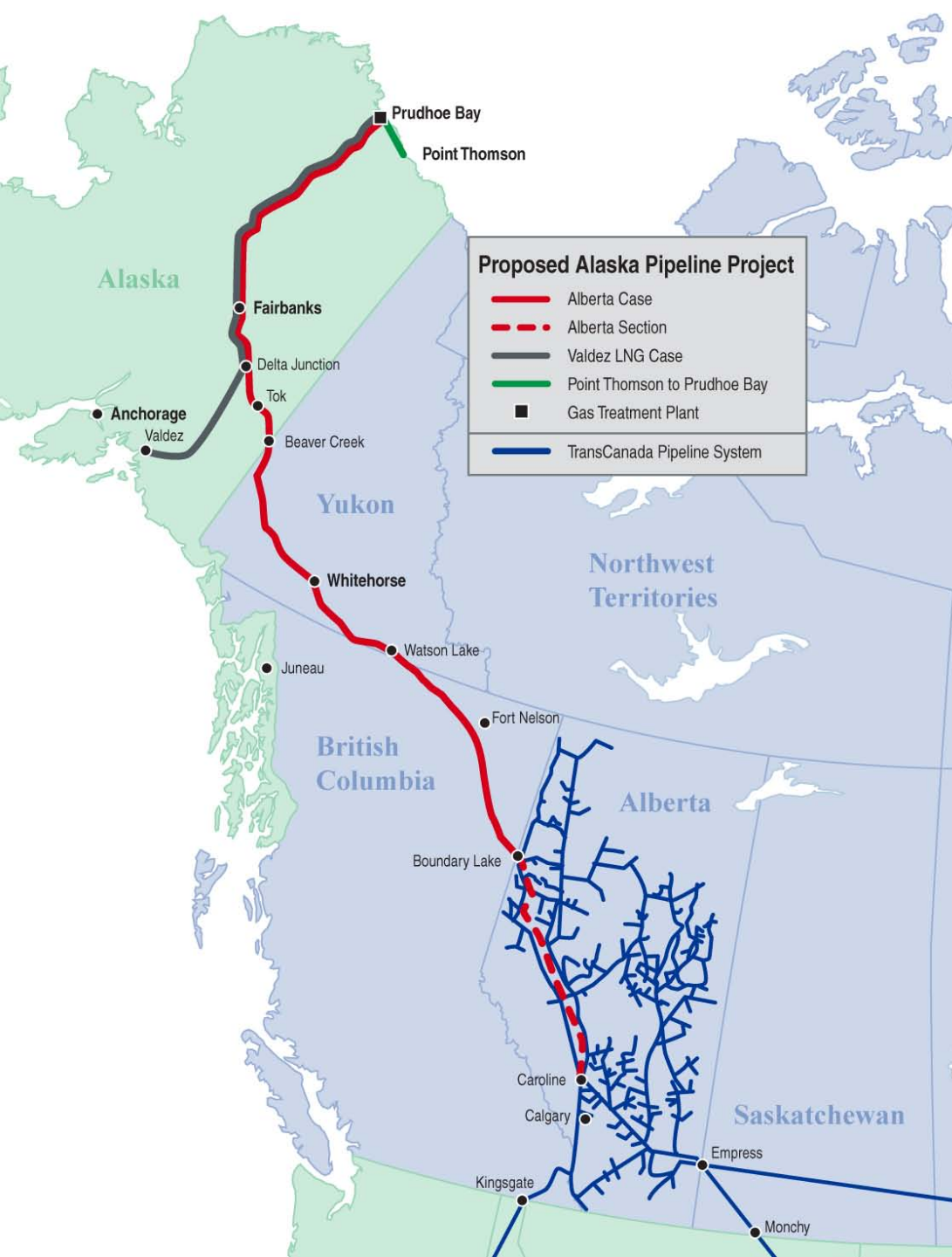


ALASKA PipelineProject



**Alaska Legislature
Senate / House Resources & Energy Committees
February 2010**

First Open Season for North Slope Gas



- On January 29, the Alaska Pipeline Project (APP) filed its plan with FERC to implement the first Open Season in history of North Slope natural gas.
- In an Open Season, the pipeline company provides potential shippers with an engineering design, commercial terms and an estimate of project costs, tariffs and timelines.
- The pipeline company is seeking shippers' contractual support for the project through executed precedent agreements.
- APP's initial Open Season offers service to potential shippers for markets in:
 - Alaska
 - Lower 48 via Alberta
 - U.S./international via Valdez

Path to In-service



- **Large pipeline projects undergo a lengthy development stage, and if successful, then move to construction and operations**
- **APP's development stage is scheduled to run through 2014**
 - Prior to Open Season – through April 2010
 - Open Season – May to July 2010
 - Post Open Season – August 2010 through 2014
- **All stakeholders in the Alaska gas pipeline have important initiatives underway to advance the project**
 - Alaska Pipeline Project, Producers / Shippers, Governments, others
 - To successfully move the Alaska Pipeline Project from the development stage onwards to the construction stage, all parties need to achieve commercial and regulatory breakthroughs

APP Development Stage – Prior to Open Season



Achievements to Date

- Producers / Shippers
 - Explored / developed gas reserves; reviewed transportation alternatives; researched potential natural gas markets
- State of Alaska
 - Established State's requirements in AGIA; granted AGIA License; finalizing royalty regulations under AGIA
- U.S. Government / FERC
 - Established legislative/regulatory structure (ANGPA); Federal Loan Guarantee; set FERC regulatory process
- Canadian Government
 - Established legislative / regulatory structure (Northern Pipeline Act); TransCanada's Right-of-Way through Yukon

APP Development Stage – Prior to Open Season



Achievements to Date

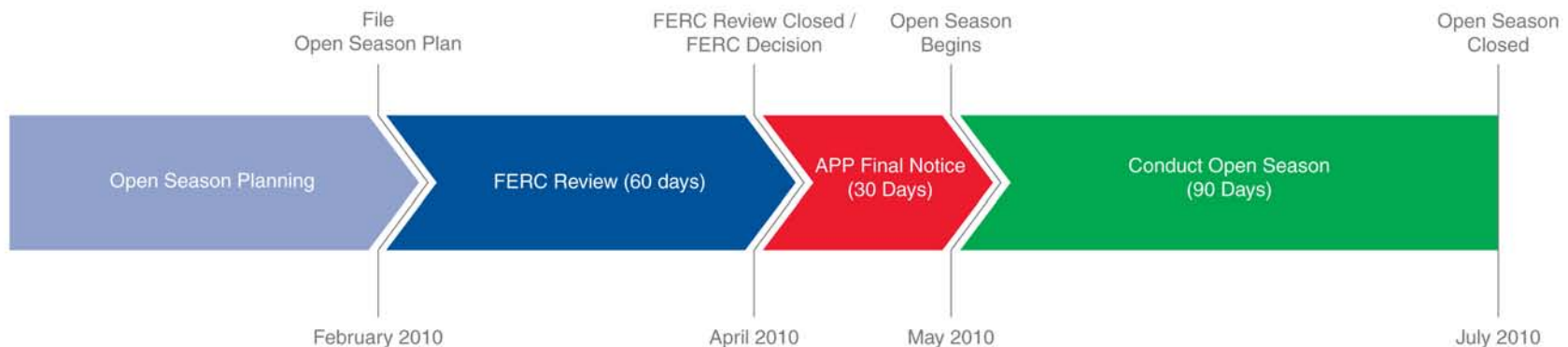
- APP
 - Alignment of key stakeholders
 - TransCanada / State of Alaska via AGIA License in 2008
 - TransCanada / ExxonMobil in 2009
 - Continue to offer equity participation to BP / ConocoPhillips
 - Initiated FERC (NEPA) pre-filing process in U.S.; Continuing interface with Northern Pipeline Agency (NPA) in Canada
 - First Nations negotiations in Canada; Interfaces with Alaska Native groups and communities along the project corridor in Alaska
 - Resolved claims on previous projects
 - Developed comprehensive Alberta and LNG alternatives – technical scope, cost estimates, schedules
 - Filed Open Season Plan with FERC
 - In-state Gas Study
 - Technical Conference in Anchorage on February 4 at 2:00 p.m.

APP Development Stage - Open Season



Timeline

- Filing begins 60-day FERC review for U.S. section
- If FERC approves plan, conduct Open Season from May-July 2010
 - Concurrent Canadian Open Seasons for Alberta option
- Expect APP / Shipper follow-up negotiations to resolve conditioned bids (typical situation)
- Final Open Season results targeted by year-end 2010
 - Contingent on satisfactory resolution of Shippers' conditions precedent



Open Season Plan



- **Comprehensive, credible and competitive Open Season plan**
 - TransCanada and ExxonMobil have unparalleled expertise / experience in interstate/inter-provincial gas pipelines and gas treatment plants
 - Over one-quarter million hours of engineering, regulatory, technical, environmental, commercial, legal and project management work
 - Builds on significant base from past initiatives for Alaska gas
- **Joint project work has provided improved understanding of scope, costs, complexities and risk for this large, complex project**

Open Season Plan



- **APP offering better commercial terms / access than in AGIA Application**
 - Available to Shippers in APP's initial Open Season
 - Comprehensive Alberta and Valdez options
 - Responsive to Shipper discussions
 - 48 inch 3.0 Bcf/d pipeline to Valdez
 - Access to other pipelines upstream of Alberta Hub
 - 20-year minimum contract term for firm service
 - Interruptible, overrun and park-and-loan services
 - Shared development costs
 - Better commercial terms reduces tolls by \$500 million/year
 - 12% ROE
 - 80% capital recovery over initial contract term
 - 70/30 debt/equity ratio for expansions

Project Scope



Two pipeline options for Shipper assessment in the APP Open Season

Option One: Pipeline from Alaska's North Slope to Alberta

- 4.5 Bcf/d; approx. 1,700 miles (2,737 km); 48 inch
- Gas delivered to pipeline systems serving major North American markets

Option Two: Pipeline from the North Slope to Valdez, Alaska

- 3.0 Bcf/d; approx. 800 miles (1,287 km); 48 inch
- Converted to liquefied natural gas (LNG) in a facility to be built by others and delivered by ship to U.S. and international markets

Both options include:

- Opportunity for Alaska communities to acquire natural gas from the pipeline
 - Minimum 5 off-takes in Alaska
- A world-class natural gas treatment plant, to be located adjacent to the North Slope's Prudhoe Bay facilities
 - One of the largest facilities of its kind that would treat the gas to remove CO²/impurities
- An approx. 58-mile (93-kilometer) transmission pipeline connecting natural gas supplies from Point Thomson field to the plant

Project Cost Estimates and Indicative Tolls



Note: All numbers 2009\$US

Option One: Pipeline from Alaska's North Slope to Alberta

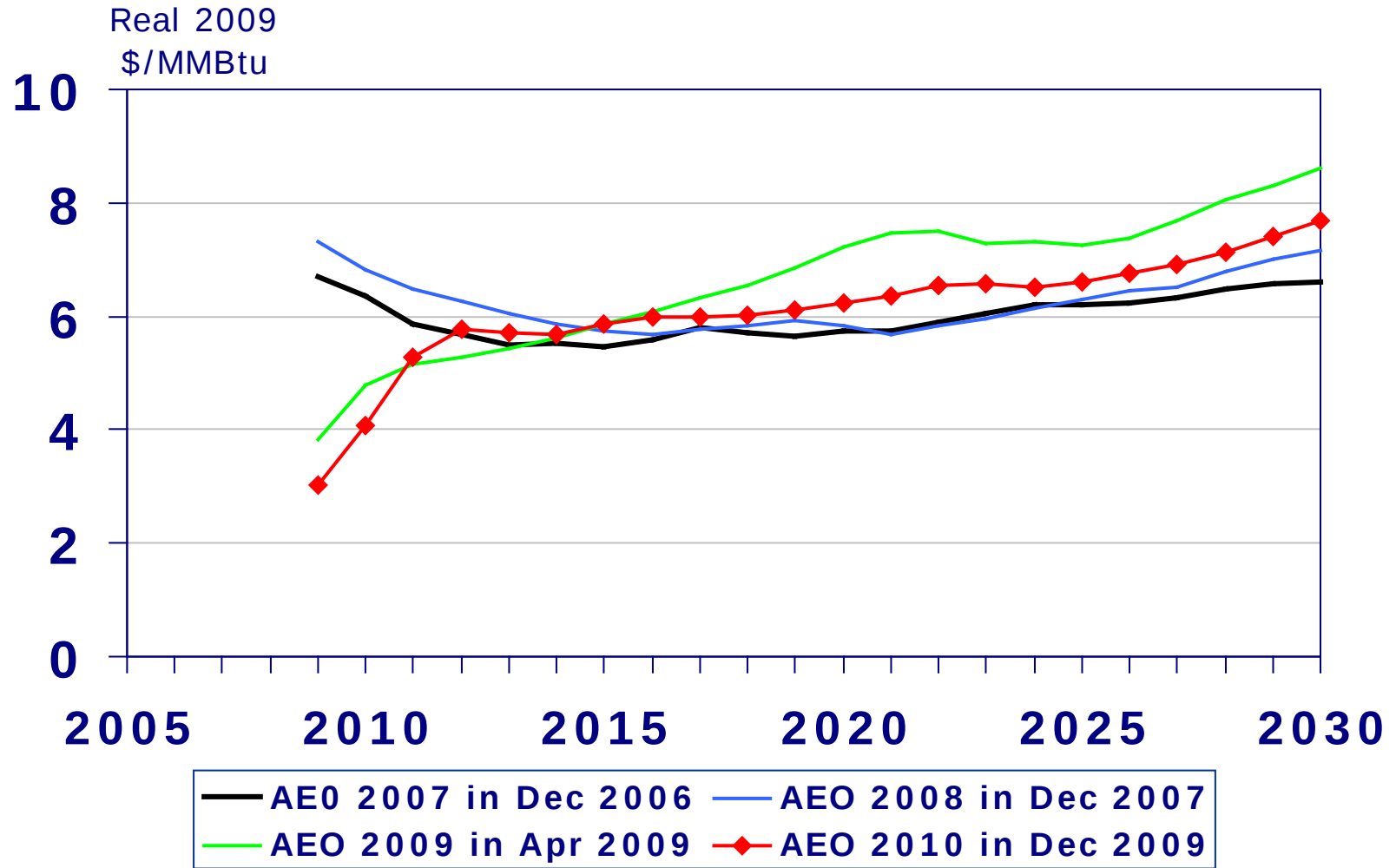
- Capital cost range \$32B-\$41 B
- Target in-service 2020
- Tariff range (incl. fuel)* \$2.80-\$3.50 / MMBtu (from GTP to Alberta Hub)
- Alberta Hub gas price** \$6.25-\$7.65 / MMBtu

Both the Alberta and Valdez options are technically and commercially viable based on current project costs and natural gas/oil price forecasts

* Prudhoe Bay to Alberta Hub (25-yr contract term). Add \$0.15-0.20 / MMBtu for Pt. Thomson line

** Source: U.S. Dept. of Energy 2010 Annual Energy Outlook for the years 2020-2030

Comparison of Recent US DOE Annual Energy Outlooks for Alberta Hub Natural Gas Prices



Project Cost Estimates and Indicative Tolls



Note: All numbers 2009\$US

Option Two: Pipeline from the North Slope to Valdez, Alaska

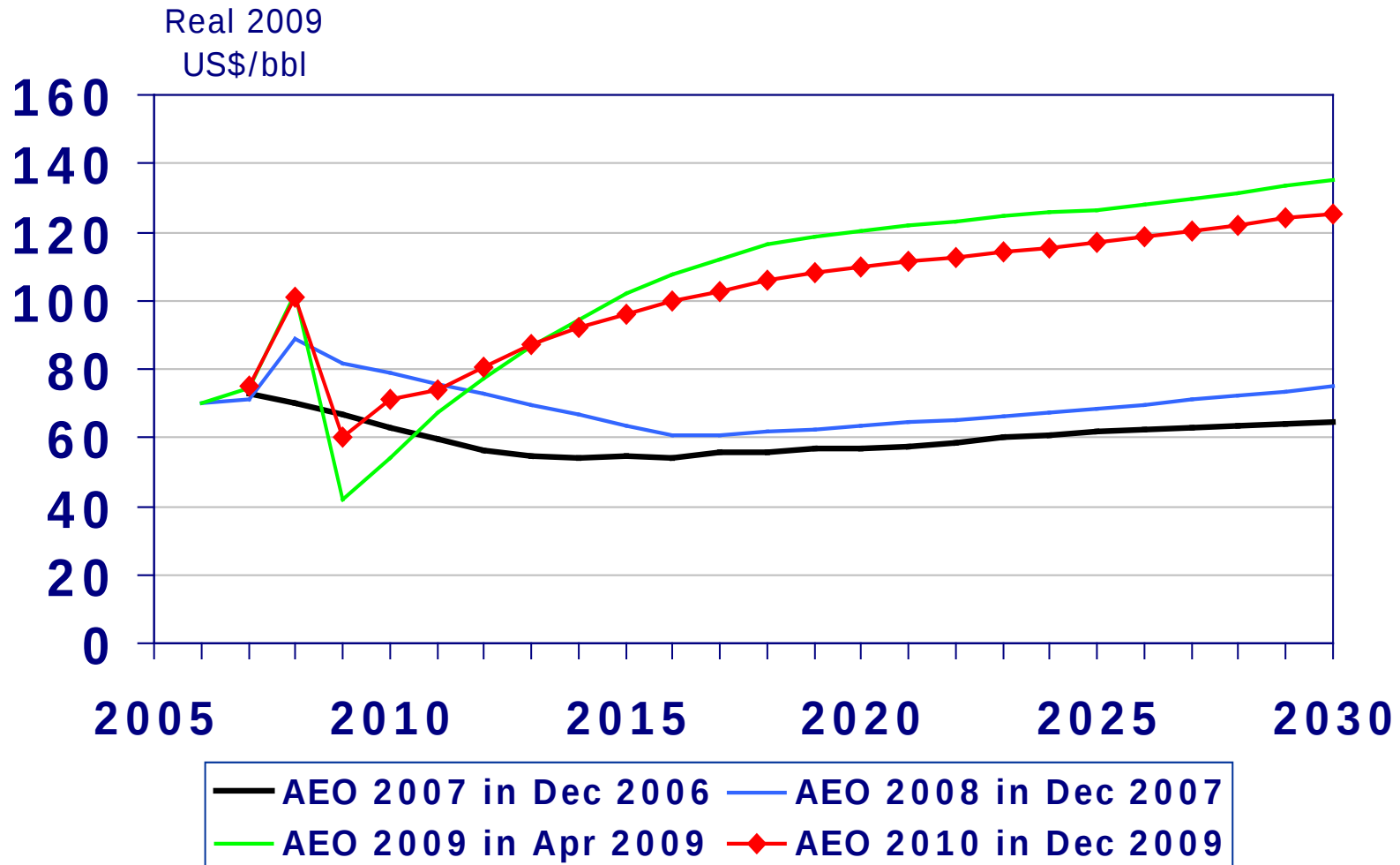
- Capital cost range \$20B-\$26 B
- Target In-service 2020
- Tariff range (incl. fuel)* \$2.45-\$3.15 / MMBtu (from GTP to Valdez)
- Henry Hub gas price** \$6.75-\$8.15 / MMBtu
- Oil prices** \$110-\$125 / bbl

Both the Alberta and Valdez options are technically and commercially viable based on current project costs and natural gas/oil price forecasts

* Prudhoe Bay to Valdez (25-year contract term). Add \$0.15-0.20/MMBtu for Pt. Thomson line

** Source: U.S. Dept. of Energy 2010 Annual Energy Outlook for the years 2020-2030

Comparison of Recent US DOE Annual Energy Outlooks for Light Sweet Imported Oil Prices



APP Development Stage – Post Open Season



Commercial / Regulatory Milestones

- APP
 - Resolve conditions precedent with Producers / Shippers
 - Progress engineering, environmental (including field work), and other work to prepare for major U.S. / Canadian permitting
 - Recent environmental contracts awarded to URS / AECOM for Alaska fieldwork commencing spring 2010
 - Canadian section awarded to TERA / Stantec
 - Meet AGIA obligations (including FERC Application in 2012)
 - Advance project in-step with commercial and regulatory breakthroughs
 - Continue to seek alignment with BP / ConocoPhillips



Commercial / Regulatory Milestones

- Producers / Shippers
 - Resolve conditions precedent with APP
 - Resolve upstream fiscal / production levels at Prudhoe Bay, Point Thomson, other fields with State / AOGCC
 - Arrange downstream transportation; secure final gas markets and export permits (LNG option)
- State of Alaska
 - Resolve any upstream tax or production issues with Producers / Shippers
 - Facilitate project permitting
- U.S. Government / FERC
 - Establish Federal Loan Guarantee levels, terms and conditions
 - Facilitate project permitting
- Government of Canada / Alaska Natives / Canadian First Nations
 - Facilitate project permitting and alignment

Summary



APP Open Season May-July 2010 if FERC approves APP's plan

APP offering improved commercial terms vs. AGIA

Alberta / Valdez options both viable

**Regulatory / commercial breakthroughs required by APP,
Producers-Shippers, and Governments**

**TransCanada / ExxonMobil / State working together through
AGIA structure provides best opportunity to:**

- Align all stakeholders
- Achieve project benefits for Alaskans and other parties

ALASKA PipelineProject



Thank You

Note: APP's Open Season plan is available at www.thealaskapipelineproject.com or on the FERC website

