



# LEGISLATIVE BUDGET & AUDIT COMMITTEE

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## REPRESENTATIVE RALPH SAMUELS, CHAIRMAN

February 29, 2008

Anthony M. Palmer  
Vice-President Alaska Development  
TransCanada PipeLines Limited  
450 – 1<sup>st</sup> Street S.W.  
Calgary, AB, T2P 5H1  
Canada

### *SENT BY FACSIMILIE TRANSMISSION*

Dear Mr. Palmer:

This letter is our third request for additional information and clarification on issues surrounding your AGIA application. This letter will focus on questions relative to the Alberta Hub.

Executive Summary p. 4, states, *“That system[Pre-Build] currently consists of approximately 15,000 miles of pipe, 50 compressor stations, 1,000 receipt points and 200 delivery points.”*

1. What can we expect to pay at the receipt points for entry into the TransCanada system?
2. Will Shippers have the option of entering the Hub at more than one receipt point?
3. What can we expect to pay at the delivery points upon exiting the TransCanada System?
4. How is the fee for the exit point computed?

Executive Summary p. 4, states, *“TransCanada is exploring options to move the Alberta System Receipt Point upstream of Boundary Lake to Fort Nelson, British Columbia. The objective would be to deliver toll savings to the Alaska Shippers by providing them with an equivalent toll from Fort Nelson to the Alberta Hub, as if the Pipeline System from Fort Nelson to Boundary Lake were integrated into the Alberta System.”* Project Description 2.10-7 states, *“...this would provide the Alaska Shippers a toll savings in the range of \$0.15/mmBtu to \$0.20/mmBtu or approximately \$275 million to \$370 million per year.”*

Representative\_Ralph\_Samuels@legis.state.ak.us

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1. Please explain how this would work. Do the receipt and delivery point costs stay the same?

Executive Summary p. 17, states, "...*TransCanada's proposed Project yields an expected aggregate undiscounted direct cash flows during the first 25 years of operations commencing in 2018 of:*

- *\$207 billion to the Alaska Shippers after taxes and royalties;*
- *\$131 billion to the State of Alaska;*
- *\$52 billion to the United States federal government; and*
- *\$17 billion to TransCanada in equity return."*

TransCanada's value was attributed to equity return on the pipe.

1. Does the equity return on the pipe include your receipt fees for entrance into the Hub and exit fees from the Hub?
2. What is your expected aggregate undiscounted direct cash flow from those receipt and exit fees?
3. What further benefit does TransCanada receive from using its pipelines downstream of the Hub?

Project Description p. 2.1-1, states, "*The Alaska Pipeline Project as proposed by TransCanada would connect natural gas from the North Slope of Alaska to all major markets in North America via the existing Alberta Hub....extending from Boundary Lake to the Alberta Hub and providing connections to the existing Foothills Pre-Build."*

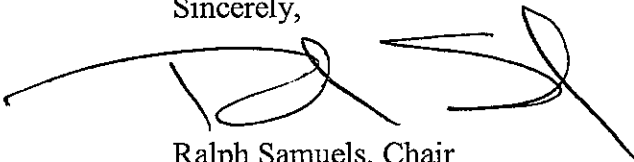
1. Are the shippers required to use the Alberta Hub?
2. Are they required to use the Foothills Pre-Build?

Project Description p. 2.1-11, states, "*When Alaska's natural gas reached the BC/Alberta border, Shippers would contract with the Alberta System and enter the Alberta Hub."*

1. Is this a requirement of the TransCanada application or a recommendation?
2. Will a Shipper be provided an opportunity at the open season to ship gas to an alternate receipt point other than the Alberta Hub?

We look forward to your timely response to these questions.

Sincerely,



Ralph Samuels, Chair  
Legislative Budget and Audit Committee