



2017 Dawn Long Term Fixed Price (LTFP) Service

Information Session

October 26, 2016



Agenda



- **Context Leading up to the Open Season**
- **Dawn LTFP - Key Terms of Service**
- **NGTL FT-D Open Season**
- **Why Contract for Dawn LTFP?**
- **Conclusion/Questions**

Background



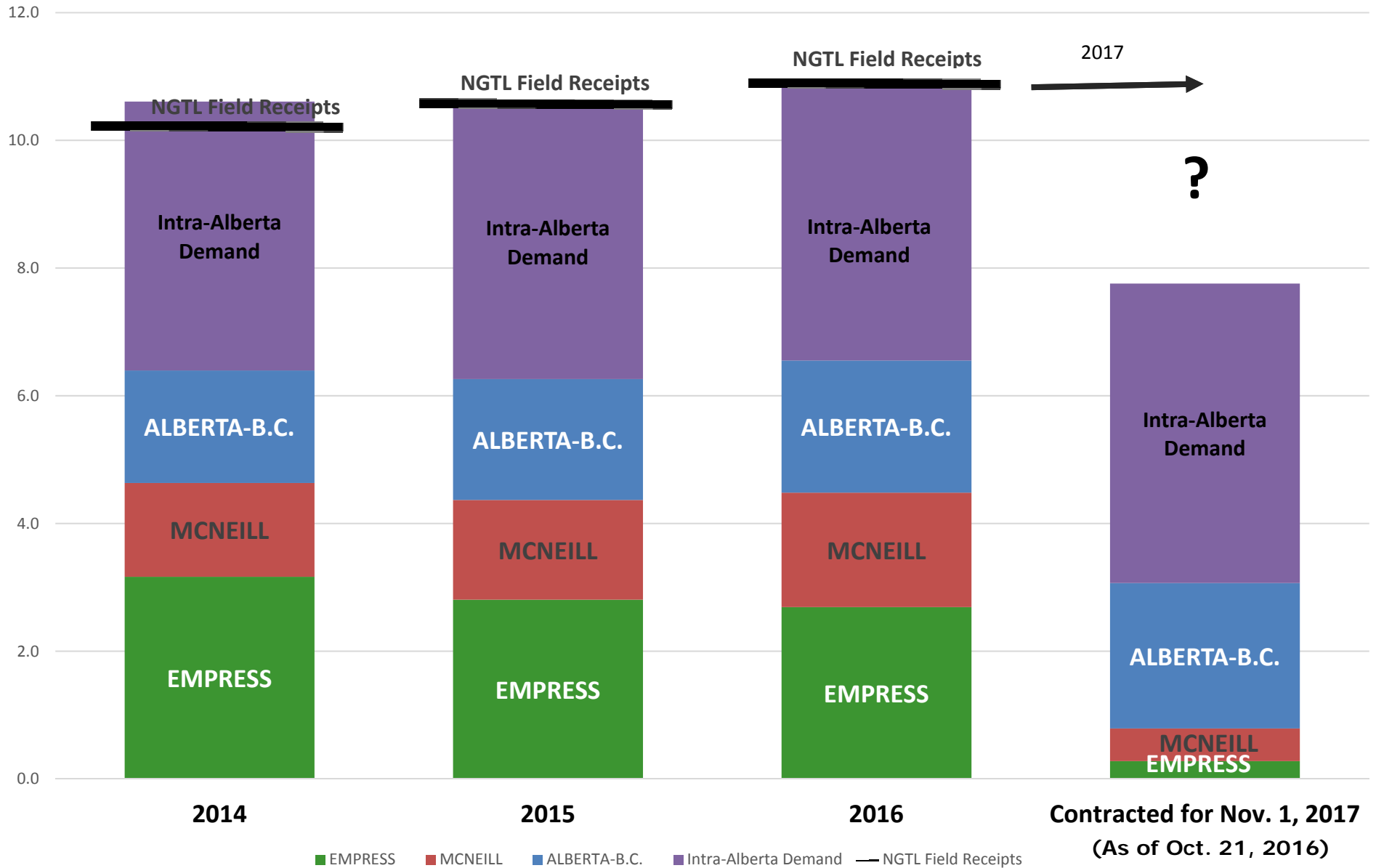
Discussion on this concept began early in 2016 in response to:

- 1) Continued Strong WCSB production
 - Montney and Marcellus have similar production costs
- 2) Empress receipt contract conversions
 - Eastern markets shifting to access supply at Dawn instead of Empress
- 3) Pipeline development projects to transport U.S. supply to Dawn

Need for a market-based service to facilitate producer access to eastern markets

- Provide quicker, more certain access to Dawn

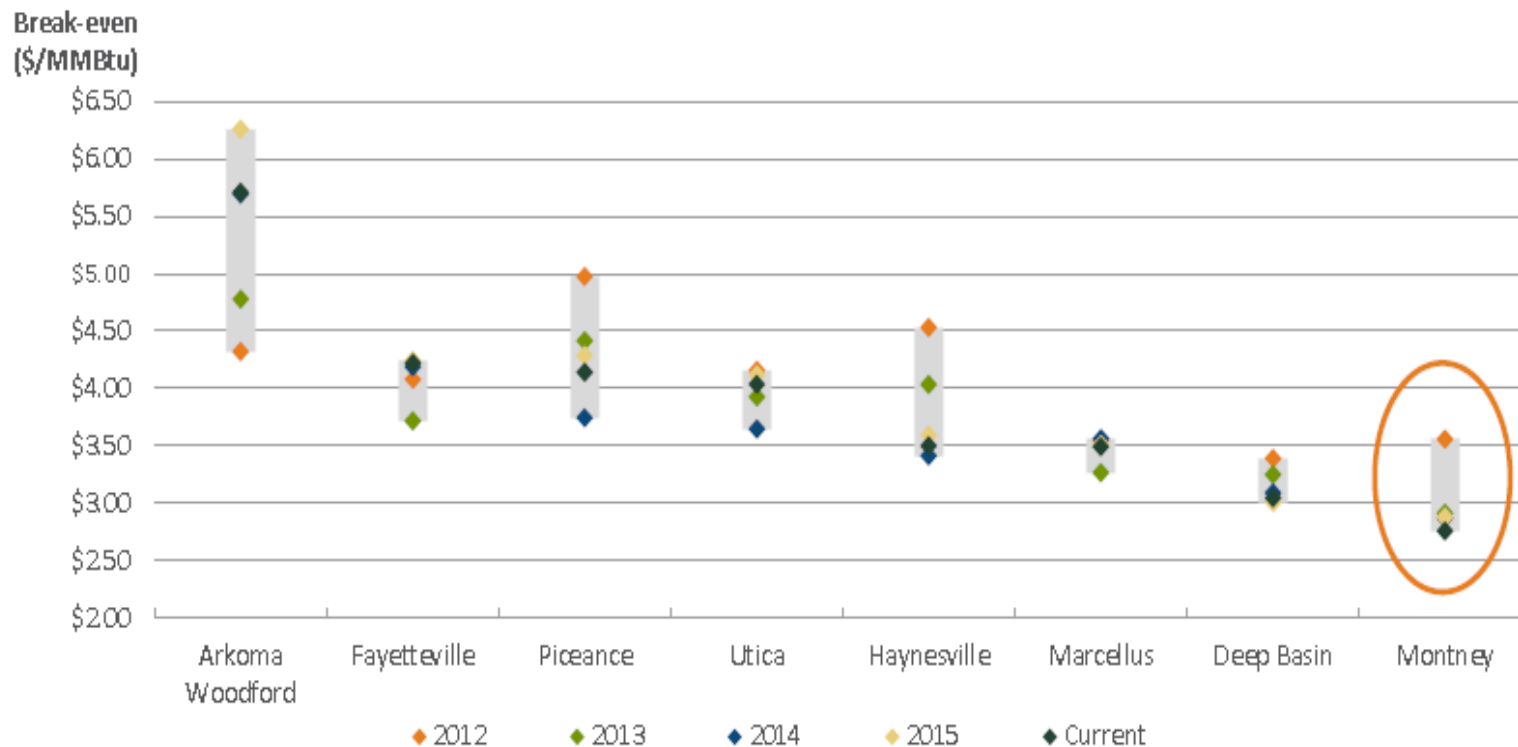
NGTL Supply and Demand Outlook (Bcf/d)



Development Costs of Different Supply Plays

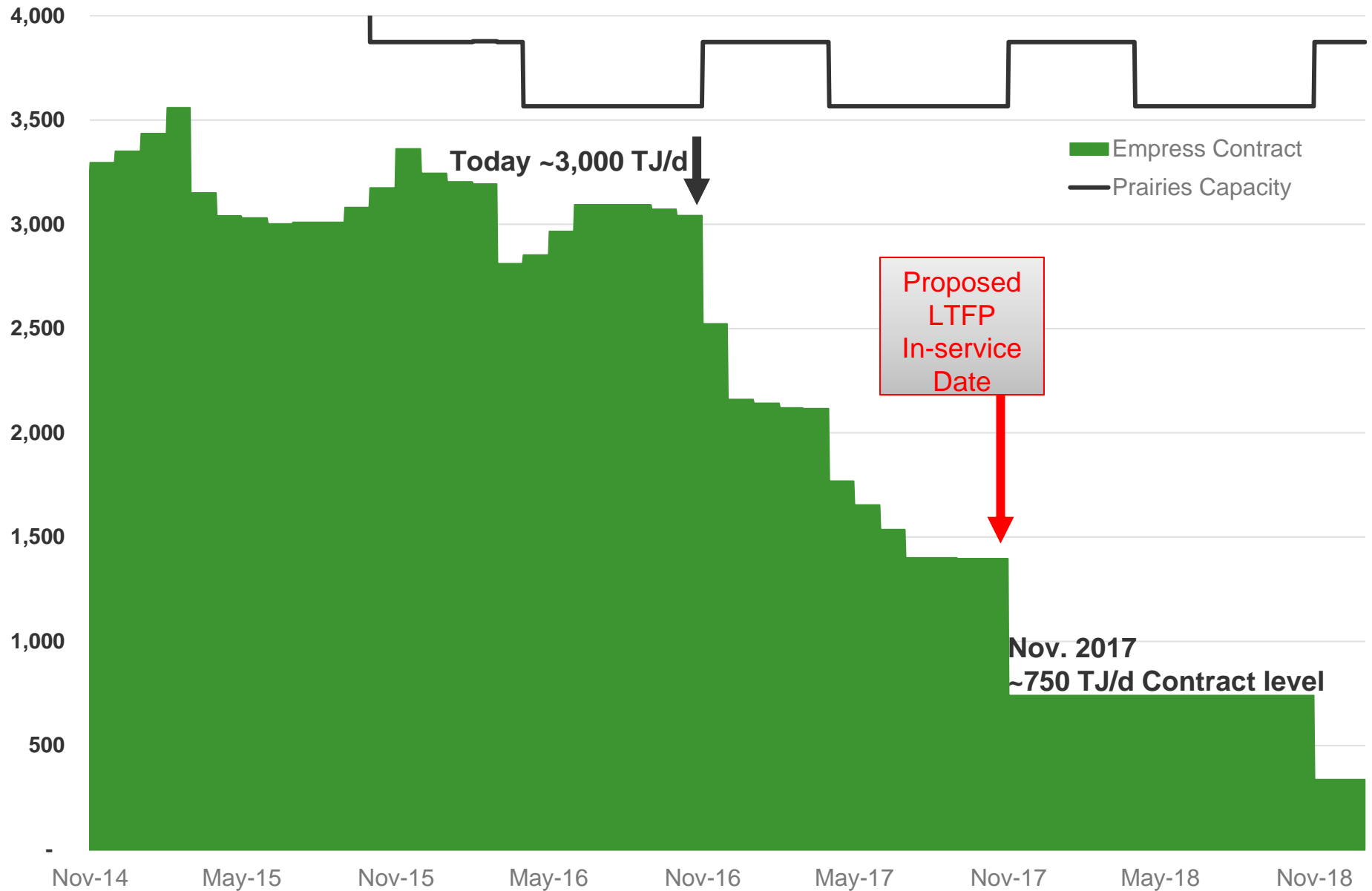
NORTH AMERICAN NATURAL GAS FUNDAMENTALS

Montney - Highly Competitive Break-even Cost

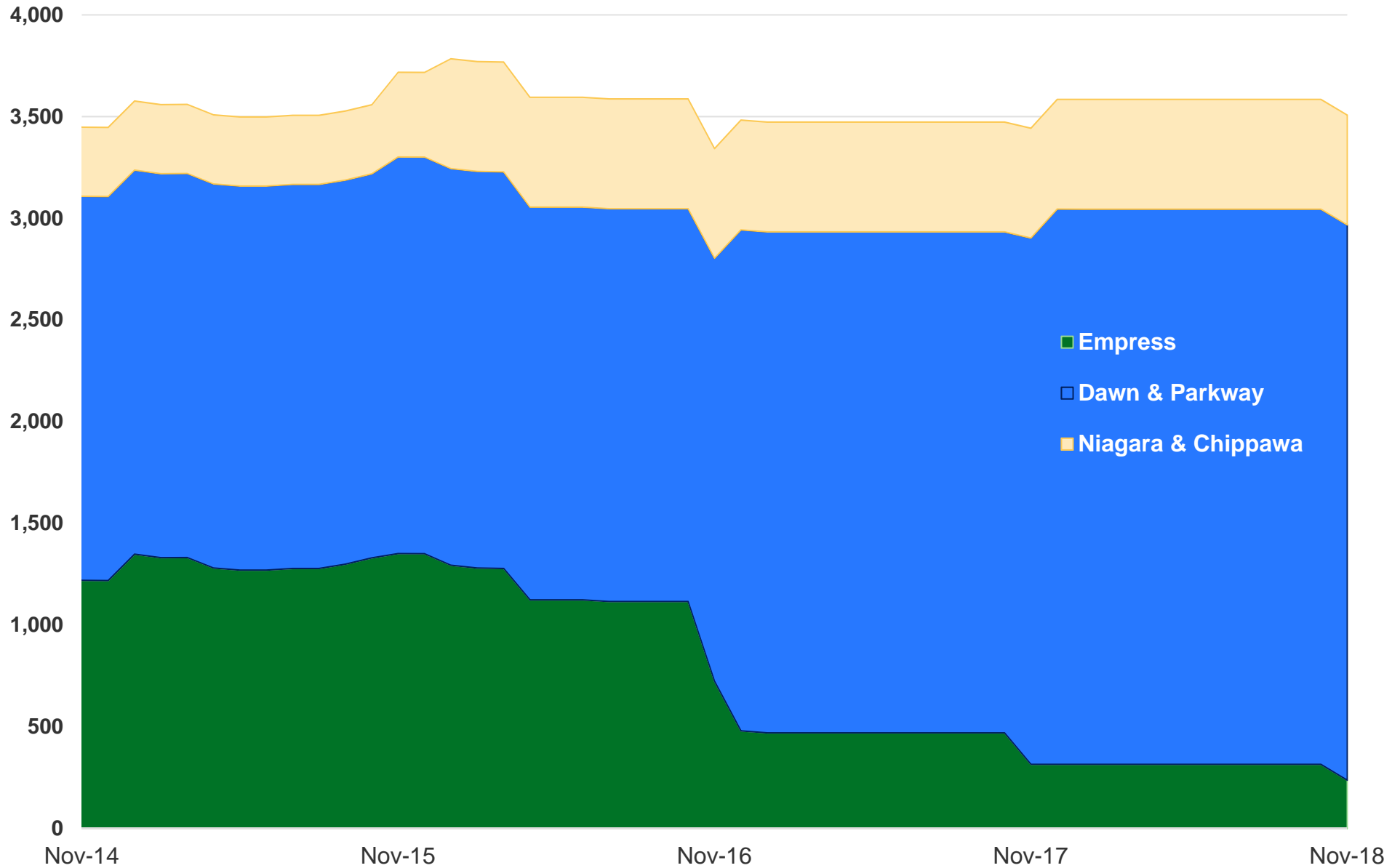


Source: RS Energy Group, Inc. - "Hardcore Canada" May 2016

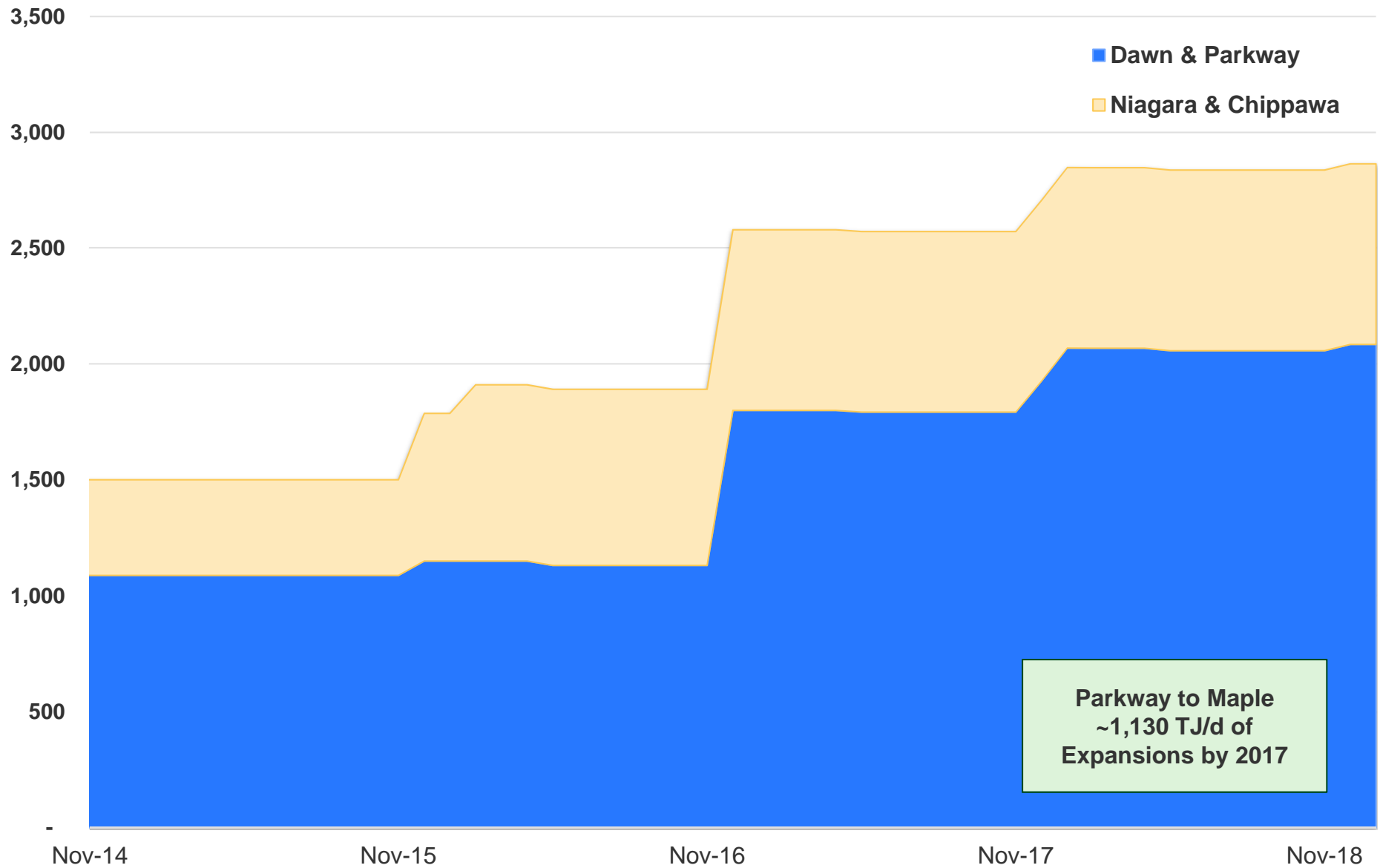
Mainline Empress Receipt Contracts Outlook (TJ/d)



Mainline Eastern Canadian Domestic Market Share by Receipt Point (TJ/d)



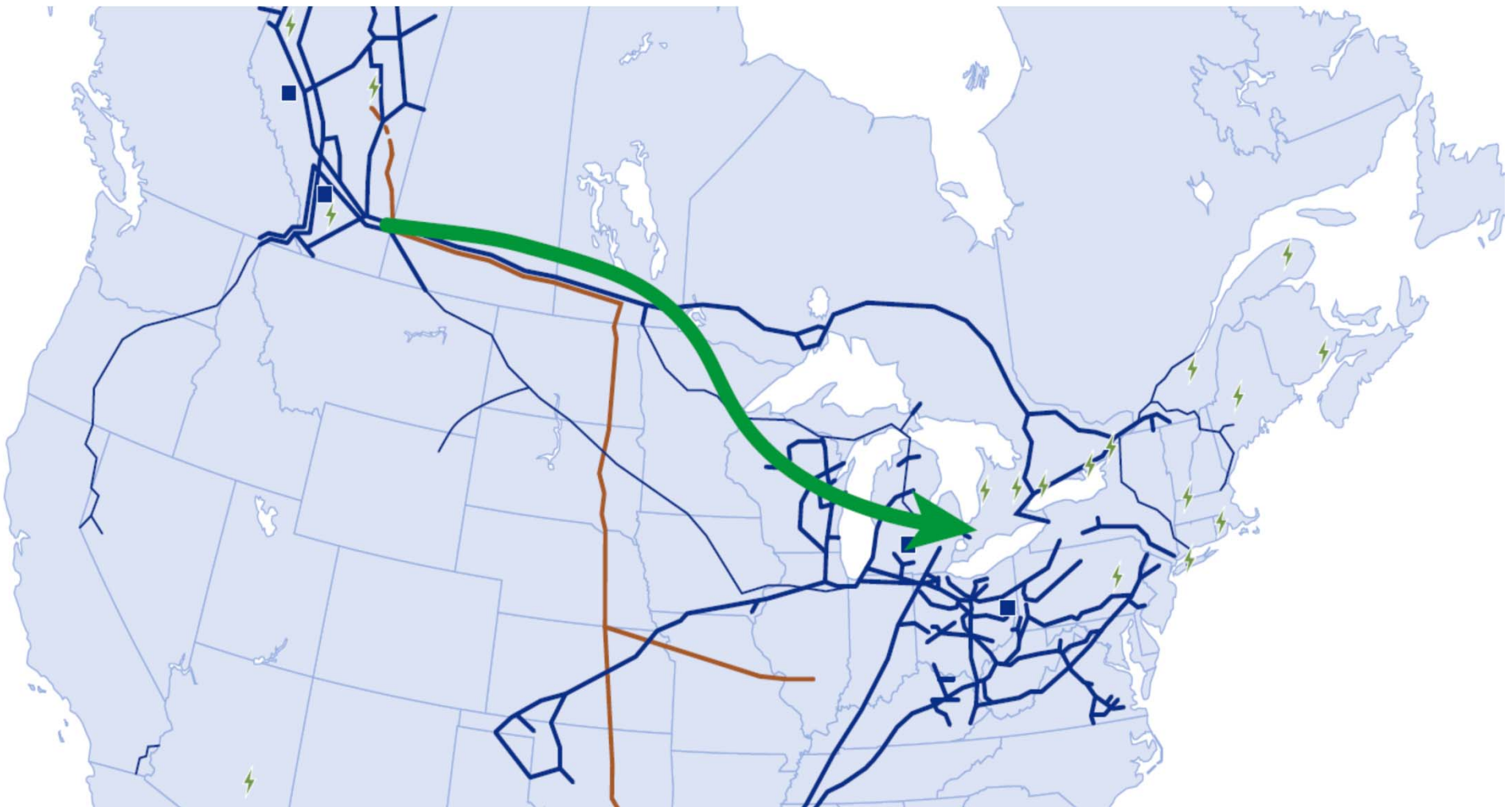
Mainline Eastern Receipt Contracts (TJ/d)



2017 Dawn LTFP Service Open Season



- Currently open – Closing on Nov. 10th 2016
- Open Season Threshold is 1.5 PJ/d



Dawn LTFP - Tolls



- Tolls decrease with increased bid quantity:

Contract Quantity (GJ/d)	Toll for 10-year Term (CDN\$/GJ/d)
1 – 74,999	0.82
75,000 – 149,999	0.80
150,000 – 249,999	0.77
250,000 +	0.75

- Tolls include abandonment surcharge and delivery pressure surcharge.

Dawn LTFP - Key Terms of Service



10 year contract term with early termination rights

- On two years notice, can shorten to 5 - 9 years
- Early termination results in higher toll for the final two years

Shipper chooses start date(s) between Nov 1, 2017 to Nov 1, 2019

Empress to Union SWDA (Dawn) only

Secondary deliveries to select Delivery Points along the GLGT System

- On a reasonable efforts basis, subject to capacity availability and GLGT scheduling
- Deward, Farwell, Chippewa, Rattle Run and Belle River Mills

Cumulative subscription threshold = 1.5 PJ/d

Dawn LTFP - Early Termination Option



Option to terminate early on two years notice, with increased toll for final two years

- Toll applicable in the final two years depends on contract quantity and shortened term

Reduced Service Term - Years		5	6	7	8	9
Toll that applies in (CDN\$/GJ/d)		Years 4 & 5	Years 5 & 6	Years 6 & 7	Years 7 & 8	Years 8 & 9
Contract Quantity (GJ/d)	1–74,999	1.15	1.13	1.09	1.03	0.94
	75,000–149,999	1.11	1.09	1.06	0.99	0.91
	150,000–249,999	1.05	1.04	1.00	0.95	0.87
	250,000 +	0.98	0.97	0.94	0.89	0.83

Example: A shipper subscribes for 50,000 GJ/d, then elects to reduce the term of the Service to 6 years by providing notice before the end of year 4.

- In this case the shipper will pay \$0.82 /GJ in years 1 through 4 and \$1.13 in years 5 and 6 of the truncated Service term.

Dawn LTFP Open Season - Conditions



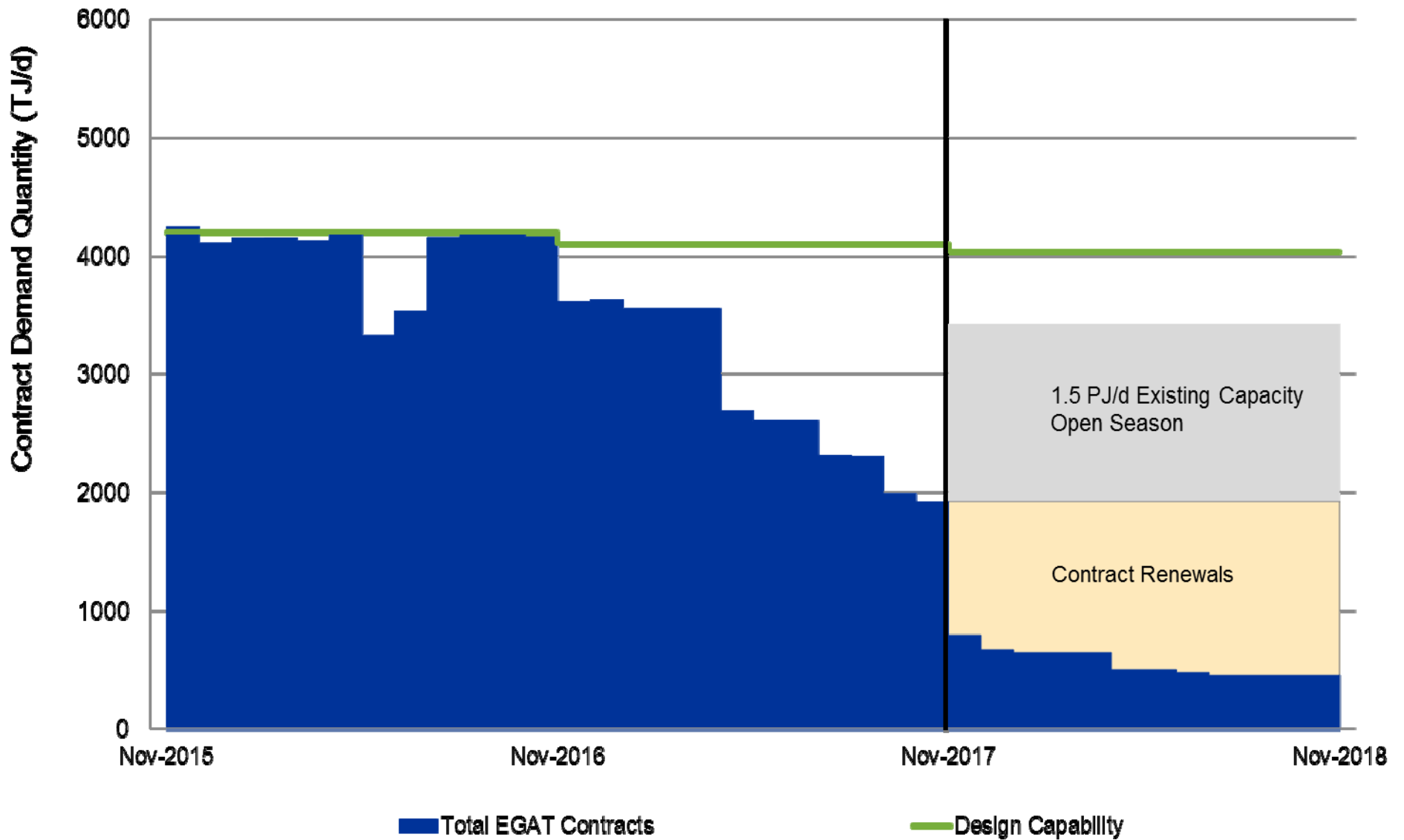
- **Bids are binding with conditions to clear**
- **Acceptable Shipper conditions:**
 - Acquisition of upstream NGTL FT-D capacity
 - Minimum Quantity in the event of allocated quantity less than requested
- **TransCanada conditions include:**
 - Board of directors approval
 - Receipt of all regulatory and governmental approvals deemed necessary by TransCanada to implement the LTFP service, on terms and conditions acceptable to TransCanada, which may include:
 - NEB approval of Dawn LTFP service, including approval of the applicable abandonment surcharge based solely on Mainline facilities and excluding transportation using TBO arrangements
 - Matters associated with the Flow Split Agreement
 - NEB approval of the Dawn Extension Transfer or equivalent
- **Support from bidders for the service and pricing discretion through the term**
- **Acquisition of required TBO capacity on acceptable terms**

NGTL Empress Existing Capacity Open Season



- **NGTL System will hold an Existing Capacity Open Season at Empress Border**
- **Open Season will open on Oct 27, 2016 and will close Nov 10, 2016**
- **Open Season Details**
 - Capacity: 1.5 PJ/d
 - Service: Standard Firm Transport - Delivery (Group 1) at Empress Border
 - Contract Start: Nov 1, 2017 to Nov 1, 2019
 - Term: Minimum 1 year
- **Bids are binding, however shippers may submit bids conditional on being awarded capacity as part of the 2017 Dawn LTFP Service Open Season and the 2017 Dawn LTFP Service proceeding.**

EGAT Firm Contracts and Capability



Why contract for Dawn LTFP Service?



Eastern Markets adjusting to buy at Dawn (Market Hub)

WCSB Supply needs to move to Dawn to retain the market Share

WCSB has competitive development costs; and lots of gas to export

With Dawn LTFP Service, Western Canadian Producers can:

- Compete to serve Eastern markets they will otherwise lose
- Maintain markets using existing pipe
- Serve Eastern markets as soon as November 1, 2017
- Diversify production sales

Eastern Markets can benefit from Dawn LTFP Service by:

- Maintaining access to economical WCSB supply
- Using existing assets without permitting and construction risks

Frequently Asked Questions



Will assignments of the Dawn LTFP Contract be permitted?

Shipper may permanently assign the full contract quantity of the Dawn LTFP Contract subject to TransCanada's consent, however permanent assignment of a portion of the contract will not be permitted under normal circumstances. Temporary partial or full assignments will be allowed.

Is TransCanada intending to address the concern that Aggregators have regarding credit exposure to 3rd parties that they are contracting Dawn LTFP service on behalf of?

TransCanada is actively working on a solution to this issue that results in TransCanada assuming a similar amount of credit exposure risk to the 3rd party companies that the Aggregators are working on behalf of, as would have been the case if the 3rd parties had contracted with TransCanada independently. TransCanada is currently working on the details of the solution and will communicate them once they have been landed.

Can a shipper terminate a portion of their contract quantity early?

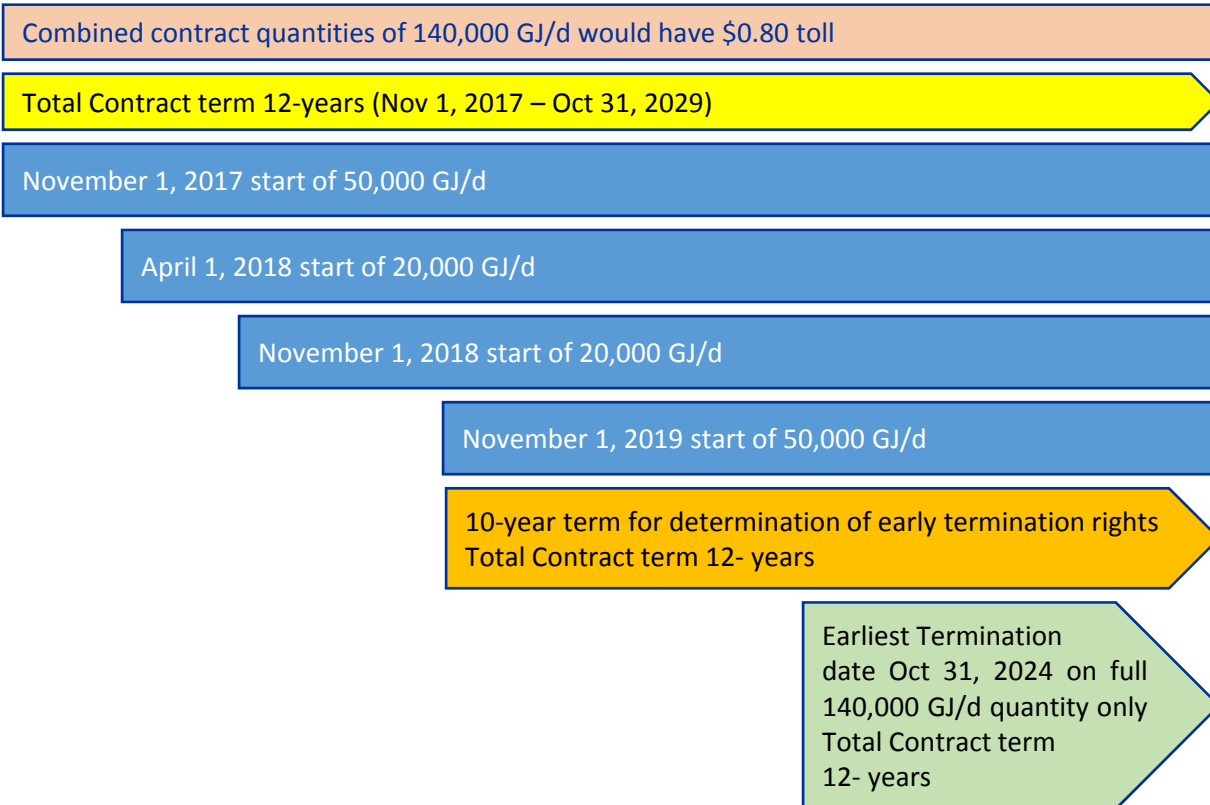
Shippers are only permitted to reduce the term of the Dawn LTFP Contract for the entire contract quantity.

FAQ's continued



If a service applicant submits multiple bids with varying start dates, will the aggregate volume be used to determine the applicable toll?

Yes, provided the shipper specifies multiple contract quantities with different start dates on the alternate bid form. If bid is accepted a single LTFP Contract will specify quantities and commencement dates.



FAQ's continued



If a shipper delivers to a secondary delivery point on the Great Lakes System would the fuel quantity be calculated on the basis of delivery to the secondary point or to Dawn?

The fuel quantity will be calculated on the basis of the distance between Empress and the secondary delivery point, and not on the basis of the full path to Dawn.

Are shippers required to support pricing discretion only on the Empress to Dawn path?

Support for pricing discretion for short term and interruptible service on all system paths is required. The form of support would likely involve shipper filing a letter of support with the NEB in all applicable proceedings.

Can service applicants condition their bids on obtaining FT-R Service on NGTL?

No. Bids can only be conditioned on the service applicant receiving FT-D Service at Empress on NGTL, which condition must be satisfied or waived in accordance to the provisions of the 2017 Dawn LTFP Open Season.

Comments? Questions?



TransCanada launches open season on new mainline tolling option - Reuters

TransCanada cuts Pipeline Tolls in Bid to Boost Canadian Gas - Bloomberg News

TransCanada aims to launch discount toll system by 2017- The Globe and Mail

TransCanada's proposals could make gas from Alberta and B.C. competitive with U.S. supplies - Financial Post