# RDC Conference
# Anchorage, Alaska

November 20, 2008

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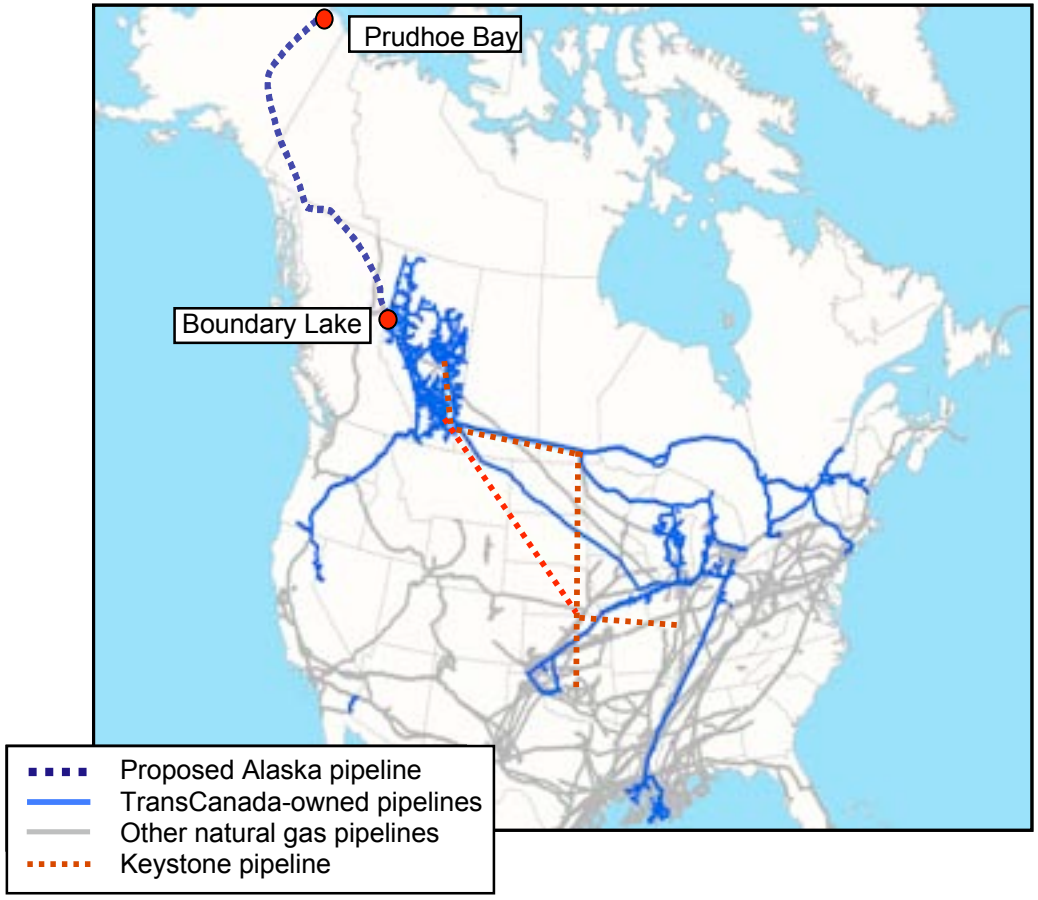
# TransCanada's Credentials




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

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



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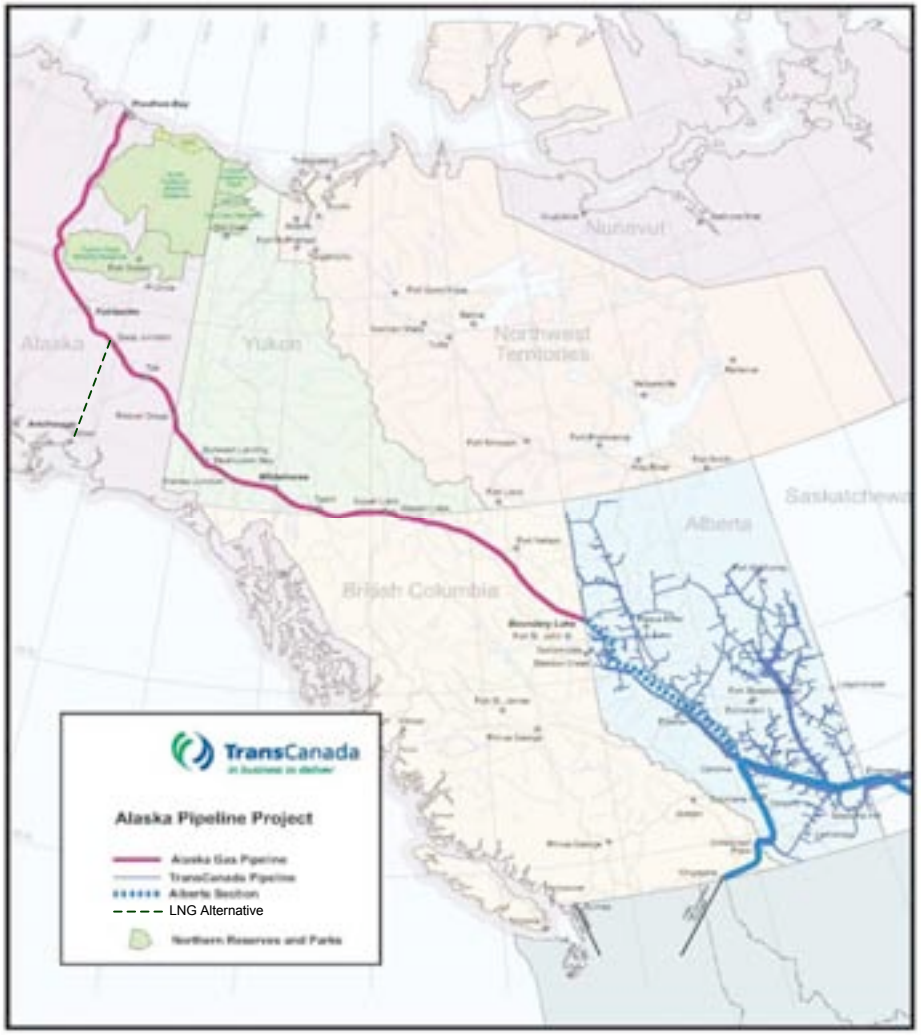
# Alaska Pipeline Project




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



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# 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



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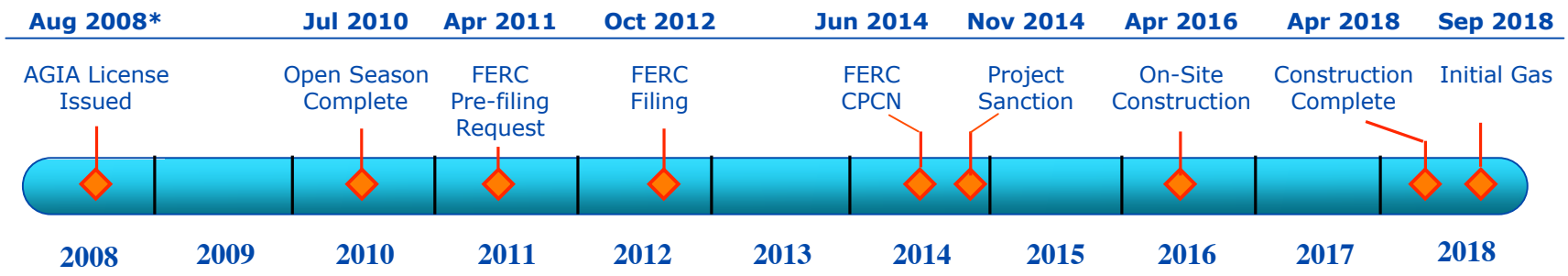
# Project Schedule




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



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# Open Season Phase – Work Plan

- Project mobilization and planning
- Engineering
- Regulatory
  - FERC approval of Open Season Plan
- 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.



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# FERC Pre-filing

- Clear rationale for TransCanada timing
- **Based on TransCanada's experience, the key elements of a complete Request for Pre-filing with FERC includes:**
  - Proposed filing schedule and detailed project description
  - Contact with agencies and agreements to participate
  - List of other stakeholders and description of public participation program
  - Public participation program well underway
  - Work completed to date and identification of engineering and environment contractors
  - Third party contractors to support NEPA process
- FERC Resource Report #1 is expected to be filed 30 days after docket is issued



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# TransCanada Key Activities Prior to Pre-file

- Consultation with permitting agencies (Dec 2008 – April 2011)
- Preliminary routing/siting (desktop – winter 2008/2009 field reconnaissance – summer 2009)
- Stakeholder engagement program (Dec 2008 – April 2011)
- Communications program (Dec 2008 – April 2011)
- Initial field work in 2009, followed by significant field programs and design 2010-2011
- RFP for TC environment contractor – Fall 2009
- RFP for EPC/EPCM contractor – Spring 2010
- RFP for Third Party EIS contractor – Feb 2011



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# 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
- TransCanada will offer equity opportunity to Shippers in the initial Open Season that subscribe for a threshold volume.

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



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# Elements of a Successful Project

- Attractive project economics
  - Natural gas prices are volatile and difficult to forecast
  - Conventional Lower 48 and WCSB, LNG, shale and coalbed all competing for market share
  - **Project supporters must focus on factors that affect tolls**
    - **Commercial terms**
    - **Schedule**
    - **Cost control**
- Government and community support
  - U.S. / Canada
  - Alaska / Yukon / B.C. / Alberta
  - First Nations
  - Other stakeholders
- Commercial contracts with Shippers
  - Long-term firm agreements
  - Creditworthy parties



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# Project Tolls – Commercial Terms

- TransCanada's comprehensive commercial terms public now
  - Debt/equity @ 75/25
  - Cost of debt
    - U.S. Government Loan Guarantee
  - Return on equity
    - 10-Year Treasuries + 965 basis points
  - Depreciation
    - Levelized tolls
  - CAPEX risk-sharing
    - Up to 200 basis points reduction in ROE for 5 years
  - Equity opportunity for initial shippers
  - Fort Nelson upside
  - Alberta Hub
    - Market liquidity and diversity
  - Downstream spare capacity



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# Project Tolls - Schedule

- Project delays critical factor in final capital costs
  - Legislation
    - ANGPA in U.S.
    - NPA in Canada
      - Specific project legislation available only to TC
    - Canada/U.S. Treaty
      - Establishes rights/responsibilities of both countries available only to TC
  - Regulation
    - FERC in U.S.
    - Northern Pipeline Agency in Canada
      - Single-window regulatory agency available only to TC
      - Proven track record with Pre-build through 1998
      - Certificate of Public Convenience and Necessity in place



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# Project Tolls – Schedule (cont'd)

- Right-of-Way
  - Yukon ROW in hand available only to TC
- Canadian First Nations
  - NPA Terms and Conditions set out specific benefits
  - Participation Agreement Term Sheets available this fall
- Environmental
  - Proven expertise in both FERC and Canadian forums
    - Go/no-go decision already made in Canada available only to TC
- TransCanada's Performance
  - 7,000 miles of interstate/inter-provincial pipelines constructed in 1990's on schedule
- LNG Alternative to Valdez
  - Separate regulatory and commercial challenges provides potential alternative markets



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# Project Tolls – Cost Control

- TransCanada's Performance
  - CAPEX
    - 19% lower costs than Canadian competitors
    - 38% lower than U.S. competitors
  - OPEX
    - 25-35% lower than U.S./Canadian competitors
- TransCanada Standards
  - Standardized operating and construction procedures for all activities already in place
    - Maintains low-costs while achieving environmental/safety standards



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# Project Tolls – Cost Control (cont'd)

- Engineering / Cost Estimation
  - Canada – 30 years of information available only to TC
  - Proven leader in U.S. and Canada interstate/inter-provincial natural gas pipelines
    - TransCanada transports 20% of North American natural gas
  - Pipeline technology leader
  - Steel, labor, contractors
    - Long-term relationships
    - Track historical and forecast costs



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# Project Tolls – Sensitivities

- 1% Δ equity ratio = 2¢/MMBtu
- 1% Δ interest rate = 9¢/MMBtu
- 1% Δ ROE = 4¢/MMBtu
- Fort Nelson upside = 13-18¢/MMBtu
- $1 Billion Δ in CAPEX = 10¢/MMBtu
- 10% Δ in Cdn/U.S. Dollar = 6¢/MMBtu



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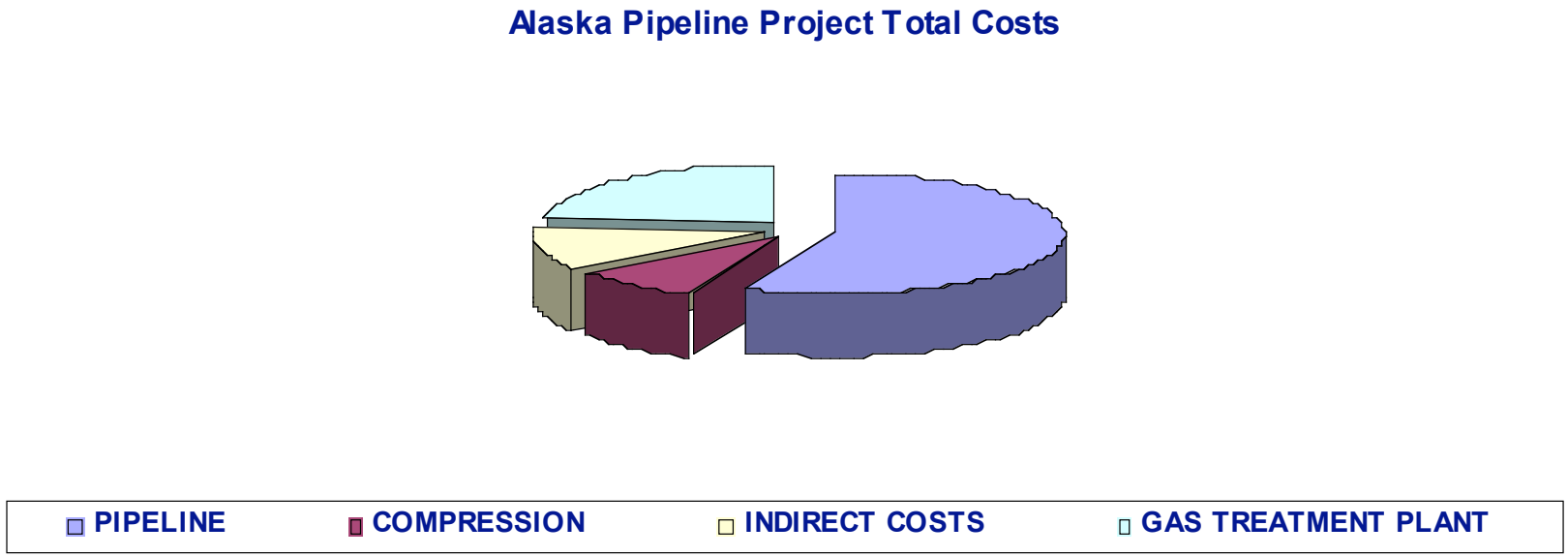
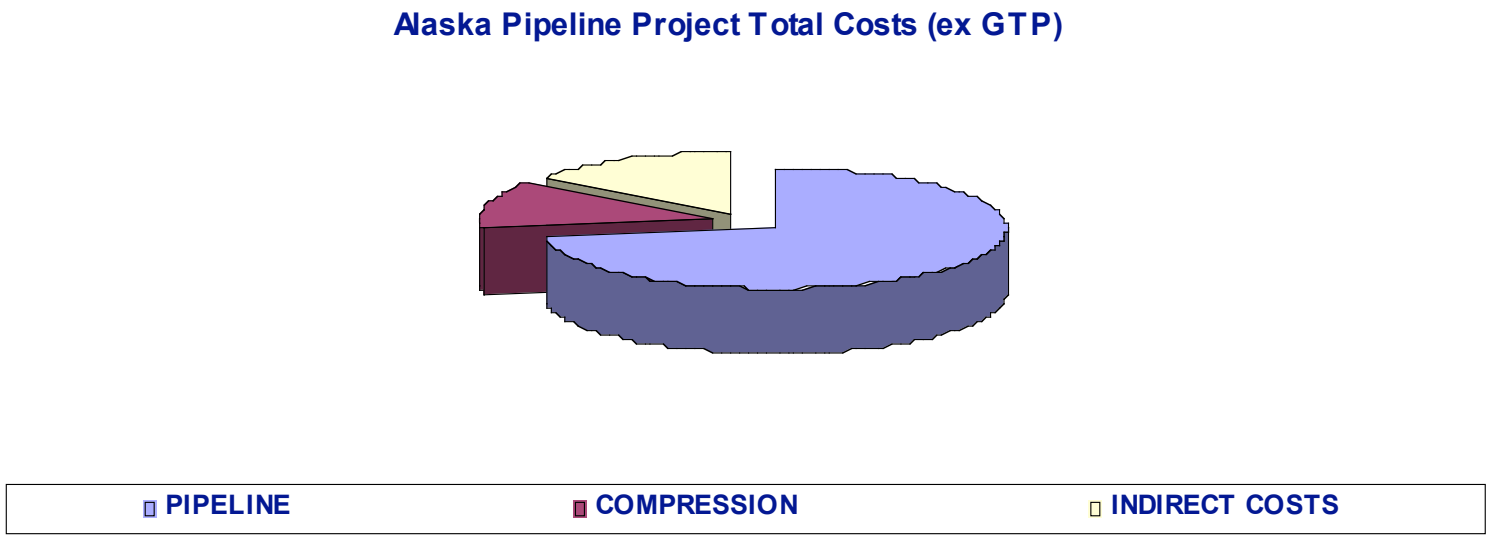
# Alaska Pipeline Project Total Costs

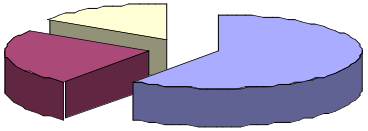


# Alaska Pipeline Project Total Costs (ex GTP)



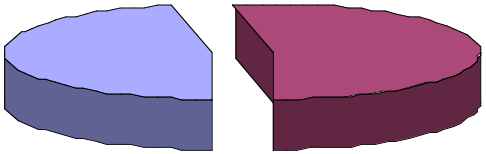
# Pipeline Cost Breakdown

**Material Breakdown**



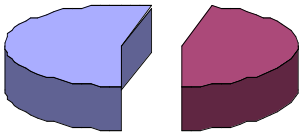
Pipe & Valves | Coating & Double Jointing | Logistics

**Pipeline Breakdown**



Material | Installation

**Installation Breakdow**



Labour & Camp | Equipment & Minor Materials



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# 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
- Focus on project tolls necessary for successful project
  - TransCanada has unparalleled track record



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# Thank You

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