

# TransCanada's Alaska Pipeline Project

In business to deliver

Senate/House Committees- Alignment with ExxonMobil

June 23, 2009

TransCanada

## Overview





- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project
  - Immediate EM participation and project support
  - TC / EM will jointly advance all aspects of the project technical, commercial, regulatory, financial, etc.
  - EM contributing prior study results, existing Alaska ROW data
- TC Alaska and Foothills remain the AGIA Licensees
  - AGIA rights / obligations are unchanged and remain with Licensees
  - EM is ready to work with the State to enable full participation in the AGIA license
- Project Schedule unchanged
  - Initial Open Season target completion by July 2010



## Overview (cont')





- AGIA Project Scope unchanged
  - GTP and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
  - TC / EM will also advance an upstream gas transmission pipeline from Point Thomson to GTP to be included in the Open Season
    - Outside of AGIA project and ineligible for AGIA reimbursement
- Current TC / EM alignment not contingent on any commitments by State
- TC can progress project independently, if it so elects, using all jointly developed assets / information



## Overview (cont'd)





- Legislation / Regulatory
  - Utilize ANGPA (Alaska Natural Gas Pipeline Act) in Alaska and NPA (Northern Pipeline Act) in Canada
- Upfront spending increased to \$150 million through Open Season
  - Additional front-end spending reflects increased emphasis on early execution/construction planning, additional efforts in regulatory, environmental and land areas, as well as size, complexity and execution challenges of GTP
- Development costs will be shared by TC / EM
  - TC retains majority interest
  - No change to State's total reimbursement contribution of \$500 million



## Overview (cont'd)





- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
  - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a result of the arrangement
  - State administration supports TC / EM alignment
- Bottom Line
  - Real progress to align all essential parties necessary for successful project
  - Combination of TC and EM brings unrivaled expertise and experience to the project
  - TC / EM share a common goal realization of an Alaska pipeline project



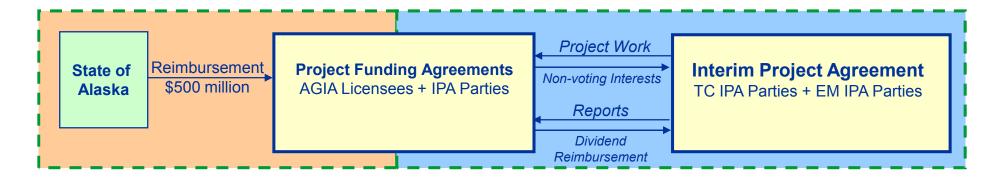
## Project Framework





### **Objectives**

- Perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by July 2010 target
- Pursue required regulatory authorizations for pipeline construction



	AGIA Licensees	IPA Parties
US P	TransCanada Alaska Company, LLC	<ul><li>TransCanada Alaska Development Inc.</li><li>ExxonMobil Alaska Midstream Gas Investments, LLC</li></ul>
Cana PF/	<ul> <li>Foothills Pipe Lines (North B.C.) Ltd.</li> <li>Foothills Pipe Lines (South Yukon) Ltd.</li> </ul>	<ul><li>TransCanada PipeLines Limited</li><li>ExxonMobil Canada Resources Company</li></ul>



## Project Framework (cont'd)





- Interim Project Agreement (IPA) establishes basis under which TC / EM work together
- Project Funding Agreements (PFA) are companion agreements to IPA
  - Executed simultaneously with IPA; separate PFA for US and Canada
  - Provides "bridge" between TC Licensees and IPA parties
- TC Licensees maintain interface with the State of Alaska and retain AGIA obligations
- TC Licensees maintain sole discretion over request for State reimbursement for qualified expenditures



## Project Framework (cont'd)





- TC Licensees have right to all work provided to them by IPA parties for purposes of meeting TC AGIA obligations
- All major project components, including regulatory filings and Open Season contracts, will be made or entered into in the name of and on behalf of the AGIA Licensees
- TC Licensees have the right, at all times, to progress the project alone, if they so choose.
  - If TC Licensees elect to do so, they have the right to all jointlydeveloped work product; and both parties will retain rights to project information
  - Parties have agreed to a reasonable transition to sole management by TC in the event of a termination
- During the term of PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon transfer of work product



## Project Framework (cont'd)





- When EM becomes a participant in TC Licensees, the non-voting interests will convert to voting interests in AGIA Licensees
- State reimbursements to TC Licensees will be distributed to IPA parties in proportion to their participating interests in the IPA
- IPA includes typical joint venture terms
- The project is managed by a Management Committee, with TC as chair (Tony Palmer)
- Fully-integrated project team staffed at all levels by personnel of both TC / EM
- EM is IPA lead and TC is the sub-IPA lead for the Canadian portion of the project. Through Open Season, TC remains primarily responsible for the overall pipeline / compression work and EM primarily responsible for the GTP work.
- Project costs are jointly funded based on the parties' proportionate shares.



## Benefits of Alignment with ExxonMobil





- Represents real progress to align all essential parties necessary for successful project
  - TC/State alignment under AGIA License in 2008
  - EM supports progress of TransCanada's Alaska Pipeline Project under AGIA
  - EM ready to work with State of Alaska and TC to become a full participant in AGIA Licensees
- Combination of TC and EM brings unrivaled expertise and experience to the project
  - TransCanada
    - TC has in-house expertise and experience to develop top quality CAPEX and rate estimates for the initial Open Season
    - 2000+ employees responsible for transporting 20% of North American gas
    - Recipient of the 2008 Global Pipeline Award for leading-edge technology
    - Current North American pipeline projects: \$12 B Keystone Project under construction, North Central Corridor Project in Alberta under construction, Bison and Guadalajara pipelines in application/approval stages



## Benefits of Alignment with ExxonMobil (cont'd)





#### ExxonMobil

- Global financial and project management strength
- Recognized industry leader in execution of large complex projects
- Substantial financial resources
- Largest holder of discovered Alaska North Slope natural gas resources
- Gas treatment plant technology/expertise, as well as pipeline systems
- Decades of Alaska experience
- Access to 2001 ANS Producer Study and TAPS information
- Committed to timely development of Alaska's gas resources
- Combination will deliver excellence in project execution
- TC/ EM share a common goal realization of an Alaska pipeline project constructed under AGIA
  - Need full support of State of Alaska, US/Canadian governments,
     North Slope producers, including ConocoPhillips and BP, and other interested parties





## TransCanada's Alaska Pipeline Project

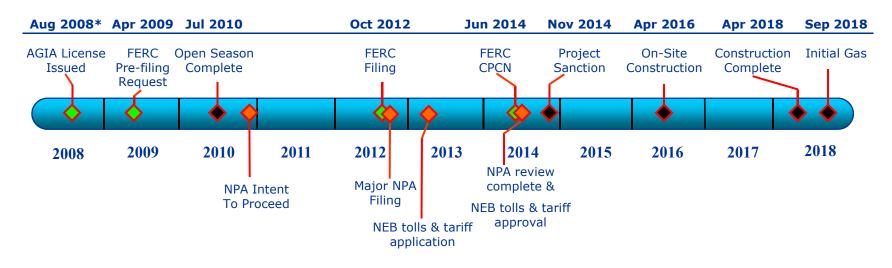




## **Project Schedule**











Canada-specific activities



<sup>\*</sup> AGIA license assumed to be issued in August 2008 – actual date December 5, 2008

## TC Project Accomplishments Since June 2008



- TC/State alignment under AGIA License
  - TC Application reviewed and License approved by Legislature
  - AGIA License issued on December 5, 2008
  - AGIA Coordinator appointed
- Alignment with ExxonMobil
  - Achieves real progress toward broader alignment
- Capital Cost Estimate engineering, environmental, limited field work, etc.
  - Extensive work underway since August 2008
  - Project team in place
  - Pre-FEED contractors retained significant Alaska players engaged
  - Bringing EM personnel onboard broadens the expertise and experience of TC's project team and enhances credibility with potential customers



# TC Project Accomplishments Since June 2008 (cont'd)





### Attracting Customers

- Ongoing discussions with potential customers for deliveries in Alaska, LNG via Valdez and to Lower 48 markets via Alberta Hub
- Drafting of commercial terms for Open Season underway
- EM alignment improves likelihood of success

#### LNG

- Cost estimation and commercial terms drafting underway
- Discussions with potential customers resulted in 3.0 Bcf/d design
- Potential customers can select Valdez as delivery point in initial Open Season



## TC Project Accomplishments Since June 2008 (cont'd)





- Canada Regulatory
  - EM reviewed / endorsed NPA as the Canadian regulatory model for project
  - Re-staffing of Northern Pipeline Agency underway
  - Northern Pipeline Agency coordinating project within Government of Canada, and with Canadian provinces
    - Multi-department meetings completed with federal agencies, BC and Yukon
    - Individual agency meetings underway
- U.S. Regulatory
  - FERC Pre-file
    - April 2009, two years earlier than TC's approved AGIA schedule
    - Progressing communications with FERC project staff
  - Multi-agency meetings complete, individual meetings underway
  - Ongoing discussions with Federal and State coordinating agencies



# TC Project Accomplishments Since June 2008 (cont'd)





- Canadian First Nations
  - TC has contacted all Right-of-Way First Nations and offered to negotiate Participation Agreements
  - 5 of 8 Yukon First Nations ready to discuss
  - Negotiations have commenced with some parties
- ANNGTC Withdrawn Partners
  - ANNGTC Partnership in dissolution
  - Full mutual releases in hand from all but one Withdrawn Partner
- Fort Nelson Upside
  - NEB decision approving Federal regulation for TC Alberta System improves chance of achieving Fort Nelson upside
  - TC also proposing Groundbirch and Horn River pipelines into North BC



## TC Project Accomplishments Since June 2008 (cont'd)





- In-State Gas Study
  - Contract awarded to Northern Economics
- Anchorage Office
  - Open in early 2009
  - Expansion planned later this summer



## Next Steps Through Open Season to July 2010





- Complete cost estimate
  - Engineering, environmental, field work, etc.
- Finalize Commercial Terms and Precedent Agreements
- Advance Canadian First Nations Participation Agreements and Fort Nelson issue
- Complete In-State Gas Study
- Ongoing discussions with potential customers
- State/EM dialogue on issues to achieve successful initial Open Season
- File Open Season package with FERC and obtain approval
- Conduct Open Season





**Thank You** 

