

CUSTOMER QUARTERLY

Keeping Our U.S. Natural Gas Customers Informed



STRONGER TOGETHER

WHAT IT MEANS FOR YOU

The last time you heard from me was in my role as Executive Vice-President and Chief Commercial Officer for Columbia Pipeline Group (CPG). With the acquisition of CPG now complete, I now have the honor of welcoming you to our new TransCanada U.S. natural gas pipelines quarterly customer newsletter.



While we are still in the early stages of putting together one of America's largest natural gas transmission companies, the early results are extremely encouraging. Aside from the market advantages we provide our customers, I am pleased with how well our management team and business units have come together in such a short period of time. I hope that you too have experienced a seamless transition.

As you might have recently seen, the new slogan for our new TransCanada team is "Stronger Together." But just how does this new company benefit you, the customer? The advantages of bringing together TransCanada's and Columbia's assets is more than a slogan, it's a market and operational reality. Just a glance at TransCanada's footprint in North America—including the Canadian mainline and our emerging Mexican pipes—tells the story.

We have major assets in the most prolific producing regions in North America—with the Columbia Gas pipeline in the Utica and Marcellus basin and on the TCPL system and its position in the Montney basin.

Similarly, our access to prime demand centers is unparalleled. In addition to traditional core markets in major metropolitan areas, we are also positioned to help our customers take advantage of feed-gas opportunities, especially in petrochemical and liquefied natural gas applications continuing to unfold on the Gulf Coast.

We understand that now, more than ever, customers are looking for value. Our combined operations and the collective experience of our people mean that you now have more options available than before our companies combined.

We look forward to working with you. The opportunities are there. Let's make the most of them.

Stan Chapman
SVP and General Manager
TransCanada's U.S. Natural Gas Pipelines

NEW CONTROL ROOM OPENS IN WEST VIRGINIA



After more than 30 years of being located on the eighth floor of TransCanada's Charleston, West Virginia, office, Control Room East has found a new home.

"The technology built into this center is transformational and will position us to optimize a culture of safety, reliability and focus," said Chris Davis, Director Gas Control & Planning East.

In October, TransCanada held an open house for local employees to view the new control room on the second floor, which is responsible for monitoring 15,000 miles of pipeline and more than 3,400 storage wells. Employees got to see first-hand the technological enhancements, as well as top-notch security features.

New features carefully researched by the project team led by TransCanada Facilities in partnership with Gas Control and Information Services, increases security and decreases gas controller fatigue. Gas controllers work 12 hour shifts to monitor and control gas flow around the clock, and the industry is focused on ways to improve controller alertness.

New enhancements include:

- Raised ceiling, acoustic sound panels and noise-reducing ceiling tiles
- Separate HVAC system to better regulate office climate and reduce operator fatigue
- Ergonomic 24/7 chairs
- Enhanced A/V, including two large video walls that can be used as single large displays or for displaying multiple sources at one time (SCADA, Electronic Maps, News, Weather, etc.)
- Raised monitoring center platform to increase line of sight
- Improved war room with visibility of the control room, allowing guests to see in but not disturb gas controllers
- Training room outside of the main control room for gas controllers to learn new features and train new employees

The new location allows for fewer distractions for gas controllers, as well as a shorter distance back to the control room in the event of a fire drill or emergency. The space also allows for fewer access points to increase security around the control room.

"The new gas control center is impressive. It clearly shows that there is tremendous pride and our team is energized," stated Chris.

LEACH XPRESS ISSUED FINAL ENVIRONMENTAL IMPACT STATEMENT

In early September, TransCanada's proposed Leach XPress Project (LXP) spanning Ohio and West Virginia was issued a final Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC). TransCanada will implement mitigations and the additional measures recommended by FERC staff, and if approved, project construction can begin pending receipt of additional necessary permits.

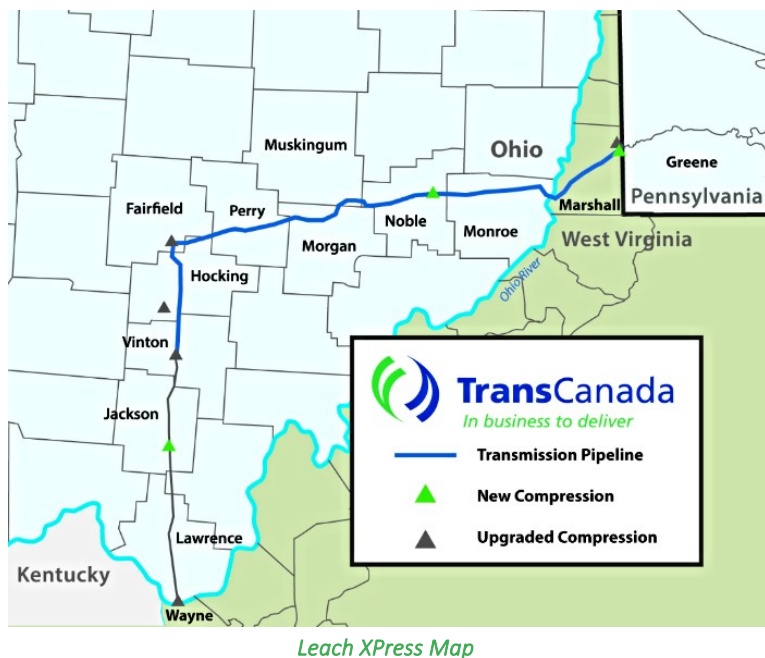
The roughly \$1.4 billion LXP investment will enable the safe transport of approximately 1.5 billion cubic feet a day (Bcf/d) of natural gas from the heart of the Appalachian supply basin to natural gas consumers served by the Columbia Gas and Columbia Gulf pipeline systems.

Additionally, the final EIS includes Rayne XPress (RXP), which primarily involves the addition of compression to Columbia Gulf's existing pipeline facilities to provide transportation of over 1 Bcf/d for project shippers.

RXP will provide additional capability for shippers to efficiently transport Appalachian production to markets through Columbia Gulf, which spans a corridor stretching from the U.S. Gulf Coast to Appalachia.

"Projects like these are critical to natural gas producers and the industry as a whole," said Stan Chapman, Senior Vice President and General Manager for U.S. Natural Gas Pipelines. "They create new capacity to move constrained shale gas to high-value markets."

With the acquisition of Columbia, TransCanada has assumed control of more than \$7 billion of expansion projects, as interest from producers and local distribution companies for natural gas infrastructure reaches record levels.



WISCONSIN SOUTH EXPANSION PROJECT REACHES OUT TO LOCAL COMMUNITIES

TransCanada's ANR Pipeline Company filed for a certificate to expand its facilities in Illinois and Wisconsin to increase its capacity to serve markets in the Midwest. The proposed Wisconsin South Expansion Project (WISE) would increase capacity through ANR's Sandwich Compressor Station in Illinois by 230,950 dekatherms a day (Dth/d). The capacity is needed to meet growing distribution and electric generation demand in Wisconsin and elsewhere in the Midwest.

The proposed project, which requires approval by the FERC, involves a suite of smaller projects:

- Install one new compressor unit and appurtenant facilities at ANR's existing Sandwich Compressor Station in Kendall County, Illinois, which will enable ANR to increase the Sandwich north mainline throughput capacity
- Increase capacity of the existing Hampshire Meter Station in Kane County, Illinois
- Replace the existing 0.54-mile Line 332 Lateral located in Kane County, Illinois, which originates at the Hampshire Meter Station
- Increase capacity of ANR's existing Tiffany East Meter Station in Rock County, Wisconsin
- Overhaul an existing Saturn 10 turbine compressor unit at ANR's Kewaskum Compressor Station in Sheboygan County, Wisconsin

"All construction activities associated with the project will be performed on property ANR already owns," said project manager Patrick Ewart. "The project is going to provide environmental and economic benefits to residents of the Midwest, particularly in Wisconsin and Illinois."

Open houses were conducted in Hampshire and Sandwich. Representatives from ANR were on hand to explain the project, including its purpose and need, the facilities that will be constructed, noise levels associated with the Sandwich compressor unit, issues around construction and operational safety and impacts to the environment.

COLLIERVILLE EXPANSION PROJECT BOOSTS ANR CAPACITY

TransCanada's ANR Pipeline Company received a certificate from the FERC on September 22, 2016, to install new compression and expand an existing meter station in Shelby County, Tennessee.

The additional delivery capacity will provide efficient, economic supplies of natural gas to distributor Memphis Light, Gas and Water which will transport the natural gas to a new electric generation facility near the Mississippi River.

ANR proposes to modify the existing Collierville Meter Station and install a turbine-compressor unit inside a new compressor station building. When finished, the project will expand ANR's Collierville Meter Station's delivery capacity by 200,000 Dth/d while maintaining ANR's current certificated levels.

"This project reflects the growing attraction of natural gas as the fuel of choice for new electric generating facilities," said project manager Samantha Fernandes. "TransCanada has demonstrated that it will get its share of these projects as they move to development across North America, from Oregon to Wisconsin to here in Tennessee."

Construction is scheduled to begin in the first quarter of 2017 with an anticipated in-service date of November 2017.

UTICA ACCESS LATEST EXAMPLE OF GROWTH PLAN SUCCESS

In October, a new pipeline began quietly moving natural gas under a five mile stretch of rural West Virginia. Known as Utica Access, the 24-inch-diameter pipeline transports enough clean-burning natural gas to meet the needs of more than 700,000 typical households every day. The project was placed in service two weeks ahead of schedule and \$5 million under budget.

"This key project milestone is a direct result of the team's sharp focus on executing our extensive growth and modernization inventory," said Stan Chapman. "Utica Access is another growth project that connects abundant, but constrained, Appalachian supplies to higher-value domestic markets."



Utica Access is a small piece of North America's natural gas transmission network, but it provides an important link for moving the prolific volumes of gas produced in the Utica Shale formation of the northeastern United States to market. It is also the most recent example of how TransCanada continues to deliver the energy millions of people rely on in their daily lives.

FERC APPROVES ANR COMPRESSOR ABANDONMENTS

In October, the FERC issued an order approving ANR Pipeline Company's request to abandon several compressor units and an associated 36 million cubic feet per day (MMcf/d) of short-haul capacity on a segment of its Southeast Mainline (SEML) from the Eunice Compressor Station in Acadia Parish, Louisiana, to the Celestine Compressor Station in Celestine, Indiana.

The FERC agreed with ANR that the compressor units were no longer needed to provide reliable, efficient service to customers. The units would have required millions of dollars of investment to upgrade to a state in which they could run reliably and efficiently. Since their output was not needed by customers and the cost to upgrade them was high, ANR requested their abandonment.

One compressor unit at each of ANR's Delhi (Louisiana), Brownsville (Tennessee) and Shelbyville (Indiana) compressor stations and two compressor units at its Sardis (Mississippi) facility will be abandoned.

Importantly, no long-haul transportation will be impacted.

GRAND CHENIER ABANDONMENTS GET FERC APPROVAL

ANR Pipeline Company received FERC approval in October to abandon some compression at its Grand Chenier Compressor Station in Cameron Parish, Louisiana. The FERC's order authorized ANR to abandon some compression permanently and provided a three-year window during which ANR can determine whether there is market demand for compression that will otherwise be permanently abandoned.

The FERC found no customer impact because the affected pipeline segment associated with the abandoned facilities is able to free flow (flow without compression) 537 MMcf/d. Current flows have been averaging less than 50 MMcf/d through those facilities.

An 8,100 horsepower compression unit will be permanently abandoned. Another unit rated at 9,700 hp will be temporarily abandoned. Temporary abandonment of one of the compression units allows ANR to analyze its customers' long-term capacity needs versus the cost of repair or replacement of the existing unit.

TUSCARORA, COLUMBIA GULF SETTLE FERC SECTION 5 CASES

Tuscarora Gas Transmission LLC and Columbia Gulf Transmission LLC were the subject of Section 5 rate procedures instituted by the FERC. Working closely with customers, both pipelines were able to file settlements that were supported or unopposed by all parties. On September 22, 2016, the FERC issued orders approving both settlements.

For Tuscarora, during the first three years after the effective date of the Settlement, the transmission rate will consist of a reservation charge of \$0.2749 Dth/d plus a delivery charge of \$0.0031/Dth/d. For the subsequent three years, the transmission rate will consist of a reservation charge of \$0.2549/Dth/d plus a delivery charge of \$0.0031/Dth/d.

The previous transmission rate was reservation-only and was equal to \$0.33/Dth/d.



For Columbia Gulf, the settlement order establishes a rate of \$0.1371/Dth/d. The previous rate was \$0.1411/Dth/d.

ANR FILES RATE SETTLEMENT

ANR Pipeline Company filed a settlement with the FERC in September that resolves all issues in its general rate case and some legacy issues that were not rate-related. The settlement, which was supported or unopposed by all parties, was approved by the FERC on December 15, 2016.

New rates under the settlement became effective August 1.

"This settlement is of particular importance given ANR's role in the natural gas market, serving some of the most prolific natural gas producing regions and some of the largest consuming markets in the United States," said John Roscher, Director Rates & Regulatory.

The settlement includes a provision that allows ANR to invest up to \$837 million in capital maintenance programs over three years.

ANR's rates were last adjusted more than 20 years ago.

INGAA PRESIDENT COMMENTS ON ELECTION RESULTS

Don Santa, president and chief executive officer of the Interstate Natural Gas Association of America (INGAA), commented on the results of the presidential and Congressional elections and on the natural gas pipeline industry's willingness to work with the nation's newly elected leaders:

"The natural gas pipeline industry looks forward to working with President-elect Donald Trump and the new Congress to ensure that our nation's energy policies continue to facilitate the development of natural gas and the pipeline infrastructure needed to transport this abundant, clean-burning, domestic fuel to American consumers."

"Natural gas is critical to rebuilding our manufacturing economy and lowering consumer energy costs. Our industry stands ready to help America reach its energy potential—while creating jobs and economic prosperity—by continuing to serve as the indispensable link between natural gas producers and consumers."

"We intend to work with new leaders to advance the use of natural gas, maintain the safety and reliability of natural gas pipelines and ensure a continued fair, timely and transparent review process for energy infrastructure projects."

TRANSCANADA CONDUCTS FULL-SCALE FIELD EXERCISE IN LOUISIANA

At least once a year, TransCanada's U.S. Natural Gas Pipelines group conducts a major field exercise in conjunction with local emergency responders to test the company's emergency procedures and to get to know the groups and individuals who will likely be first on the scene of an incident.

This year's major field exercise was held on September 5 in Eunice, Louisiana, near an ANR Pipeline Company compressor station. The exercise simulated a fire near the Acadiana Power Meter Station adjacent to Louisiana State University-Eunice.

"We conduct scores of tabletop exercises throughout the year, but it's always good to actually put boots on the ground and simulate what we would do in an actual incident and how we would work with local emergency responders," said Brad Willoughby, area manager for TransCanada's Mid America region. "In this exercise, we couldn't have asked for better response from our people or better coordination with the local emergency responders."

In addition to TransCanada personnel dispatched from the Eunice area (including technician Greg Nelson, who performed the role of Incident Commander), elements from a variety of local agencies responded, including Eunice Airport; Acadia Parish Emergency Coordinator (Homeland Security agency in the region); Eunice Fire Department; Louisiana State University-Eunice Security; Louisiana State Police (Hazmat Unit); Eunice Police Department; Eunice City Marshal; and the Acadian Parish Sheriff's office.



BUILDING OUR FUTURE TOGETHER

This October, TransCanada employees celebrated a new beginning as one integrated company by making a difference in communities across their footprint. Employees and in-house contractors in many locations took up hammers, drills and saws to help build homes, making it possible for hardworking families to purchase a home of their own.

The Habitat for Humanity builds took place in Brampton, Calgary, Charleston, Houston, Lafayette and Nappanee. Employees in cities with both TransCanada and Columbia offices greatly enjoyed the opportunity to get to know one another during volunteer hours.

"Truly caring for our neighbors and for our communities is part of who we are as a company and something we can all be proud of," said Chuck Moran, Senior Vice-President of Public Affairs & Communications. "Our employees across Canada and the United States have a long history of partnering with Habitat, often rolling up their sleeves to help build homes for partner families so they can have their 'new beginning'."

In addition to building homes, TransCanada collectively donated more than \$60,000 to Habitat for Humanity. This contribution will be used to help the organization shelter impoverished communities with affordable and substantial housing.



EMPLOYEE SPOTLIGHT

GETTING YOUR GAS TO MARKET

Name: Jennifer Spiller

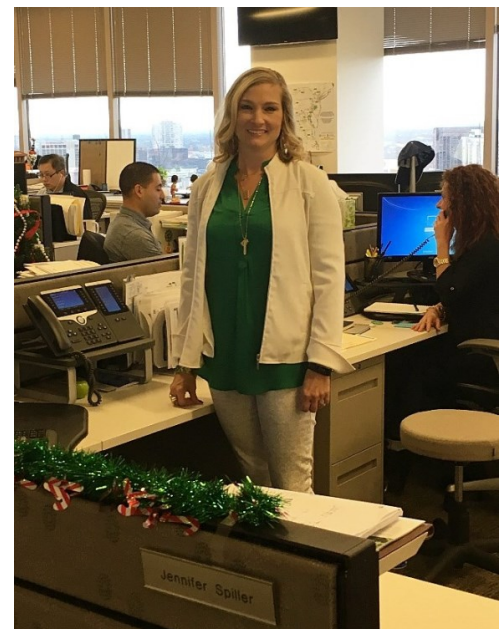
Title: Manager, Scheduling Team, Northeast

Years in energy: 15

Years with TransCanada/CPG: 1.5

Role: "My team is responsible for confirming gas flows across all of our Northeast assets."

About: "I grew up in Louisiana, the Sportsman's Paradise. Thanks to my upbringing, I love being outdoors and being competitive. Most of my time away from the office is spent with my husband and two boys playing sports, boating and fishing."



A lot of people either don't know or take for granted where their energy comes from. All you have to do is flip a switch on the wall or crank a knob on the stove. What more do you need to know about your source of energy?

In reality, it is a long trip from wellhead to burnertip. And those of us who work for pipelines and the companies they serve know what it means to be in the middle.

Jennifer Spiller is manager of TransCanada's Northeast Gas Scheduling team in Houston. She came over to the company in the acquisition of Columbia Pipeline Group, where she served in the same role.

"I started in the energy business in 1997 and spent several years with retail and marketing firms, so I learned to see things from a customer perspective. I am definitely drawing on that experience now that I am serving customers in a pipeline capacity," Spiller said. "And while our main objective is to accurately confirm the flow of gas across our thousands of miles of pipe each day, it is also important to me that our team has a strong sense of the importance of customer service."

Making sure that natural gas comes into the system at one spot and leaves it at another that customers specify may seem mainly a matter of science. In fact, it is different every day, and the parameters are constantly changing. Customers have five opportunities each day to tell TransCanada how they want to configure their contract volumes. And each contract can specify multiple receipt and delivery points. Managing it all requires both art and science.

"The most common question I get from customers is regarding changes to gas flow. If we have to change how much natural gas can flow through a point—either due to planned maintenance or something unplanned—we have to post that change. Naturally, customers want to hear an explanation," Spiller said.

"There are answers to their questions, but not every reduction in gas flow is easily explained," she continued. "And because gas can be reduced or restored several times during a cycle, we have to really research what's going on so we can give customers a thorough, accurate explanation."

TransCanada provides tools to help customers manage their contracts and understand each day's flow patterns.

"Our Informational Posting site for legacy Columbia customers [columbiapipeinfo] details the capacity that is operationally available on a daily basis. We also post any maintenance or restriction notices," Spiller explained. "Another useful tool within Navigates [Columbia's web-based nominations and scheduling engine] is the Internal Constraint Rights screen. For a given customer contract, the screen will list the relevant internal constraints on the chosen path and the customer's contract rights through each."

Spiller said the No. 1 thing customers can do on their side to improve their nomination and scheduling experience is to take advantage of Navigates' ranking system. "Nominations can be ranked from 1 to 999. That ranking lets the customer determine the order in which any necessary reductions are made," she said. "It is really important that the customer and pool operator alike rank his or her nominations."

Many tools are available to help customers schedule their gas and maximize the value of their capacity. And Spiller and her team are always available to help when that extra measure of customer service is needed.