

TURNBACK PROCEDURE

INDEX

Section		Sheet No.
1.	INTRODUCTION.....	1
2.	REQUEST FOR TURNBACK BIDS	1
3.	TURNBACK BIDS	1
4.	TURNBACK BID EVALUATION.....	1
5.	REPORTING	2
6.	REVENUE AND VOLUME ADJUSTMENTS	2
7.	REVIEW PROCESS.....	2

Turnback Procedure**1.0 Introduction**

- 1.1 Prior to proceeding with any facilities or TBO options, this Turnback Procedure shall be used by TransCanada where incremental pipe, compressor facilities and/or transportation by others ("TBO Capacity") are required to meet requests for incremental FT Service.
- 1.2 Requests for incremental FT Service shall be supported by executed Precedent Agreements.

2.0 Request for Turnback Bids

- 2.1 TransCanada will post a request for turnback bids ("Turnback Bids") on its electronic bulletin board. TransCanada will use reasonable efforts to bring the request for Turnback Bids to the attention of all FT Shippers.
- 2.2 TransCanada's request for Turnback Bids shall identify the terms of the incremental FT Service request including:
 - a) receipt and delivery point
 - b) daily quantity, and
 - c) commencement date and term.
- 2.3 TransCanada's request for Turnback Bids shall identify the date that Turnback Bids must be received by TransCanada. Such date will be a minimum of 10 Business Days from the date that the request for Turnback Bids was posted.

3.0 Turnback Bids

- 3.1 All existing FT Shippers are eligible to submit Turnback Bids.
- 3.2 FT Shippers may submit a Turnback Bid for all, or a portion of, their daily FT contract quantity as set out in their FT contract.
- 3.3 FT Shippers will specify the start date and term ("Turnback Term") of their bid. The minimum Turnback Term is 1 year. Any Turnback Term that is less than the remaining term of the FT contract will be considered "Temporary". Any Turnback Term that is equal to the remaining term of the FT contract will be considered "Permanent".

4.0 Turnback Bid Evaluation

- 4.1 TransCanada will reject any Turnback bid that does not reduce the need for incremental facilities and/or TBO Capacity.
- 4.2 TransCanada will evaluate Turnback Bids, relative to a facility expansion option or TBO option, based on criteria including the following:
 - i) incremental owning and operating costs,
 - ii) the impact on tolls and the system average unit cost of transportation,
 - iii) the impact on fuel and operating costs,

- iv) ability to meet the commencement date of the incremental FT Service request,
- v) the cost of incremental facilities and/or TBO Capacity that may be incurred in the future if Temporary Turnback Bids only postpone the need for incremental facilities and/or TBO Capacity,
- vi) the reduction in transportation revenue from the Turnback Contract,
- vii) the risk of future non-renewals and underutilization of facilities,
- viii) environmental issues,
- ix) the optimal sizing of incremental facilities, and
- x) partial reduction in facility and/or TBO requirements due to Turnback Bids

TransCanada will exercise its judgement in applying these criteria in an objective and reasonable manner.

5.0 Reporting

- 5.1 TransCanada will post on its electronic bulletin board, details of each Bid received and each Bid accepted by TransCanada identifying quantity, term, receipt point, delivery point and any other information that may be relevant. Names of the bidders shall not be disclosed.

6.0 Revenue and Volume Adjustments

- 6.1 For those Turnback Bids accepted by TransCanada, the daily FT contract quantity set out in the FT contract shall be reduced in accordance with the Turnback Bid for the duration of the Turnback Term. In the case of Permanent Turnbacks, the reduction in the daily contract quantity shall be permanent and the FT Shipper shall lose all rights, including renewal options, on the quantity turned back.
- 6.2 Changes in billing allocation units due to acceptance of Turnback Bids and incremental FT Service requests will be reflected in the determination of subsequent year's firm transportation tolls. All reductions in revenue due to acceptance of Turnback Bids and all increases in revenue due to incremental FT Service requests will be recorded in a Flow-Through Deferral Account and applied to the Net Revenue Requirement in subsequent Test Years.

7.0 Review Process

- 7.1 The Parties acknowledge that this Turnback Procedure is a pilot procedure and that modifications to it may be appropriate. Any Party may at any time seek modifications, or raise concerns, regarding the application of this procedure, through normal TTF/NEB approval processes.