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October 21, 2019

Ms. Kimberly D. Bose, Secretary Federal Energy Regulatory Commission 888 First Street, NE Washington, DC 20426

Re: Gas Transmission Northwest LLC Compliance Filing RP19-1546-000 Docket No. RP19-1546-_____

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act ("NGA") and Part 154 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,¹ and to comply with the Commission's Order Accepting Tariff Record Subject to Condition issued on October 4, 2019,² Gas Transmission Northwest LLC ("GTN") hereby proposes to revise Section 6.33 of its General Terms and Conditions ("GT&C") to reflect that GTN will require a response from a capacity holder no later than 20 business days from the date the accelerated right of first refusal ("ROFR") notice is issued,³ as more fully described below.

Correspondence

The names, titles and mailing address of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

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* Persons designated for official service pursuant to Rule 2010.

¹ 18 C.F.R. Part 154 (2019).

² Gas Transmission Northwest LLC, 169 FERC ¶ 61,011 (2019) ("October 4 Order").

³ Section 6.33 – GT&C, ROFR Upon Termination of Firm Service Agreement ("Section 6.33").

Statement of Nature, Reasons and Basis for Filing

On September 6, 2019, in Docket No. RP19-1546-000, GTN submitted revised Section 6.33 of its Tariff, which proposed the addition of a provision that will allow GTN the right to provide a capacity holder an accelerated ROFR notice in certain limited instances where GTN has proposed an expansion to its system that has become fully subscribed ("Accelerated ROFR Filing"). Specifically, GTN proposed to add language to Section 6.33 that would allow GTN to provide a shipper notice no more than 36 months prior to the termination of a shipper's service agreement that such shipper's capacity is subject to the ROFR election and ROFR process. Such notice would only require that a shipper inform GTN of its intent to either exercise its ROFR right or to terminate its service agreement. A shipper electing termination of its service agreement will provide GTN the opportunity to make use of the turned back capacity to ensure that its proposed expansion project is correctly sized.

In its October 4 Order, the Commission found GTN's proposal to initiate an early ROFR process up to 36 months before contract termination ("accelerated ROFR") is consistent with Commission policy and rejected protesters' challenges to the 36-month timeframe.⁴ However, despite acknowledging that it has "previously accepted tariff records allowing a pipeline to require shippers to respond to expansion ROFR notices within 10 business days," the Commission found that in light of protestors' concerns, GTN did not adequately support its proposal to require shippers to respond to an accelerated ROFR notice within 10 business days from the date the notice is issued. As a result, the Commission directed GTN to either modify its proposal or provide additional support for the proposed 10-business-day notice period.⁵

Under GTN's original 10-business-day notice period proposal, if GTN were to initiate an accelerated ROFR process, shippers would have merely been required to notify GTN, within 10 business days, whether they planned to terminate their service agreements at the end of the contract term or whether they preferred subjecting their capacity to the ROFR bidding process. Within the 10 business days, shippers would not have been required to make a decision regarding matching a competing bid or extending their contract term through the ROFR process. GTN notes that an accelerated ROFR may only be triggered if an expansion open season results in an expansion project being fully subscribed, and that any expansion open season will be posted on GTN's internet website for at least five business days. As such, existing ROFR shippers would be on notice that their capacity may be subject to an accelerated ROFR election a minimum of five business days prior to GTN invoking the accelerated ROFR process. Thus, under GTN's

⁴ Protests were filed by Puget Sound Energy, Inc; Northwest Natural Gas Company; Sacramento Municipal Utility District; Sierra Pacific Power Company d/b/a NV Energy, Inc; and Turlock Irrigation District.

original 10-business-day notice period proposal, shippers would have effectively had, at a minimum, 15 business days to evaluate their capacity requirements. As illustrated below, under GTN's original proposal, in the event GTN had initiated an accelerated ROFR process and then immediately conducted a ROFR open season, shippers would have had, at a minimum, 30 business days' notice before having to determine whether to match a third-party best bid in order to retain their capacity.

Minimum Business Days	
Open Season for Expansion Project ¹	5
Accelerated ROFR Notice Period (original proposal)	10
ROFR Open Season Bid Period ²	5
Period to Match Best Bid ²	<u>10</u>
Total Notice for Matching Best Bid	<u>30</u>
¹ GT&C 6.18.2(c)(1). ² GT&C 6.33(2).	

As the Commission itself has noted, it has "not imposed an inflexible standard with a set number of days that a pipeline must provide to existing shippers for the exercise of their ROFR rights."⁶ The Commission has previously found that timeframes less than 10 business days have provided shippers adequate time to make decisions regarding the acquisition of existing long-term capacity. In *Tennessee*, the pipeline sought to revise its tariff to replace its first-come, first-served method of awarding generally available capacity with a net present value methodology, which provided for a five-business-day open season bidding period for long-term transactions.⁷ Despite protests from shippers that a period of five business days was an inadequate period for bidding on long-term transactions, the Commission found that a five-business-day posting period is reasonable and adequate.⁸ The Commission reiterated its finding that a five-business-day posting period for long-term capacity from 15 days to three business days.⁹ The Commission found that "three business days would not allow shippers adequate time to identify and evaluate bid opportunities, [and] obtain management approval," finding instead that a five-business-day bidding period should apply in this particular proceeding.

⁵ October 4 Order at P 25.

⁶ Dominion Transmission, Inc. 111 FERC ¶ 61,135, at P 38 (2005) (Dominion).

⁷ Tennessee Gas Pipeline Company, 79 FERC ¶ 61,297, at 62,335 (1997) (Tennessee).

⁸ *Ibid*, at 62,338.

⁹ Columbia Gas Transmission Corporation, 80 FERC ¶ 61,021 at 61,051(1997) (Columbia).

Additionally, the Commission has found that a similar 10-business-day timeframe for an existing shipper to notify a company that it will exercise its ROFR provided shippers adequate time to make a decision. In *Dominion*, the pipeline proposed revisions to its ROFR provisions such that in cases when there were no acceptable third-party bids for ROFR capacity, the existing shipper would have 10 business days to exercise its ROFR for all or part of its capacity at the maximum rate. Certain shippers protested that a period of 10 business days was "an unreasonably short period of time" for a shipper to determine whether or not it should exercise its ROFR in a no third-party bid situation. However, in its acceptance of the pipeline's proposed revisions, the Commission found that the "proposal to offer 10 business days to determine whether and how to exercise its ROFR ... provides existing shippers a reasonable time to make a decision," stating that "the Commission has not imposed an inflexible standard with a set number of days that a pipeline must provide to existing shippers for the exercise of their ROFR rights," rather, its "policy, which requires that pipelines provide a reasonable amount of time for shippers to respond, permits pipelines a reasonable amount of flexibility to establish a workable procedure on their individual systems."¹⁰

For the reasons discussed above, GTN believes that its original 10-business-day notice period proposal is reasonable; however, in recognition of shippers' concerns that a 10-business-day notice period is not sufficient, GTN proposes to revise the accelerated ROFR provision in Section 6.33, submitted in GTN's Accelerated ROFR Filing, to reflect that GTN will require a response from the capacity holder no later than 20 business days from the date the accelerated ROFR notice is issued. GTN respectfully requests that the Commission accept revised Section 6.33, included herein as Appendix A, to become effective October 6, 2019 and find that GTN has complied with the Commission's October 4 Order.

Effective Date

GTN respectfully requests that the Commission accept this filing and approve the tariff section, included herein as Appendix A, to become effective October 6, 2019.

Other Filings Which May Affect This Proceeding

There are no other filings before the Commission that may significantly affect the changes proposed in this proceeding.

¹⁰ Dominion, at P 38.

Contents of Filing

In accordance with Section 154.7 of the Commission's regulations, GTN is submitting the following via its electronic tariff filing:

- 1. This transmittal letter;
- 2. A clean version of the tariff section (Appendix A); and
- 3. A marked version of the tariff section (Appendix B).

Certificate of Service

As required by Sections 154.7(b) and 154.208 of the Commission's regulations, a copy of this filing is being served upon all of GTN's existing customers and interested state regulatory agencies. A copy of this letter, together with any other attachments, is available during regular business hours for public inspection at GTN's principal place of business.

Pursuant to Section 385.2005 of the Commission's regulations, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to David A. Alonzo at (832) 320-5477.

Respectfully submitted,

GAS TRANSMISSION NORTHWEST LLC

tohn a. Roscher

John A. Roscher Director, Rates & Tariffs

Appendix A

Gas Transmission Northwest LLC FERC Gas Tariff, Fourth Revised Volume No. 1-A

Clean Tariff Section

Tariff Section

<u>Version</u>

6.33	ROFR Upon Termination of Firm Service Agreement	v. 5.1.0
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6.33 RIGHT OF FIRST REFUSAL (ROFR) UPON TERMINATION OF FIRM SERVICE AGREEMENT

Firm Shippers (original capacity holders) under GTN's firm transportation rate schedules of Fourth Revised Volume No. 1-A who: (1) hold capacity for terms greater than or equal to one year at the maximum authorized reservation charge or rate, or (2) hold multi-year seasonal contracts at the maximum authorized reservation charge or rate, for a service not available from GTN for a full twelve consecutive months, shall have the right of first refusal at the expiration of their service agreements, subject to the procedures outlined below. If a Shipper is not otherwise eligible for a right of first refusal as identified above, GTN may offer a contractual right of first refusal on a not unduly discriminatory basis. The right of first refusal does not apply to interim service agreements for capacity that has been reserved for a future expansion project as set forth in Section 6.32 of these Transportation General Terms and Conditions, or capacity that has been sold on a pre-arranged basis pursuant to Section 6.18.2(b) of these Transportation General Terms and Conditions.

No earlier than 13 months and no later than 12 months prior to termination of an original capacity holder's Service Agreement, GTN shall give written notice to original capacity holder that an election is required regarding original capacity holder's right of first refusal. GTN shall require a response from an original capacity holder no later than 12 months prior to the termination of the original capacity holder's Service Agreement. An original capacity holder's response to GTN's notice shall indicate original capacity holder's election to either: 1) terminate its Service Agreement; or 2) not terminate its Service Agreement. In the event an original capacity holder does not respond to GTN's notice at least 12 months prior to the termination of its Service Agreement, and the Service Agreement is not extended pursuant to an evergreen provision, then original capacity holder's failure to respond shall be construed as an election to terminate its Service Agreement at the end of the contract term.

In the event an expansion project is proposed that would utilize capacity on GTN's existing facilities, the sizing of which project could be affected by an original capacity holder's plans regarding the continuation of service, and such proposed expansion project is fully subscribed, then GTN will have the right to give the original capacity holder's Service Agreement that the original capacity holder's capacity is subject to the right of first refusal election and process. GTN shall require a response from the original capacity holder no later than twenty (20) Business Days from the date the notice is issued. If the original capacity holder elects to terminate, then the original capacity holder's capacity may be reserved by GTN pursuant to Section 6.32 (Reservation of Capacity for Expansion Projects)

At the time an original capacity holder provides its response to GTN's notice regarding its election to terminate or not to terminate its service agreement, GTN will post a notice on its Internet website that the original capacity holder's service agreement will expire and whether the original capacity holder has either elected or not elected to terminate pursuant to this section.

- 1. In the event original capacity holder elects termination, original capacity holder shall no longer hold a right of first refusal and GTN shall post the original capacity holder's capacity on GTN's Internet website as available capacity in accordance with Section 6.18.2(c) of these General Terms and Conditions.
- 2. In the event original capacity holder does not elect termination, GTN will commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Section 6.18.2(e). In the event that GTN does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If GTN accepts any bid(s) the original capacity holder will have ten (10) business days from the date of notice to match the accepted bid(s) in order of economic value (highest to lowest), provided that the original capacity holder shall not have to match any bid rate higher than the maximum applicable rate and shall not be subject to the highest incremental rate on the GTN system. GTN will announce the winning bid(s) as soon as practicable after the close of the match period. If the original capacity holder matches an accepted bid, the associated capacity is awarded to the original capacity holder. If the original capacity holder does not match an accepted bid, the capacity shall be awarded to the highest acceptable bid(s). If there is more than one equivalent winning bid, GTN shall award capacity on a pro rata basis. New longterm Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion shippers on the GTN system. New Shippers must execute a firm transportation service agreement with GTN prior to service commencement. Original capacity holder is allowed to retain a portion of its capacity by matching the NPV, based upon price and term, of acceptable bids, according to the procedure outlined in this provision, provided that the original contract path is maintained.
- 3. The net present value of revenues to be received from a Shipper bidding a Negotiated Rate shall be calculated using the proposed reservation charge revenues and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise. Where the Negotiated Rate is based on a Negotiated Rate Formula, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

4. If there are no acceptable bids received, the rate and terms of continuing service is to be negotiated between original capacity holder and GTN. GTN and original capacity holder shall have 20 business days from the end of the bid period to mutually agree to acceptable terms. In the event GTN and original capacity holder do not mutually agree to continue service, original capacity holder shall no longer hold a right of first refusal and the capacity will be posted as available capacity in accordance with Section 6.18.2(c).

However, if during this 20-day period the original capacity holder agrees to pay the maximum authorized rate, the original capacity holder may determine the term it desires and GTN must extend the original capacity holder's contract accordingly. However, in order to retain the right of first refusal, the original capacity holder must extend its contract at the maximum authorized rate for a term of at least one year.

- 5. Shippers who terminate their service agreements are not liable for any reservation charges or other charges applicable to the new Shipper contracting for this capacity.
- 6. Only valid bids will be accepted. In order for a bid to be considered valid, a bidder must be deemed creditworthy per Section 6.18.4 of these Transportation General Terms and Conditions by the close of the bid period. All bids not withdrawn prior to the close of the bid period shall be binding. At the end of the bid period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.18.2(e). Bidders may submit valid bids for all or a portion of the capacity that is subject to a right of first refusal provided that the original contract path is maintained.
- 7. Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's Firm Transportation Service Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a Firm Transportation Service Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either GTN or Shipper elects termination under an evergreen provision, GTN shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Section 6.33.
- 8. When a right of first refusal process has been completed and there has been no award of capacity, the capacity will be offered pursuant to Transportation General Terms and Conditions Section 6.18.2(c), which governs GTN's sale of generally available capacity where there is no shipper with right of first refusal rights.

- 9. Unless GTN and Shipper expressly agree otherwise in Shipper's service agreement, a Shipper who has entered into an interim service agreement pursuant to Section 6.18.2(b) or Section 6.32 of these Transportation General Terms and Conditions may not elect to extend such interim service agreement pursuant to this Section 6.33.
- 10. A Shipper paying a discounted rate or a negotiated rate will not have the right of first refusal, unless otherwise agreed to in writing by GTN.
- 11. Prior to GTN commencing an open season bidding process in accordance with paragraph 2, above, original capacity holder and GTN may mutually agree to extend the contract term of the existing Service Agreement, thus avoiding the bidding process.

Appendix B

Gas Transmission Northwest LLC FERC Gas Tariff, Fourth Revised Volume No. 1-A

Marked Tariff Section

Tariff Section

<u>Version</u>

6.33	ROFR Upon Termination of Firm Service Agreement	v. 5.1.0
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In the event an expansion project is proposed that would utilize capacity on GTN's existing facilities, the sizing of which project could be affected by an original capacity holder's plans regarding the continuation of service, and such proposed expansion project is fully subscribed, then GTN will have the right to give the original capacity holder notice no more than 36 months prior to termination of the original capacity holder's Service Agreement that the original capacity holder's capacity is subject to the right of first refusal election and process. GTN shall require a response from the original capacity holder original capacity holder is issued. If the original capacity holder elects to terminate, then the original capacity holder's capacity may be reserved by GTN pursuant to Section 6.32 (Reservation of Capacity for Expansion Projects)

At the time an original capacity holder provides its response to GTN's notice regarding its election to terminate or not to terminate its service agreement, GTN will post a notice on its Internet website that the original capacity holder's service agreement will expire and whether the original capacity holder has either elected or not elected to terminate pursuant to this section.

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- 2. In the event original capacity holder does not elect termination, GTN will commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Section 6.18.2(e). In the event that GTN does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If GTN accepts any bid(s) the original capacity holder will have ten (10) business days from the date of notice to match the accepted bid(s) in order of economic value (highest to lowest), provided that the original capacity holder shall not have to match any bid rate higher than the maximum applicable rate and shall not be subject to the highest incremental rate on the GTN system. GTN will announce the winning bid(s) as soon as practicable after the close of the match period. If the original capacity holder matches an accepted bid, the associated capacity is awarded to the original capacity holder. If the original capacity holder does not match an accepted bid, the capacity shall be awarded to the highest acceptable bid(s). If there is more than one equivalent winning bid, GTN shall award capacity on a pro rata basis. New longterm Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion shippers on the GTN system. New Shippers must execute a firm transportation service agreement with GTN prior to service commencement. Original capacity holder is allowed to retain a portion of its capacity by matching the NPV, based upon price and term, of acceptable bids, according to the procedure outlined in this provision, provided that the original contract path is maintained.
- 3. The net present value of revenues to be received from a Shipper bidding a Negotiated Rate shall be calculated using the proposed reservation charge revenues and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise. Where the Negotiated Rate is based on a Negotiated Rate Formula, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

4. If there are no acceptable bids received, the rate and terms of continuing service is to be negotiated between original capacity holder and GTN. GTN and original capacity holder shall have 20 business days from the end of the bid period to mutually agree to acceptable terms. In the event GTN and original capacity holder do not mutually agree to continue service, original capacity holder shall no longer hold a right of first refusal and the capacity will be posted as available capacity in accordance with Section 6.18.2(c).

However, if during this 20-day period the original capacity holder agrees to pay the maximum authorized rate, the original capacity holder may determine the term it desires and GTN must extend the original capacity holder's contract accordingly. However, in order to retain the right of first refusal, the original capacity holder must extend its contract at the maximum authorized rate for a term of at least one year.

- 5. Shippers who terminate their service agreements are not liable for any reservation charges or other charges applicable to the new Shipper contracting for this capacity.
- 6. Only valid bids will be accepted. In order for a bid to be considered valid, a bidder must be deemed creditworthy per Section 6.18.4 of these Transportation General Terms and Conditions by the close of the bid period. All bids not withdrawn prior to the close of the bid period shall be binding. At the end of the bid period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.18.2(e). Bidders may submit valid bids for all or a portion of the capacity that is subject to a right of first refusal provided that the original contract path is maintained.
- 7. Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's Firm Transportation Service Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a Firm Transportation Service Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either GTN or Shipper elects termination under an evergreen provision, GTN shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Section 6.33.
- 8. When a right of first refusal process has been completed and there has been no award of capacity, the capacity will be offered pursuant to Transportation General Terms and Conditions Section 6.18.2(c), which governs GTN's sale of generally available capacity where there is no shipper with right of first refusal rights.

- 9. Unless GTN and Shipper expressly agree otherwise in Shipper's service agreement, a Shipper who has entered into an interim service agreement pursuant to Section 6.18.2(b) or Section 6.32 of these Transportation General Terms and Conditions may not elect to extend such interim service agreement pursuant to this Section 6.33.
- 10. A Shipper paying a discounted rate or a negotiated rate will not have the right of first refusal, unless otherwise agreed to in writing by GTN.
- 11. Prior to GTN commencing an open season bidding process in accordance with paragraph 2, above, original capacity holder and GTN may mutually agree to extend the contract term of the existing Service Agreement, thus avoiding the bidding process.