

Alaska Gas Pipeline Project Presentation to NARUC, Portland, OR

July 22, 2008

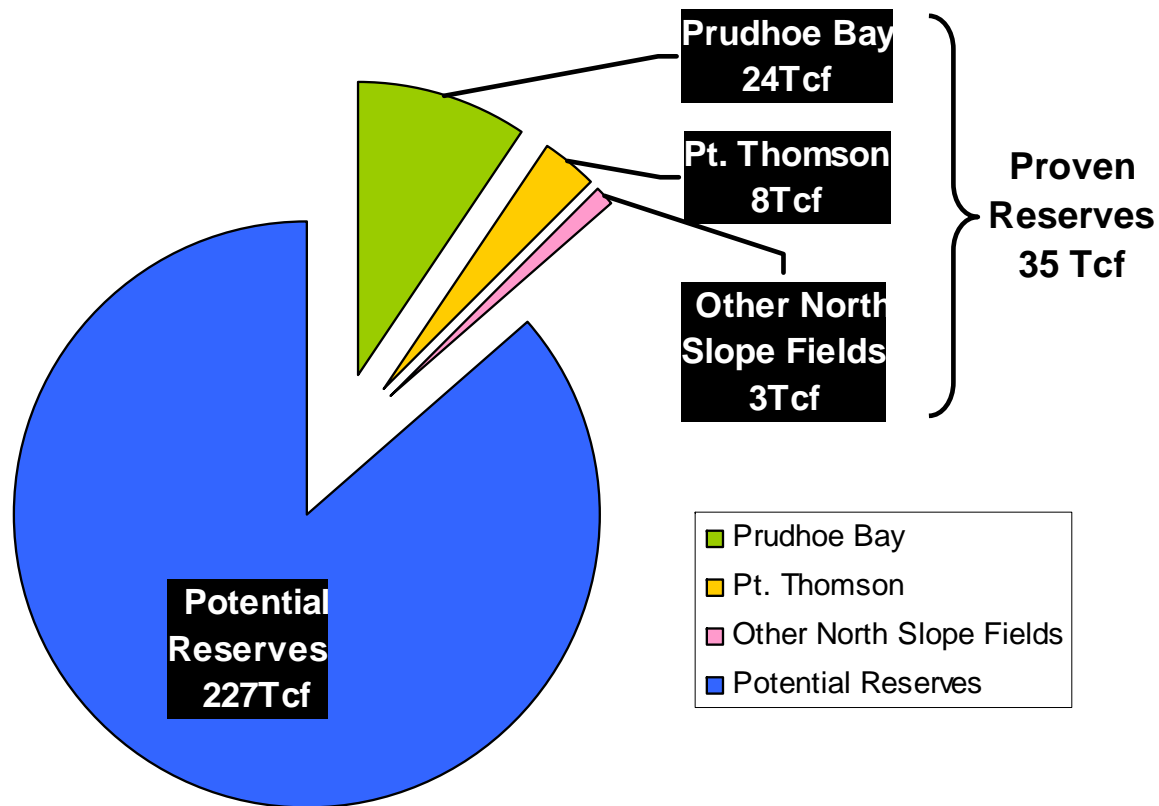


Outline of Presentation



- Alaska North Slope natural gas resource in context
- Earlier efforts to commercialize the Alaska natural gas resources
- Alaska Gasline Inducement Act (“AGIA”)
- TransCanada’s AGIA plan
- Significance of Alaska gas to Lower-48 customers
- Roles for Lower-48 Consumer

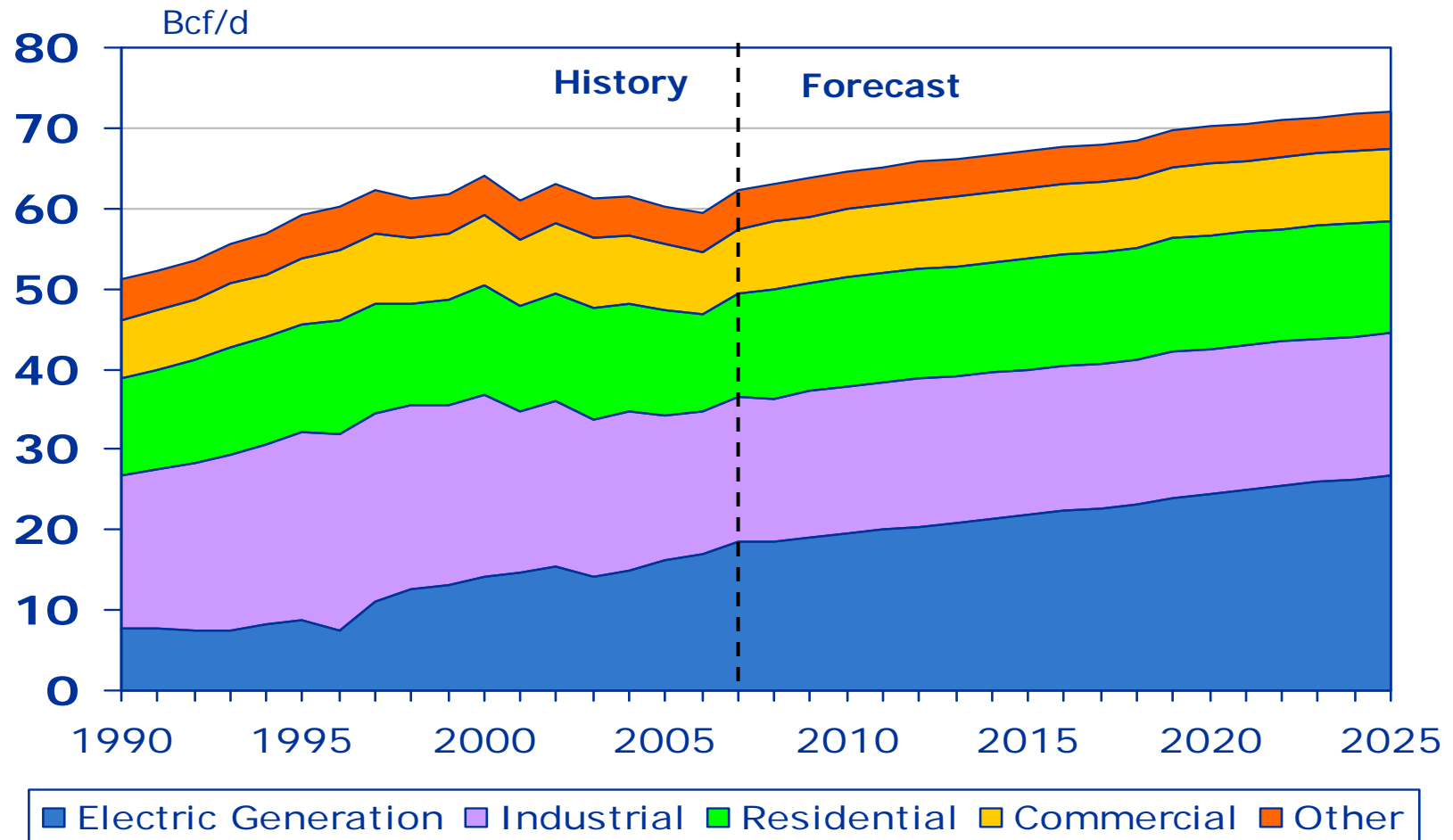
Alaska North Slope Natural Gas Reserves



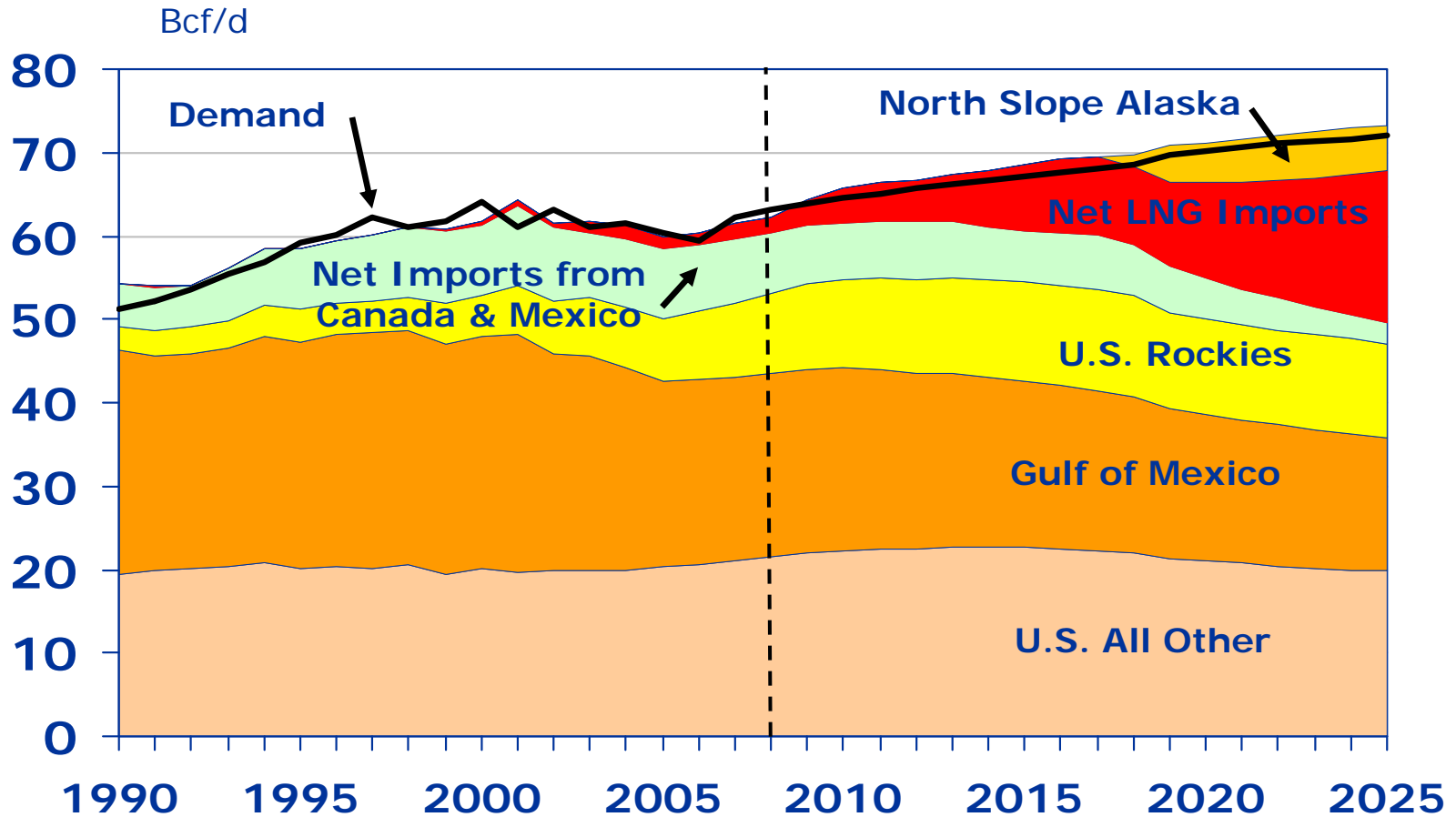
Potential Gas Committee estimates the total U.S. natural gas potential reserves at 1,525 Tcf. Alaska North Slope contributes approx. 17% to this total.

Sources: Minerals Management Service, U.S. Department of the Interior
U.S. Geological Survey

U.S. Natural Gas Demand – TransCanada TSO 2008 Alaska In Forecast



Gas Supply Available to US - TransCanada TSO 2008 Alaska In Forecast



Development in the '70s/'80s



- Oil crises in the '70s resulted in high natural gas demand
- Severe natural gas shortage in North America by mid-70s
- With gas discovery in Prudhoe Bay, Alaska gas pipeline became a national priority for U.S.
 - After extensive hearings, U.S. passed the Alaska Natural Gas Transportation Act (ANGTA) and Canada passed the Northern Pipeline Act (NPA) to expedite the development and construction of the pipeline
 - A treaty between U.S. and Canada was signed to coordinate the efforts of the two countries and layout the sharing of benefits
 - ANGTA, NPA and the treaty are still valid and in effect
- As a result of deregulation gas supply surged in the '80s which drove gas prices to a level that was no longer economic for the Alaska gas pipeline to proceed

Renewed Interest Since 2000



- By the end of the '90s, much of the excess supply was gone resulting in a considerable increase in gas prices
- Interest in commercializing the North Slope gas was renewed in 2000
- In 2004, U.S. Congress passed the Alaska Natural Gas Pipeline Act (ANGPA) to facilitate the pipeline development
 - Establishes the Office of the Federal Coordinator
 - Provides expedited regulatory process
 - Makes available \$18 billion loan guarantee
- FERC promulgated regulation to govern the open season process for the Alaska gas pipeline in early 2005

State's SGDA Process



- Several parties filed an application with the State of Alaska under the State's Stranded Gas Development Act (SGDA) to develop the pipeline in 2004
 - Only two parties, ANS producers and TransCanada, proceeded to negotiate with the State on contract terms
 - Murkowski administration suspended negotiation with TransCanada in mid-2005, decided to focus on completing a deal with the ANS producers. A tentative SGDA contract with the ANS producers was proposed by the Murkowski administration in mid-2006 and submitted to the State legislature for ratification
 - State legislature did not vote on the SGDA contract citing it was a product of closed-door negotiation with terms that were too heavily in favor of the ANS producers
- Governor Palin came in the office in December 2006 and announced she would start a new competitive, open and transparent process for the Alaska gas pipeline

State's AGIA Process



- Alaska Gasline Inducement Act (AGIA) was passed by the State legislature in mid-May 2007
- State issued a Request for Application in July 2007 inviting interested parties to submit competitive proposal by end of November 2007
- TransCanada and four other parties submitted applications
- In January this year, the State determined that TransCanada's application was the only conformed and completed bid
- After determining TransCanada's application would maximize benefits to the State in May this year, the Palin administration recommended to issue TransCanada the AGIA license
- Currently, the State legislature is deliberating the administration's recommendation; they have until August 2 to vote on the recommendation
- Upon approval by the legislature, TransCanada will be granted an AGIA License which set out certain benefits to and obligations on TransCanada

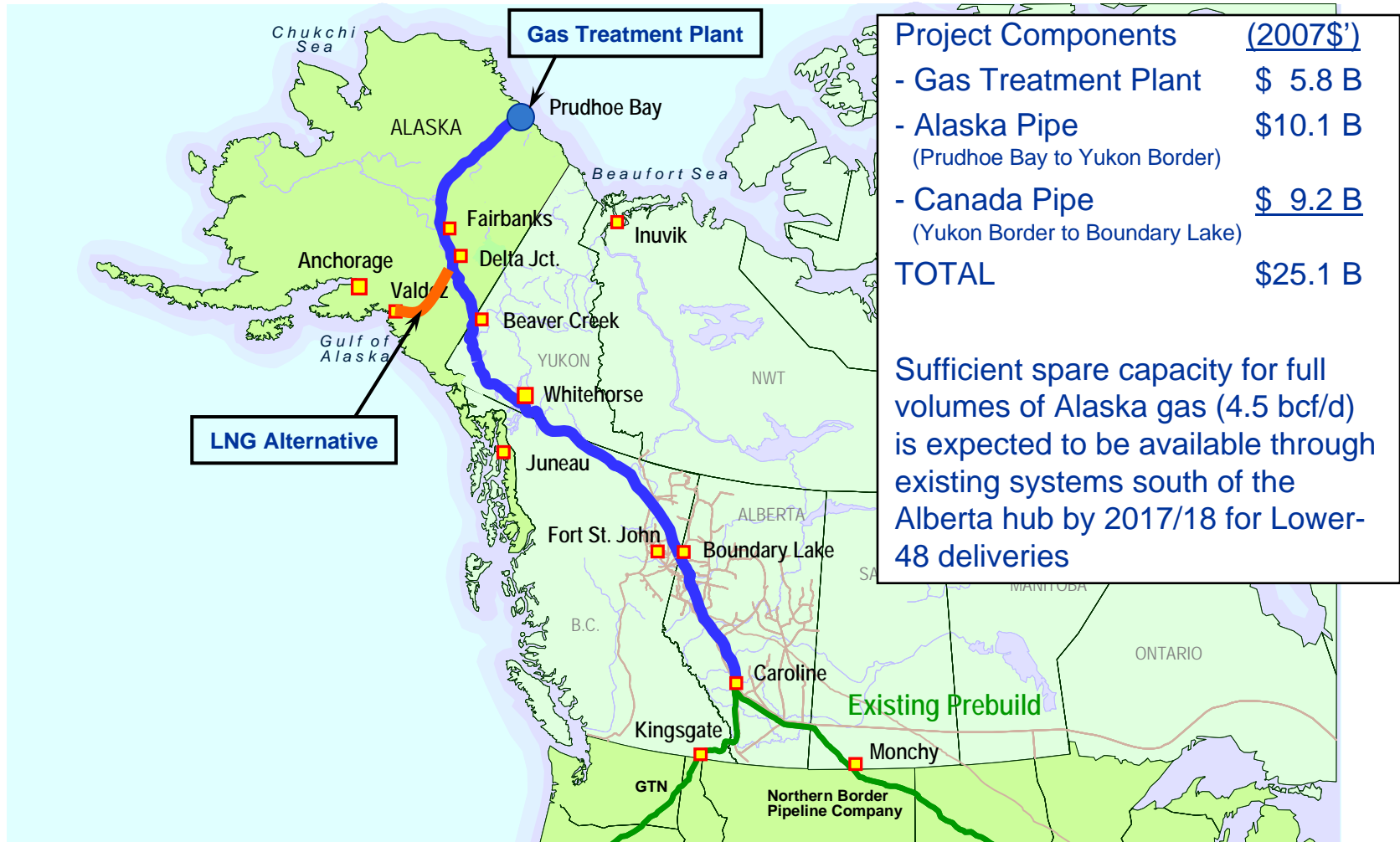
AGIA Requirements



- Key State's "Must Haves" under AGIA
 - Committed to carry out an open season, apply for FERC pre-filing and apply for FERC certificate by a date certain
 - Committed to rolled-in rates for up to 115% of initial rates on expansions in Alaska
 - Debt capitalization of project cannot be less than 70%
 - Distance sensitive rates for in-state gas deliveries

- Key State's "Offers" under AGIA
 - \$500 million development cost matching fund
 - Expedited state regulatory process
 - Fiscal certainty for 10 years from in-service date of the project for shippers which commit volumes in the initial open season

TransCanada's Proposed AGIA Project

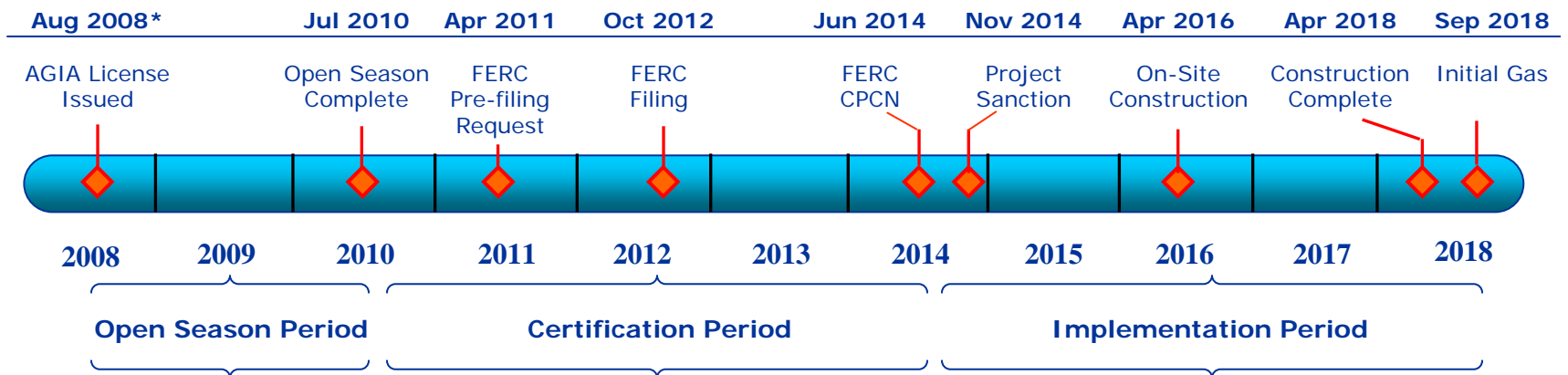


TransCanada's Competitive Response to AGIA



- Initial system design with inexpensive expandability
 - 4.5 bcf/d to 5.9 bcf/d by compression additions
- 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
- Creative roles for U.S. Gov't

TransCanada's Project Schedule



* AGIA license assumed to be issued in August 2008

Significance of Alaska Gas to Lower-48 Consumers



- Alaska gas represents a significant supply source for the Lower-48
 - At 4.5 bcf/d, Alaska gas will supply approx. 6% of U.S. demand
 - EIA forecast shows the introduction of Alaska gas to the North America market would lower the market gas prices by 10¢ - 20¢/mmbtu, an annual savings of approx. \$4 billion to consumers in U.S.
 - Provide gas supply diversification to Lower-48 consumers
 - Reduce dependency on foreign gas imports; enhancing the national energy security and improving the balance of payments of U.S.

Roles for Lower-48 Consumer



- Encourage LDCs and large industrial consumers to consider contracting long-term shipping commitment on the Alaska gas pipeline
- Voice their support for the federal government to take a more direct and active role in advancing the project

Alaska Gas Pipeline Project



Thank You