TransCanada's AGIA Application
Statewide Legislative Hearings

June / July 2008

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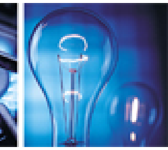
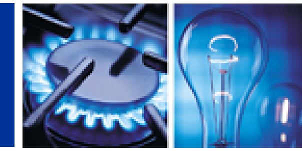
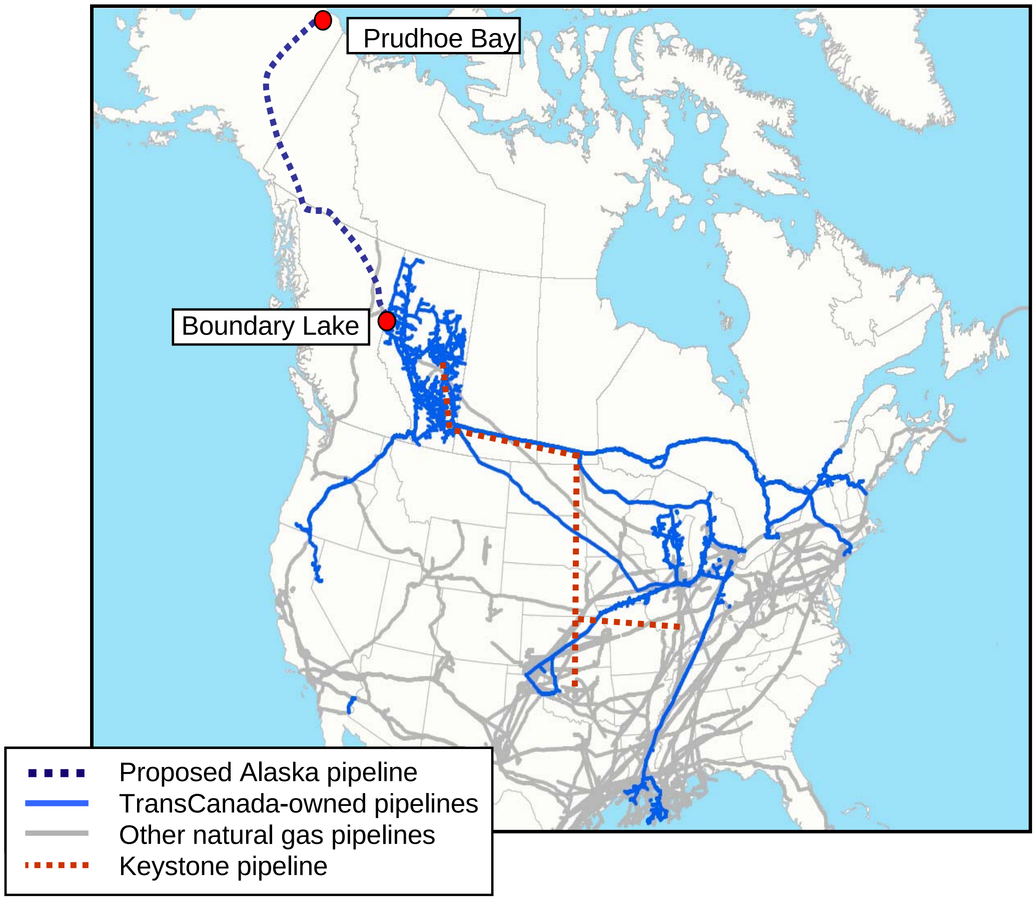
TransCanada's Objectives – Alaska Project



- Early in-service
  - Largest investment opportunity in core business line and geographic footprint
  - Utilize spare capacity on existing North American pipelines
  - LNG market as alternative investment opportunity
- Encourage long-run basin development
  - Serve In-State and other markets
  - Increase market and supply diversity
  - Growth investment opportunities
    - Pipeline expansions can create "virtuous circle"
      - Pipeline expansions promote more exploration and drilling which, if successful, leads to more pipeline expansions
- Equitable treatment for all customers
  - 50-year successful track record of balancing interests
    - Initial and future
    - Large and small

TransCanada's Credentials





	TransCanada Total	Alaska Pipeline Project
Miles of Pipe • in U.S.	36,500 • 12,000	1,715 • 750 in Alaska
Compression Horsepower	5,370,000	750,000 • 265,000 in Alaska
Throughput Volumes	15 bcf/d	4.5 bcf/d

1957/58 TransCanada's Mainline	Original build across Canada 2,300 miles
1990s Expansion	7,000 miles Completed within 0.6% of budget and on schedule
2008 – 2009 Keystone Pipe	2,150 miles New build in U.S. – 1,380 miles

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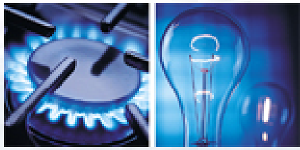
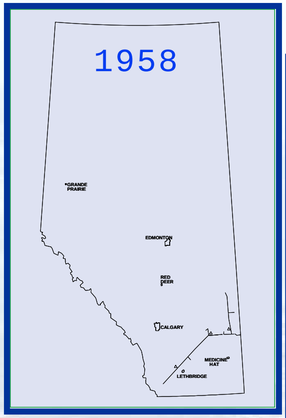
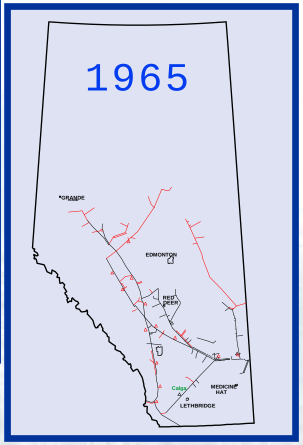
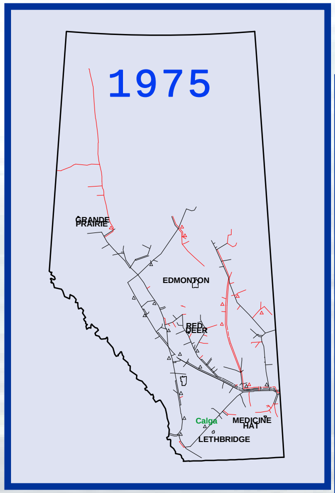
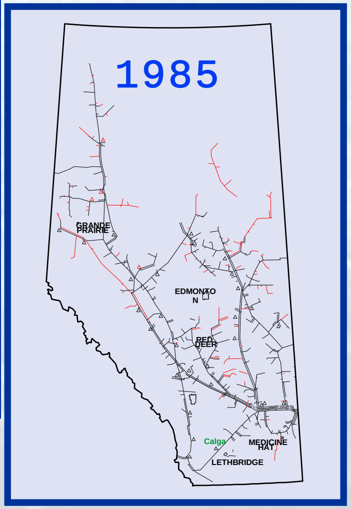
Proven Basin Developer – Alberta Example

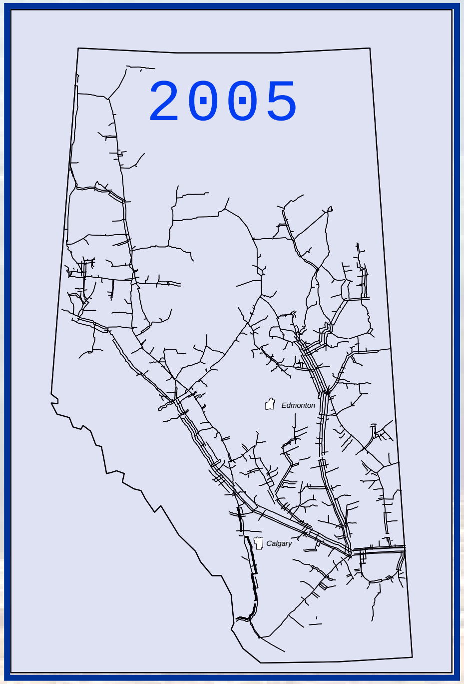








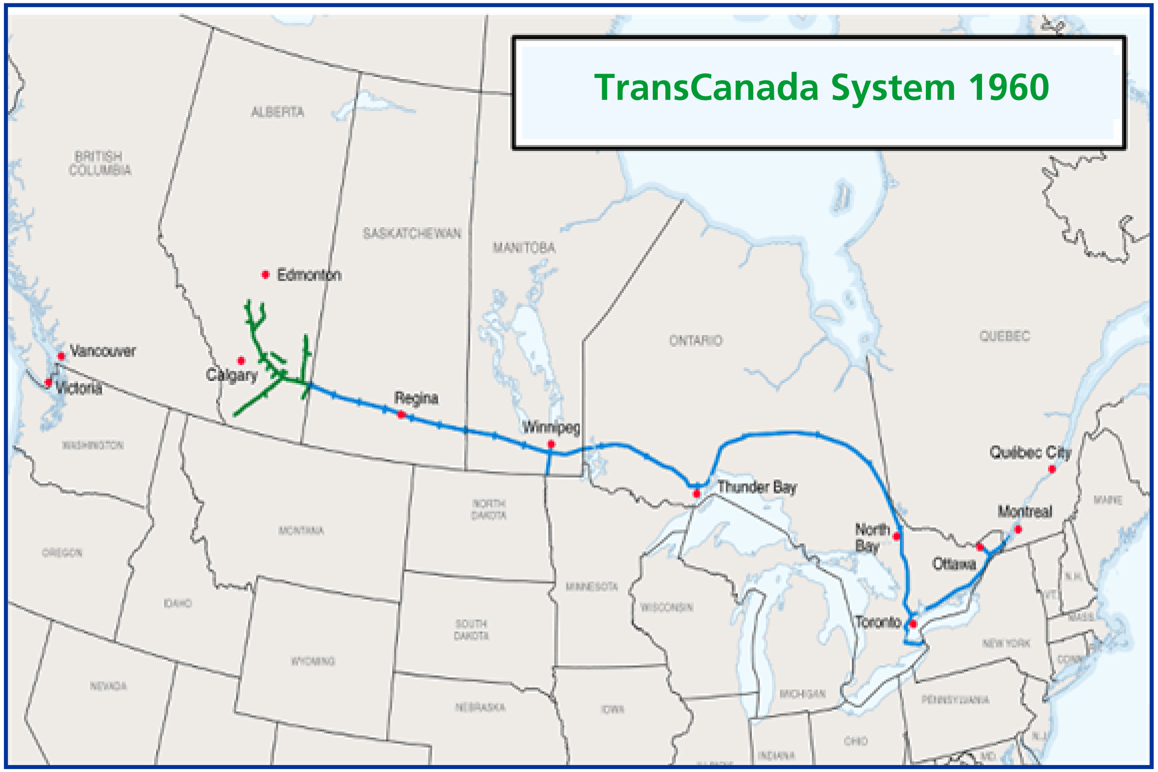




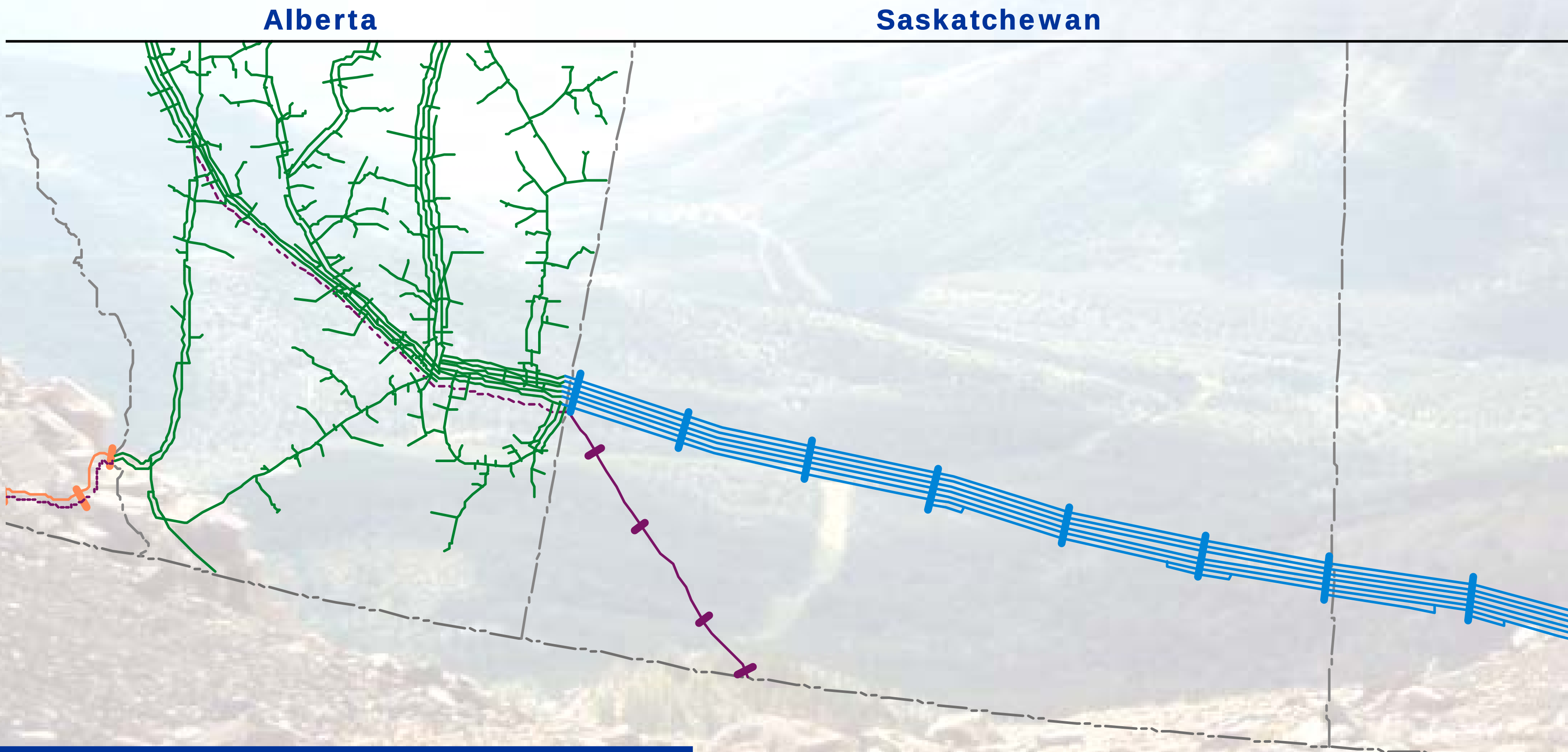
Regulatory Structure

- **Independent pipeline model**
- **Rolled-in tolls**
- **3 customers in 1958, 300+ today**

Proven Basin Developer – Mainline Example 1960



Proven Basin Developer – Mainline Example 2008



Regulatory Structure

- Independent pipeline model
- Rolled-in tolls
- 3 customers in 1958, 300+ today

AGIA “Must Haves”

AGIA “Must Haves”	TransCanada’s Application	Completeness
1. Filed by deadline	Filed on November 30, 2007	✓
2. Project details & schedule	Alaska Highway route 5 bcf/d GTP and 48” 2500/2600 psi pipe 2017 November in-service*	✓
3. Open season date certain Apply for FERC pre-filing Apply for FERC CPCN	Completed by Sept. 2009* June 2010* - not contingent on Open Season December 2011* - as above	✓
4. RCA filing	N/A	**N / A**
5. Open season frequency	Once every 2 years	✓
6. Expansions - Commitment to expand in engineering increments	Yes, 4.5 bcf/d initial design capacity Expandable to 5.9 bcf/d with compression only	✓
7. Rolled-in tolls	Up to 115% of initial rates in Alaska Full rolled-in rates in Canada	✓
8. Gas treatment plant	TransCanada will build if 3rd parties do not	✓
9. State reimbursement	Up to $500 million	✓

* Subject to AGIA license by April 2008

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AGIA "Must Haves"


AGIA "Must Haves"	TransCanada's Application	Completeness
10. Project debt ratio minimum	Construction - 70% Operation – 75% (to reduce tolls)	✓
11. Capital cost overrun measures	TransCanada's return reduction (penalty) Potential $18 B loan guarantee (stable tolls)	✓
12. In-state deliveries	Min. 5 delivery points	✓
13. In-state delivery rates	Distance sensitive rates	✓
14. Local headquarters in Alaska	Yes	✓
15. Local hire, local businesses, etc.	Opportunities for local hire and businesses	✓
16. Waive right to appeal	Waived	✓
17. Project labor agreement	Commit to negotiate PLA	✓
18. Treatment of State reimbursement	Excluded from rate base	✓
19. Details of Applicant	Provided	✓
20. Readiness, financial resources and technical ability of Applicant	Proven record and demonstrated capability	✓

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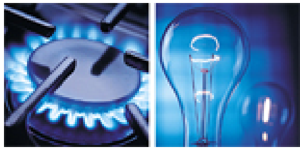
TransCanada's Competitive Response to AGIA



- TransCanada bid to win – competitive enhancements
  - Initial system design with inexpensive expandability
  - Gas treatment plant ownership, if no 3rd party willing to build
  - Equity opportunity for shippers committing gas in initial open season
  - 75% debt vs. 70% minimum limit in AGIA
    - Toll reduction of $0.09/mmbtu
  - TransCanada's return reduction in event of capital cost overruns
  - Fort Nelson Option upside
    - Toll reduction of $0.13 -$0.18/mmbtu
  - LNG alternative if insufficient gas commitments through Canada , or via Y-line

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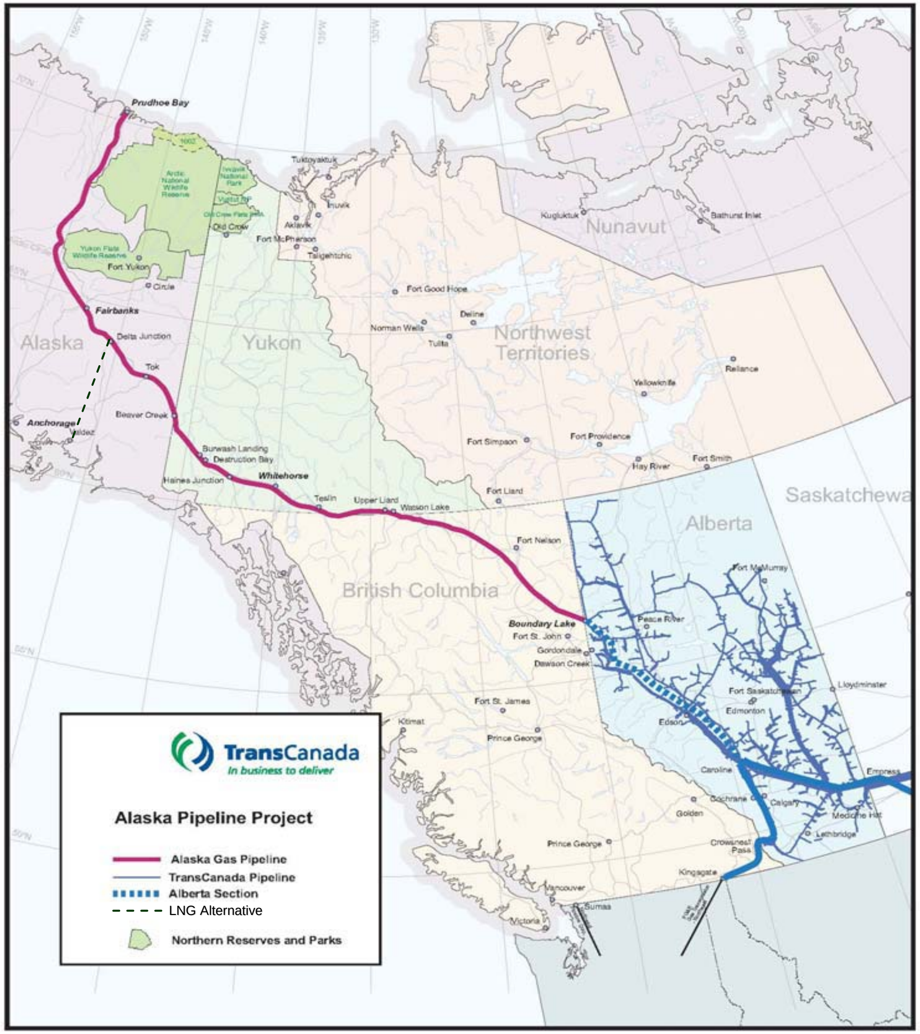
Alaska Pipeline Project



- **Alberta Hub is the most liquid market in North America**
- **TransCanada's Alberta System is the Alberta Hub**
- **Access to all North American markets coast-to-coast on TransCanada's existing pipelines**
  - **By 2018, spare takeaway capacity sufficient for full Alaska volumes**
- **One-third of Alaska pipeline in-service as Prebuild moving 3 BCFD**
- **LNG alternative if insufficient gas commitments through Canada or via Y-line**

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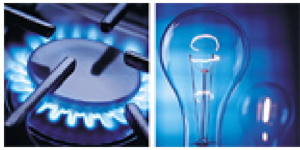
Project Description



- Gas treatment plant at Prudhoe Bay
  - 5 Bcf/d initial capacity
  - TransCanada will develop/own only if necessary
- Natural gas pipeline from Prudhoe Bay to Alberta Hub
  - 4.5 Bcf/d initial capacity
    - Expansion to 5.9 Bcf/d with compression only
  - More than 1700 miles
  - 48-inch diameter; 2500/2600 psig
- Alberta Hub to Lower 48
  - TransCanada's existing pipeline system in Alberta is the "Alberta Hub"
    - TransCanada's Alberta pipeline is both a physical and commercial system
    - Largest natural gas trading hub in North America
  - By 2018, downstream pipelines projected to have spare capacity for full Alaska volumes

Project Economics [1]

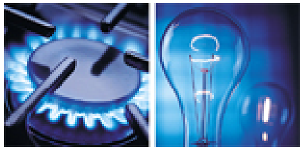
- Capital costs
  - $26 billion (2007 $US excluding AFUDC)
    - Approximately $0.6 billion for Open Season and regulatory certification
- Tolls
  - $US 2.76/MMbtu in 2018 to the Alberta Hub
    - Levelized negotiated toll for 4.5 Bcf/d in nominal dollars, including fuel
  - Expansion Tolls
    - Rolled-in tolls in Canada
    - Rolled-in tolls in Alaska up to 115% of initial tolls, including fuel

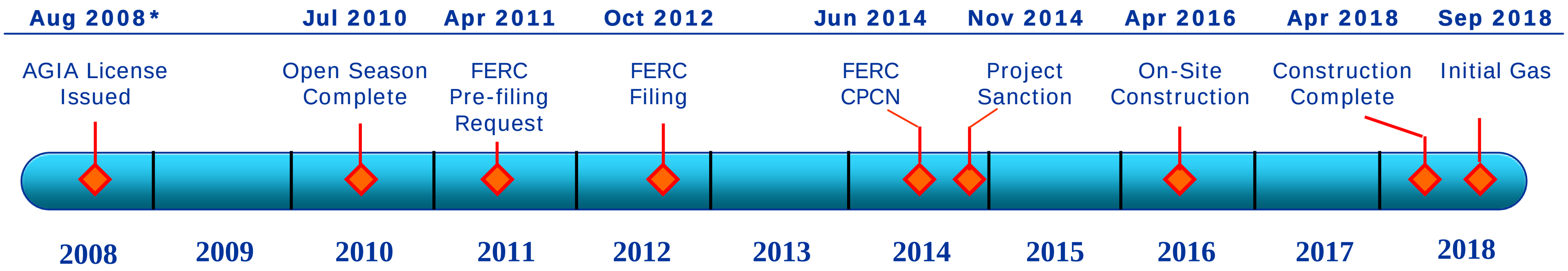
[1] Based on information provided by the State and current TransCanada estimates

Financial Parameters

- Debt/Equity Ratio
  - 70/30 during construction
  - 75/25 upon completion of initial project
  - 60/40 for all expansions
- Return on Equity
  - U.S. 10-year Treasury Note plus 965 basis points
  - TransCanada's ROE will be adjusted downward in first 5 years by up to 200 basis points in the event of CAPEX overruns
- Fuel
  - 7.9% including GTP from Prudhoe Bay to Alberta Hub
  - $US 0.35/MMbtu in 2018 @ 4.5 Bcf/d

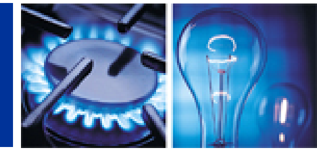
Project Schedule





* AGIA license assumed to be issued in August 2008

Partnership Opportunity



- TransCanada will offer equity opportunity to Shippers in the initial Open Season that subscribe for a threshold volume
  - Should improve likelihood of success and alignment of interests between project sponsors and Shippers


Upstream Fiscal Terms

- TransCanada’s AGIA obligations are not conditional on a review of Alaska’s upstream fiscal terms.
- TransCanada acknowledges that this issue is between the State and natural gas producers.
  - TransCanada requests that the State review upstream fiscal terms for natural gas prior to the initial open season.

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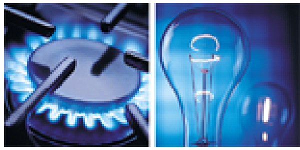
Other Project Components



- Natural Gas Liquids (NGLs) Extraction
  - TransCanada can accommodate NGL extraction in Alaska or downstream
  - TransCanada's Alberta system is straddled by three NGL complexes owned by third parties
  - Excess capacity expected at those plants sufficient to process Alaskan gas if Shippers so choose
- LNG Alternative
  - TransCanada is willing to offer gas treatment and transportation services from Prudhoe Bay to an LNG terminal should insufficient gas be committed through Canada or via a Y-line

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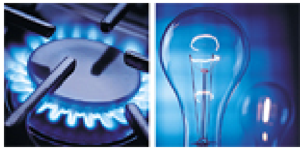
Regulatory Structure

- Alaska
  - TransCanada Alaska Company, LLC will proceed under Alaska Natural Gas Pipeline Act of 2004
- Canada
  - Foothills Pipe Lines Ltd. will proceed under the Northern Pipeline Act (NPA)
- Canada/U.S. Treaty
  - The pipeline will follow the route set out in the Treaty and the NPA

AGIA “Must-haves” Promote Basin Development



- Rolled-in tolls up to 115% of initial rates in Alaska
- Open Season every 2 years
- In-State deliveries
  - Distance-sensitive tolls
  - Minimum 5 delivery points
- Low equity ratio requirement for pipeline sponsors
- State fiscal incentives (if any) targeted to AGIA pipeline shippers

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Long-run Basin Development – Pipeline Expansions

- Value to Producers / Governments?
- Does Alaska have enough gas?
- Drilling impacts?
- Impact of rolled-in tolls?

Value of Potential Expansions ($Billions)[1]

	Producer/Govts. Total Revenue *	Expansion Value
Base Project		
- 25 years @ 4.5 Bcfd	$350 Billion	
Expansions		
Case I		
- Base volumes for 10 years (4.5 Bcf/d)		
- 30% expansion for 25 years (5.9 Bcf/d)	$600 Billion	$250 Billion
Case II		
- Base volumes for 10 years (4.5 Bcf/d)		
- 60% expansion for 25 years (7.2 Bcf/d)	$700 Billion	$350 Billion

[1] Assumes annual average netback of $6.89/MMbtu

* Direct revenue only
- no indirect impacts from additional E&P activity and spin-offs

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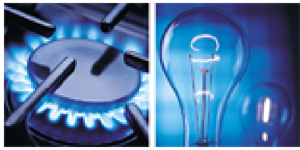
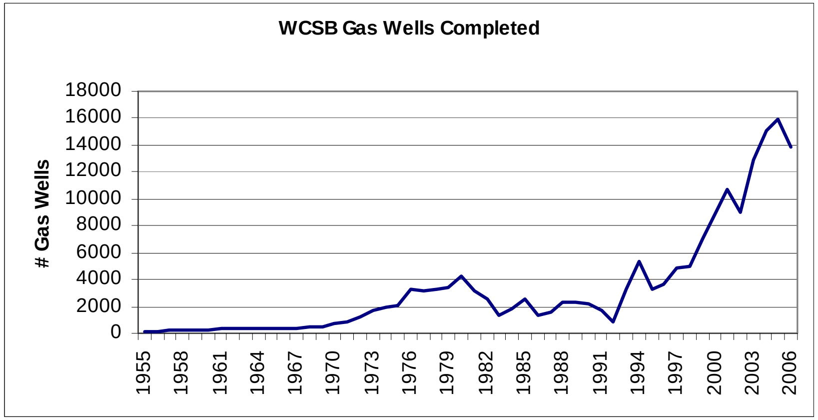
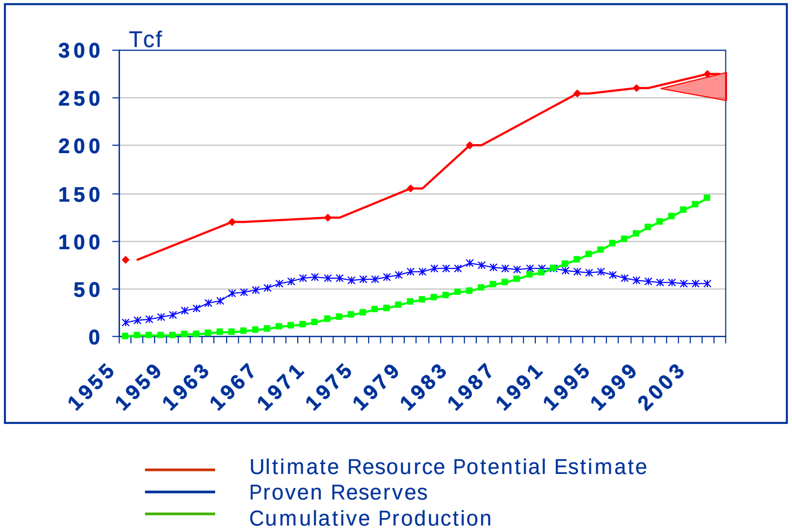
Basin Development – Western Canada Example







- Pipeline expansion can create “virtuous circle”
  - More exploration and drilling
  - If successful, leads to more pipeline expansion
- Exploration and drilling drives service industry and employment over long term

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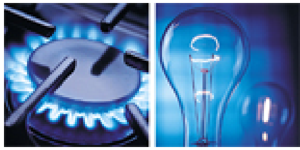
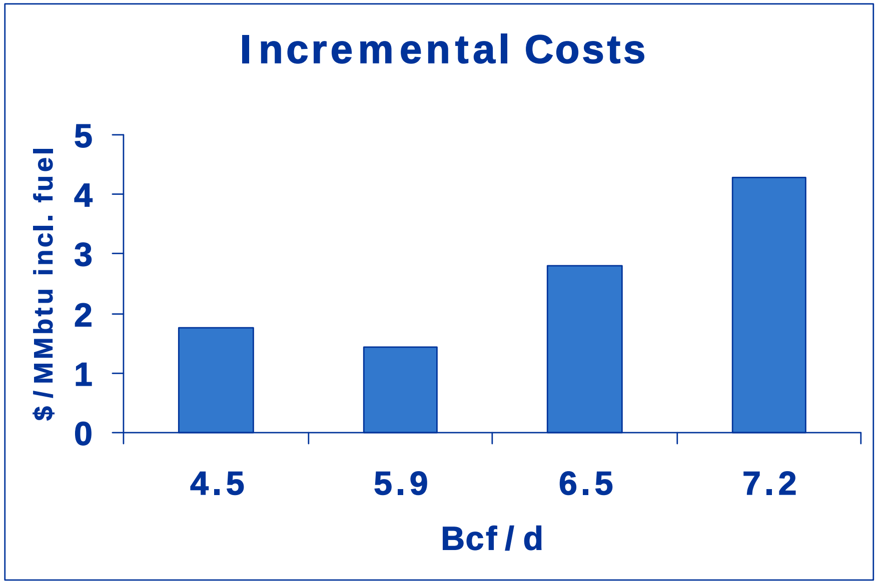
Impact of Rolled-in Tolls?

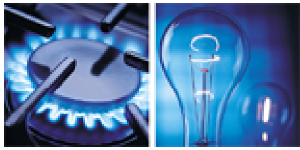


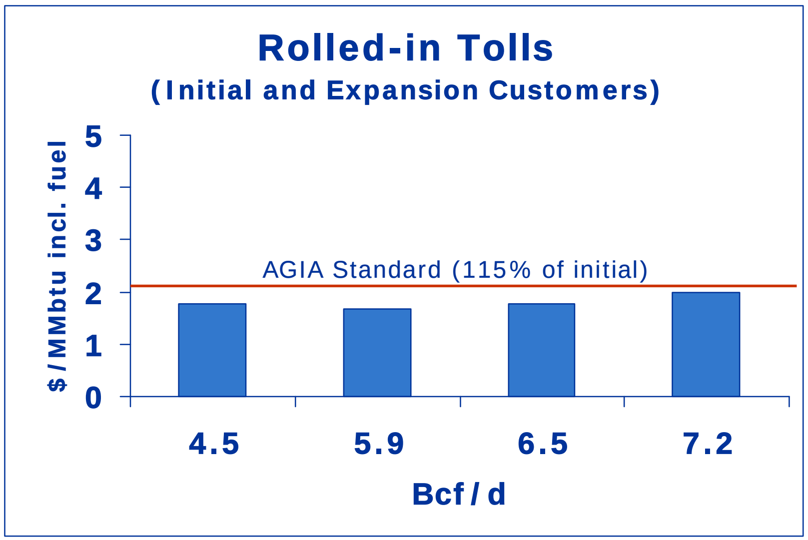


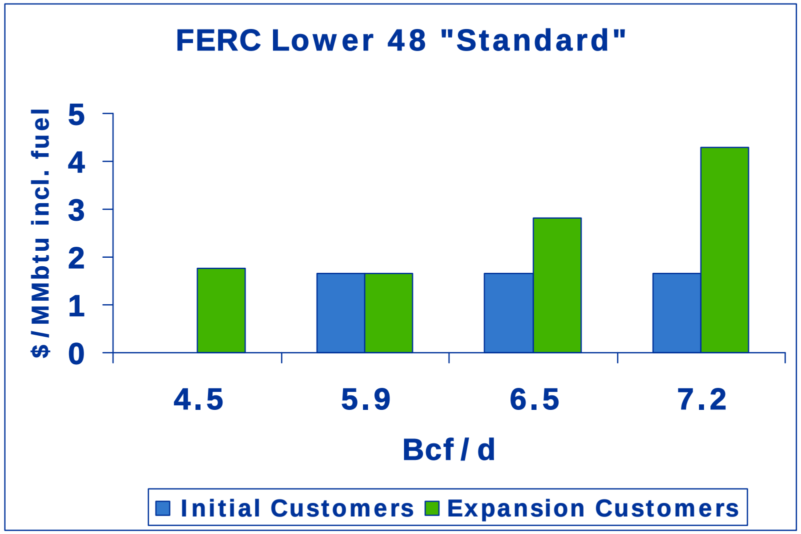
Alaska & Yukon-B.C. sections only

Assumed Volumes: 4.5 Bcf/d years 1 & 2
5.9 Bcf/d years 3 & 4,
6.5 Bcf/d years 5 & 6,
7.2 Bcf/d years 7 & beyond

Impact of Rolled-in Tolls?







- Rolled-in tolls increase chance of expansions above 5.9 Bcf/d
  - 35% lower tolls for expansion customers to 6.5 Bcf/d
  - 50% lower to 7.2 Bcf/d

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Summary


- Last year, the Administration and Legislature established AGIA as Alaska's transparent and competitive process to advance a gas pipeline project
  - AGIA was structured to encourage:
    - Construction of base project
    - Long-run basin development
    - Open access terms for:
      - Initial and future shippers
      - In-State, Lower 48, and LNG markets
- TransCanada has the credentials and capacity to build, own, operate and expand the project
- TransCanada's objectives are aligned with AGIA
  - Early in-service
  - Long-run basin development
  - Open access – equitable treatment for all customers

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Thank You

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