

Alaska Oil and Gas Symposium  
Anchorage  
September 23, 2008

# 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

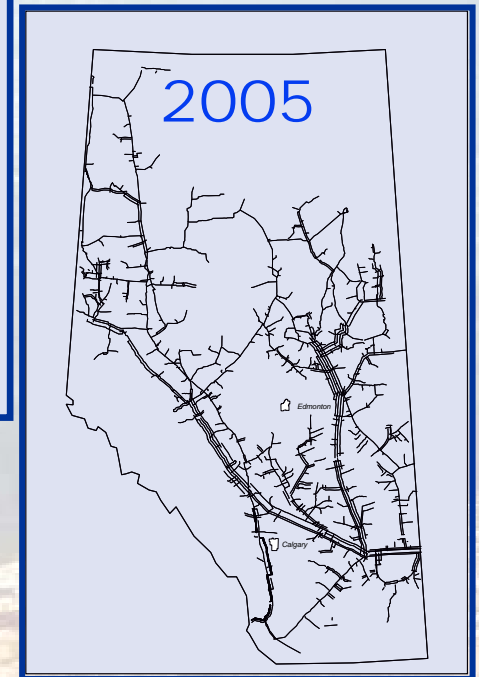
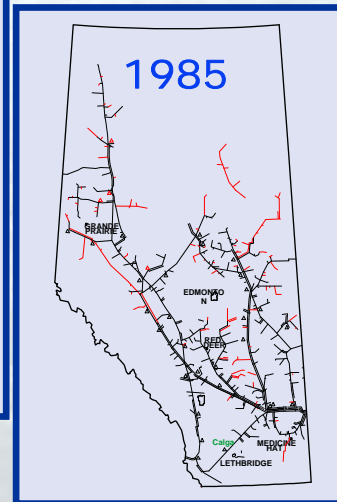
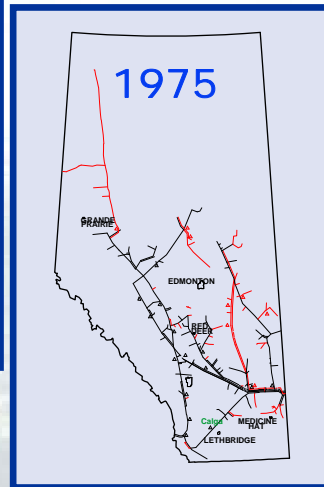
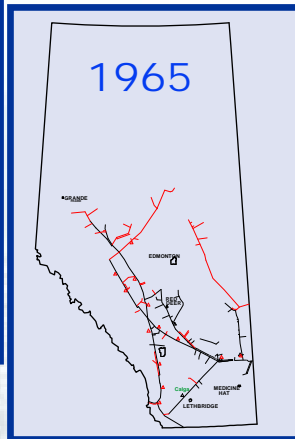
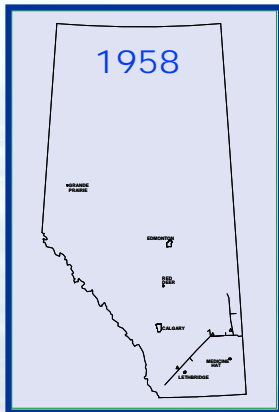


- ..... Proposed Alaska pipeline
- TransCanada-owned pipelines
- Other natural gas pipelines
- ..... Keystone pipeline

	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

<u>1957/58</u> TransCanada's Mainline	Original build across Canada 2,300 miles
<u>1990s</u> Expansion	7,000 miles Completed within 0.6% of budget and on schedule
<u>2008 – 2012</u> Keystone Pipe	4,070 miles New build in U.S. – 2,675 miles

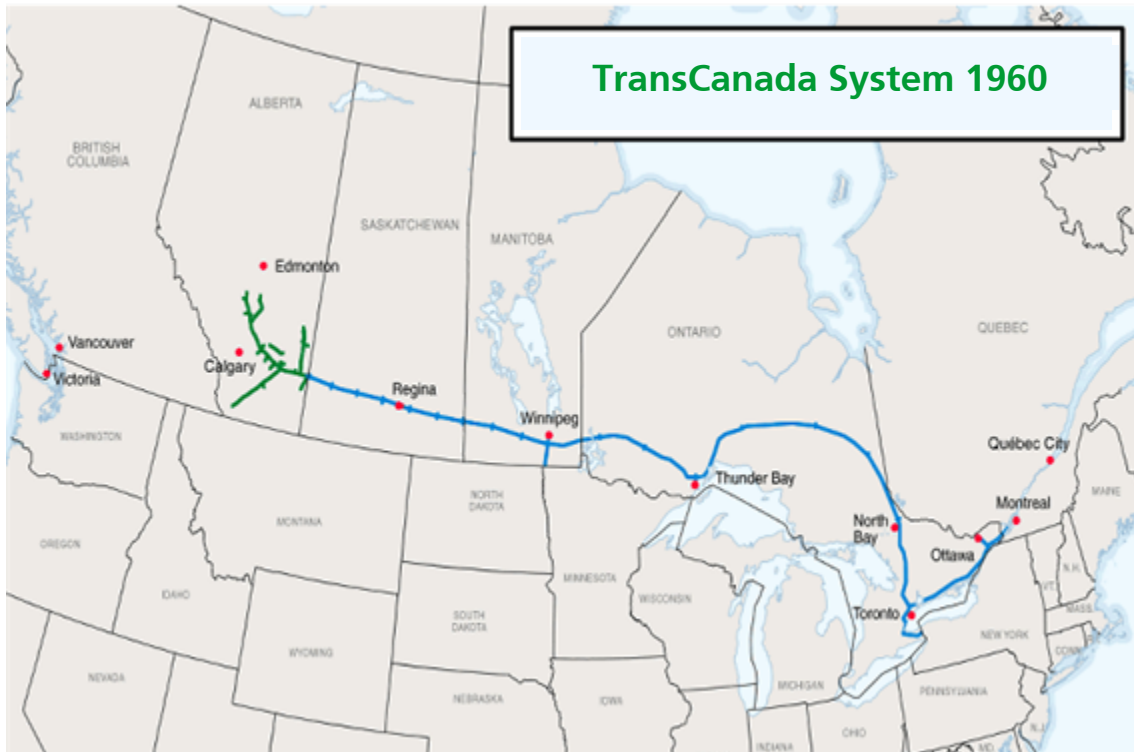
# Proven Basin Developer – Alberta Example



## Regulatory Structure

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

# Proven Basin Developer – Mainline Example 1960

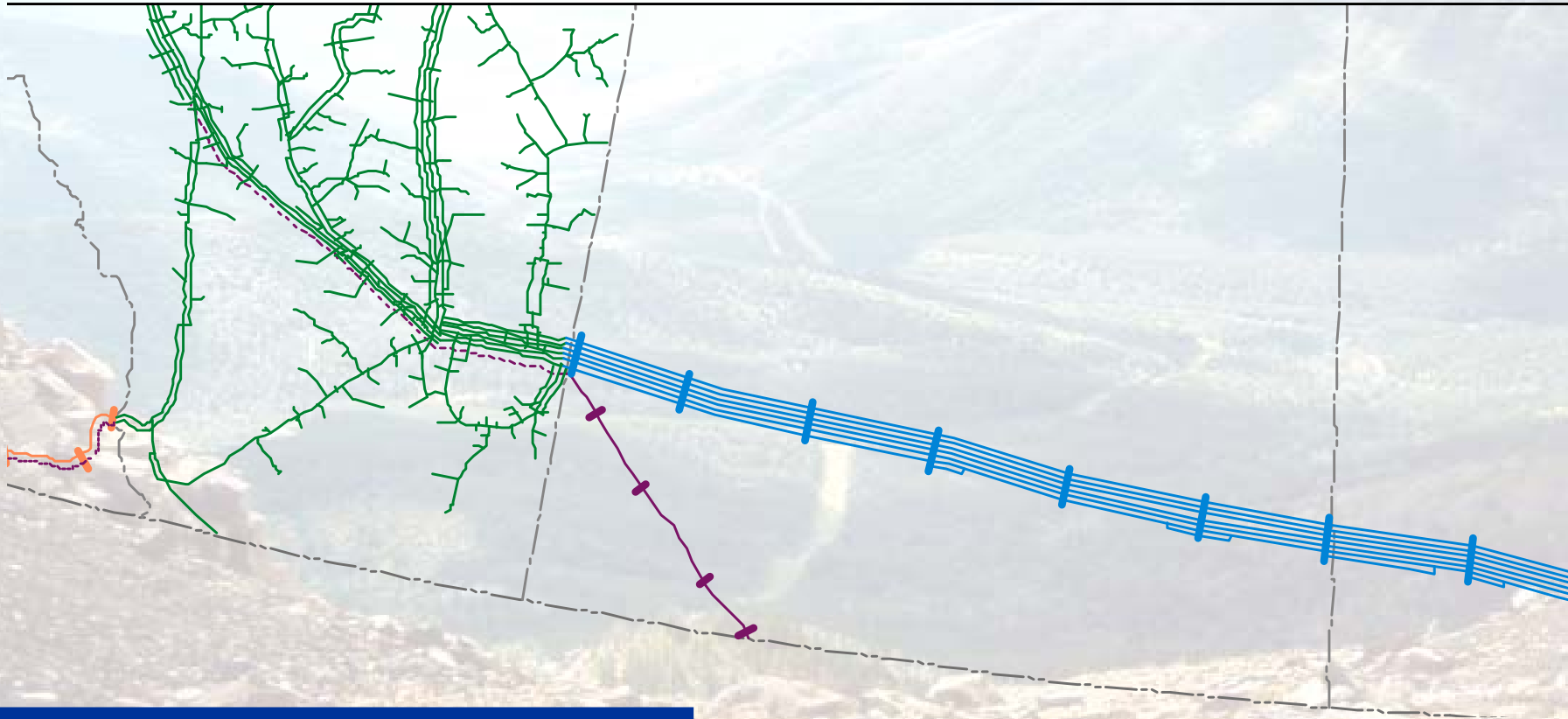


# Proven Basin Developer – Mainline Example 2008



Alberta

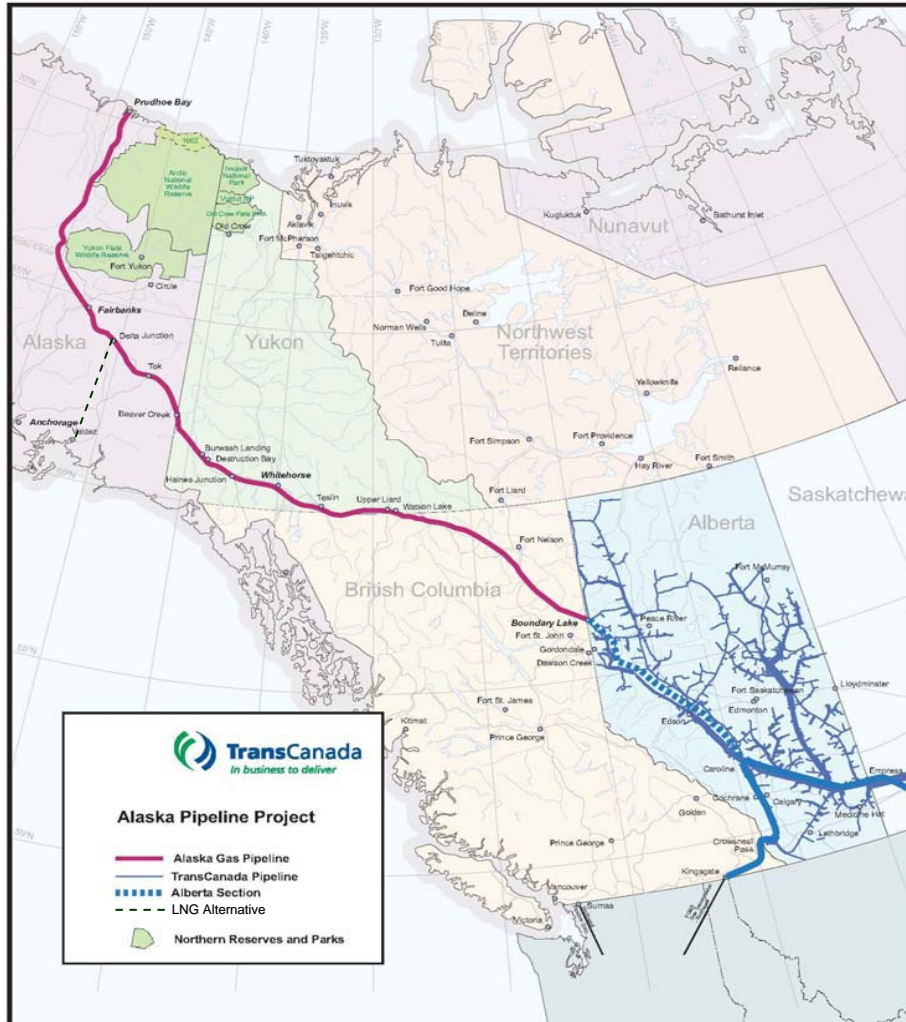
Saskatchewan



## Regulatory Structure

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

# 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 BCF/D**
- **LNG alternative to Valdez**

# Project Economics <sup>1</sup>



- 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

<sup>1</sup> Based on information provided by the State and current TransCanada estimates

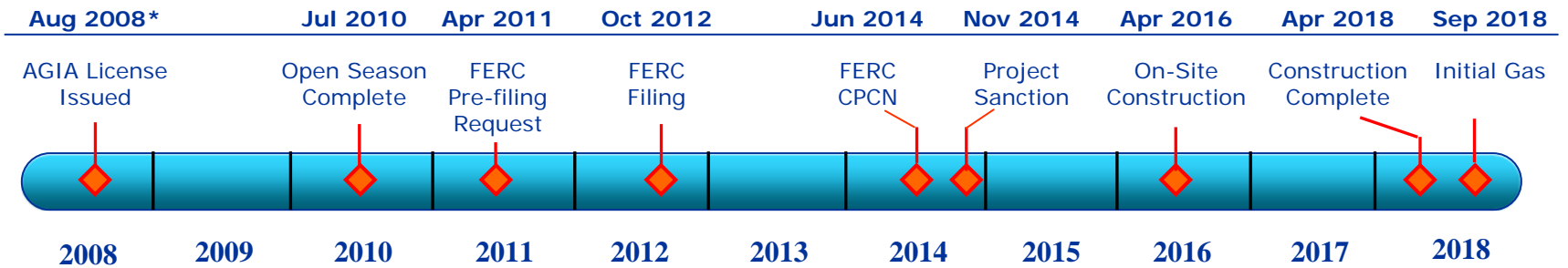


# Financial Parameters



- 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

# Project Schedule



\* AGIA license assumed to be issued in August 2008 – now late November 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

# Regulatory Structure



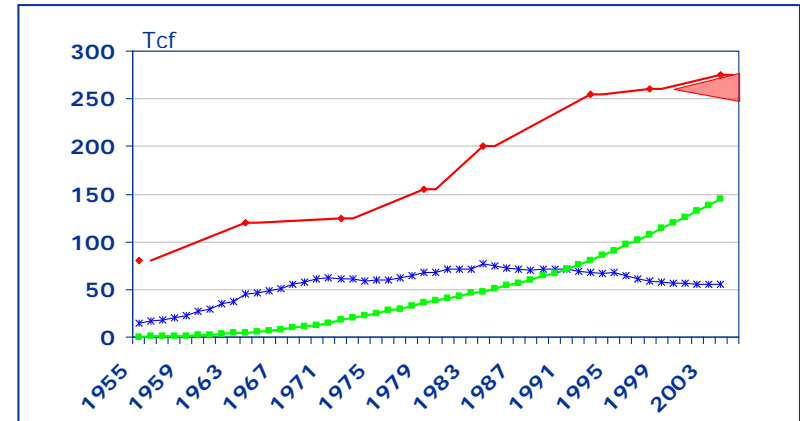
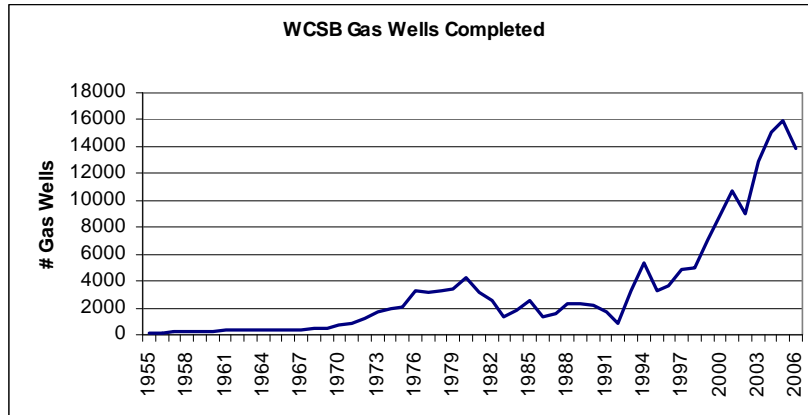
- Alaska
  - TransCanada Alaska Company, LLC will proceed under Alaska Natural Gas Pipeline Act of 2004
- Canada
  - Foothills Pipe Lines Ltd. will proceed under the Northern Pipeline Act (NPA)
- Canada/U.S. Treaty
  - The pipeline will follow the route set out in the Treaty and the NPA

# 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

# Basin Development – Western Canada Example



— Ultimate Resource Potential Estimate  
— Proven Reserves  
— Cumulative Production

- 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

# Value of Potential Expansions (\$Billions)<sup>1</sup>



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

<sup>1</sup> Assumes annual average netback of \$6.89/MMbtu

\* Direct revenue only

- no indirect impacts from additional E&P activity and spin-offs

# Current Status



- Alaska legislative phase now completed
- AGIA
  - August 1 – Legislative final approval
  - August 27 – Governor Palin signed Bill
  - Late November – Effective date
- Project Kick-Off
  - August 15 – Time sensitive contracts let
    - Aerial photography
    - Environmental planning
    - Engineering planning
  - August/September – Internal team planning



# Open Season Phase



- Project mobilization and planning
- Engineering
  - GTP pre-FEED Class 4 cost estimate and risk analysis
  - Pipeline and facilities pre-FEED, Class 4 cost estimate and risk analysis
- Regulatory
  - FERC approval of Open Season Plan

## Open Season Phase (Cont'd)

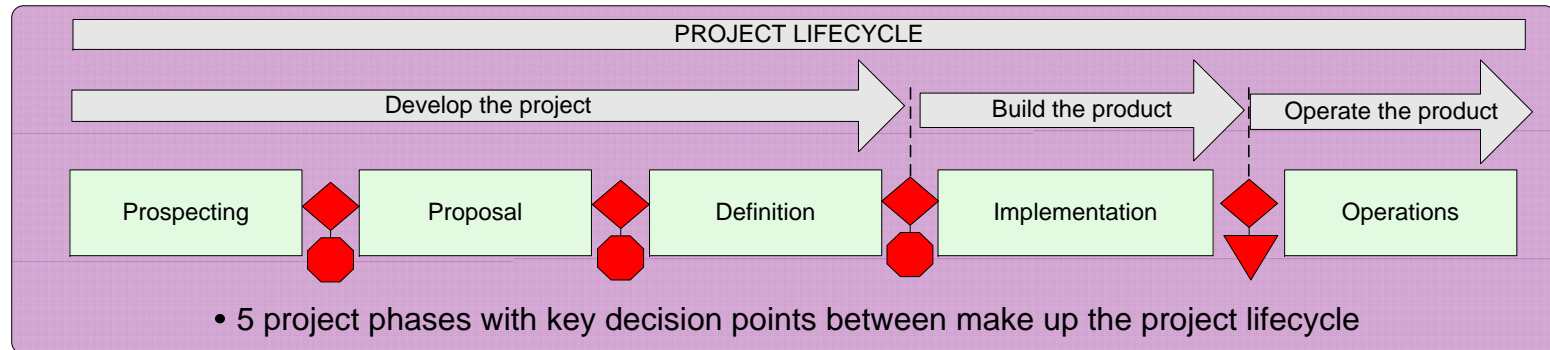


- Commercial
  - In-State needs study
  - Prepare Open Season plan
  - Finalize tolls and commercial terms of service
  - Conduct Open Season
- Stakeholder Engagement
  - Alaska
  - Canada
  - D.C.

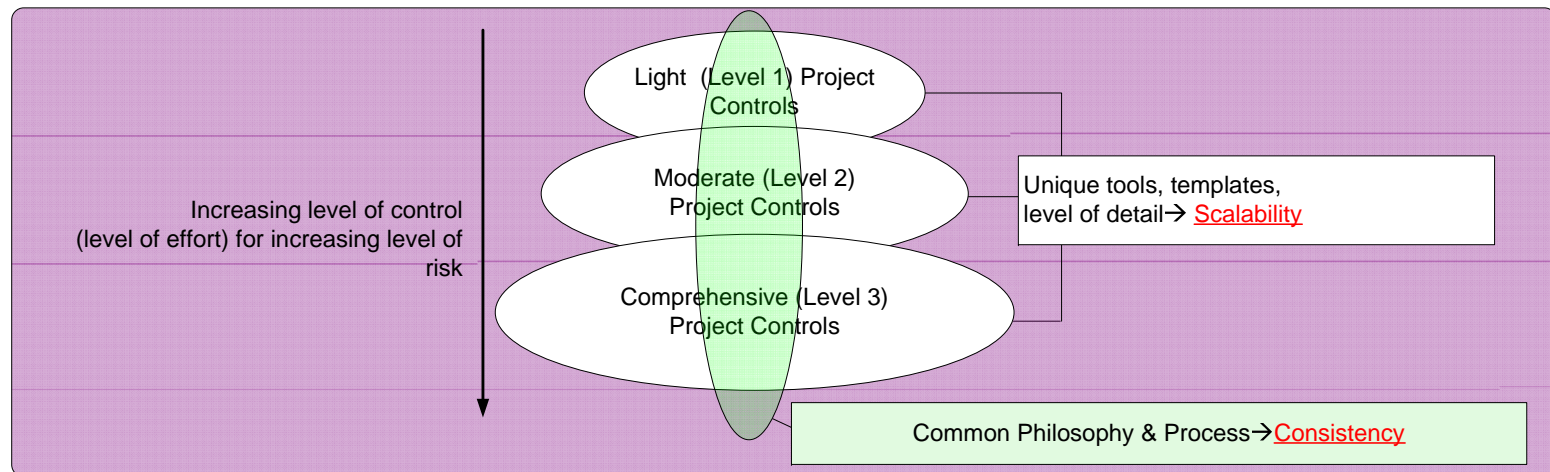
# TransCanada's Project Stage Gate Process



## 1. Provide consistent, predictable, fit-for-purpose project results.



## 2. Apply a scalable (only as much effort as necessary), risk-based process.



# Technical Initiatives in Open Season Phase

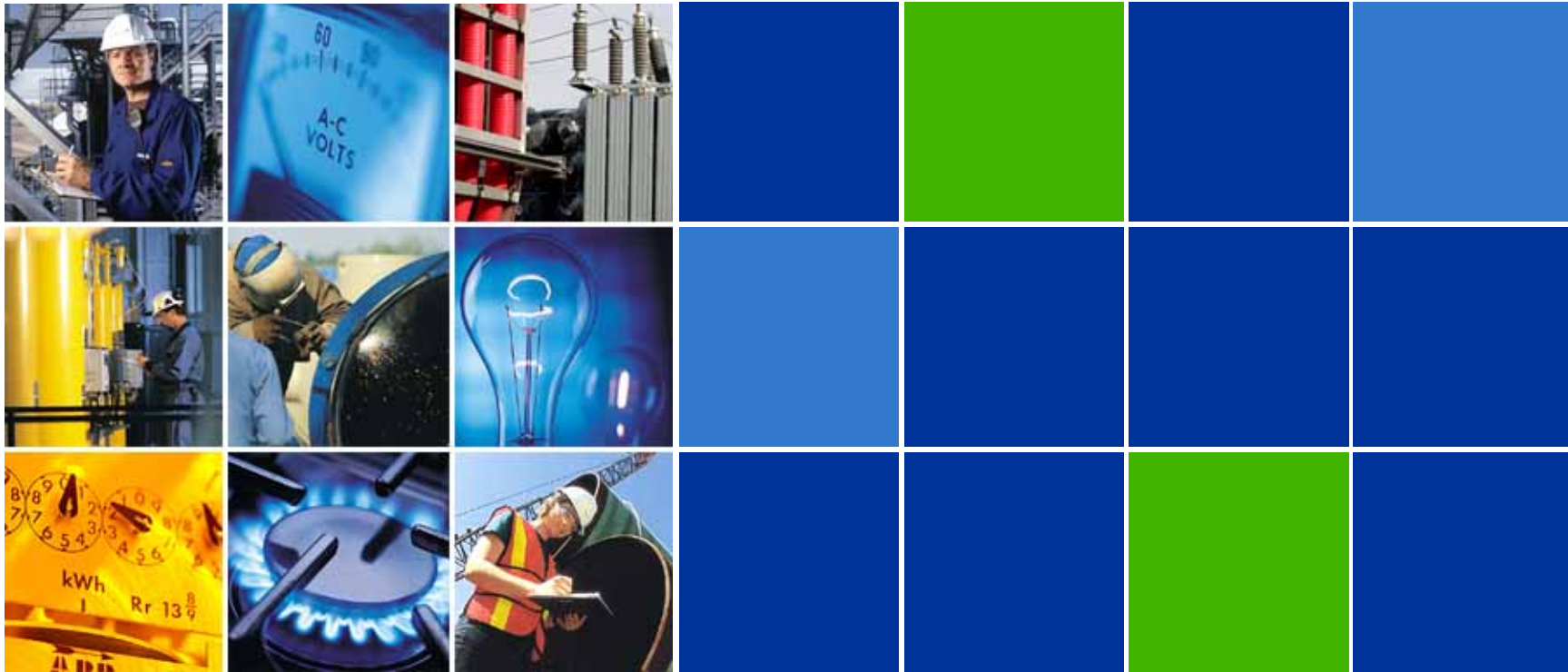


- Pipeline hydraulics and geothermal design
- Geomatics plan
- Routing plan
- Geotechnical engineering
- Field work
- Pipeline engineering
- Materials engineering
- Pipeline construction, logistics and infrastructure plan
- Telecommunications
- Facilities engineering
- Commissioning and start-up plan
- Pipeline integrity plan
- Operations and maintenance plan
- Consolidated project cost estimate and risk analysis

# Summary



- AGIA Bill approved
- Field work and project planning underway
  - Majority of field work in the summer of 2009
- Commercial, regulatory and stakeholder engagement commencing
- Target to conclude Open Season by summer 2010



**Thank You**