



# Canadian Gas Pipelines

## Code of Conduct

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## **1.0 PURPOSE, OBJECTIVES AND APPLICATION OF THE CODE**

### **1.1 Purpose of the Code**

The purpose of this Code is to establish parameters and standards for transactions, interaction, information sharing and the sharing of services and resources between and among TransCanada's wholly-owned, federally regulated Canadian gas pipelines (the Pipelines) and Affiliates, while permitting each of the Pipelines to achieve operating efficiencies from economies of scale and scope in a manner that is consistent with the objectives of the Code.

Specifically, the Code is designed to meet the following objectives:

- a) provide transparent and consistent guidance respecting Affiliate activities and transactions;
- b) set standards that result in Affiliates and customers being treated fairly and consistently, preventing cross-subsidization, and preventing preferential treatment;
- c) protect and set standards for the use of customer confidential information collected in the course of providing services and access to facilities; and
- d) avoid anti-competitive practices between the Pipelines and their Affiliates, which may be detrimental to the interests of the Pipelines' customers.

### **1.2 Application of the Code**

The Pipelines are obligated to comply with this Code. Affiliates of the Pipelines are obligated to comply with the Code to the extent they interact with the Pipelines.

Standards and rules alone, however, will always be insufficient to achieve the objectives of this Code. These objectives can only be fully realized through a demonstrated respect for the spirit and intent behind the words by those individuals to whom the Code applies.

The Code does not replace or modify in any manner, any statutory, or regulatory requirements relating to any of the Pipelines.

## **2.0 INDEPENDENT FUNCTIONING**

### **2.1 Separate Operations**

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

## **2.2 Separate Management**

A Pipeline may share officers with another Pipeline or any Regulated Affiliate. A Pipeline must have separate officers from its Non-Regulated Affiliates, except that officers of a Pipeline may also be officers of any Affiliate in order to perform corporate governance, policy and strategic direction functions as provided for in Section 2.1.

## **2.3 Guiding Principle**

Any individual acting as a director or officer of a Pipeline, whether or not such individual acts in a dual capacity with any other Affiliate, shall carry out his/her responsibilities at all times in a manner that preserves the form, spirit and intent of this Code.

## **2.4 Accounting Separation**

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

## **2.5 Physical Separation and Separation of Information Services**

Where a Pipeline shares Information Services or facilities with a Non-Regulated Affiliate, all Confidential Information must be protected from unauthorized access by the Non-Regulated Affiliate. Appropriate measures shall include computer data management and data access protocols, as well as appropriate measures to restrict physical access by Non-Regulated Affiliates.

## **2.6 Sharing of Employees**

A Pipeline may share employees with an Affiliate on a Cost Recovery Basis.

However, a Pipeline may not share employees with a Non-Regulated Affiliate, if those employees:

- routinely participate in day-to-day delivery of Pipeline Services, or day-to-day decisions respecting the provision of Pipeline Services;
- routinely deal with or have direct contact with customers of the Pipeline; and
- are involved in day-to-day commercial decisions of a Pipeline.

## **2.7 Sharing of Assets**

The operational plant, assets and equipment of a Pipeline shall be separately identifiable from the operational plant, assets and equipment of other Regulated Affiliates and separated in ownership from the operational plant, assets and equipment of Non-Regulated Affiliates.

## **2.8 Shared Services Permitted**

Where a Pipeline determines it is prudent in operating its business, it may obtain Shared Services from, or provide Shared Services to, an Affiliate. The Pipeline shall periodically review the prudence of continuing Shared Services arrangements with a view to making any necessary

adjustments to ensure the Pipeline and its Affiliates each bear its proportionate share of costs. Where services are shared, a Services Agreement must be entered into by the Pipeline and its Affiliate.

## **2.9 Occasional and Emergency Services Permitted**

Where a Pipeline has otherwise acted prudently, it may receive, or provide, Occasional or Emergency Services to, or from, an Affiliate on a Cost Recovery Basis without a Services Agreement. In the event that an Occasional Service becomes a regular occurrence, the Pipeline shall enter into a Services Agreement with the Affiliate for Shared Services.

## **2.10 For Profit Affiliate Services**

Where a Pipeline determines it is prudent to do so, it may obtain For Profit Affiliate Services from an Affiliate or provide For Profit Affiliate Services to an Affiliate. For any For Profit Affiliate Services acquired by or provided to a Pipeline, the Pipeline must enter into a Services Agreement.

If a Pipeline intends to outsource to an Affiliate a service it presently conducts itself, the Pipeline shall undertake a cost-benefit analysis, acting prudently. The prudence of all For Profit Affiliate Services shall be reviewed annually by the Pipeline and reported to the Compliance Plan Committee.

When a Pipeline acquires For Profit Affiliate Services, it shall pay no more than the Fair Market Value of such services. When a Pipeline provides For Profit Affiliate Services, it shall not charge less than the Fair Market Value of such services.

## **2.11 Financial Transactions with Affiliates**

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

## **2.12 Asset Transfers**

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

Where operational efficiencies between a Pipeline and a Regulated Affiliate can be obtained through the use of common facilities, combined purchasing power or through the use of other cost saving methods, individual assets or groups of assets used in the Pipeline and Regulated Affiliate's operations may be transferred in the ordinary course of business at net book value or pursuant to another reasonable standard. All such transactions shall be properly accounted for in the Pipeline's and the Affiliate's respective accounting records.

### **3.0 NO PREFERENCE OR UNDUE INFLUENCE**

#### **3.1 Equal Access and Impartial Application of Tariff**

A Pipeline shall apply and enforce all tariff provisions in a fair and impartial manner and without preference in relation to any Affiliate or any other customer or prospective customer.

#### **3.2 No Undue Influence**

A Pipeline shall not condition or otherwise require any customer to deal with an Affiliate in order to receive Pipeline Services, nor shall a Pipeline representative, explicitly or by implication, suggest that an advantage will accrue to a customer in dealing with a Pipeline if the customer also deals with an Affiliate of a Pipeline. Nothing in this section shall prevent a Pipeline from making service offerings in compliance with its tariff or subject to applicable regulatory approval that may provide commercial or operational advantages to a customer if such services are subscribed in conjunction with service offerings made by an Affiliate of a Pipeline.

### **4.0 NO CONDUIT**

#### **4.1 Pipeline Information**

A Pipeline shall not provide any Non-Regulated Affiliate with Pipeline Information before such information is publicly available, except as required to fulfill corporate governance, policy, and strategic direction responsibilities of a corporate group of businesses as a whole, as provided in Sections 2.1 and 2.2, but only to the extent necessary and not for any other purpose.

#### **4.2 Aggregated Confidential Information**

A Pipeline may disclose to a Non-Regulated Affiliate, Confidential Information that is aggregated with the Confidential Information of other customers in such a manner that an individual customer's Confidential Information cannot be identified.

#### **4.3 Release of Confidential Information to Regulated Affiliates**

A Pipeline may release Confidential Information to another Pipeline or Regulated Affiliate on an as needed basis. The other Pipeline or Regulated Affiliate recipient shall be subject to Section 4.4 herein with regard to further release of the Confidential Information to any Non-Regulated Affiliate.

#### **4.4 Release of Confidential Information to Non-Regulated Affiliates**

A Pipeline or Regulated Affiliate shall not release Confidential Information to a Non-Regulated Affiliate without receiving the prior written consent of the customer or prospective customer, except in connection with a disclosure required:

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

- b) for the purpose of complying with a subpoena, warrant, or order issued or made by a court, person or body having jurisdiction to compel the production of information or with a rule of court that relates to the production of information;
- c) to a law enforcement agency for the purpose of investigating an offence involving the customer;
- d) by law or by an order of a government or agency having jurisdiction over a Pipeline; or
- e) for the purpose of providing Shared Services or For Profit Affiliate Services to the Non-Regulated Affiliate or for the purpose of receiving Shared Services or For Profit Affiliate Services from the Non-Regulated Affiliate, provided that the appropriate measures are first put in place by the Non-Regulated Affiliate to protect the Confidential Information and the Confidential Information is used by the Non-Regulated Affiliate only for the purpose intended.

## **5.0 COMPLIANCE MEASURES**

Each Pipeline is responsible for ensuring compliance with this Code, and will communicate the contents of the Code and any Compliance Plan, and any modifications from time to time, to each of its directors, officers, employees, contractors and Affiliates. The Code and any Compliance Plan shall be available on TC Energy's internal and external websites.

### **5.1 Responsibilities of the Compliance Officer**

The Compliance Officer shall have adequate resources to fulfill his or her responsibilities, which shall include:

- a) providing guidance, advice, and information to the Pipelines, and to Affiliates to the extent they interact with the Pipelines, for the purpose of ensuring compliance with this Code;
- b) monitoring and documenting compliance with this Code by the Pipelines, their directors, officers, representatives, contractors, and Affiliates;
- c) monitoring and documenting compliance with this Code by Affiliates with respect to the interactions of the Affiliates with the Pipelines;
- d) providing for the preparation and updating of a Compliance Plan and Compliance Report for the Pipelines, including performing annual reviews of compliance with the Compliance Plan and Compliance Report;
- e) receiving and investigating internal and external disputes, complaints and inquiries with respect to the application of, and alleged non-compliance with the Code;
- f) recommending measures to the Pipelines to address events of non-compliance with the Code;
- g) maintaining adequate records for at least six years with respect to all aspects of the Compliance Officer's responsibility. Compliance records shall be maintained in a manner sufficient to support a third party audit of the state of compliance with this Code; and
- h) filing the Compliance Plan and any modifications or replacements with the NEB, and posting the Compliance Plan and any modifications or replacements to TC Energy's website.

## 5.2 Responsibilities of the Compliance Plan Committee

The Compliance Plan Committee will meet annually within 30 days of March 1 of each calendar year, or as required to address matters of non-compliance with the Code, and to discharge its responsibilities as set out in the Compliance Plan.

The Compliance Plan Committee will, where appropriate, make recommendations regarding the sufficiency of the documentation reviewed as required by the Compliance Plan.

## 5.3 Annual Compliance Report

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

- a) a list of all Services Agreements in effect at any time during such period;
- b) a corporate organization chart for TransCanada and its Affiliates indicating relationships and ownership percentages;
- c) an overall assessment of compliance with the Code;
- d) an assessment of the effectiveness of the Compliance Plan and any recommendations for modifications thereto;
- e) in the event of any material non-compliance with the Code, a comprehensive description thereof and an explanation of all steps taken to correct such non-compliance;
- f) subject to the confidentiality provisions of Section 4 hereof, a summary of disputes, complaints and inquiry activity during the year;
- g) a summary list of any exemptions granted to this Code by the NEB or exceptions utilized, including the exception for Emergency Services; and
- h) two certificates, each in the form attached as Schedule "A" attached to this Code, attesting to completeness of the Compliance Report and compliance with the Code, one certificate signed by the Senior Vice-President, Canada (Natural Gas division) or similar role with equivalent authority and a second certificate signed by the Compliance Officer.

## 6.0 DISPUTES, COMPLAINTS OR INQUIRIES

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

TC Energy supports and encourages its personnel to report suspected instances of potential non-compliance with applicable laws, regulations, and authorizations. TC Energy takes every report seriously, investigates each report to identify facts, and effects improvements to our practices and procedures when warranted. All personnel making reports in good faith will be protected. Good faith reporting is intended to remove protection for personnel making intentionally false or malicious reports, or who seek to exempt their own negligence or willful misconduct by the act of making a report. TC Energy ensures immunity from disciplinary action or retaliation for personnel

for the good faith reporting of such concerns. Reports can be made to management, the Compliance Officer, a Compliance Coordinator, or anonymously to the ethics helpline.

## **6.1 Authority of the NEB**

This Code in no way detracts from or modifies the powers of the NEB to deny, vary, approve with conditions, or overturn, the terms of any transactions or arrangement between a Pipeline and Affiliate that may be conducted in accordance with this Code. A Party may raise concerns directly with TransCanada and/or with the NEB regarding compliance with this Code or otherwise. Compliance with the Code does not eliminate the need for approvals or filings where required by statute, regulation or by NEB decisions, orders or directions.

## 7.0 DEFINITIONS

### **Affiliate:**

- (a) one Body Corporate is affiliated with another Body Corporate if one of them is the subsidiary of the other or both are subsidiaries of the same Body Corporate or each of them is controlled by the same person;
- (b) if two Bodies Corporate are affiliated with the same Body Corporate at the same time, they are deemed to be affiliated with each other;
- (c) a Body Corporate is controlled by a person or by two or more Bodies Corporate if (i) securities of the Body Corporate to which are attached more than fifty per cent of the votes that may be cast to elect directors of the Body Corporate are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those Bodies Corporate; and, (ii) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the Body Corporate;
- (d) a Body Corporate is the holding Body Corporate of another if that other Body Corporate is its subsidiary;
- (e) a Body Corporate is a subsidiary of another Body Corporate if (i) it is controlled by: that other Body Corporate, that other Body Corporate and one or more Bodies Corporate each of which is controlled by that other Body Corporate, or two or more Bodies Corporate each of which is controlled by that other Body Corporate; or, (ii) it is a subsidiary of a Body Corporate that is a subsidiary of that other Body Corporate;
- (f) includes any partnership, joint venture, or Person deemed by the NEB to be an affiliate of a Pipeline or TransCanada for the purposes of this Code; and
- (g) includes an agent or other Person acting on behalf of any Body Corporate, partnership, joint venture or Person referred to in clauses (a) to (f) above.

**Body Corporate** means a company or other body corporate wherever or however incorporated.

**Code** means this Canadian Gas Pipelines Code of Conduct.

**Compliance Officer** means the individual who is responsible for overseeing compliance with this Code by each of the Pipelines.

**Compliance Plan** means the plan that details the measures, policies, procedures and monitoring mechanisms to ensure full compliance with the provisions of this Code.

**Compliance Plan Committee** means a committee that shall meet annually, or as required to address matters of non-compliance with the Code, and be comprised of the following representatives or representatives with equivalent title or authority:

- i) Senior Vice-President, Canada (Natural Gas division); and
- ii) Compliance Officer.

**Compliance Report** means an annual compliance report that is filed with the NEB.

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

**Cost Recovery Basis** means:

- i) with respect to the use by a Pipeline of an Affiliate's personnel, the fully burdened costs of such personnel for the time period they are used by a Pipeline, including salary, benefits, vacation, materials, disbursements and all applicable overheads;
- ii) with respect to the use by a Pipeline of an Affiliate's equipment, an allocated share of capital and operating costs appropriate for the time period the equipment is utilized by a Pipeline;
- iii) with respect to the use by an Affiliate of a Pipeline's equipment, an allocated share of the capital and operating costs appropriate for the time period the equipment is utilized by the Affiliate;
- iv) with respect to the use by a Pipeline of an Affiliate's services, the complete costs of providing the services, determined in a manner acceptable to a Pipeline, acting prudently;
- v) with respect to the use by an Affiliate of services of a Pipeline, the complete costs of providing the services, determined in a manner acceptable to a Pipeline, acting prudently; and
- vi) with respect to the transfer of equipment, plant inventory, spare parts or similar assets between a Pipeline and a Regulated Affiliate, the net book value of the transferred assets.

**Emergency Services** means any service required to prevent or respond to any incident, whether natural or manmade, that requires immediate responsive action to protect people, property or the environment.

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

**For Profit Affiliate Service** means any service, provided by a Pipeline to an Affiliate, or by an Affiliate to a Pipeline on a for-profit basis. For-profit services include those provided by a Regulated Affiliate or other Pipeline pursuant to applicable tariff provisions.

**Information Services** means any computer systems, computer services, databases, electronic storage services or electronic communication media utilized by a Pipeline relating to the Pipeline's customers or operations.

**NEB** means the National Energy Board or any regulatory or government authority hereafter having a similar jurisdiction in substitution therefor.

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

**Occasional Services** means a one-time or infrequent service to, or from, an Affiliate on a Cost Recovery Basis, documented by way of work order, purchase order or similar instrument.

**Person** means an individual, partnership, association, body corporate, or personal representative.

**Pipeline** means any of TransCanada's wholly-owned, federally regulated gas pipelines in Canada.

**Pipeline Information** means planning, operational, financial or strategic information belonging to a Pipeline that is not publicly available.

**Pipeline Services** means services provided by a Pipeline, the terms and conditions of which are regulated by the NEB.

**Regulated Affiliate** means an Affiliate whose tolls and tariffs are regulated by an established provincial, state or federal regulatory agency.

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

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

**Shared Service** means any service provided on a Cost Recovery Basis by a Pipeline to an Affiliate or by an Affiliate to a Pipeline. Shared Services shall not include For-Profit Affiliate Services.

**TransCanada** means TransCanada PipeLines Limited.

**SCHEDULE A – OFFICERS CERTIFICATE**

To: The National Energy Board

I, \_\_\_\_\_ of the City of \_\_\_\_\_, in the Province of Alberta, acting in my position as an officer of [appropriate entity] and not in my personal capacity, to the best of my knowledge do hereby certify as follows:

1. My position with [appropriate entity] is \_\_\_\_\_, and as such I have personal knowledge of, or have conducted due inquiry of individuals who have personal knowledge of, the facts and matters herein stated.
2. Capitalized terms used herein (which are not otherwise defined herein) shall have the meanings ascribed thereto in the Canadian Gas Pipelines Code of Conduct (the Code).
3. I have read the Code and the Compliance Report of Canadian Gas Pipelines for the \*\*\*\*\* reporting period (the Compliance Report).
4. The form and contents of the Compliance Report comply with the requirements of the Code and the matters reported therein are fully and accurately described.
5. I am not aware of any material non-compliance with the provisions of the Code by any director, officer, employee, consultant, contractor or agent of the Pipelines, as applicable, or by any Affiliate of the Pipelines (including any director, officer, employee, consultant, contractor or agent of the Affiliate) with respect to the any interaction between an Affiliate and the Pipelines that is not fully and accurately described in the Compliance Report.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_