APPENDIX A

INTERRUPTIBLE TRANSPORTATION SERVICE

IT TOLL SCHEDULE

INDEX

1. AVAILABILITY

1.1 Any Shipper shall be eligible to receive service pursuant to this Toll Schedule provided such Shipper:

(a) has entered into an interruptible service contract (the "Contract") with TransCanada or, has obtained an order of the NEB, pursuant to subsection 71(2) of the National Energy Board Act as amended from time to time ("71(2) Order"), requiring TransCanada to transport gas for Shipper subject to the provisions of this Toll Schedule and to the terms and conditions contained in the 71(2) Order; and

(b) has pipeline facilities interconnecting with TransCanada's facilities at the delivery point(s) specified in the Contract or, has provided TransCanada with adequate assurances that arrangements have been made to have an authorized gas distribution or transmission company act as Shipper's agent in receiving from TransCanada the gas to be delivered pursuant to this Toll Schedule; and

(c) has provided TransCanada with financial assurances as required by TransCanada pursuant to Section XXIII of the General Terms and Conditions referred to in Section 5 hereof.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 **Definition of Interruptible Transportation Service**

Service hereunder shall be subject to curtailment or interruption at any time that TransCanada determines in its sole discretion that deliveries hereunder would in any way interfere with or restrict TransCanada's ability to make deliveries of gas under any and all transportation services having a higher priority on TransCanada's system pursuant to Section XV of the General Terms and Conditions than service requested hereunder or, any time that Shipper fails to provide on an ongoing and timely basis evidence satisfactory to TransCanada of its right to remove from the province of production all or any part of the quantities of gas to be transported by TransCanada under the Contract. It is understood that TransCanada shall not construct additional facilities for the purpose of providing service hereunder.

The "Floor Price" for Interruptible Transportation service under this IT Toll Schedule shall equal 1.10 times the 100% load factor daily equivalent of the FT Toll for service over the applicable path.

Nominations for Interruptible Transportation service will be expressed in dollars per gigajoule ($/GJ) and be subject to minimum increments of $0.0001/GJ per bid. Each bid increment shall hereafter be referred to as a "nominated toll level".

Nominations for Interruptible Transportation Service will be no less than the Floor Price over the applicable path.

Nominations for available IT Service from receipt points in Alberta and Saskatchewan to and including all points in the Saskatchewan Zone, the Manitoba Zone, the Western Zone, and to all export points at Emerson and Spruce, Manitoba (collectively, "Western Service") for purposes of evaluation, shall have added to their IT Nomination Price, the "East/West Differential", which is defined as the sum of the difference between Eastern Zone and Manitoba Zone costs for the following items:

(a) the increment of the percentage of marginal fuel costs in excess of the percentage of average fuel costs over the twelve (12) month period immediately preceding the date that tolls become effective, priced at the average Empress border spot price for the preceding twelve (12) month period, as published in *Canadian Gas Price Reporter* or, if such publication ceases to exist, such other reporting service as TransCanada may deem appropriate, where the incremental marginal fuel cost in the Eastern Zone is for the Great Lakes Gas Transmission Company/Union Gas Limited route only ; and

(b) the net of applicable Great Lakes Gas Transmission Company system overrun costs, based on the approved rates and estimated refund;

(c) the applicable overrun costs on the Union Gas Limited system, based on approved rates; and

(d) the applicable commodity toll then in effect from Empress, Alberta.

(e) All nominated toll levels are based on the load factors discussed above, however, the nominations are evaluated on a maximum net revenue per unit basis.

2.2 **Request for Available Interruptible Transportation Service**

During the term of the Contract, Shipper shall be entitled to request Interruptible Transportation service in the manner hereafter set forth.

2.3 **Forecasting of Available Interruptible Service**

TransCanada shall notify the Shipper, in the manner set forth in the Contract or by inclusion in TransCanada's ShipperNews monthly newsletter and/or electronic bulletin board, of TransCanada's estimate of the quantity of available Interruptible Transportation Service which TransCanada expects to be able to render to Shippers during the succeeding month.

2.4 **Allocation of Available Interruptible Transportation Service**

(a) **Nominations**

Capacity available for Interruptible Transportation service will be allocated in accordance with the provisions of this subsections 2.4, 2.6 and 2.7 hereof. In addition to the information required from Shippers for nominations for other services, all nominations for Interruptible Transportation service shall contain the following information:

(i) the nominated toll level
(ii) the nominated quantity; and
(iii) if applicable, a minimum quantity acceptable to the Shipper.

A Shipper may not submit more than one nomination per unique combination of effective period, receipt point, delivery point or area, and nominated toll level.

Nominations for service must be received by TransCanada through its electronic bulletin board at the time specified pursuant to Section XXII of the General Terms and Conditions. TransCanada shall not accept nominations by fax unless TransCanada's electronic bulletin board and EDI systems are inoperative.

(b) **Allocation of Interruptible Service**

Subject to the provisions set out in this IT Toll Schedule, TransCanada shall authorize available Interruptible Transportation service as part of its regular authorization process (see Section XXII of the General Terms and Conditions) in the following manner. Nominations will be authorized in descending order from

highest to lowest nominated toll level. The total nominated quantity at each nominated toll level will be authorized before any nominations are authorized in the next lowest nominated toll level. If the remaining available Interruptible Transportation service is insufficient to provide service for all nominated quantities at a nominated toll level, the remaining available Interruptible Transportation service will be authorized on a pro rata basis amongst all IT Nominations, at such nominated toll level. For the purpose of evaluating nominations and authorizing available Interruptible Transportation service, the East/West Differential will be added to each nomination for Western Service to determine the applicable nominated toll level.

2.5 **Notification to Shippers of Allocated Available Interruptible Transportation Service**

TransCanada shall post, via TransCanada's electronic bulletin board on a weekly basis, a summary of IT nominations authorized by Toll Level.

2.6 **Nominations of Allocated Available Interruptible Transportation Service**

Nominations and Renominations

A Shipper shall confirm its intention to use the transportation service authorized by TransCanada either by allowing its original nomination to stand, if the full nominated quantity has been authorized by TransCanada, or by renomination, if only a portion of the nominated transportation service is authorized by TransCanada. If Shipper fails to renominate the available quantity within one hour after Shipper has been notified of the authorized quantity, Shipper shall be deemed to have renominated the available quantity.

A Shipper may include as part of its nomination, a minimum quantity that will be acceptable to the Shipper. In the event that TransCanada cannot authorize at least the minimum quantity specified by the Shipper in its nomination, no service will be authorized to that Shipper under that nomination.

2.7 **Priority of Curtailment of Interruptible Transportation Service**

Curtailments will be based upon the quantity nominated by the Shippers. Priority of curtailment will start at the lowest nominated toll level up to the highest nominated toll level. If the total nominated quantity at a nominated toll level is not entirely curtailed, curtailment at such nominated toll level shall be allocated on a prorata basis among all nominations at such nominated toll level.

3. PENALTY PROVISIONS

3.1 Penalty if Utilization is Less Than Authorized

If a Shipper nominates or renominates for transportation service hereunder pursuant to subsections 2.6 hereof but subsequently does not utilize all of the transportation authorized by TransCanada for that nomination or renomination, as the case may be, the Shipper will be subject to a penalty as set forth below. The penalty shall be equal to 25% of the difference between the value of the transportation service authorized by TransCanada for that gas day and the value of the transportation service that the Shipper renominated that gas day. Such values shall be determined by multiplying the applicable nominated toll level price by the quantities authorized by TransCanada and renominated by the Shipper; provided however, if

a) the transportation service authorized by TransCanada and not utilized by Shipper would not have been used by another Shipper with a nomination for service hereunder; or

b) the Shipper can demonstrate to the satisfaction of TransCanada that its inability to use the authorized quantity was due to the refusal of a duly tendered nomination on an interconnecting pipeline,

the foregoing penalty will not be applied.

4. MONTHLY BILL

4.1 The monthly bill payable by Shipper to TransCanada for transportation service hereunder at each nominated toll level in which Shipper has been allocated Interruptible Transportation service shall be equal to the nominated toll level multiplied by Shipper's total Delivery Gas at such nominated toll level for the month to which this bill relates. Shippers which have been allocated service in more than one nominated toll level shall be deemed to have been provided service in the highest nominated toll level first.

The bill payable each month under this subsection 4.1 by Shipper to TransCanada for Interruptible Transportation service will be reduced by the sum of the following amounts calculated, for each of Shipper's FT, STS and STS-L contracts in such month:

a) for each FT Contract with a receipt point in Alberta or Saskatchewan, an amount calculated as follows:

A x B

Where: **"A"** = the quantity of unutilized FT capacity for such FT Contract for such month, less any quantity for such month for which a demand charge adjustment was made pursuant to subsection 5.1 of the FT Toll Schedule; and

"B" = the IT Floor Price for such FT Contract path, less the FT Commodity Toll for such path.

b) for each FT Contract that is not a FT Contract referred to in subsection 4.1(a) with a receipt point at a Common Location, an amount calculated as follows:

C x D x E

Where:

"C" = the quantity of unutilized FT capacity for such FT Contract for such month, less any quantity for such month for which a demand charge adjustment was made pursuant to subsection 5.1 of the FT Toll Schedule;

"D" = for such Common Location the lesser of:

(i) 1; or

(ii) **F/G;**

Where:

"F" = the aggregate Contract Demand of all of Shipper's FT Contracts referred to in subsection 4.1(a) that have a delivery point or area, at such Common Location, provided such FT Contracts have not been suspended, terminated, or have had a delivery point shift;

"G" = the aggregate Contract Demand of all of such Shipper's FT Contract(s) that is(are) not a FT Contract(s) referred to in

subsection 4.1(a) and with a receipt point at such Common Location; and

"Common Location" shall mean:

1. an export point where gas can both be delivered and received;

2. a domestic point where gas can both be delivered and received; or

3. the delivery area to which gas is delivered to and a point where such gas can be received within such delivery area.

"E" = the IT Floor Price for such FT Contract path, less the FT Commodity Toll for such path.

c) for each of Shipper's STS and STS-L Contract an amount for such month equal to the sum of the daily amounts for such month calculated as follows:

H x I

Where:

"H" = the quantity of unutilized STS or STS-L capacity for such STS or STS-L Contract for such month less any quantity for such month for which a demand charge adjustment was made pursuant to the STS or STS-L Toll Schedule.

"I" = the difference between 1.1 times the 100% load factor STS or STS-L Toll and the STS and STS-L Commodity Toll

Provided however:

1) For STS and STS-L Contracts where the Market Point is downstream of the Storage Injection Point, if on any Day Shipper's Cumulative Storage Balance is not greater than zero, or the Day is within the summer period, then the amount on such day shall be zero;

2) For STS and STS-L Contracts where the Market Point is upstream of the Storage Injection Point, the amount on such Day shall be zero for any Day within the winter period.

Provided, however, that the monthly bill payable by Shipper under this subsection 4.1 shall be at least equal to the quantity of gas delivered for each of Shipper's IT Contract paths for the month, multiplied by the FT Commodity Toll for such IT Contract path.

4.2 Shipper shall also pay monthly to TransCanada a charge for delivery pressure provided that deliveries hereunder are made to a Delivery Point at which a charge for delivery pressure has been approved by the NEB (and set forth in the List of Tolls referred to in Section 5 hereof). The monthly delivery pressure charge at each such Delivery Point shall be the product of the applicable Delivery Pressure Commodity Toll and the total of the Shipper's quantities delivered hereunder at that Delivery Point during such month. The total monthly delivery pressure charge shall be the sum of the monthly delivery pressure charges at all applicable Delivery Points.

4.3 Each month, Shipper shall pay the Union Dawn Receipt Point Surcharge for service from the Union Dawn Receipt Point.

4.4 Shipper shall also pay monthly to TransCanada any penalty arising from the provisions set out in subsection 3.1 above.

4.5 Penalty revenue received by TransCanada pursuant to subsection 4.3 above, shall be included in the Interruptible Transportation Service revenue disposition.

4.6 For each month, a Shipper shall provide, on a daily basis, a quantity of fuel based on a monthly fuel ratio to be established by TransCanada.

5. MISCELLANEOUS PROVISIONS

5.1 The General Terms and Conditions and the List of Tolls of TransCanada's Transportation Tariff as amended from time to time are applicable to this IT Toll Schedule and are hereby made a part hereof. If there is any conflict between the provisions of this IT Toll Schedule and the General Terms and Conditions, the provisions of this IT Toll Schedule shall prevail.

5.2 This Toll Schedule, the List of Tolls and the General Terms and Conditions are subject to the provisions of the National Energy Board Act or any other legislation passed in amendment thereto or substitution therefor.

APPENDIX B

RAM (Risk Alleviation Mechanism)

Description

RAM is a service feature applicable to the Mainline's Firm Transportation (FT) service, Storage Transportation Service (STS), and Storage Transportation Service — Linked (STS-L). It allows for the mitigation of unutilized demand charges and is intended to give shippers increased confidence in contracting for long-haul FT service on the Mainline.

Under RAM, credits are applied against a Mainline shipper's Interruptible Transportation (IT) service invoice at the end of each month, regardless of the path(s) used for IT service, based on any eligible unutilized demand charges (UDCs) from that shipper's long-haul FT, "linked" short-haul FT, STS and STS-L contracts. A shipper's monthly IT invoice will however be subject to a minimum charge (please see the RAM formulas below for more information).

The RAM credit is a dollar amount and is designed to allow a shipper to transport a quantity of IT equal to the quantity of unutilized FT (for example) if used over the same path, for no additional charge beyond the minimum commodity charge, assuming the IT is bid at the IT floor price. For example, a shipper's eligible FT contract with UDCs that has a daily demand toll of $1.00/GJ would generate a RAM credit of approximately $1.10/GJ towards that shipper's monthly IT invoice.

The RAM service feature does not change the nomination or allocation processes for FT, STS, STS-L or IT service. Shippers still access those services in their usual manner.

Contracts Eligible for RAM Credits

Long-haul FT Contracts

These are FT contracts which have primary receipt points originating in Alberta and Saskatchewan.

Short-haul FT Contracts "linked" to a Long-haul FT Contract at a Common Location

Short-haul FT contracts are eligible for RAM credits as long as the shipper that holds the short-haul contract also holds a long-haul FT contract that has a delivery point at the same location as the receipt point of the shipper's short-haul contract.

STS and STS-L Contracts

For markets downstream of storage:

- STS and STS-L RAM credits will only be generated during the firm Winter Withdrawal period; and only if the STS Balance or STS-L Balance is above zero;
- Injection and withdrawal nominations, except STS overrun, will be considered as usage of the STS and STS-L contracts; and
- The maximum amount of STS or STS-L RAM credits which can be generated each day will be capped by the withdrawal contract demand.

For markets upstream of storage:

- STS and STS-L RAM credits will only be available during the firm Summer Injection period;
- Injection and withdrawal nominations, except STS overrun, will be considered as usage of the STS and STS-L contracts; and
- The maximum amount of STS or STS-L RAM credits which can be generated each day will be capped by the injection contract demand.

TransCanada
In business to deliver

Key Points about RAM

RAM credits:

- Are dollar credits, not quantity credits
- Are calculated daily from Unutilized Demand Charges (UDCs)
- Are accumulated in a month and are applied against that shipper's Interruptible Transportation (IT) invoice for that month
- Cannot be carried over to another month
- Are not assignable to third parties
- Are non-refundable
- Are not path specific
- Are not eligible if a contract is terminated or suspended
- Apply to the assignee's account commencing on the date the assignment takes effect, if all or a portion of a qualifying contract is assigned

RAM Formulas & Examples

Note: Formulas are for the applicable primary contract path calculated on a daily basis

Long-haul FT RAM Formula

Long-haul FT RAM credit = (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) – FT long-haul Commodity]

Example:

Assume long-haul FT Contract:

- Contract Demand = 100 GJ/d
- Tolls: Daily Demand = $1.00/GJ, Commodity = $0.05/GJ
- Utilization on a day = 0 GJ

RAM credit for that day =

- (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) – FT long-haul Commodity]
- (100 – 0) x [(($1.00 + $0.05) x 1.1) – $0.05]
- $110.50

RAM Formulas & Examples *continued*

Linked Short-haul FT RAM Formula

Linked Short-haul FT RAM credit = (Short-haul Allocation Factor) x (Unutilized Daily Quantity) x
[(100% load factor short-haul FT toll x 1.1) – FT short-haul Commodity]

Where:

Short-haul Allocation Factor = (Sum of all shipper's long-haul contract demand to the common location) ÷
(Sum of all shipper's short-haul contract demand from the common location)

Note: Short-haul Allocation Factor cannot be greater than 1.

Example:

Assume linked long-haul FT Contract:

- Contract Demand = 50 GJ/d
- Tolls: Daily Demand = $1.00/GJ, Commodity = $0.05/GJ
- Utilization on a day = 30 GJ

Assume linked short-haul FT Contract:

- Contract Demand = 100 GJ/d
- Tolls: Daily Demand = $0.60/GJ, Commodity = $0.02/GJ
- Utilization on a day = 40 GJ

Long-haul RAM credit for that day =

- (Unutilized Daily Quantity) x [(100% load factor long-haul FT toll x 1.1) –
  FT long-haul Commodity]
- (50 – 30) x [(($1.00 + $0.05) x 1.1) – $0.05]
- $22.10

Short-haul RAM credit for that day =

- (Short-haul Allocation Factor) x (Unutilized Daily Quantity) x
  [(100% load factor short-haul FT toll x 1.1) – FT short-haul Commodity]
- (50/100) x (100 – 40) x [(($0.60 + $0.02) x 1.1) – $0.02]
- $19.86

STS RAM Formula

STS RAM Credit = (STS Unutilized Daily Quantity) x [(100% load factor STS toll x 1.1) – STS Commodity]

STS-L RAM Formula

STS-L RAM Credit = (STS-L Unutilized Daily Quantity) x [(100% load factor STS toll x 1.1) – STS Commodity]

Minimum Monthly IT Invoice = $\sum$ (IT quantity) x (FT Commodity Toll), for each IT path nominated and authorized within the month

IT Floor Price = 1.1 x 100% load factor FT toll for service over the applicable path

Frequently Asked Questions Concerning RAM

1. How does the RAM enhancement work?

RAM takes the form of a credit for your unutilized demand charges under your long-haul FT, linked short-haul FT, STS and STS-L contracts, which is applied to your monthly invoice for Interruptible Transportation (IT) service provided by TransCanada. You access these credits simply by using IT service.

2. Why has RAM been structured as a credit to IT, instead of a separate, nominated RAM service?

A RAM credit mechanism offers a number of important benefits to shippers, including:

a) The credit mechanism can be implemented more quickly and at far less cost.

b) The credit mechanism will be simple for shippers to use. Shippers can nominate IT service as done today. A new type of nominated service would have required new contracts, new nominations groups, additional daily nominations, new priority of service and allocations rules, etc...

c) A credit mechanism offers unparalleled flexibility to capture the value of the services. You can use your credits to purchase IT service on any path on the system, either long-haul or short-haul. A separate nominated RAM service would typically limit the RAM to the primary path of your contract.

Further, you have greater choice on when you use your RAM credits. You can choose to nominate for a steady amount of IT during the month, or you can use your credits by nominating for a large amount of IT on a single day in the month.

3. Will I get RAM credits if my FT diversion or alternate receipt point nomination is not authorized?

Under the RAM feature, FT contract diversion and alternate receipt point nominations that are authorized are considered "usage" of those FT contracts.

If your diversion or alternate receipt point nomination is not authorized, you get to use those unutilized demand charges to purchase IT. That way, you do not lose capacity and dollars if your diversion or alternate receipt point is not authorized.

4. Can I use my credits for Interruptible Backhaul service?

No. The credits can only be used to reduce your invoice for IT service.

5. Will credits be given for FT Delivery Pressure charges?

No. Credits are not available for FT Delivery Pressure Charges. As well, RAM credits cannot be applied against Delivery Pressure Charges on IT service.

6. If I do not use all my credits in one month, can I use the credits in the following month?

No. Credits accumulate and are used within each particular month. Credits that are not used within the month expire and cannot be used in subsequent months.

7. Do I have to sign an IT contract to make use of the credits?

Yes. A single "master" IT contract can give you the ability to nominate for IT service on all paths.

8. In order to use RAM credits, do I need a separate IT contract for each FT, STS or STS-L contract?

You only need a single master IT contract. TransCanada can automatically pool the credits under all of your FT, STS and STS-L contracts and apply the total credit against your IT transportation charges. However, the IT contract must be held by the same legal entity as the FT, STS or STS-L contract. If your contracts are held in different legal names, you will need a separate IT contract for each name.

9. Do I have to use the RAM credits for IT service over the same path as my FT, STS or STS-L contract?

No. Credits can be used for IT over any path on the system. For example, a long-haul FT shipper could use the credits to purchase short-haul IT.

Frequently Asked Questions Concerning RAM *continued*

10. Can my Agent nominate for IT on my behalf to make use of the credits?

Yes. If you have a nominating Agent for your contracts, you can designate that Agent to nominate under your IT contract.

11. How will I know how many credits I've got each day?

Each shipper will be responsible for tracking their credits and IT usage within the month. TransCanada will also provide a daily report via the web to assist shippers in tracking their credits. The Shipper Operational Report called RAM Credits Status Report will provide details on how credits were calculated and then applied to your IT charges. You can track, on a daily basis, the amount of credits available and used during the month. Also, at month end you can use this report to verify against the credits that appear on your IT invoice.

12. Who gets the credits if I assign my FT contract?

The credits are calculated each day and are the "property" of the holder of the contract on each day. If an FT contract is assigned on the 11th day of a month, the original shipper receives the credits for the first 10 days of the month. The assignee receives the credits for the remaining days in the month starting on the 11th.

13. Can I assign my RAM credits to another shipper?

No. The credits can only be applied against the IT transportation charges of the holder of each particular FT, STS or STS-L contract.

14. How will RAM credits be calculated if I am authorized a FT contract shift by TransCanada?

The credit will be calculated based on the FT primary contract path that you are billed on. For contract shifts, you are billed on the "higher of" the original primary contract path or the shifted contract path (subject to certain provisions). The Credits Status Report will indicate which primary contract path (original or shifted) was used in calculating your credit.

15. Why is there a minimum IT charge applied in the RAM calculation?

The minimum IT charge is to ensure recovery of all commodity charges for transportation used. Without the minimum charge, shippers who transported gas would not be contributing to the variable cost of transportation (commodity toll) on the system, which would cause an under-collection of commodity revenues.

For further information about RAM:

The Pipe Line: **403.920.PIPE (7473)**

E-mail: **customer_express@TransCanada.com**

TransCanada
In business to deliver

APPENDIX C

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Ref: Pages 2 and 3

In what years did TCPL offer an FT RAM credit? Were Union's FT RAM revenue subject to the Earnings Sharing Agreement in each year over the recent IRM period? Please discuss, showing amounts of FT RAM credits in each year. If not, why not? Please discuss fully. Were the FT RAM credits Z-factors for each IRM year during which Union participated in them? Please discuss.

Response:

Please see Attachment 1 for a timeline of what years TCPL offered RAM credits. Please see the response at Exhibit J.C-4-7-1 c).

Please see the response at Exhibit J.C-4-7-9 d) for the amount of RAM credits generated by year. RAM credits do not meet the Z-factor criteria in Union's current IRM.

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

Tel: (403) 920-2046
Fax: (403) 920-2347
Email: murray_sondergard@transcanada.com

January 16, 2009

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

Filed Electronically

Attention: Ms. Claudine Dutil-Berry, Secretary

Dear Ms. Dutil-Berry:

Re: TransCanada PipeLines Limited ("TransCanada")
Amendments to TransCanada's Canadian Mainline Transportation Tariff

TransCanada hereby files an application with the National Energy Board ("Board") pursuant to Section 60(1)(b) of the *National Energy Board Act* for an order or orders approving certain amendments to TransCanada's Mainline Transportation Tariff's Interruptible Transportation ("IT") Toll Schedule. The proposed amendments were presented to the Tolls Task Force ("TTF") and were unopposed by the TTF in Resolution 04.2009, FT-RAM, STS-RAM and STSL-RAM Permanent Tariff Feature, voted on January 7, 2009.

TTF Resolution 04.2009 describes amendments to the IT Toll Schedule to add the current Risk Alleviation Mechanism ("RAM") for Firm Transportation ("FT") Service, Storage Transportation Service ("STS") and Storage Transportation Linked Service ("STS-L") as permanent features of the Mainline transportation services.

The FT-RAM pilot was originally approved by the Board in a letter dated July 15, 2004 as a feature of FT service for a one year period commencing November 1, 2004 per TTF Resolution 02.2004. The FT-RAM pilot was subsequently extended for a period of one year by the Board in a letter dated September 6, 2005 as per TTF Resolution 20.2005 and again by the Board in a letter dated April 21, 2006 as per TTF Resolution 05.2006. Modifications to apply the FT-RAM pilot to short-haul contracts were made effective April 1, 2006 by Board Order TG-1-2006, and in accordance with the Board's decision in RHW-2-2005.. In a letter dated March 2, 2007, the Board approved an additional two-year extension of the FT-RAM pilot commencing November 1, 2007 as per TTF Resolution 03.2007 and extended the FT-RAM pilot to include Storage Transportation Service (STS-RAM) and Storage Transportation Service Linked (STSL-RAM) for a two-year term commencing November 1, 2007 as per TTF Resolution 02.2007.

During the various RAM pilot periods, the mechanism has been used by a broad spectrum of shippers including producers, producer/marketers, LDCs and end-users TransCanada notes that use of the RAM mechanism does not limit the service entitlements of current FT service.

In support of its application, TransCanada attaches for the Board's information blacklined and clean copies of the IT Toll Schedule and a copy of TTF Resolution 04.2009. TransCanada proposes that these changes become effective November 1, 2009.

Should the Board require additional information, please contact Stella Morin at (403) 920-6844 or stella_morin@transcanada.com.

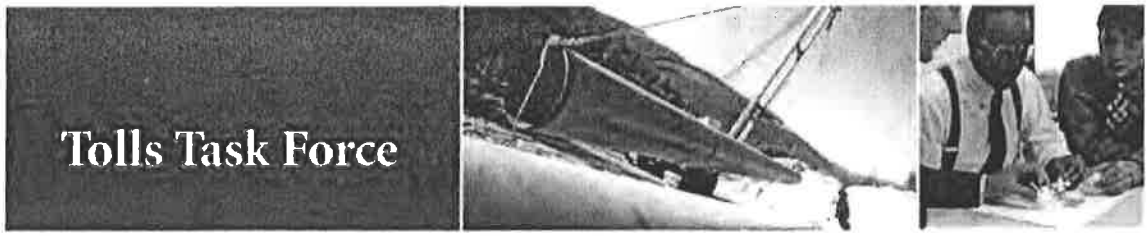
Yours truly,

Original Signed by

Murray Sondergard
Director, Regulatory Services

Attachments

cc: Tolls Task Force (on-line notification)
Mainline Customers (on-line notification)



2008 TOLLS TASK FORCE ISSUE	
Date Accepted As Issue: September 4, 2008	**Resolution:** 04.2009
Date Issue Originated: September 4, 2008	**Sheet Number:** 1 of 3
Issue Originated By:	Shell Energy North America (Canada) Inc.
Individual to Contact: Tomasz Lange	**Telephone Number** (403) 216-3580

ISSUE: FT-RAM, STS-RAM and STSL-RAM Permanent Tariff Feature

RESOLUTION:

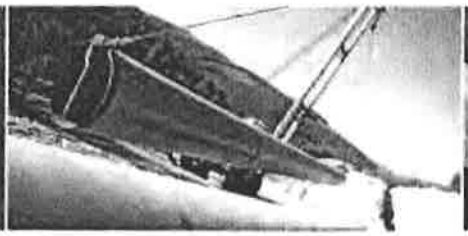
The TTF agrees to the addition of the current FT - Risk Alleviation Mechanism (FT-RAM), STS-RAM and STSL-RAM pilots, to the TransCanada tariff as permanent features of the transport services effective November 1, 2009 as per the attached black lined IT Toll Schedule.

BACKGROUND:

On May 6, 2004 the TTF approved, as an unopposed resolution, the initial FT-RAM pilot (Resolution 02.2004) for a one-year period beginning November 1, 2004. The initial pilot program was adopted as a flexibility feature of long-haul FT contracts only. Long-haul FT contracts are those contracts, which have a primary receipt point originating from Empress or Saskatchewan.

On August 3, 2005 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional one-year term commencing November 1, 2005 and ending October 31, 2006 (Resolution 20.2005).

On February 24, 2006 the NEB approved an application by Coral Energy Canada (now Shell Energy North America (Canada) Inc.) for modifications to the FT-RAM pilot effective April 1, 2006 and ending October 31, 2006, to extend FT-RAM credits to short-haul contracts, which when combined with a long-haul contract create a continuous long-haul contract (Board Order TG-1-2006 in RHW-2-2005 proceeding).



The short-haul and long-haul contracts must be held by the same shipper and must share a common location; i.e. the receipt point of the short-haul contract must be the same as the delivery point of the long-haul contract. For example, a Dawn to EDA short-haul contract when combined with a long-haul contract from Empress or Saskatchewan to SWDA if held by the same shipper, effectively results in a long-haul contract to EDA. In keeping with the intent of the FT-RAM Pilot of encouraging firm long-haul contracts, FT-RAM credits will be granted on the full path or both contracts.

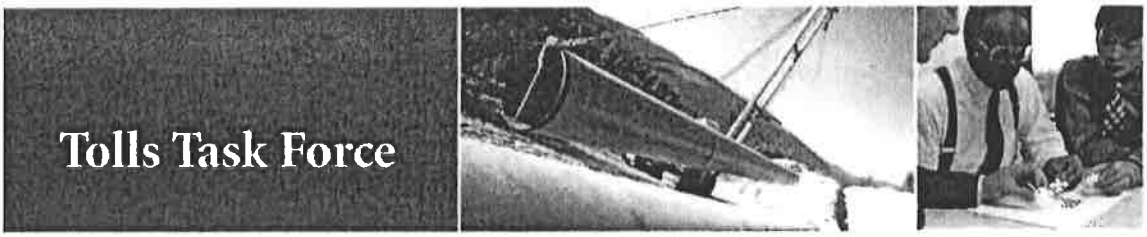
On April 5, 2006 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot, as modified by the NEB in the RHW-2-2005 decision, for an additional one-year period commencing November 1, 2006 and ending October 31, 2007 (Resolution 05.2006).

On February 9, 2007 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 03.2007)

Also on February 9, 2007 the TTF approved, as an unopposed resolution, a new RAM pilot for Storage Transportation Service and Storage Transportation Service Linked (STS-RAM and STSL-RAM) for a two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 02.2007). On July 4, 2007 the TTF approved, as an unopposed resolution, tariff language for the STS-RAM and STSL-RAM pilot (Resolution 08.2007). STS service was originally designed to work in combination with LDC held long-haul FT service on TransCanada and with market storage. It was designed to allow LDCs to meet seasonal and daily fluctuations in market demand while maintaining their long-haul service at a high load factor. STS shipper must hold long-haul FT. The flow of gas and the capacity rights are virtually identical under STS and STSL. The only difference is that under STS, the long-haul contract is held by the LDC, whereas under STSL, the end-users and marketers hold the long-haul contract.

RAM is a tool to mitigate unabsorbed demand charges and provides greater flexibility in order to give shippers increased confidence in contracting for long-haul FT service on the TransCanada Mainline. The motivation behind RAM is to promote the renewal of and incremental contracting for long-haul FT service. During the various pilot periods, the mechanism has been used by a broad spectrum of shippers including producers, producer/marketers, LDCs and end-users. The mechanism will not limit the service entitlements of current FT service.

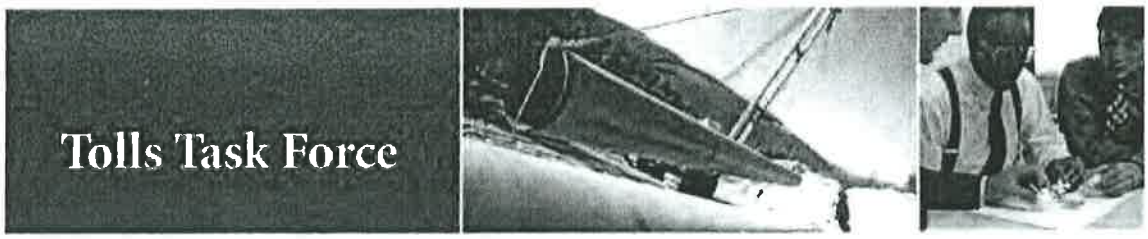
VOTING RESULTS:



Unopposed resolution at the January 7, 2009 TTF meeting in Calgary.

TransCanada
In business to deliver

APPENDIX D



2008 TOLLS TASK FORCE ISSUE	
Date Accepted As Issue: September 4, 2008	**Resolution:** 04.2009
Date Issue Originated: September 4, 2008	**Sheet Number:** 1 of 3
Issue Originated By:	Shell Energy North America (Canada) Inc.
Individual to Contact: Tomasz Lange	**Telephone Number** (403) 216-3580

ISSUE: FT-RAM, STS-RAM and STSL-RAM Permanent Tariff Feature

RESOLUTION:

The TTF agrees to the addition of the current FT - Risk Alleviation Mechanism (FT-RAM), STS-RAM and STSL-RAM pilots, to the TransCanada tariff as permanent features of the transport services effective November 1, 2009 as per the attached black lined IT Toll Schedule.

BACKGROUND:

On May 6, 2004 the TTF approved, as an unopposed resolution, the initial FT-RAM pilot (Resolution 02.2004) for a one-year period beginning November 1, 2004. The initial pilot program was adopted as a flexibility feature of long-haul FT contracts only. Long-haul FT contracts are those contracts, which have a primary receipt point originating from Empress or Saskatchewan.

On August 3, 2005 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional one-year term commencing November 1, 2005 and ending October 31, 2006 (Resolution 20.2005).

On February 24, 2006 the NEB approved an application by Coral Energy Canada (now Shell Energy North America (Canada) Inc.) for modifications to the FT-RAM pilot effective April 1, 2006 and ending October 31, 2006, to extend FT-RAM credits to short-haul contracts, which when combined with a long-haul contract create a continuous long-haul contract (Board Order TG-1-2006 in RHW-2-2005 proceeding).

The short-haul and long-haul contracts must be held by the same shipper and must share a common location; i.e. the receipt point of the short-haul contract must be the same as the delivery point of the long-haul contract. For example, a Dawn to EDA short-haul contract when combined with a long-haul contract from Empress or Saskatchewan to SWDA if held by the same shipper, effectively results in a long-haul contract to EDA. In keeping with the intent of the FT-RAM Pilot of encouraging firm long-haul contracts, FT-RAM credits will be granted on the full path or both contracts.

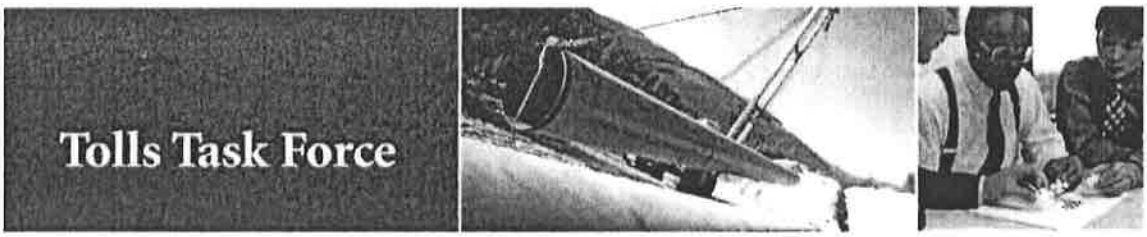
On April 5, 2006 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot, as modified by the NEB in the RHW-2-2005 decision, for an additional one-year period commencing November 1, 2006 and ending October 31, 2007 (Resolution 05.2006).

On February 9, 2007 the TTF approved, as an unopposed resolution, an extension of the FT-RAM pilot for an additional two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 03.2007)

Also on February 9, 2007 the TTF approved, as an unopposed resolution, a new RAM pilot for Storage Transportation Service and Storage Transportation Service Linked (STS-RAM and STSL-RAM) for a two-year term commencing November 1, 2007 and ending October 31, 2009 (Resolution 02.2007). On July 4, 2007 the TTF approved, as an unopposed resolution, tariff language for the STS-RAM and STSL-RAM pilot (Resolution 08.2007). STS service was originally designed to work in combination with LDC held long-haul FT service on TransCanada and with market storage. It was designed to allow LDCs to meet seasonal and daily fluctuations in market demand while maintaining their long-haul service at a high load factor. STS shipper must hold long-haul FT. The flow of gas and the capacity rights are virtually identical under STS and STSL. The only difference is that under STS, the long-haul contract is held by the LDC, whereas under STSL, the end-users and marketers hold the long-haul contract.

RAM is a tool to mitigate unabsorbed demand charges and provides greater flexibility in order to give shippers increased confidence in contracting for long-haul FT service on the TransCanada Mainline. The motivation behind RAM is to promote the renewal of and incremental contracting for long-haul FT service. During the various pilot periods, the mechanism has been used by a broad spectrum of shippers including producers, producer/marketers, LDCs and end-users. The mechanism will not limit the service entitlements of current FT service.

VOTING RESULTS:



Unopposed resolution at the January 7, 2009 TTF meeting in Calgary.

TransCanada
In business to deliver

APPENDIX E

current bid mechanism. Overall, the changes will ensure that IT, STFT and ST-SN services are appropriately priced in the current business environment.

TransCanada expects the incremental annual discretionary revenue impact of implementing the proposed changes to IT, STFT and ST-SN services to be within a range of $20 to $80 million, based on historical and forward-looking analysis. For illustrative toll calculation purposes, TransCanada has included an incremental $20 million in annual discretionary revenue.[15] To the extent the pricing changes reduce migration to shorter-term discretionary services and encourage more FT service contracting, additional benefit could be realized.

John J. Reed of Concentric addresses the proposed changes to the pricing of IT and STFT services in his expert evidence presented as Appendix C4 to the Application. Mr. Reed determines that the proposal is consistent with the Board's tolling principles of economic efficiency, user-pay, and no unjust discrimination. Mr. Reed also concludes that TransCanada's short-term service pricing proposal provides sufficient protection against the potential for market power abuses. He concludes that the proposal is consistent with these principles and that it will improve the ability of the Mainline to compete.

8.3 Elimination of RAM

TransCanada proposes to eliminate the RAM feature associated with certain firm services. RAM is the mechanism through which eligible firm shippers receive dollar credits for their Unutilized Demand Charges (UDCs) that they can apply against their monthly IT service invoices. When introduced, the objective of RAM was to promote incremental contracting for, and renewal of, long-haul firm services. This objective has not been met.

[15] This amount is included in the 2012 Illustrative Toll Impact calculation in the "Services" column in Attachment 9.2.

As further discussed in Section 3.0 (Business Environment), the level of firm long-haul contracting on the Mainline has declined significantly in recent years. The RAM feature has led to reduced net IT service revenues, which in turn has led to upward pressure on the level of the FT tolls. The availability of the RAM feature is coming at a significant cost to FT toll payers through higher tolls. TransCanada therefore proposes to eliminate the RAM feature.

Description and History of RAM

RAM is a UDC mitigation tool whereby dollar credits are applied against a shipper's IT service invoice at the end of each month based on any UDCs from that shipper's eligible contracts. The RAM feature is applicable to the following firm service contracts:

- Long-haul FT contracts originating in Alberta and Saskatchewan;
- Short-haul FT contracts linked to a long-haul FT contract at a common location (that is, the short-haul FT contract is an extension of a long-haul FT contract held by the same shipper); and
- STS and STS-L contracts.

Any RAM credits a shipper generates in a month are applied against the shipper's monthly IT service invoice regardless of the paths used for IT service and the time the IT service was used in that month. The effect of this mechanism is that RAM credits can be used to reduce a shipper's monthly IT invoice to near zero levels. Section 4.1 of the current IT Toll Schedule outlines the RAM credit calculations and how RAM credits can reduce the invoice payable each month for IT service. The wording for Section 4.1 is available in the black-line version of the IT Toll Schedule included in Appendix C6 to the Application (Mainline Tariff).

RAM was originally introduced under the FT-RAM pilot that was approved by the Board as a feature of long-haul FT service for a one year period commencing

November 1, 2004 in accordance with TTF Resolution 02.2004.[16] The FT-RAM pilot was subsequently extended and modified pursuant to a number of TTF Resolutions[17] and Order TG-1-2006.[18] The pilot designation was lifted in 2009.[19]

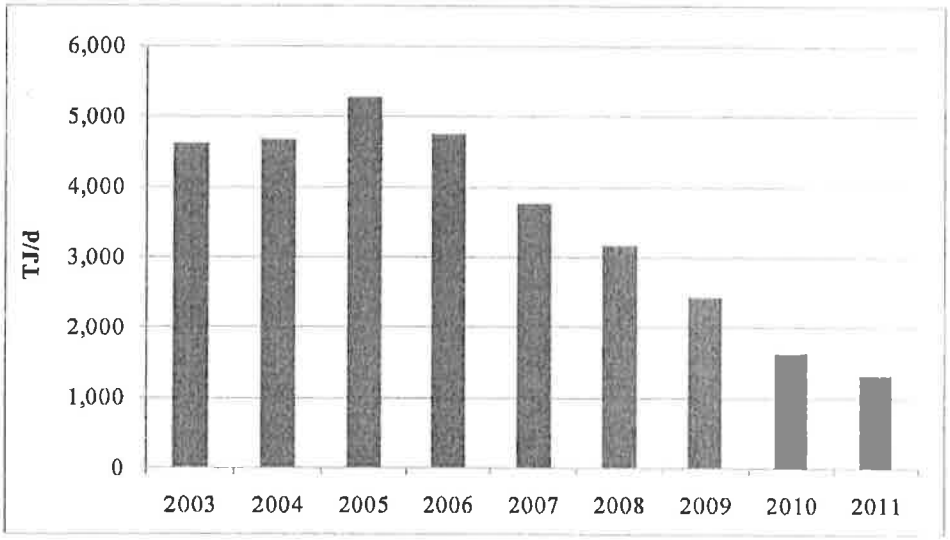
Impact on Firm Contracts

RAM was introduced to promote incremental contracting for, and renewal of, long-haul firm service. In the initial years following implementation, although there was no conclusive evidence that the objective of RAM was being achieved, some parties expressed the view in the RHW-2-2005 proceeding that RAM had influenced their decision to contract for FT service.[20]

However, the present situation is significantly different from the circumstances at the time of the RHW-2-2005 proceeding. As discussed in Section 3.0 (Business Environment), and as shown in Figure 8-3 below, long-haul FT service contracts have declined significantly.

[16] NEB letter decision of July 15, 2004.
[17] TTF Resolutions 20.2005, 05.2006, 02.2007 and 03.2007.
[18] Order TG-1-2006, attached to Decision RHW-2-2005 pertaining to an application by Coral Energy Canada Inc. to amend the FT RAM pilot.
[19] TTF Resolution 04.2009.
[20] *RHW-2-2005 Decision*, page 17.

Figure 8-3: Long-Haul FT Contracts



Note: Information for 2011 is forecast information and is based on data as of June 30, 2011.

The dramatic decrease in long-haul FT contract levels since 2005 demonstrates that RAM is not meeting the original objectives of retaining and encouraging long-haul contracts. Even the parties who indicated that their contracting decisions had been impacted by the FT-RAM pilot in the RHW-2-2005 proceeding have substantially decreased their long-haul FT contract levels since that time.

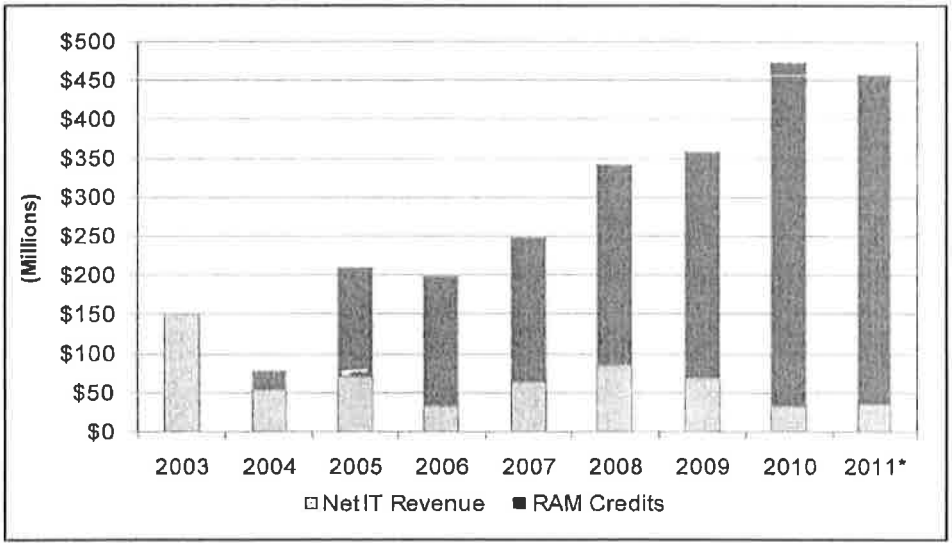
Impact on IT Revenue

RAM has negatively impacted the amount of IT service revenue that TransCanada collects and applies against the Mainline gross revenue requirement, which in turn has acted to increase tolls for all Mainline shippers. Since RAM's inception, a substantial and widening difference has existed between the gross amount of IT service revenue on the system and the net amount of IT service revenue that TransCanada actually collected. This difference between gross and net revenues reflects the fact that IT service revenue is being offset by RAM credits.

For instance, in 2003, the last full year before RAM was implemented, gross and net IT service revenues were $151 million. In 2010, Mainline gross IT service revenue

was $473 million. However, $440 million was offset with RAM credits, such that only $33 million of net IT service revenue remained to be applied against the gross revenue requirement. Over 90% of gross IT service revenue in 2010 was offset by RAM credits. Figure 8-4 below shows that the portion and amount of IT revenue offset by RAM credits has dramatically increased since 2004.

Figure 8-4: RAM Credit Offset of IT Service Revenue



Note: 2011 is a combination of actual and forecast data as of June 30, 2011.

Users of RAM versus Firm Contract Holders

Comparing the largest users of RAM credits to the amount of RAM-eligible firm transportation held by these shippers provides additional insight into the current use of the RAM feature.

Table 8-3 below compares the RAM-eligible firm contract holdings of the top five RAM credit users in 2010 against the amount of RAM credits those same shippers used in 2010. While the top five RAM credit users in 2010 accounted for over half of the use of RAM credits on the Mainline, the same five users represented approximately seven percent of the amount of RAM-eligible firm contracts. The fact

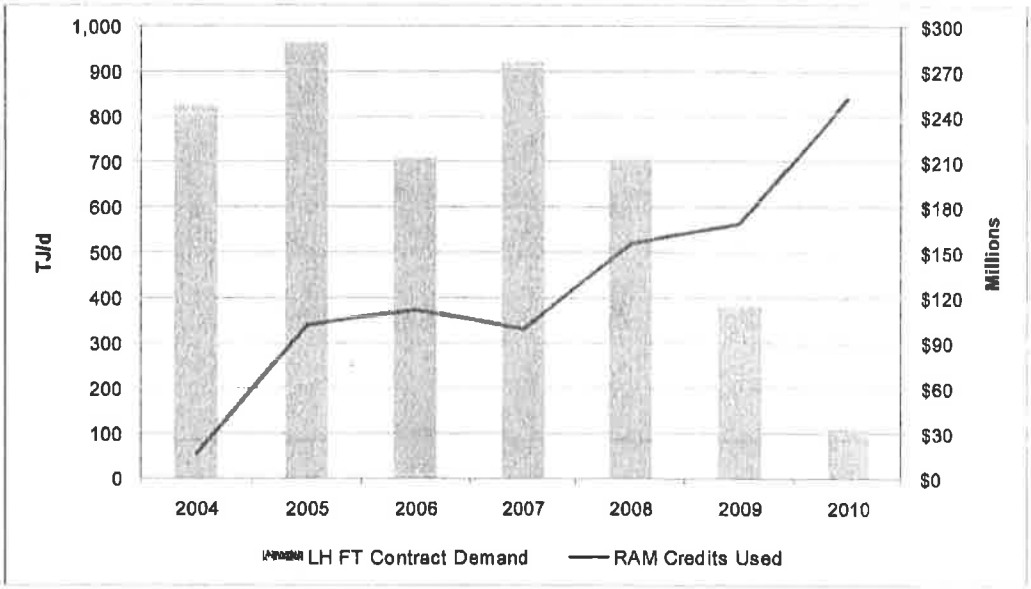
that the largest users of RAM are not significant RAM-eligible firm contract holders reinforces the conclusion that RAM is not encouraging additional firm contracting.

Table 8-3: Analysis of 2010 Top Five RAM Users

Item	IT Invoices Offset by RAM Credits		RAM-Eligible Firm Contract Holdings (FT, STS, STS-L)	
	$	% of Total	TJ/d	% of Total
Top Five RAM Users	Approximately $251 million	57%	106 TJ/d	7%

The disconnection between RAM usage and contracting has significantly widened over time. Figure 8-5 below compares the RAM credit usage of the same top five 2010 RAM users to their long-haul FT contract demand over time. While their RAM credit usage has dramatically increased since 2004, their long-haul FT contract levels have dramatically decreased over the same period.

Figure 8-5: Contracting Behaviour of 2010 Top Five RAM Users



TransCanada understands that this discrepancy is made possible through temporary assignments of FT capacity to these shippers. While these users of RAM credits have

benefitted from significant reductions in their monthly IT service invoices, this usage has negatively impacted discretionary revenues and resulted in upward toll pressure for all toll payers. In essence, RAM has resulted in the pricing of firm services reflecting the pre-purchase of some IT service enjoyed by a few high-volume RAM users. However, firm shippers who use their FT contracts at high load factors derive little benefit from RAM, yet their FT tolls effectively reflect the cost of RAM credits enjoyed by other shippers.

Impact on Revenue Opportunities

RAM credits earned on a particular path on a particular day can be applied to reduce a shipper's invoice for IT service used on any path on the system and at any time during the month. Additionally, as RAM credits are dollar amounts instead of equal quantity amounts (i.e., one GJ of UDC for one GJ of IT service), shippers often use RAM to transport many more GJs of IT service than the amount of GJs of UDC they incurred during the month. For instance, RAM credits earned by not using one GJ of a long-haul contract on one day may be used to reduce an IT service invoice for transportation of several GJs of IT service on a shorter path anywhere on the system on a different day or days. The ability to utilize RAM credits on an "out of path", "out of time", and "out of quantity" basis is contributing to the loss of net discretionary revenue on the system, which is resulting in higher Mainline tolls.

Often, RAM credits are gradually collected by shippers during a month and utilized in a concentrated fashion on a few high demand days and paths. Given the current amount of uncontracted capacity on the Mainline, such peak days would normally be expected to contribute substantial discretionary revenues that would be credited against the gross revenue requirement. Instead, while large quantities of gas flow on such peak days, a substantial amount flows without generating incremental revenues as it is offset by RAM credits. Elimination of RAM will help ensure that flow during peak periods results in actual incremental discretionary revenues.

Impact of RAM Elimination

The elimination of RAM is expected to result in increased diversions, increased contracting for STFT service and increased net IT revenues. The incremental revenues generated will be applied against the gross revenue requirement to contribute to lowering all Mainline tolls.

While RAM will no longer be offered as a tool to mitigate UDCs, TransCanada will continue to provide other means to help shippers mitigate their UDCs. These include diversion rights, Alternate Receipt Point (ARP) rights and assignment rights that are attributes of several Mainline firm services.

Without RAM, it is expected that shippers will mitigate UDCs they accrue on FT service contracts by first utilizing diversions to meet market opportunities previously met by the use of RAM credits. However, it is important to note that diversions can only be used on a one-to-one quantity basis on the same day an FT contract is not fully utilized. In other words, for each GJ of unutilized FT service contract demand, the shipper can only mitigate that GJ by diverting it to another location on the day. In contrast, RAM credits are dollar amounts, which enable RAM users in some cases to deliver many more times the amount of GJs to a location than could another shipper who solely used diversions. This suggests that in the absence of RAM, the market opportunities currently met by RAM would not be met by diversions alone.

To meet any market opportunities over and above those which can be accommodated through diversions, TransCanada expects shippers to contract for incremental STFT service on a seasonal, monthly or weekly basis and to use IT service when necessary for daily purposes. While the total usage of IT is likely to diminish as a result of the elimination of RAM, TransCanada expects that at least a portion of the IT service that is currently offset by RAM credits would continue to flow and generate incremental revenue.

In total, TransCanada expects an increase in annual discretionary revenue in the range of $50 to $150 million if RAM is eliminated, based on historical analysis that accounts for the expected shipper behaviour changes mentioned above. This range of incremental discretionary revenue likely is conservative, particularly when considering that the IT revenue offset by RAM credits is expected to exceed $400 million in 2011. For the purposes of illustrating the 2012 toll impact due to the elimination of RAM, TransCanada has included an incremental $50 million in annual discretionary revenue.[21] This amount has the effect of lowering the 2012 Illustrative Empress to Union SWDA FT toll by 6¢/GJ.

John J. Reed of Concentric, whose expert evidence is presented as Appendix C4 to the Application, addresses the appropriateness of eliminating the RAM feature. He concludes that the elimination of RAM is appropriate in the current market circumstances and it is consistent with the Board's tolling principles of user-pay and no unjust discrimination. Mr. Reed also explains that shippers will continue to have other opportunities to mitigate their unused capacity.

8.4 Multi-Year Fixed Price Service

TransCanada proposes a new MFP service that is similar to FT service except that the applicable tolls are set in advance for periods ranging from three to five years. MFP service was developed in response to shipper interest in a service that provides toll certainty over an extended period of time. By offering longer-term toll certainty, MFP service may promote additional contracting on the Mainline, which would result in incremental firm billing determinants to the benefit of all Mainline shippers. MFP service may also result in greater toll stability by encouraging longer-term contracting.

[21] This amount is included in the 2012 Illustrative Toll Impact calculation in the 'Services' column in Attachment 9.2.