaning as set out in the 2<sup>nd</sup> recital.
- (t) **"Enhanced Market Balancing Service ("EMB")"** means TransCanada's new enhanced market balancing service as set out in **Appendix F**.
- (u) **"EOT"** means the area on the Mainline System that includes all existing or future Mainline System facilities including and east of TransCanada's St. Clair and North Bay Junction Receipt Points and includes any TBO which provides service for the EOT and is commonly referred to as the "Eastern Triangle", as illustrated in the map set out in **Appendix H**.
- (v) **"Expansion Facilities"** has the meaning as set out in subsection 9.1(a)(i).
- (w) **"Firm Service Contract"** means a transportation service contract between TransCanada and a Mainline Shipper for Firm Services.
- (x) **"Firm Services"** means firm gas transportation service provided on the Mainline System by TransCanada pursuant to the Firm Transportation Service - FT Toll Schedule, Non-Renewable Firm Transportation Service - FT-NR Toll Schedule, Firm Transportation Short Notice Service - FT-SN Toll Schedule and any applicable new firm services that are approved by the NEB during the Term, all as set out in the Tariff, and excluding, for purposes of the requested service for LH to SH Conversion, Short Term Firm Transportation Service – STFT Toll Schedule, Storage Transportation Service-Linked - STS-L Toll Schedule, Short Notice Balancing Service - SNB Toll Schedule, Short Term Short Notice Service – ST-SN Toll Schedule, Storage Transportation Service - STS Toll Schedule and Multi-Year Fixed Price Service – MFP Toll Schedule.
- (y) **"First NEB Application"** has the meaning as set out in Section 7.1.
- (z) **"Franchise Area"** means the area set out in a valid certificate or franchise agreement approved by the applicable provincial regulator, or other valid authority pursuant to which the LDC provides service to its gas distribution customers.

- (aa) **"FT Contract"** means a Firm Service Contract for firm gas transportation service on the Mainline System pursuant to the FT Toll Schedule.
- (bb) **"Gaz Metro"** means Gaz Metro Limited Partnership.
- (cc) **"Gaz Metro System"** has the meaning as set out in the 4<sup>th</sup> recital.
- (dd) **"GJ"** means gigajoules, or 1,000,000,000 joules.
- (ee) **"GLGT System"** has the meaning as set out in subsection 8.1(e).
- (ff) **"Hamilton Line"** means TransCanada's pipeline comprised primarily of NPS 20" and NPS 36" pipe that connects to its high pressure Kirkwall Niagara line at a point near Hamilton and extends between Hamilton and Enbridge's Parkway meter station near Toronto, which facilities will allow sourcing of natural gas from Niagara Falls or Chippawa and delivery of gas to Toronto at the new Parkway Enbridge CDA and the Union ECDA.
- (gg) **"Incentive Sharing Mechanism"** has the meaning as set out in Section 15.1.
- (hh) **"Industry Stakeholders"** means Mainline Shippers and members of TransCanada's Tolls Task Force.
- (ii) **"King's North Connection Pipeline"** means TransCanada's proposed pipeline originating near Enbridge's Albion meter station and terminating at a point upstream of TransCanada's Maple compressor station #130.
- (jj) **"LDCs"** means Enbridge, Union and Gaz Metro.
- (kk) **"LH Contracts"** means FT Contracts on the Mainline System from Receipt Points at Empress or in Saskatchewan, with deliveries east of Station 41
- (ll) **"LH to SH Conversion"** has the meaning as set out in Section 9.2.
- (mm) **"LMCI"** has the meaning as set out in subsection 4.2(b)(ii).
- (nn) **"Local Production"** has the meaning as set out in subsection 8.1(c)(i)(D).
- (oo) **"Long Term Adjustment Account"** has the meaning as set out in subsection 12.3(a).
- (pp) **"Mainline Shipper"** means a person or entity who has entered into or taken an assignment of a contract with TransCanada for Firm Services or Discretionary Services on the Mainline System.
- (qq) **"Mainline System"** has the meaning as set out in the 1<sup>st</sup> recital.
- (rr) **"MOU"** means the Memorandum of Understanding between Enbridge and TransCanada dated January 28, 2013, as amended April 28, 2013 and May 21, 2013.
- (ss) **"NEB"** means the National Energy Board or any successor thereof.
- (tt) **"Net Revenue"** has the meaning as set out in Section 15.1.

- (uu) "**NOL**" means the area on the Mainline System that includes all existing or future Mainline System facilities east of Station 41 to North Bay Junction and downstream of Emerson to St. Clair and includes any TBO which provides service for the NOL and is commonly referred to as the "Northern Ontario Line", as illustrated in the map set out in **Appendix H**.
- (vv) "**OEB**" means the Ontario Energy Board or any successor thereof.
- (ww) "**Parties**" means TransCanada, Enbridge, Union and Gaz Metro, and "**Party**" means any one of them.
- (xx) "**Parkway Enbridge CDA**" means a new single point distributor delivery area created by redesignating TransCanada's Parkway-Enbridge meter station from a Delivery Point within the existing Enbridge CDA to the single point in a new stand-alone delivery area.
- (yy) "**Prairies Line**" means the area on the Mainline System that includes all existing and future Mainline System facilities east of Empress to and including Station 41 and south to Emerson and is commonly referred to as the "Prairies Line", as illustrated in the map set out in **Appendix H**.
- (zz) "**Receipt Point**" means a receipt point on the Mainline System.
- (aaa) "**Regulator**" has the meaning as set out in subsection 16.12(b).
- (bbb) "**Regulatory Approval**" means any authorization, approval, consent or exemption from any regulatory or administrative body having jurisdiction that is necessary for one or more of the Parties to perform its or their obligations herein. Where reasons are required, a Regulatory Approval will not be considered complete for the purposes of this Agreement until the applicable regulatory or administrative body has issued such reasons.
- (ccc) "**Revenue Requirement**" has the meaning as set out in subsection 12.1(a).
- (ddd) "**RH-003-2011 Compliance Tolls**" has the meaning as set out in Section 13.1.
- (eee) "**ROE**" has the meaning as set out in subsection 12.1(a)(ii).
- (fff) "**Second NEB Application**" has the meaning as set out in subsection 7.3(c).
- (ggg) "**Segment A Pipeline**" means Enbridge's proposed gas pipeline from Enbridge's Parkway West meter station to Enbridge's Albion meter station.
- (hhh) "**SH Contracts**" means Firm Service Contracts on the Mainline System from Receipt Points located in the EOT and to any Delivery Point on the Mainline System.
- (iii) "**SNB Service**" means the short notice balancing service provided on the Mainline System pursuant to the Short Notice Balancing Toll Schedule.
- (jjj) "**STAR**" has the meaning as set out in subsection 11.1(c).
- (kkk) "**Stretch Revenue**" means the lower of \$120 million and the difference between the forecast revenue and the actual revenue for 2016 to a minimum of \$0. Due to the uncertainty surrounding the timing of third party pipeline projects that have the potential



to affect deliveries at Iroquois and East Hereford a higher level of revenue was included in the 2016 revenue forecast that the Parties have excluded from the incentive calculation for 2016.

- (lll) "**Summer Storage Service ("SSS")**" means TransCanada's new summer storage service as set out in **Appendix E**.
- (mmm) "**System Supply Customers**" means customers who purchase gas supply from Enbridge, Union or Gaz Metro.
- (nnn) "**TAPs**" means TransCanada Transportation Access Procedure as amended from time to time.
- (ooo) "**Tariff**" means TransCanada's Mainline Gas Transportation Tariff as amended from time to time.
- (ppp) "**TBO**" has the meaning as set out in the 1<sup>st</sup> recital.
- (qqq) "**TBO Costs**" has the meaning as set out in subsection 12.1(d).
- (rrr) "**Term**" has the meaning set out in Section 3.1.
- (sss) "**Term Sheet**" means the Settlement Term Sheet signed by the Parties on September 10, 2013.
- (ttt) "**TJ**" means terajoules, or 1,000,000,000,000 joules.
- (uuu) "**TQM System**" means the transmission system of Trans Québec and Maritimes Pipeline Inc.
- (vvv) "**TransCanada**" means TransCanada PipeLines Limited.
- (www) "**TSA**" has the meaning as set out in subsection 12.3(a)(ii).
- (xxx) "**Union**" means Union Gas Limited.
- (yyy) "**Union Dawn Receipt Point Surcharge**" means the surcharge applicable to all service on the Mainline System with a Receipt Point at Union Dawn and is determined in accordance with subsection 13.4(b).
- (zzz) "**Union ECDA**" means a new distributor delivery area containing TransCanada's Bronte and Burlington meter stations located on the Mainline System.
- (aaaa) "**Union Parkway Belt Delivery Point**" has the meaning as set out in subsection 8.1(d)(ii).
- (bbbb) "**Union System**" has the meaning in the 3<sup>rd</sup> recital.
- (cccc) "**Union's Dawn Parkway System**" has the meaning in the 3<sup>rd</sup> recital.

## 1.2 General Interpretation

Unless otherwise expressly specified herein:

- (a) terms defined in the singular will also include the plural and vice versa;
- (b) the words "hereof", "herein", "hereunder" and other similar words refer to this Agreement as a whole;
- (c) Article, Section and Appendix references in this Agreement are to Articles or Sections of or Appendices to this Agreement;
- (d) words of any gender (masculine, feminine, neuter) mean and include correlative words of the other genders;
- (e) "shall" and "will" have equal force and effect; and
- (f) the words "include," "including," or "includes" shall be read to be followed by the words "without limitation" or words having similar import.

## 1.3 Appendices

The following Appendices are attached hereto and form part of this Agreement:

- Appendix A - January 1, 2015 to December 31, 2020 Revenue Requirement
- Appendix B - January 1, 2015 to December 31, 2020 Billing Determinants and Revenues
- Appendix C - Methodology to Allocate Revenue Requirement to Segments
- Appendix D - January 1, 2015 to December 31, 2020 Tolls
- Appendix E - Summer Storage Service
- Appendix F - Enhanced Market Balancing Service
- Appendix G - Diversions
- Appendix H - Map
- Appendix I - Incentive Mechanism Illustration

## ARTICLE 2 OVERVIEW, PURPOSES AND HIGH LEVEL PRINCIPLES

### 2.1 Overview

This Agreement is the result of broad discussions and negotiations and represents a balance of interests and compromises among the Parties. Subject to Section 16.2, the Parties agree that no single component of this Agreement can be said to be acceptable independent of the entire Agreement. In the event of any ambiguity regarding the interpretation of any provision of this Agreement, such ambiguity shall be resolved in favour of the interpretation that best reflects the purposes set out in Section 2.2 and the high level principles set out in Section 2.3.

### 2.2 Purposes

The Parties have entered into the Agreement for the following purposes:

- (a) to provide greater certainty with respect to the efficient development of natural gas infrastructure in Canada, specifically in Ontario and Quebec, acknowledging that

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TransCanada and the LDCs, as the largest shippers on the Mainline System, have agreed to cooperate to ensure the interests of the LDCs' customers and all other Mainline Shippers are served in an equitable manner;

- (b) to provide for the development of future infrastructure on the Mainline System, the Enbridge System, the Gaz Metro System and the Union System to meet their evolving gas market and customer needs in a coordinated, reliable and cost effective manner;
- (c) to optimize use of existing natural gas transmission infrastructure of the Mainline System, Enbridge System, the Gaz Metro System and the Union System to meet the capacity and reliability needs of current and future shippers and customers in a reliable and cost effective manner;
- (d) to provide a reasonable opportunity for TransCanada to recover its existing and future cost of service on the entire Mainline System while providing just and reasonable tolls for Mainline Shippers; and
- (e) based upon gas transportation requests from market participants, to use best efforts, subject to TransCanada determining the project is economical and not being obligated to deviate from the utilization of prudent cost management practices during project execution to facilitate the natural gas market's desire for supply diversity and the ability of such markets to access supply of natural gas located close to their markets on a timely basis while continuing to contribute to ensure reliability and the recovery of costs for existing natural gas pipeline infrastructure by the Parties.

### 2.3 High Level Principles

The Parties agree to the following high level principles:

- (a) The Mainline System will be segmented for tolling purposes so that the EOT rate base and cost of service are separated from the NOL and the Prairies Line rate base and cost of service;
- (b) Capital expansions in the EOT will be promptly pursued to meet market needs and will be added to the EOT rate base and tolled on a rolled-in basis;
- (c) TransCanada will use best efforts, subject to TransCanada determining the project is economical and not being obligated to deviate from the utilization of prudent cost management practices during project execution to accommodate the requests of Mainline Shippers for additional SH Contracts on a timely basis, subject to Section 9.2, during the Term of this Agreement;
- (d) A temporary transitional Bridging Contribution will be paid by all Mainline Shippers to support a reasonable opportunity for TransCanada to recover its Mainline System prudently incurred costs over the period January 1, 2015 to December 31, 2020 (adjusted accordingly to reflect TransCanada's contribution set out in subsection 12.1(a)(iii));
- (e) The Prairies Line and NOL will be tolled independent of the EOT after December 31, 2020 and, other than the Bridging Contribution, Mainline Shippers using the EOT will thereafter have no continuing obligation with respect to the Prairies Line and NOL unless they use those portions of the Mainline System; and

- (f) The Parties agree to file in a timely manner and support any regulatory applications required to implement the terms of this Agreement even if the Agreement is contested by third parties, including representations in front of Provincial regulators, if requested by a Party or otherwise if required.

### **ARTICLE 3 TERM AND TERMINATION**

#### **3.1 Term**

This Agreement shall commence on the date first written above and shall terminate on December 31, 2030 or earlier in accordance with Section 7.2 ("**Term**").

### **ARTICLE 4 LITIGATION MATTERS**

#### **4.1 Obligations**

The Parties acknowledge and agree that all of the obligations of Parties set out under the heading "Litigation Issues" of the Term Sheet have been satisfied except for the obligations set out in subsection 8.1(f).

#### **4.2 Future Matters**

- (a) Each of the Parties acknowledges and agrees that, in recognition of its desire to work co-operatively on behalf of its customers, any new future complaint or claim that may be filed against another Party in respect of the matters set out in this Agreement shall be based solely on actions, events and agreements that have occurred after September 10, 2013. Each of the Parties agrees that, in respect of the matters set out in this Agreement, it will not take any action or commence any proceeding against another Party with respect to any action, claim or dispute that arose prior to September 10, 2013.
- (b) Other than as set forth in subsection 4.2(a) above, nothing in this Agreement shall restrict the ability of any Party to take any action or commence any proceeding or to take any position with any governmental authority or third party at a regulatory proceeding or otherwise against another Party in respect of any action, claim or dispute irrespective of when such action, claim or dispute arose, whether prior to or after September 10, 2013, including without limitation in respect of:
  - (i) TransCanada's proposed Energy East Project; and
  - (ii) the NEB's land matters consultation initiative ("**LMCI**").

### **ARTICLE 5 THE MOU**

#### **5.1 The MOU**

Notwithstanding this Agreement and irrespective of any termination of this Agreement, TransCanada and Enbridge acknowledge that, prior to the execution of this Agreement, they consented to the immediate termination of the MOU effective September 11, 2013, and they acknowledge and agree that, from and

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after such date, the MOU is of no further force and effect. This acknowledgement shall survive any termination of this Agreement.

## **ARTICLE 6 REGULATORY APPROVALS**

### **6.1 Regulatory Approvals**

To the extent that any obligation to be performed by a Party pursuant to the terms of this Agreement is subject to a Regulatory Approval, the fulfillment of such obligation shall be subject to such Party obtaining such Regulatory Approval. Each Party shall proceed with due diligence, in good faith and on a best efforts basis to seek to obtain all Regulatory Approvals that such Party, acting reasonably, determines are necessary in order to perform its obligations herein. A Regulatory Approval shall only be considered acceptable for the purposes of this Agreement ("**Acceptable Regulatory Approval**") if it is entirely consistent with the terms and conditions of this Agreement or if each of the Parties accepts in its sole discretion, acting reasonably and in good faith, any terms and conditions imposed by a Regulator that are inconsistent with or beyond those expressly set forth in this Agreement and so informs the other Parties in writing within 30 days of the date of such Regulatory Approval.

### **6.2 Appeals and Review and Variance**

- (a) Each Party acknowledges and agrees that the Party seeking Regulatory Approval shall not seek to appeal or request a review and variance of any decision that any of the Parties determine is inconsistent with this Agreement, unless all Parties agree otherwise. If all Parties agree that a Party should appeal or request a review and variance of any decision, the Parties agree to support such appeal or request for review and variance.
- (b) The Party seeking Regulatory Approval may, with the consent of all Parties, which consent shall not be unreasonably withheld, file a request for review and variance or appeal of a decision that the Parties determine is an Acceptable Regulatory Approval, however such request for review and variance or appeal shall be limited to discrete findings or requirements in the Regulatory Approval decision that are either:
  - (i) inconsistent with this Agreement; or
  - (ii) relate to matters beyond the scope of this Agreement.

### **6.3 Covenant to Cooperate with Regulatory Approvals**

Provided that the Regulatory Approval being sought by a Party is consistent with the obligations contained in this Agreement, each Party agrees to:

- (a) cooperate with the other Parties to obtain the Regulatory Approvals and provide all reasonable support as may be necessary in connection with the applications, including contested applications, for the Regulatory Approvals; and
- (b) not oppose, intervene against, or seek to delay, any Party's application for Regulatory Approvals, including by initiating or participating in any proceeding that may adversely impact any application for such Regulatory Approvals.

#### 6.4 **Covenant to Obtain Industry Support**

Upon execution of this Agreement, the Parties shall jointly and on a reasonable efforts basis seek to obtain the support and approval of this Agreement from all Industry Stakeholders. No Party shall propose or submit to the Industry Stakeholders any changes or amendments to this Agreement unless such change or amendment is agreed to in advance in writing by all Parties. If the Parties fail to obtain support from Industry Stakeholders the Parties agree that TransCanada shall proceed to file a contested application with the NEB pursuant to Section 7.1.

### **ARTICLE 7 NEB APPROVAL**

#### 7.1 **NEB Approval of Tariff Changes**

TransCanada shall file with the NEB as soon as reasonably practicable, with a goal to file by December 31, 2013, but in no case later than January 31, 2014, an application (including a contested application if necessary) for Regulatory Approval of this Agreement, and of Tariff changes required to implement this Agreement (“**First NEB Application**”). The First NEB Application shall be filed in a form that is acceptable to all Parties acting reasonably.

#### 7.2 **Early Termination Dates**

Any of the following will effect an early termination of this Agreement:

- (a) If TransCanada fails to file the First NEB Application with the NEB by January 31, 2014, this Agreement shall terminate on that date or such later date as the Parties may agree, acting reasonably and in good faith;
- (b) If the NEB decision on the First NEB Application is not an Acceptable Regulatory Approval and the Parties agree to a revised settlement agreement to be filed as a Second NEB Application as provided in Section 7.3 herein, this Agreement shall terminate upon execution of the revised settlement agreement;
- (c) If the NEB decision on the Second NEB Application is not an Acceptable Regulatory Approval, the revised settlement agreement or this Agreement, whichever is in effect, shall terminate 90 days after the date of the NEB decision;
- (d) If the NEB decision on the First NEB Application is not an Acceptable Regulatory Approval and the Parties have not agreed to request a review and variance of the decision, and the Parties fail to agree to a revised settlement agreement to be filed as a Second NEB Application and either file or fail to file a joint letter to the NEB as provided in Section 7.3 herein, this Agreement shall terminate 90 days after the date of the NEB decision; and
- (e) If a decision is rendered on any request for review and variance that is pursued in accordance with subsection 7.3(c)(ii) in respect of the NEB decision on the First NEB Application, this Agreement shall terminate 90 days after the date of the decision on review and variance, unless such decision is acceptable to all Parties acting reasonably and in good faith.

### 7.3 **Second NEB Process**

- (a) In the event that the decision on the First NEB Application is not an Acceptable Regulatory Approval, during the 90 day period following a decision complete with reasons for decision on the First NEB Application, the Parties shall use best efforts to complete one of the following:
  - (i) execute a revised settlement agreement amongst the Parties that addresses any NEB reasons for not approving the First NEB Application or that results in the decision not being an Acceptable Regulatory Approval;
  - (ii) file a request for review and variance of the First NEB Application decision; or
  - (iii) file a joint letter at the NEB regarding the framework necessary to allow for market access for new supplies in eastern Canada and new capacity requirements of the EOT in a manner that balances market access with cost recovery associated with new infrastructure investments.
- (b) In developing a revised settlement agreement:
  - (i) each of Enbridge, Union and Gaz Metro covenants and agrees to remain consistent with the purposes and principles set out in Sections 2.2 and 2.3 of this Agreement, in which each of Enbridge, Union and Gaz Metro support TransCanada having a fair and reasonable opportunity to fully recover all costs and expenses, including any lost revenue that may occur as a result of shifts by Mainline Shippers from LH Contracts to SH Contracts during the period January 1, 2015 to December 31, 2020, over an appropriate period of time; and
  - (ii) TransCanada covenants and agrees to remain consistent with the purposes and principles set out in Sections 2.2 and 2.3 of this Agreement, in which TransCanada supports the need for market access to new supplies under a reasonable and fair tolling methodology.
- (c) TransCanada shall, as the case may be, either (either one of which shall be referred to as the “**Second NEB Application**”):
  - (i) file with the NEB as soon as reasonably practicable after execution of a revised settlement agreement as provided in subsection 7.3(a)(i), an application (including a contested application if necessary) for Regulatory Approval of the revised settlement agreement, and of Tariff changes required to implement the revised settlement agreement; or
  - (ii) file a request for review and variance as provided in Section 7.3(a)(ii).

The Second NEB Application shall be filed in a form that is acceptable to all Parties acting reasonably.

**ARTICLE 8  
LDC AND TRANSCANADA COMMITMENTS**

**8.1 LDC Commitments**

- (a) During the Term, each LDC shall not construct, own or operate any new natural gas pipeline and/or related facilities that would result in the Enbridge System, Gaz Metro System and/or the Union System bypassing the Mainline System without the prior approval of TransCanada, except for the following:
  - (i) Enbridge's GTA Project in substantively the same form and scope as currently applied for in OEB application EB 2012-0451;
  - (ii) Union's Parkway West meter station, Parkway D compressor unit and the expansion of its Union's Dawn Parkway System from Brantford to Kirkwall, all in substantively the same form and scope as currently applied for in OEB applications EB 2012-0433 and EB 2013-0074;
  - (iii) Union's proposed Burlington Oakville pipeline from Union's Dawn Parkway System to at or near Oakville, Ontario;
  - (iv) any future expansions of Union's Dawn Parkway System in response to market needs to deliver incremental gas supplies;
  - (v) any new or expanded pipeline facilities between Michigan and Dawn;
  - (vi) any new or expanded facilities related to Union's Dawn gas storage facilities;
  - (vii) any new or expanded facilities related to Enbridge's Tecumseh gas storage facilities;
  - (viii) any new or expanded pipeline facilities requested of an LDC by an individual customer within an LDC's Franchise Area whom the LDC has a legal obligation to serve; and
  - (ix) any new or expanded facilities required for biogas/biomethane customers.

Notwithstanding the above exceptions, TransCanada is not restricted from taking any position with respect to projects set out in subsections 8.1(a)(iv) to (ix), provided however TransCanada shall not take the position that this Agreement in any way restricts an LDC from constructing, owning, or operating any of the projects set out in subsections 8.1(a)(iv) to (ix).

- (b) During the period January 1, 2015 to December 31, 2020, each LDC shall at all times hold LH Contracts with a minimum contract quantity not less than:
  - (i) 265 TJ/day for Enbridge;
  - (ii) 85 TJ/day for Gaz Metro; and
  - (iii) 85 TJ/day for Union.



- (c) During the Term:
- (i) the LDCs shall meet their System Supply Customers' transportation service requirements for their respective Franchise Areas (as they exist now or at any time during the Term) in areas served by the EOT by utilizing the EOT in all cases, either by contracting with TransCanada or by entering into transportation arrangements with other Mainline Shippers, provided however that each LDC may:
    - (A) utilize any existing or future pipeline facilities to transport gas between Michigan and Dawn and will not be restricted to using only TransCanada's St. Clair to Dawn;
    - (B) utilize Union's System for transportation and storage services at, from and around Dawn;
    - (C) utilize the capacity on the LDC's own system; and
    - (D) accept production gas originating in its respective Franchise Area ("**Local Production**") of up to 5% of the LDC's gas supply requirements for use by its customers in the Franchise Area, provided however that
      - (1) the LDC may accept Local Production in excess of 5%, for use by its customers in the Franchise Area if the LDC pays to TransCanada its Average Unit Cost for each GJ in excess of such 5%; and
      - (2) for certainty, any gas purchased by Union at Dawn is not Local Production unless such gas was produced in Union's Franchise Area.
  - (ii) the LDCs may enter into new Firm Service Contracts from any Receipt Point available in the EOT during the Term.
- (d) Subject to Union receiving approval to construct its Burlington Oakville pipeline with an anticipated in-service date of November 1, 2016, referred to in subsection 8.1(a)(iii):
- (i) TransCanada will amend the existing Union CDA to remove the Burlington, Bronte and Parkway-Union meter stations as Delivery Points;
  - (ii) TransCanada will seek Regulatory Approval to designate the Parkway-Union meter as a stand-alone Delivery Point ("**Union Parkway Belt Delivery Point**") and to designate the Burlington and Bronte meter stations as Delivery Points in the Union ECDA; and
  - (iii) Union shall bid into an existing or new capacity open season and enter into an FT Contract for a minimum term of 16 years for a volume of 135 TJ/day for gas transportation service between TransCanada's Kirkwall Receipt Point and the Amended Union CDA.

Mainline Shippers who hold Firm Service Contracts to the existing Union CDA shall have a one-time option to amend the Delivery Point to the Union Parkway Belt Delivery Point or the Union ECDA.

- (e) The LDCs agree that nothing in this Agreement is intended to restrict TransCanada's ability to utilize firm backhaul gas transportation contracts on the Great Lakes Gas Transmission Limited Partnership transmission system ("**GLGT System**") for up to 500,000 GJ/day from the St Clair Receipt Point at the interconnection of the Mainline System and GLGT System to the Emerson Delivery Point at the interconnection of GLGT System and the Mainline System (including deliveries to Sault Ste. Marie) during the Term of the Agreement.
- (f) Union and/or Gaz Metro shall not file an application with the OEB for leave to construct the Albion Pipeline during the Term.

## 8.2 **TransCanada Commitments**

- (a) During the Term, TransCanada shall not construct, own or operate any new natural gas pipeline and/or related facilities that would result in the Mainline System bypassing the Enbridge System, Gaz Metro System or the Union System for the sole purpose of serving LDC customers within an LDC's Franchise Area without the prior written approval of the applicable LDC.
- (b) Notwithstanding subsection 8.2(a), TransCanada may, during the Term, in its sole discretion expand the Hamilton Line capacity to deliver up to 200,000 GJ/day to the Parkway Enbridge CDA Delivery Point from TransCanada's Niagara Falls and/or Chippawa Receipt Points. During the Term, TransCanada shall utilize Union's Dawn Parkway System to accommodate other additional requests for Firm Service quantities for receipt from its Niagara Falls and/or Chippawa Receipt Points for delivery to the Parkway Enbridge CDA or locations at or north of Parkway and subject to subsection 8.1(e) for Firm Service quantities for receipt at Dawn for delivery to locations downstream of Dawn.

## **ARTICLE 9 CONTRACT TERM & CONVERSION FROM LH CONTRACTS TO SH CONTRACTS**

### 9.1 **Term for Expansion Facilities**

- (a) If at any time during the Term TransCanada determines, acting reasonably, that:
  - (i) new or additional pipeline facilities are required to expand the existing capacity or capabilities of the Mainline System ("**Expansion Facilities**"); and
  - (ii) the cost of such Expansion Facilities will exceed \$20 million,

all Mainline Shippers with Firm Service Contracts that TransCanada determines may impact the design of the Expansion Facilities shall, upon receipt of a notice of a term-up requirement from TransCanada, be permitted to elect to extend the term of their Firm Service Contract for an additional period such that the new expiration date will be at least 5 years after the in-service date of the Expansion Facilities. A Shipper's election to

term-up must be received by TransCanada in writing within 60 days ("**Election Period**") of its receipt of notice. If a Mainline Shipper does not elect to extend its Firm Service Contract within the Election Period, the Mainline Shipper shall no longer be entitled to renew such Firm Service Contract and the Firm Service Contract shall expire at the end of the existing contract term.

- (b) Any new requests for Firm Services that require Expansion Facilities shall have a minimum contract term of no more than 15 years commencing on the in-service date of the Expansion Facilities.

## 9.2 **Conversion from LH Contracts to SH Contracts**

Mainline Shippers with LH Contracts shall, subject to subsection 8.1(b), have the option at any time during the term of their LH Contract to convert all or a portion of the LH Contract to a SH Contract ("**LH to SH Conversion**") while maintaining the same Delivery Points, subject to the following:

- (a) Any loss of TransCanada revenues as a result of the LH to SH Conversion will not be used to assess the viability of Expansion Facilities required to provide for the LH to SH Conversion.
- (b) If existing capacity is available, TransCanada shall post either an existing capacity open season or a daily capacity open season for such capacity. If the Mainline Shipper submits a LH to SH Conversion bid and if the Mainline Shipper is a successful bidder, the Mainline Shipper shall execute the SH Contract within the time period specified in the TAPs, provided however the SH Contract shall not commence prior to 30 days after the close of the applicable open season and must commence on the 1<sup>st</sup> day of the month; or
- (c) If existing capacity is not available for LH to SH Conversion and TransCanada determines Expansion Facilities (excluding the King's North Connection Pipeline and any facilities required as a result of the 2016 NCOS) are required, Mainline Shipper must notify TransCanada at least 3 years in advance of the requested commencement date. TransCanada will then hold a new capacity open season. If such Mainline Shipper submits a LH to SH Conversion bid and if such Mainline Shipper is a successful bidder, TransCanada shall require successful bidders to such open season to execute a precedent agreement and a financial assurances agreement to support any Expansion Facilities within the time period specified in the TAPs and to execute the SH Contract in accordance with the terms of the precedent agreement that has a minimum term of no more than 15 years.

## **ARTICLE 10**

### **DISCRETIONARY PRICING, NEW SERVICES AND DIVERSION RIGHTS**

#### 10.1 **Discretionary Service Pricing**

Bid floors for Discretionary Services shall be determined by TransCanada in accordance with the NEB decision RH-003-2011.

#### 10.2 **New Services**

TransCanada shall implement the Summer Storage Service and the Enhanced Market Balancing Service on or before the later of:

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- (a) January 1, 2015; or
- (b) 6 months after the date of an Acceptable Regulatory Approval of the First NEB Application.

### 10.3 **Diversions Rights**

- (a) As part of the First NEB Application TransCanada shall request Regulatory Approval to amend the existing diversion rights as reflected in **Appendix G** to become effective as soon as reasonably practical after receipt of an Acceptable Regulatory Approval of such application.
- (b) Unless the Parties otherwise agree, except as required in subsection 10.3(a), no Party shall file for any change to the diversion rights in TransCanada's Tariff during the period January 1, 2015 to December 31, 2020 and the Parties will oppose any such application if it is brought by another party. The Parties agree that from the date of implementation referred to in subsection 10.3(a) to December 31, 2020, diversions will continue to have the priority as outlined in the Tariff in effect on July 1, 2013 and the Parties will oppose any application to the contrary brought by another party.

## **ARTICLE 11 MARKET ACCESS**

### 11.1 **Fair and Non-Discriminatory Access**

TransCanada and the LDCs are committed to ensuring the principle of fair and non-discriminatory access to short haul transportation is maintained by implementing the following:

- (a) TransCanada, Union and Gaz Metro will amend the precedent agreements dated October 2, 2012. Subject to the terms and conditions of such amended precedent agreements, TransCanada will provide to Union and Gaz Metro the transportation capacity awarded to Union and Gaz Metro pursuant to the new capacity open season that closed May 4, 2012 with an expected in-service date of November 1, 2015, provided however the term of the FT Contract shall be a minimum of 15 years ("**2015 NCOS**").
- (b) TransCanada will conduct a new capacity open season for all paths on the Mainline System with an in-service date of November 1, 2016 ("**2016 NCOS**") using tolls determined in accordance with Section 13.2.
- (c) Subject to subsection 11.1(d), Enbridge will not award the capacity on its Segment A Pipeline pursuant to its new capacity open season that closed September 6, 2013, held in accordance with the OEB's Storage and Transportation Access Rule ("**STAR**").
- (d) As soon as reasonably practicable after the Parties determine the NEB decision on either the First or Second NEB Application (including any related appeals) to be an Acceptable Regulatory Approval, Enbridge will, in accordance with STAR, issue a new open season for all available transmission capacity on Enbridge's Segment A Pipeline that is in excess of Enbridge's capacity of 800,000 GJ/day conditional upon the successful bidders having sufficient transportation capacity both downstream and upstream (in the case of TransCanada, Mainline Shippers having upstream capacity) of the Segment A Pipeline and TransCanada will bid to contract for such capacity either directly or through an

assignment of capacity from Union and Gaz Metro (or any other prospective shipper), subject to any required OEB approval.

- (e) Except as provided in subsections 11.1(c) and (d), nothing in this Agreement restricts Enbridge from awarding capacity on its Segment A Pipeline.
- (f) If the Parties determine the NEB decision on either the First or Second NEB Application not to be an Acceptable Regulatory Approval, the Parties will meet prior to the termination of this Agreement to discuss possible options to construct pipeline facilities with an in-service date of November 1, 2016. The Parties intend to continue to cooperate to ensure the efficient development of natural gas infrastructure in the EOT to provide gas transportation service to the Parties' respective customers and to enable a reasonable opportunity for the Parties to recover their costs.
- (g) Union shall conduct an open season for new service between Union's Dawn and/or Kirkwall receipt points and Union's Parkway delivery point for an in-service date of November 1, 2016 to complement TransCanada's 2016 NCOS.
- (h) TransCanada will immediately start work on the King's North Connection Pipeline, and will only complete this project subject to receiving Regulatory Approvals satisfactory to TransCanada, for an in-service date commencing November 1, 2015 or as soon as possible thereafter. It is the intention of the Parties that the King's North Connection Pipeline will be utilized to provide service pursuant to the 2015 NCOS.
- (i) TransCanada and the LDCs shall use all reasonable efforts to ensure the most efficient facilities are constructed to provide the necessary interconnects at and around TransCanada's, Union's and Enbridge's Parkway facilities.

## **ARTICLE 12 REVENUE REQUIREMENT AND ASSOCIATED ACCOUNTS**

### **12.1 Revenue Requirement**

- (a) The Mainline System's revenue requirement ("**Revenue Requirement**") for the period January 1, 2015 to December 31, 2020 used to determine the tolls during the same period shall include all prudently incurred costs, including the following:
  - (i) a deemed debt / equity ratio of 60/40;
  - (ii) a rate of return on equity ("**ROE**") of 10.1%;
  - (iii) a \$20 million after-tax contribution from TransCanada, annually, from January 1, 2015 to December 31, 2020;
  - (iv) the Annual Bridging Amount as set forth in **Appendix A**;
  - (v) a forecast of incremental capital costs; and
  - (vi) a forecast of cost of service components.

- (b) The Parties agree that:
- (i) all prudently incurred capital costs for facilities constructed in the EOT during the period from January 1, 2015 to December 31, 2030 shall be included in the EOT rate base and tolled on a rolled in basis;
  - (ii) all prudently incurred costs associated with the EOT, including costs associated with all new facilities constructed in the EOT during the period from January 1, 2015 to December 31, 2030, shall be recovered from all services on the Mainline System whose paths include Receipt Points and/or Delivery Points in the EOT during the period from January 1, 2015 to December 31, 2030; and
  - (iii) the LDCs are not restricted from taking any position with respect to the determination of whether such EOT costs are prudently incurred.
- (c) Allowance for funds used during construction shall be calculated using the Mainline System's approved ROE, actual cost of debt and a deemed debt/equity ratio of 60/40.
- (d) During the period January 1, 2014 to December 31, 2030, the Parties agree that any and all costs and expenses reasonably and prudently incurred by TransCanada as a result of its transportation contracts on the TQM System, Union System and Enbridge System, and costs and expenses reasonably and prudently incurred by TransCanada as a result of its long term firm transportation contracts on the GLGT System for up to 500,000 GJ/day from St. Clair Receipt Point at the interconnection of the Mainline System and GLGT System to the Emerson Delivery Point at the interconnection of the GLGT System and the Mainline System (including deliveries to Sault Ste. Marie) ("**TBO Costs**") shall be included in TransCanada's Revenue Requirement and each LDC shall actively support TransCanada in obtaining the inclusion of the TBO Costs into its Revenue Requirement provided that they are reasonably and prudently incurred.
- (e) Subject to subsections 12.1(b) and (d), all components of the Revenue Requirement for the years 2021 and beyond shall be determined in future regulatory applications. Provided however, the Bridging Contribution shall continue to be recovered from EOT Mainline Shippers for the period January 1, 2021 to December 31, 2030 in accordance with subsection 13.2(c)(iii).
- (f) Subject to subsection 13.2(b), the Revenue Requirement for the fixed-toll period from January 1, 2015 to December 31, 2020 is set out in **Appendix A**.
- (g) This Agreement does not preclude any other initiative by TransCanada designed to reduce the Mainline System's cost of service during the period from January 1, 2015 to December 31, 2030.

## 12.2 Adjustment Accounts and Regulatory Amortizations

The following two adjustment accounts shall be utilized during the period from January 1, 2015 to December 31, 2030:

- (a) the Long Term Adjustment Account; and
- (b) the Bridging Amortization Account.

### 12.3 Long Term Adjustment Account

- (a) The existing long term adjustment account ("**Long Term Adjustment Account**") shall be included in the Mainline System's rate base and amortized at the annual Mainline System composite depreciation rate until December 31, 2020 and at the annual EOT composite depreciation rate after December 31, 2020, and shall include the following items:
  - (i) the existing Long Term Adjustment Account balance as of December 31, 2014;
  - (ii) an adjustment to eliminate the existing toll stabilization account ("**TSA**") account balance as of December 31, 2014 net of the amounts retained by TransCanada to its account in accordance with the incentive mechanism approved in the RH-003-2011 decision; and
  - (iii) an adjustment to eliminate any and all variances between the actual and forecast Revenue Requirement and actual and forecast revenue during the period from January 1, 2015 to December 31, 2020, net of the amounts retained by TransCanada to its account in accordance with the Incentive Mechanism outlined in Section 15.1.
- (b) The Long Term Adjustment Account shall be allocated 100% to the EOT after December 31, 2020.
- (c) The amortization of the Long Term Adjustment Account shall continue after the Term until the account balance equals zero.

### 12.4 Bridging Amortization Account

- (a) A new bridging amortization account ("**Bridging Amortization Account**") shall be established and included in the Mainline System rate base to capture the forecast annual variances associated with establishing fixed tolls during the period January 1, 2015 to December 31, 2020 and to amortize the Bridging Contribution for EOT short haul service over the period January 1, 2015 to December 31, 2030.
- (b) Amounts included in the Bridging Amortization Account shall be based on the forecast Revenue Requirement and billing determinants used to initially establish the fixed tolls for the period January 1, 2015 to December 31, 2020, as provided for in **Appendix A** and **Appendix B**, subject to any adjustment necessary pursuant to subsection 13.2(b).
- (c) The Bridging Amortization Account shall have a zero balance as of December 31, 2030 and therefore will not be required after December 31, 2030.

## ARTICLE 13 TOLL DESIGN

### 13.1 Compliance Tolls

The Parties agree that the current tolls ("**RH-003-2011 Compliance Tolls**") shall remain in effect until December 31, 2014.

13.2 **January 1, 2015 to December 31, 2020 Toll Design**

- (a) Firm Services tolls shall, subject to subsection 13.2(b), be fixed for the period January 1, 2015 to December 31, 2020. The Firm Services tolls shall be based on a forecast of billing determinants and costs and shall be designed to recover the forecast Revenue Requirement during the period January 1, 2015 to December 31, 2020, adjusted to account for the amortization of the EOT's Bridging Contribution over the period January 1, 2015 to December 31, 2030.
- (b) Prior to January 1, 2018, the billing determinants assumptions and costs for the period from January 1, 2018 to December 31, 2020 shall be reviewed and agreed to by the Parties. The fixed tolls for the period from January 1, 2018 to December 31, 2020 shall be adjusted to reflect the results of this review.
- (c) The average fixed Firm Services tolls for the period from January 1, 2015 to December 31, 2020 will be calculated by adjusting the RH-003-2011 Compliance Tolls on a percentage basis in order to achieve the following:
  - (i) RH-003-2011 Compliance Tolls for service in the EOT shall be adjusted such that the forecast of segmented revenues allocated to the EOT during the period January 1, 2015 to December 31, 2020 recovers the forecast cost of service in the EOT. The EOT share of total system costs will be determined using the methodology provided in **Appendix C**;
  - (ii) Any remaining revenue variance on the Mainline System during the period January 1, 2015 to December 31, 2020 after applying the tolls for service in the EOT as determined in Section 13.2(c)(i) and applying RH-003-2011 Compliance Tolls to service on the remainder of the Mainline System shall be allocated based on the relative proportion of total Mainline System energy billing determinants attributable to short haul service contracts with a Receipt Point in the EOT and to all other contracts for service on the Mainline System ("**Bridging Contribution**");
  - (iii) The Bridging Contribution for short haul service with a Receipt Point in the EOT will be recovered over a 16 year period from January 1, 2015 to December 31, 2030 through the Bridging Amortization Account; and
  - (iv) The Bridging Contribution for all other service will be recovered over a 6 year period from January 1, 2015 to December 31, 2020.
- (d) Toll for the period from January 1, 2015 to December 31, 2020 are provided in **Appendix D**. The tolls reflect the following percentages applied to the RH-003-2011 Compliance Tolls:
  - (i) Firm Service with Receipt Points in the EOT 155%;
  - (ii) Firm Service with Receipt Points outside the EOT and Delivery Points in the EOT 119%; and
  - (iii) All other Firm Service on the Mainline System 112%.



### 13.3 Toll Design for January 1, 2021 to December 31, 2030

- (a) Effective January 1, 2021, Mainline Shippers with SH Contracts in the EOT shall have no further obligation to Prairies Line or NOL costs except to the extent they hold contracts that use those portions of the system.
- (b) Effective January 1, 2021, the EOT shall be tolled on a standalone segment basis. For clarity, tolls will be based on EOT segmented costs and EOT billing determinants only.
- (c) For the period January 1, 2021 to December 31, 2030, the EOT segmented cost of service shall continue to include the amounts to be recovered from EOT shippers through the Bridging Amortization Account.
- (d) Actual tolls for the period January 1, 2021 to December 31, 2030 will not be established as a result of this Agreement, except to the extent required to adhere to subsections 13.3(a) to (c) herein.
- (e) The toll design for the NOL and Prairies Line Segments will be determined in a separate regulatory application to be filed by TransCanada prior to 2021.

### 13.4 Toll Design for Miscellaneous Services

The methodology for calculating tolls for these miscellaneous services has not changed. However, the tolls have been updated to reflect the parameters outlined in Article 12 and thus will replace the tolls established in Decision RH-003-2011. For the period January 1, 2015 to December 31, 2020, the following principles shall apply for the services listed:

(a) **Delivery Pressure Toll**

The Delivery Pressure Toll shall be based on the expected annual cost of service for the facilities associated with meeting incremental pressure requirements, allocated based on the forecast of deliveries to the applicable delivery pressure locations. An average fixed toll shall apply across the Mainline System from January 1, 2015 to December 31, 2020, subject to any adjustment necessary pursuant to subsection 13.2(b).

(b) **Union Dawn Receipt Point Surcharge**

The Union Dawn Receipt Point Surcharge shall be determined based on the expected annual costs of service for TransCanada's firm transportation contract on the Union System (Contract No. C10097) or any replacement thereof, allocated to the forecast of firm receipts from TransCanada's Union Dawn. An average fixed toll shall apply from January 1, 2015 to December 31, 2020 to all service on the Mainline System with a Receipt Point at Union Dawn, subject to any adjustment necessary pursuant to subsection 13.2(b).

(c) **SNB Service**

The toll for SNB Service shall be based on the NEB approved SNB tolling methodology as set out in the NEB's letter dated February 13, 2008, using the average annual cost of estimated facilities utilized by SNB Service. An average fixed toll shall apply from

January 1, 2015 to December 31, 2020, subject to any adjustment necessary pursuant to subsection 13.2(b).

(d) **EDGA Service**

The EDGA Service capacity charge for the Western Section shall be set in accordance with the NEB's RH-3-2011 decision as the effective Empress to North Bay Junction FT toll. The EDGA Service capacity charge for the Eastern Section shall be the effective Parkway to North Bay Junction FT toll.

(e) **ECR Service**

The toll for ECR Service shall be set in accordance with the NEB's RH-3-2011 decision as equivalent to the applicable energy charge component of the toll for Mainline System paths eligible for ECR Service.

**ARTICLE 14  
TOLLS**

14.1 **Tolls**

Tolls for January 1, 2015 to December 31, 2020 reflecting the terms and conditions of this Agreement are included in **Appendix D**. These tolls are based on the revenue requirement in **Appendix A**, and the billing determinants and revenues provided in **Appendix B**.

**ARTICLE 15  
INCENTIVE SHARING MECHANISM**

15.1 **Incentive Sharing Mechanism**

This Agreement will establish the annual Revenue Requirement for January 1, 2015 to December 31, 2020 at levels that equate to the expected annual revenues for each year. TransCanada's net revenue is the difference between the annual revenue collected and the annual Revenue Requirement excluding the impacts associated with the amounts determined in subsections 12.3(a)(ii) and 12.3(a)(iii), the Stretch Revenue (in 2016 only) and incremental revenues associated with unexpected delays of the in-service date of new short haul transportation described in subsections 11.1(a) and (b) ("**Net Revenue**"). The forecast Net Revenue balances each year during this period are zero. The incentive sharing mechanism will apply to the actual Net Revenue in each year from January 1, 2015 through December 31, 2020 as follows ("**Incentive Sharing Mechanism**"):

- (a) If there is an actual annual Net Revenue surplus:
  - (i) 100% of Net Revenue surplus equal and offsetting to TransCanada's fixed after tax contribution is first to TransCanada's account; then
  - (ii) 25% of the next \$40 million Net Revenue surplus is to TransCanada's account with 75% to the Mainline Shippers' account; then
  - (iii) 10% of any additional Net Revenue surplus is to TransCanada's account with 90% to the Mainline Shippers' account; and

- (iv) achieved ROE on 40% deemed common equity (including earnings from Incentive Sharing Mechanism) cannot exceed 11.5%.
- (b) If there is an actual annual Net Revenue deficiency:
  - (i) 25% of the first \$40 million Net Revenue deficiency is first to TransCanada's account with 75% to the Mainline Shippers' account; then
  - (ii) 10% of any additional Net Revenue deficiency is to TransCanada's account with 90% to the Mainline Shippers' account; and
  - (iii) achieved ROE on 40% deemed common equity (including losses from Incentive Sharing Mechanism and TransCanada's \$20 million after tax contribution) cannot go below 8.7%.
- (c) An illustration of the calculation of the Incentive Sharing Mechanism is set out in **Appendix I**.

**ARTICLE 16  
MISCELLANEOUS**

**16.1 Notices**

Any and all notices between the Parties given under or in relation to this Agreement shall be in writing and shall be deemed to have been given if personally delivered, delivered and confirmed by telecopier or like instantaneous transmission device, delivered by a reputable overnight delivery service, or sent by certified mail (postage prepaid, return receipt requested), addressed as follows:

If to TransCanada:

TransCanada PipeLines Limited  
450 – 1<sup>st</sup> Street S.W.  
Calgary, Alberta T2P 5H1  
Attn: Corporate Secretary

Facsimile: (403) 920-2327

If to Enbridge:

Enbridge Gas Distribution Inc.  
500 Consumers Road  
Toronto, Ontario M2J 1P8  
Attn: VP Gas Supply  
c/o Law Department

Facsimile: (416) 495-5994

If to Union:

Union Gas Limited  
P.O. Box 2001  
50 Keil Drive North  
Chatham, Ontario N7M 5M1  
Attn: VP Business Development, Storage and Transmission

Facsimile: (519) 436-4667

If to Gaz Metro:

Gaz Metro Limited Partnership  
1717, rue du Havre  
Montreal, Quebec H2K 2X3  
Attn: Manager, Gas Supply

Facsimile: (514) 598-3678

Any Party may at any time or from time to time designate, by Notice to the other Parties, another address in lieu of the address specified above.

#### 16.2 **Severability**

If any provision of this Agreement or the application thereof shall be found by any Regulator or court of competent jurisdiction to be invalid, illegal, or unenforceable, to any extent and for any reason, the said provision shall be deemed to have been redacted from this Agreement and the remainder continues in full force and effect, but only if all Parties acting reasonably and in good faith agree this is possible while adhering to the Overview, Purposes and High Level Principles described in Sections 2.1, 2.2 and 2.3.

#### 16.3 **Governing Law**

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta.

#### 16.4 **Compliance with Laws**

Each Party's performance of its obligations under this Agreement shall be subject to all applicable laws, rules and regulations imposed by any governmental authority having jurisdiction over a Party. No Party shall be obligated to take any action or omit to take any action required pursuant to the terms of this Agreement which would be in breach of any laws, rules or regulations imposed by any governmental authority having jurisdiction over a Party. Each Party shall comply with all laws, rules and regulations applicable to its performance under this Agreement.

#### 16.5 **Time of the Essence**

Time shall be of the essence of this Agreement.

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#### 16.6 **Binding Entire Agreement**

The Parties acknowledge and agree that the terms contained in this Agreement are binding on the Parties. This Agreement constitutes the entire Agreement between the Parties with respect to the matters herein and supersedes any prior or other agreements in respect thereof, and in particular it supersedes and terminates the Term Sheet signed by the Parties on September 10, 2013.

#### 16.7 **Waiver**

No waiver of any provision of this Agreement or of the breach of this Agreement shall be effective unless such waiver is contained in a written instrument signed by the Party granting the waiver. Such waiver shall extend only to the matter expressly identified as being waived in the written instrument granting the waiver.

#### 16.8 **Enurement**

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

#### 16.9 **Assignment**

This Agreement may not be assigned in whole or in part by a Party without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

#### 16.10 **Amendments**

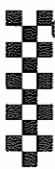
This Agreement may not be modified or amended in whole or in part, except by a supplemental written agreement signed by all Parties and Acceptable Regulatory Approvals have been received, as deemed necessary by the Parties.

#### 16.11 **Survival**

Subsection 4.2(a), Section 5.1 and subsections 7.2(c), 11.1(f) and 12.3(c) shall survive the expiration or termination of this Agreement and shall remain in full force and effect. For clarity subsections 11.1(c) and (d) shall not survive.

#### 16.12 **Dispute Resolution**

- (a) If any dispute arises out of or relating to this Agreement (a "**Dispute**"), the Parties agree to attempt in good faith to resolve any such Dispute through consultation and negotiation between executives who have authority to settle controversies and who are at a Vice-President level or higher. All negotiations pursuant to this subsection 16.12(a) shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- (b) If the Parties to the Dispute are not able to reach a negotiated resolution of any Dispute within thirty (30) days after the Dispute has been referred to the executives of the Parties for resolution, any Dispute that is subject to the jurisdiction of the NEB or applicable provincial regulatory authority ("**Regulator**") shall be referred to the Regulator with a request that such Dispute be dealt with on an expedited basis. Where a disagreement arises concerning whether a Dispute is subject to the jurisdiction of the Regulator, such matter shall be referred to the Regulator for resolution. If it is determined that the Regulator does not have jurisdiction to deal with the Dispute, a Party may pursue all available legal remedies.



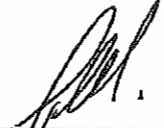
16.13 Execution

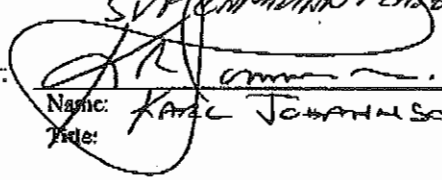
This Agreement may be executed by fax or electronically in counterparts and the executed counterparts shall in aggregate constitute one Agreement. A fax or electronic signature shall be deemed to be an original.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized officers as of the date first above written.

TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

Per:   
 Name: \_\_\_\_\_  
 Title: STEPHEN CLARK  
SVP CANADIAN & US PIPELINES

Per:   
 Name: KARL JOHANSSON  
 Title: \_\_\_\_\_

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_



DS

UNION GAS LIMITED

GAZ METRO LIMITED PARTNERSHIP, by its general partner, GAZ METRO INC.

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Per: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

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TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

Per: \_\_\_\_\_  
Name:  
Title:

Per: James Lord  
Name: James Lord  
Title: VP Law + IT

Per: \_\_\_\_\_  
Name:  
Title:

Per: Jim Grant  
Name: Jim Grant  
Title: VP strategy + Integrated Services

UNION GAS LIMITED

GAZ METRO LIMITED PARTNERSHIP, by its general partner, GAZ METRO INC.

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

FINAL EXECUTION

**16.13 Execution**

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**IN WITNESS WHEREOF**, each Party has caused this Agreement to be executed by its duly authorized officers as of the date first above written.

**TRANSCANADA PIPELINES LIMITED**

**ENBRIDGE GAS DISTRIBUTION INC.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

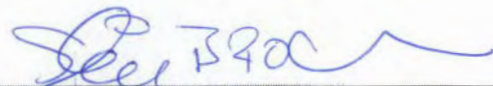
Per: \_\_\_\_\_  
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Per: \_\_\_\_\_  
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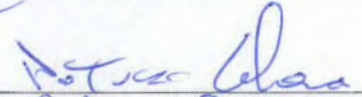
**UNION GAS LIMITED**

**GAZ METRO LIMITED PARTNERSHIP, by its general partner, GAZ METRO INC.**

Per: \_\_\_\_\_  
Name:  
Title:

Per:   
Name: Sophie Brochu  
Title: President and CEO

Per: \_\_\_\_\_  
Name:  
Title:

Per:   
Name: Patrick Cabana  
Title: Vice President, Gas Supply, Procurement and Regulatory Affairs

**FINAL EXECUTION**



16.13 Execution

This Agreement may be executed by fax or electronically in counterparts and the executed counterparts shall in aggregate constitute one Agreement. A fax or electronic signature shall be deemed to be an original.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized officers as of the date first above written.

TRANSCANADA PIPELINES LIMITED

ENBRIDGE GAS DISTRIBUTION INC.

Per: \_\_\_\_\_  
Name:  
Title:


Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

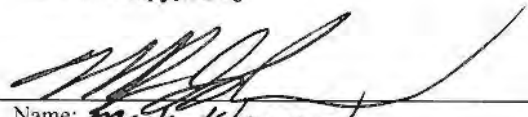
Per: \_\_\_\_\_  
Name:  
Title:

UNION GAS LIMITED

GAZ METRO LIMITED PARTNERSHIP, by its general partner, GAZ METRO INC.

Per:   
Name: Steve Bakan  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

Per:   
Name: Mark Isherwood  
Title: Vice President Business Development

Per: \_\_\_\_\_  
Name:  
Title: