

6-23-09
TransCanada
and
ExxonMobil
Partnership
Re: AGIA

<target><bill></bill><subject>6-23-09 TransCanada and
ExxonMobil Partnership Re
AGIA</subject><comm>HENE26</comm></target>

House Resources Committee and House Energy Special Committee

TransCanada/ExxonMobil Agreement Hearing

Tuesday, June 23, 2009

9:00am – 1:00pm

Anchorage LIO, Room 220

AGENDA

~~9:00-10:30~~

TransCanada, Tony Palmer
Exxon/Mobil, Marty Massey

~~10:30-11:00~~

State of Alaska – AGIA Pipeline team

~~11:00-11:10~~

Break

~~11:10-12:00~~

Denali Pipeline Project, Bud Fackrell

~~12:00-12:20~~

BP LLC, Claire Fitzpatrick

12:30-12:45

ConocoPhillips, Wendy King

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

For Immediate Release - On Thursday June 11, the Governor's Gasline Team Lead, Marty Rutherford, issued a letter to TransCanada's Tony Palmer stating that the proposed project agreement between TransCanada Corporation and ExxonMobil would not require state approval as an amendment or modification of the license issued under the Alaska Gasline Inducement Act (AGIA).

Under the agreement, ExxonMobil will work with Alaska's project licensee, TransCanada Alaska (TC Alaska), to progress the AGIA licensed gas pipeline project. TC Alaska's obligations under the AGIA license will not be impacted by the new partnership, nor is Exxon's participation contingent upon any action or concession from the State. "The partnership is an exciting step forward," said Commissioner Tom Irwin. "It demonstrates just the type of commercial alignment which AGIA was designed to encourage."

By adopting the AGIA process, the legislature established a clear set of commercial terms for developing a pipeline to commercialize Alaska's North Slope natural gas resources. Through an open and transparent bidding process, TC Alaska was awarded the state's AGIA license. Under the license, TC Alaska has committed to advance a gas pipeline project to the point of securing a certificate of public convenience and necessity (CPCN) from the Federal Energy Regulatory Commission (FERC). In addition, the AGIA license ensures that the pipeline will be operated to provide low cost tariffs and open access for new gas shippers. In exchange for those commitments, the state will invest up to \$500 million in the development of the project, and provide certain tax and royalty terms for gas which is committed during the initial Open Season.

Under the agreement, the project schedule will remain unchanged. An initial Open Season will be completed in July 2010, during which potential shippers will be provided an opportunity to make shipping commitments for capacity in the pipeline, either to Alberta and into the North American gas pipeline network, or to Valdez for liquefaction and shipment as LNG.

ExxonMobil's actions show that they believe that working with TransCanada and the state through AGIA is the best opportunity for aligning the parties to move this project forward. They bring world-class expertise to the project in construction planning, regulatory and environmental work, as well as technical capability and prior study information that will enhance development of the Gas Treatment Plant. Their early collaboration with TC Alaska will accelerate pre-Open Season spending to roughly \$150 million, and will help to ensure a project design that is tailored to meet the technical needs of potential gas shippers.

The Commissioners indicated that there will be additional opportunities to enhance stakeholder alignment. "This new partnership is further confirmation of the project's commercial viability" said Commissioner Pat Galvin. "This event continues the undeniable progress in this long lead-time project. An AGIA gasline provides Alaskans with a source of careers, affordable energy, and secure state revenue. Producers and new explorers in the state will benefit from an affordable and accessible means of monetizing Alaska's vast natural gas resources. Americans will receive a plentiful and reliable source of clean energy, and a step towards energy independence."

For supporting documents and further information please visit <http://www.gov.state.ak.us/agia/>

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the alaska gas pipeline
www.denalipipeline.com

Project Update House Resources and Energy Committees

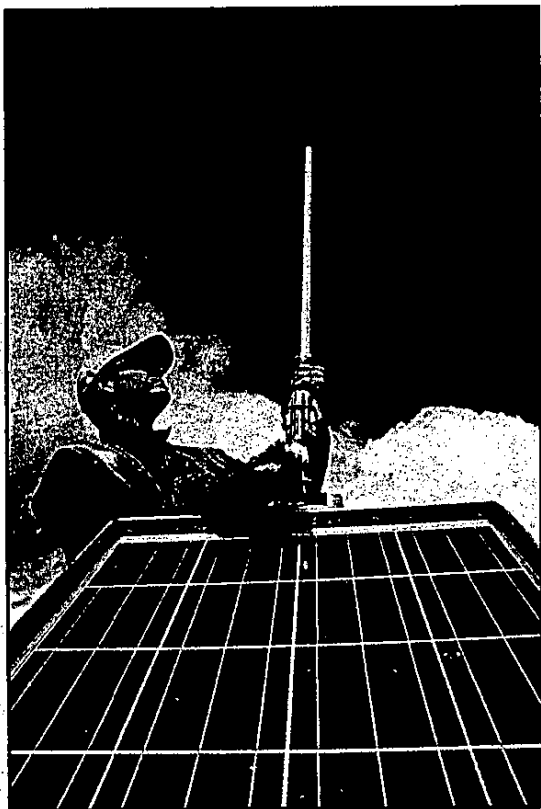
June 23, 2009



Together. moving. energy.



Denali - The Alaska Gas Pipeline



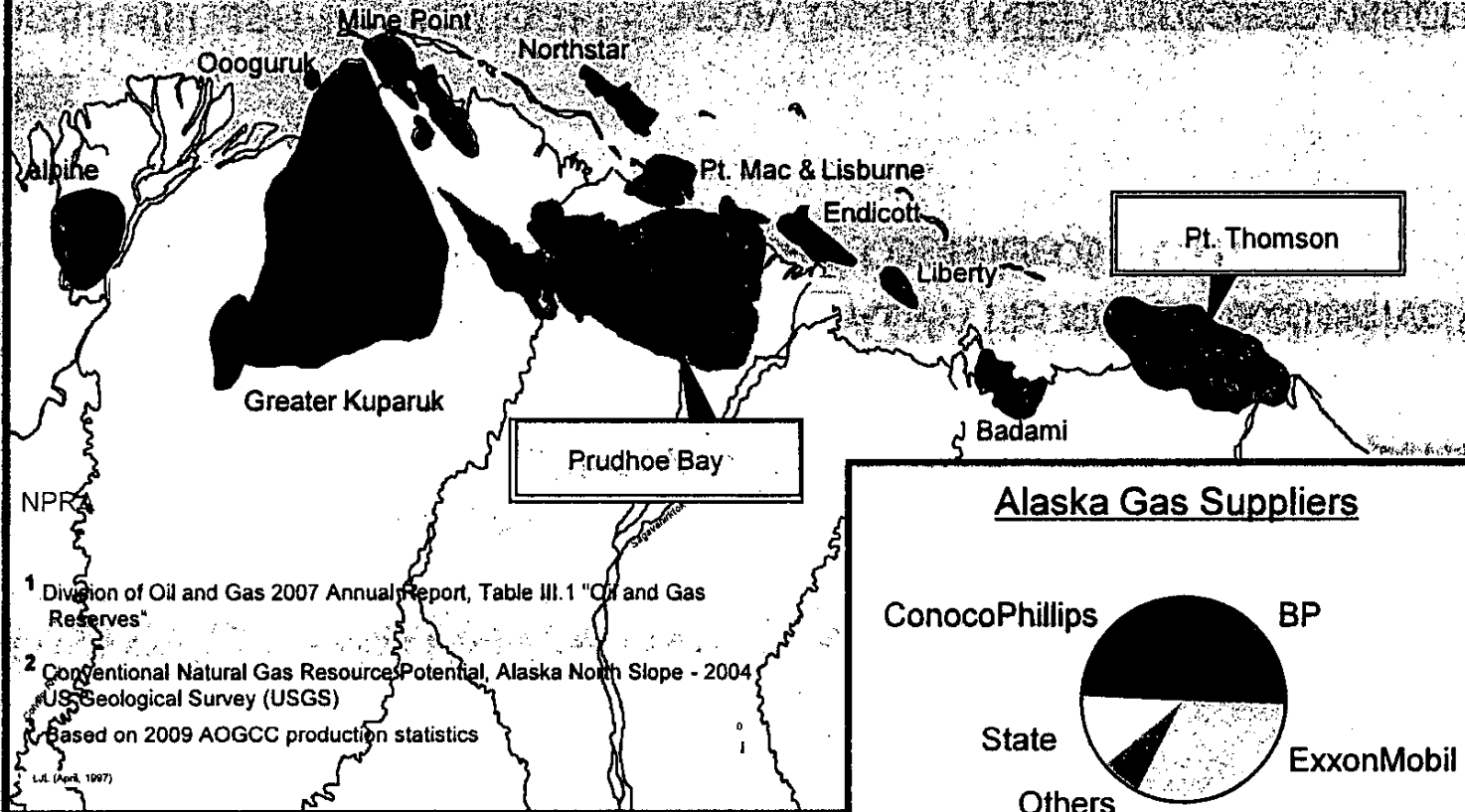
Moving Forward -

- BP and ConocoPhillips formed Denali to build the Alaska Gas Pipeline
- Denali is uniquely qualified to deliver this gigantic, complex project
 - Unparalleled experience in North Slope operations and project construction
 - Worldwide experience in constructing and operating mega projects
 - Strong balance sheets
- Denali remains on track to conduct an Open Season in 2010
- Positioned for a superior commercial offering
- The economy has not changed our focus



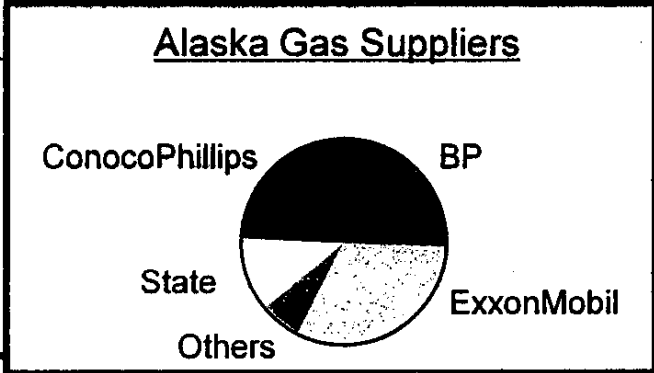
North Slope Oil and Gas Fields

- Operated by BP
- Operated by ConocoPhillips
- Operated by ExxonMobil
- Operated by Pioneer



35 tcf discovered gas resource ¹
 Prudhoe Bay, Pt Thomson primary gas sources
 100-200 TCF undiscovered potential ²
 BP & COP operate ~99% current NS production³

¹ Division of Oil and Gas 2007 Annual Report, Table III.1 "Oil and Gas Reserves"
² Conventional Natural Gas Resource Potential, Alaska North Slope - 2004 US Geological Survey (USGS)
³ Based on 2009 AOGCC production statistics





Regulatory Frameworks – U.S. and Canada

U.S.

- The Federal Energy Regulatory Commission (FERC) is responsible for authorizing and *regulating* the project
- The Alaska Gasline Inducement Act (AGIA) is not an exclusive license to build a pipeline. Denali can proceed outside of AGIA

Canada

- Denali will use the National Energy Board (NEB) process which incorporates all of the modern environmental regulations and is open to any project proponent
- The NEB and FERC have a history of working together to approve cross-border energy projects



Denali Terms of Service

- Denali is an Open Access pipeline – *It's the law*
 - *"People have open access to the pipeline, not just the producers."*
(FERC testimony to Joint AGIA Committee, June 16, 2008)
- Will include the gas treatment plant
- Distance sensitive transportation rates for local use
- Will use FERC mandated rolled in rates
- Design will provide for efficient expandability
- Solicit shippers every two years regarding expansion
- Will provide at least five offtake points within Alaska
- Will provide offtake points in Canada if warranted



Denali Progress – Key Accomplishments

Spent ~\$100 million in the past year

- Project Team mobilized
- Core team of 80 to 90 people with Anchorage and Canadian Headquarters
- FERC pre-filing request approved
- Filed Right of Way on federal lands with Bureau of Land Management
- Successful 2008 summer field program
- Community outreach meetings in Alaska and Canada
- Advanced workforce development
- Met with Alaska, U.S. and Canadian government officials
- Awarded contracts for multi-million dollar Gas Treatment Plant and Pipeline preliminary engineering





Denali has a core team of 80-90 people and dozens of contractor companies supporting its work

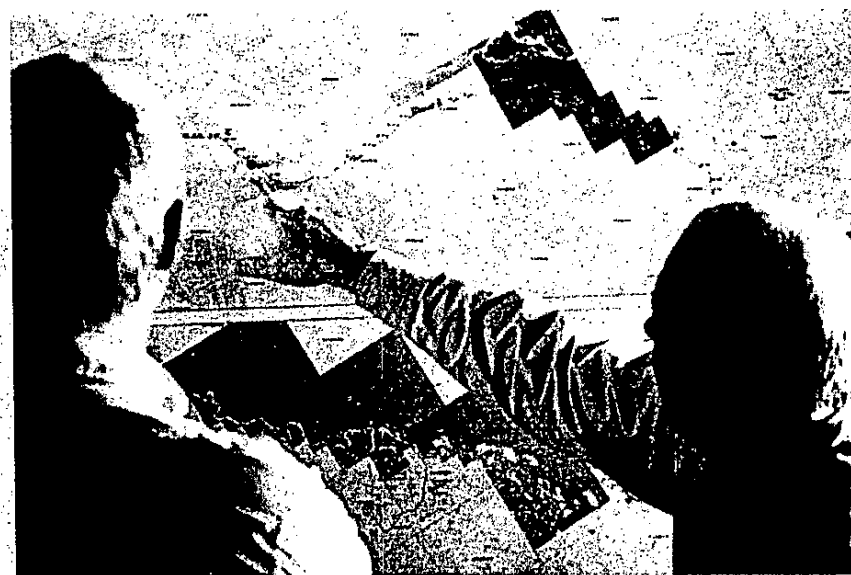




2009 Plans Focused on Open Season

- Broader work program will result in updated cost estimate – necessary for 2010 open season
- Ongoing work with DNR, FERC, NEB, OFC, BLM
- Continue to meet FERC prefilling requirements and engage FERC 3rd Party Contractor
- Work with AK DOTPF to advise on infrastructure requirements
- Field work program focused on Canada
- Workforce Development (UAF, AKDOL, survey crew training)
- Stakeholder engagement in Alaska and Canada
- Progress commercial work for open season

Fluor / WorleyParsons
ARCTIC SOLUTIONS





Denali is on track and moving ahead

- Focus on 2010 Open Season
- Cost estimate will provide confidence to shippers
- Denali positioned for a superior commercial offering
- Denali does not require state funding to move forward
- The economy and competition has not changed our focus

ALIGNMENT SUMMARY

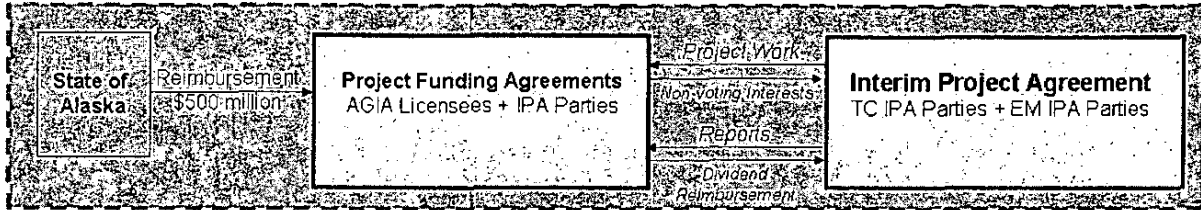
TransCanada's Alaska Pipeline Project – Alignment with ExxonMobil
June 11, 2009

- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project (details on Page 2)
- TC / EM will jointly advance all aspects of the project – technical, commercial, regulatory, financial, etc.
- 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
- AGIA Project Scope unchanged – Gas Treating Plant (GTP) and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
- 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
- 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 – emphasis on early execution / construction planning, regulatory, environmental, land and GTP
- Development costs will be shared by TC / EM
 - TC retains majority interest
 - No change to State's total reimbursement contribution of \$500 million
- 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 Benefits

- Real progress to align all essential parties necessary for successful project
 - Need full support of State of Alaska, US / Canadian governments, North Slope producers, and other interested parties
- 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

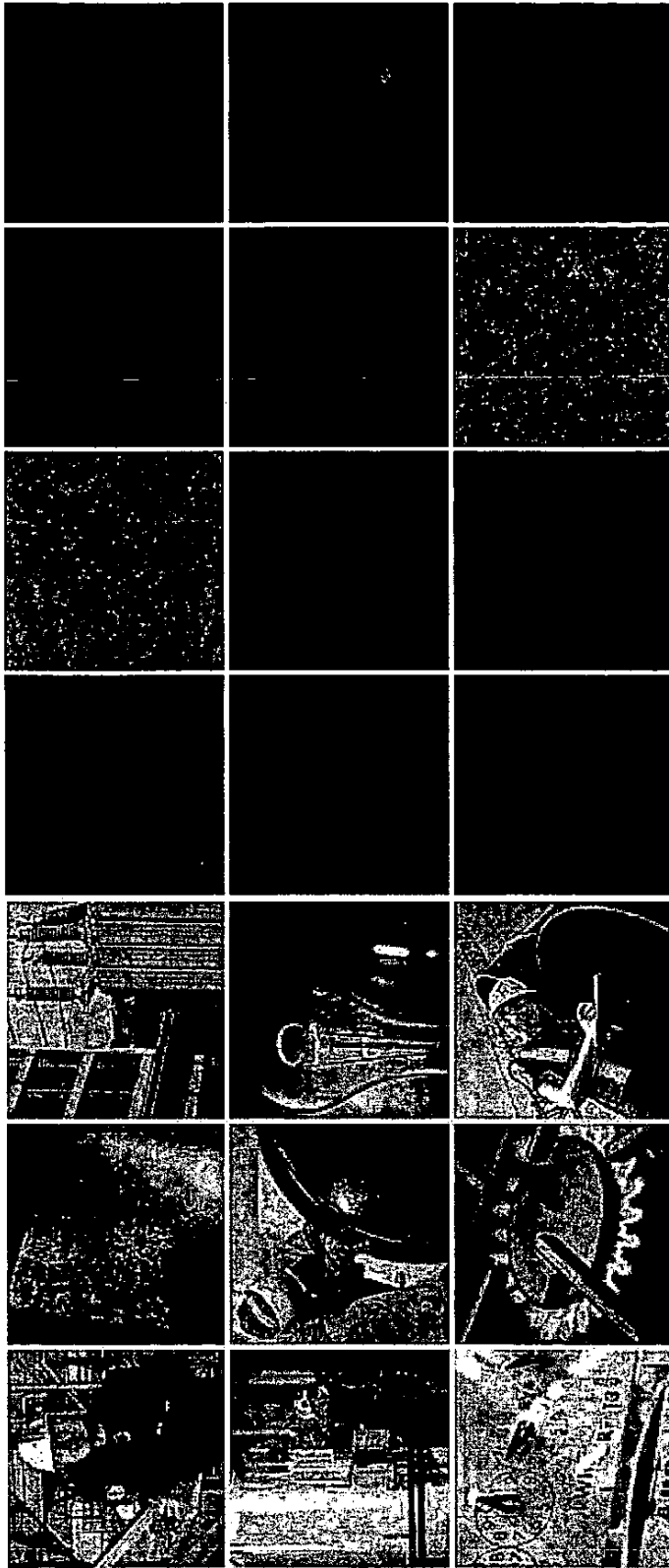
Project Framework



	AGIA Licensees	IPA Parties
US PFA	<ul style="list-style-type: none"> TransCanada Alaska Company LLC 	<ul style="list-style-type: none"> TransCanada Alaska Development Inc ExxonMobil Alaska Midstream Gas Investments LLC
Canada PFA	<ul style="list-style-type: none"> Foothills Pipe Lines (North B.C.) Ltd. Foothills Pipe Lines (South Yukon) Ltd. 	<ul style="list-style-type: none"> TransCanada Pipe Lines Ltd. ExxonMobil Canada Resources Company

- Objective is to perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by target of July 2010 and pursue required regulatory authorizations for pipeline construction
- 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; a 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
- TC Licensees have right to use all work provided to them by the IPA parties for the purposes of meeting the 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 jointly developed 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 the PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon the transfer of work product
- At the time EM becomes a participant in the TC Licensees, the non-voting interests will convert to voting interests in the AGIA Licensees
- State reimbursements to TC Licensees will be distributed to the IPA parties through dividends, 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



TransCanada's Alaska Pipeline Project

Senate/House Committees- Alignment with ExxonMobil

June 23, 2009



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)



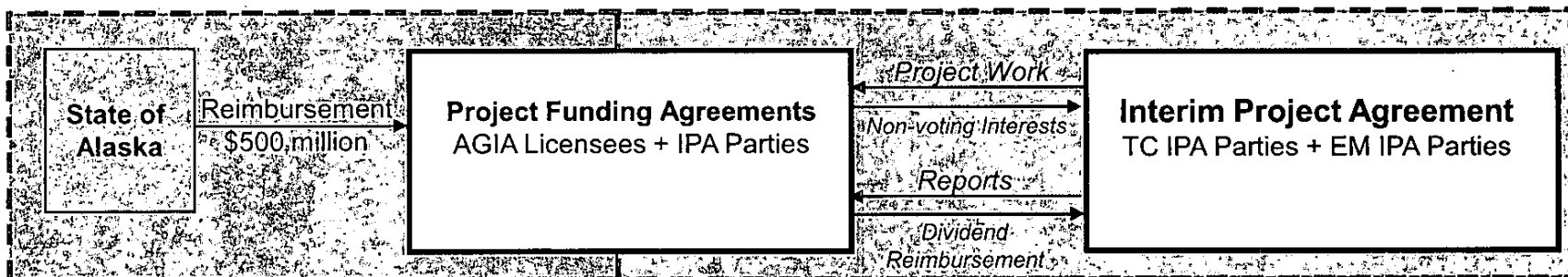
- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
 - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a result of the arrangement
 - State administration supports TC / EM alignment
- Bottom Line
 - 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
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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 jointly-developed 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



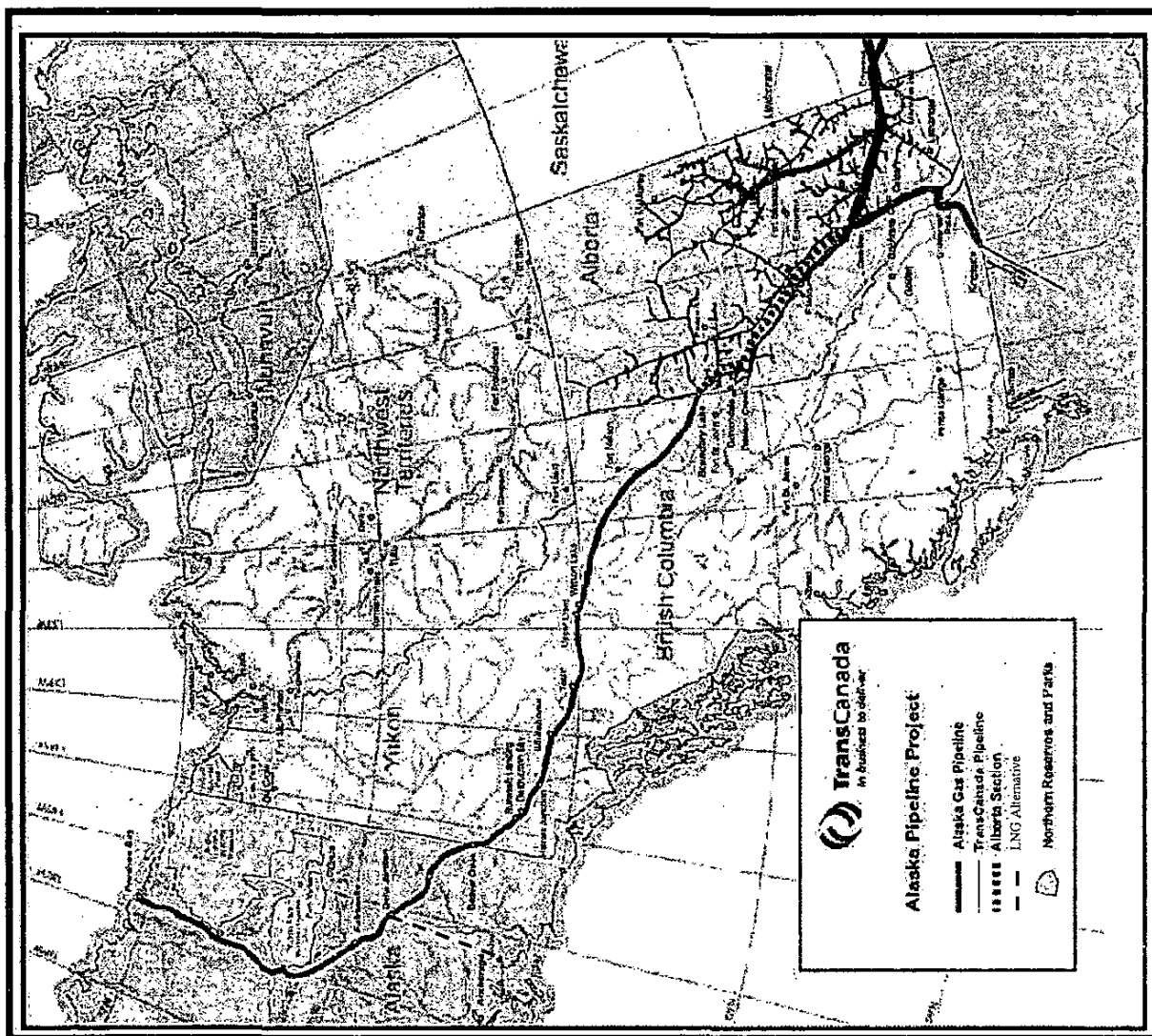
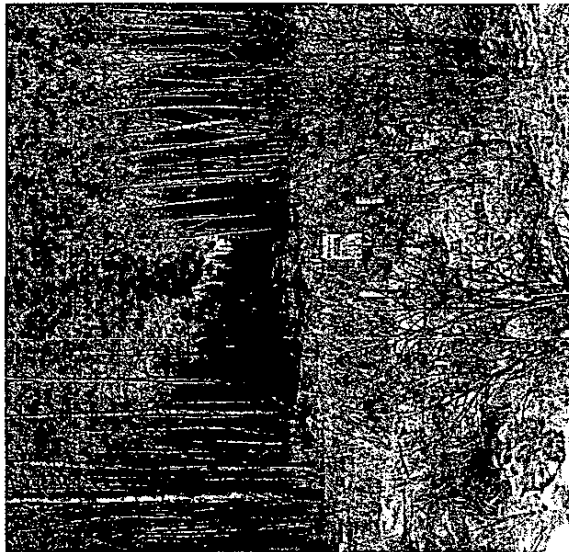
- Represents real progress to align all essential parties necessary for successful project
 - TC/State alignment under AGIA License in 2008
 - EM supports progress of TransCanada's Alaska Pipeline Project under AGIA
 - EM ready to work with State of Alaska and TC to become a full participant in AGIA 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)

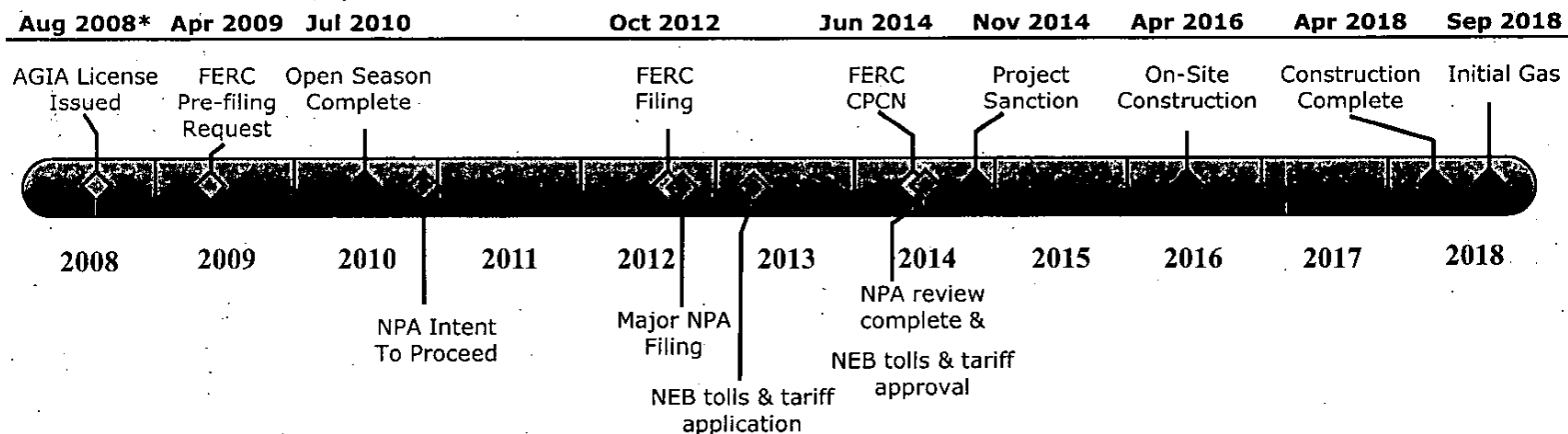


- ExxonMobil
 - Global financial and project management strength
 - Recognized industry leader in execution of large complex projects
 - Substantial financial resources
 - Largest holder of discovered Alaska North Slope natural gas resources
 - Gas treatment plant technology/expertise, as well as pipeline 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



- ◆ Common project activities
- ◆ Alaska-specific activities
- ◆ Canada-specific activities

* 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 *formerly 2.0 BCF*
 - 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

at least one, possibly 2 or 3

- 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

*1 thousand TCF
700 miles closer to
Lower-48.*

*200 recoverable = 20-50 TCF
shales gas formation (higher, probable)
specul. potential*

*2 employed by TC Alaska
now
since last Aug. 84 employees*



TC Project Accomplishments Since June 2008 (cont'd)

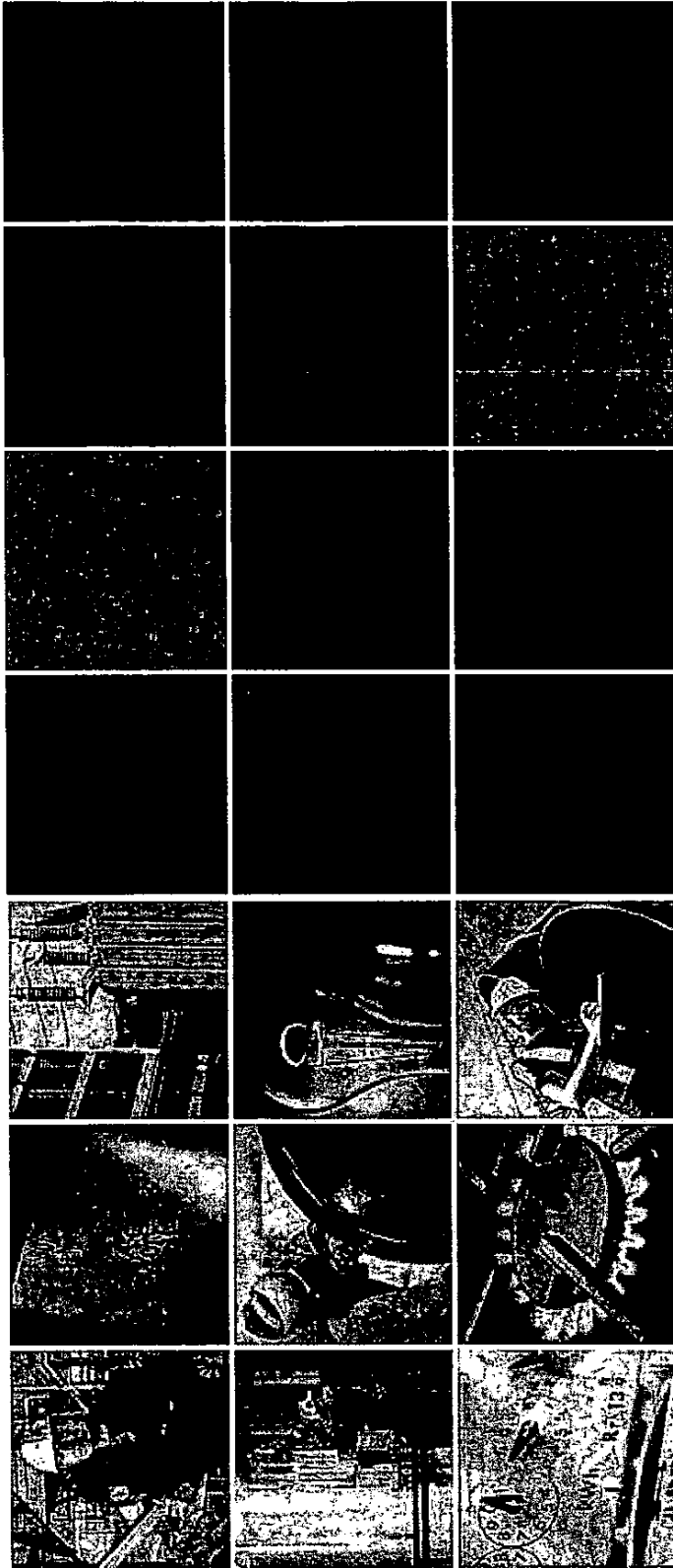


- In-State Gas Study
 - Contract awarded to Northern Economics
- Anchorage Office
 - Open in early 2009
 - Expansion planned later this summer

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



Jeff Turner

From: Rep. Mike Hawker
Sent: Monday, June 22, 2009 11:06 AM
To: Larry Persily; Rep. Charisse Millett
Cc: Jeff Turner
Subject: RE: Questions for Exxon, TransCanada, et al.
Attachments: Questions re Alaska Natural Gas Pipeline Project.pdf

also:

Has Exxon changed its position with regard to AGIA not providing a commercially viable framework for a pipeline?

Is Exxon committed to bidding gas into a TC open season regardless?

What needs to change in AGIA for Exxon to bid gas into a TC open season?

Has Tony Palmer been house hunting in Alaska yet?

See the attached questions someone gave Paskvan for more ideas. These are serious questions that must be asked and answered before a pipeline can happen.

M

From: Larry Persily
Sent: Monday, June 22, 2009 10:48 AM
To: Rep. Charisse Millett
Cc: Jeff Turner; Rep. Mike Hawker
Subject: Questions for Exxon, TransCanada, et al.

Charisse,

I've tried to come up with questions for Exxon, TransCanada, BP and ConocoPhillips outside of the usual inquiries (such as why now to Exxon, why join with TC and not Denali, and is TC sticking with its optimistic 2018 in-service date?).

Here are some possibilities for you to consider for Tuesday's hearing:

To Exxon: Will you commit to shipping gas down a line without Point Thomson leases, or are they essential to a North Slope gas project of this size?

To Exxon, BP and CP: Will you commit to shipping gas without stronger assurances of state tax stability than the 10 years provided in AGIA?

To all producers: Does "fiscal certainty" mean only a long-term lock on taxes, or is there another way to get there?

To TransCanada: Now that Exxon has signed on as a partner, do you expect to take on a

stronger role in pushing the state for fiscal stability for producers?

To everyone: Is there anything the state could do to help get all four of you working together on the same project? Are there things you fear the state might do to help but that actually could hurt getting the four of you together?

To TransCanada: Will Exxon's involvement help improve the accuracy of your construction cost estimates due out next year?

To all: What range of accuracy do you expect for construction cost estimates when you release them next year with the open season (such as plus or minus 30 percent)?

To TransCanada and Exxon: Is planning and design work on a gas line to Point Thomson covered by state reimbursement under the AGIA license? If not, why not?

To the producers: Do you anticipate any legal challenges or do you have any legal concerns whatsoever over the state's production tax structure that imposes a minimal production tax on gas used in-state while collecting a much higher tax gas shipped out of state?

To Exxon: Though TAPS has been profitable, would you prefer not to enter into a gas line partnership similar to TAPS and Prudhoe Bay, where you are not the operator, where all partners essentially have veto rights, and where you could be asked to pay your share of a partner's negligence?

To TransCanada: In your AGIA application, you asked the state to help you in Washington, D.C., on two issues: Getting the federal government to sign on as a backstop shipper in case there are not sufficient bidders during the open season; and getting the federal government to help lessen the pain of construction cost overruns by requiring federally guaranteed loan repayments only when natural gas prices pass a preset level and shippers can afford a higher tariff. Are you still pushing for those concessions from the federal government? Have you dropped those ideas? Does the boost in federal loan guarantees to \$30 billion – a provision in the pending Senate Energy Committee bill – eliminate the need for any further federal assistance?

To all: No doubt shale gas production is helping to oversupply the North American gas market this year and will add substantially to supplies in the years ahead. While we all want the market to still need Alaska gas, does the wealth of shale gas push back at all the year when Alaska gas will be needed in the market?

Need anything else, just let me know. And I'll see you and Bryce tomorrow afternoon. What time works for you?

Larry

Jeff Turner

From: Larry Persily
Sent: Monday, June 22, 2009 10:49 AM
To: Rep. Charisse Millett
Cc: Jeff Turner; Rep. Mike Hawker
Subject: Questions for Exxon, TransCanada, et al.
Importance: High

Charisse,

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To Exxon: Though TAPS has been profitable, would you prefer not to enter into a gas line partnership similar to TAPS and Prudhoe Bay, where you are not the operator, where all

partners essentially have veto rights, and where you could be asked to pay your share of a partner's negligence?

To TransCanada: In your AGIA application, you asked the state to help you in Washington, D.C., on two issues: Getting the federal government to sign on as a backstop shipper in case there are not sufficient bidders during the open season; and getting the federal government to help lessen the pain of construction cost overruns by requiring federally guaranteed loan repayments only when natural gas prices pass a preset level and shippers can afford a higher tariff. Are you still pushing for those concessions from the federal government? Have you dropped those ideas? Does the boost in federal loan guarantees to \$30 billion – a provision in the pending Senate Energy Committee bill – eliminate the need for any further federal assistance?

To all: No doubt shale gas production is helping to oversupply the North American gas market this year and will add substantially to supplies in the years ahead. While we all want the market to still need Alaska gas, does the wealth of shale gas push back at all the year when Alaska gas will be needed in the market?

Need anything else, just let me know. And I'll see you and Bryce tomorrow afternoon. What time works for you?

Larry



Senator Joe Paskvan

Alaska State Senate • District E • Fairbanks • Ft Wainwright

Pat Galvin, Commissioner
Department of Revenue
550 W 7th Ave, Suite 1820
Anchorage, AK 99501

June 11, 2009

Dear Mr. Galvin,

I appreciate the work that you and the members of the Governor's gas line team have done to advance the Alaska gas line project. After today's announcements about the TransCanada and ExxonMobil alignment, I am more optimistic about the July 2010 open season.

In respect to today's announcement, I submit the following questions for your timely consideration:

1. At what point must the State of Alaska elect between receiving its royalty share in-kind as compared to in-value? As a matter of policy, the question of what the State of Alaska will do with its gas needs to be addressed.
2. If either the full royalty share or some portion of the royalty share is received in-kind, does the State of Alaska participate similar to a producer in the open season? If so, does the State become committed to the pipeline construction and operational costs in proportion to its in-kind election?
3. In short, does the policy of whether or not the State elects in-kind or in-value need to be made before July, 2010? Secondly, would the State's decision to accept in-kind gas obligate the State to pay proportionately the tariff, for example, for 30 years on that percentage?
4. If the State were to elect to receive in-value, would the State lose control over any in-state use of the natural gas?
5. Assuming the 12.5% is applied upon 4bcf, this equates to 500mmcf as the State's share. Does the State accordingly need to begin looking for purchasers of 500mmcf in-state and/or in the export market? How much flexibility does the State have after the line is constructed to adjust, without penalty, its election as to receive in-kind or in-value?
6. As a general assumption, it is reasonable to assume that over a period of 30 years that the initial construction and operational costs will be in the 100s of billions of dollars. Does

In Juneau:
State Capitol, Juneau, AK 99801
(907) 465-3709 Office • (907) 465-4714 Fax

senator_joe_paskvan@legis.state.ak.us

In Fairbanks:
1292 Sadler Way, Ste. 308 Fairbanks, AK 99701
(907) 451-4347 Office • (907) 451-4348 Fax

the election to receive in-kind obligate the State to pay its proportional share of whatever those costs are (i.e., similar to the producers obligation)?

7. Assuming we have an obligation to pay, should the State consider having a pro rata share of pipeline ownership?
8. What involvement does the Administration currently see as to the role of the Legislature in any negotiations with the pipeline company?

These are decisions that should be fully understood well before the July 2010 open season.

My thoughts have been developing with this recent announcement. I appreciate your consideration of these requests and look forward to a written reply at your earliest convenience.

If you require any clarification, please don't hesitate to call me any time.

Sincerely,



Senator Joe Paskvan

Cc: Sarah Palin, Governor, State of Alaska
Tom Irwin, Commissioner, Department of Natural Resources
Alaska State Senators
Alaska State Representatives

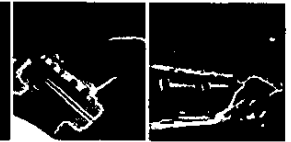
Open Season Plan



- **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

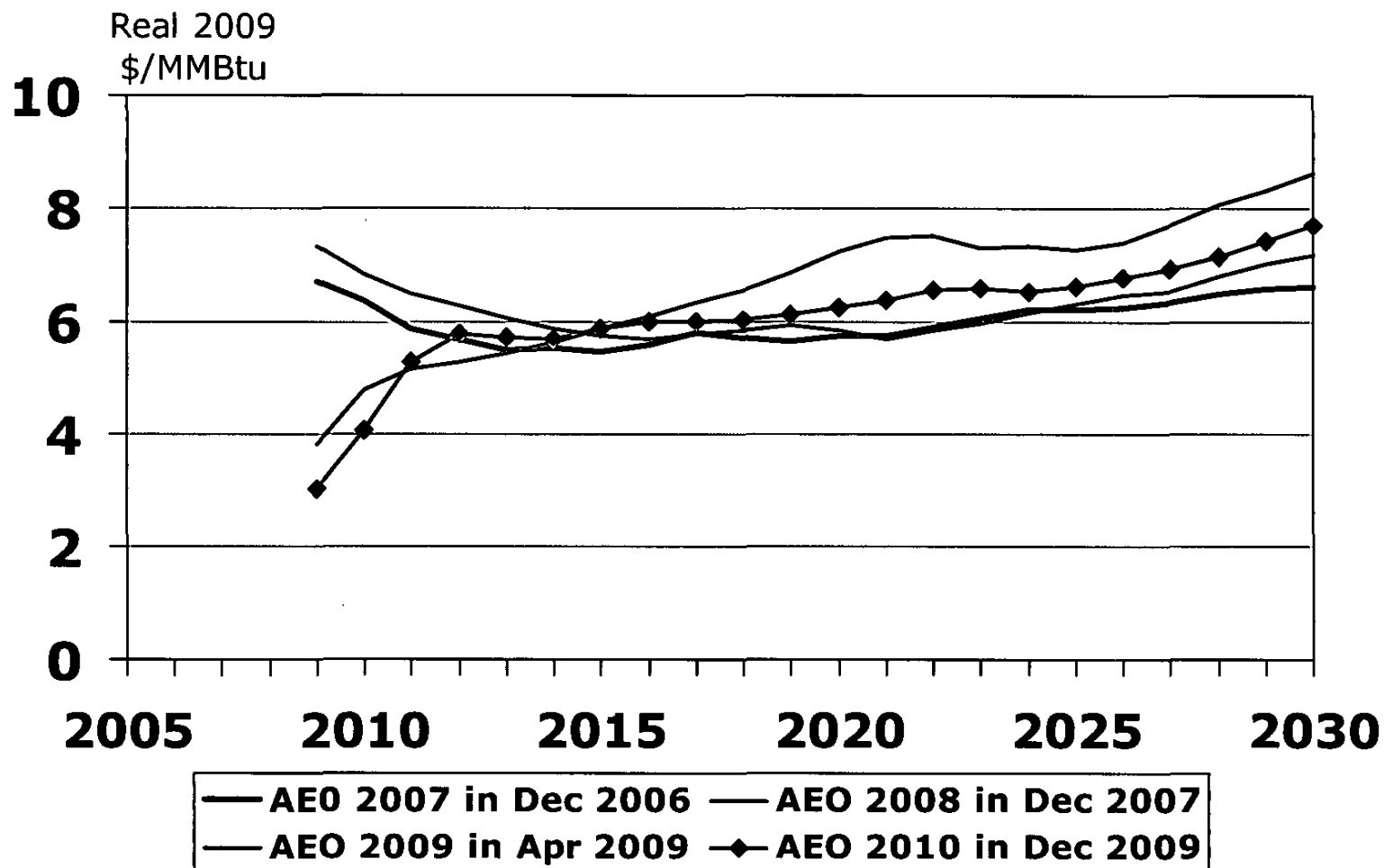
Option Two: Pipeline from the North Slope to Valdez, Alaska

- 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

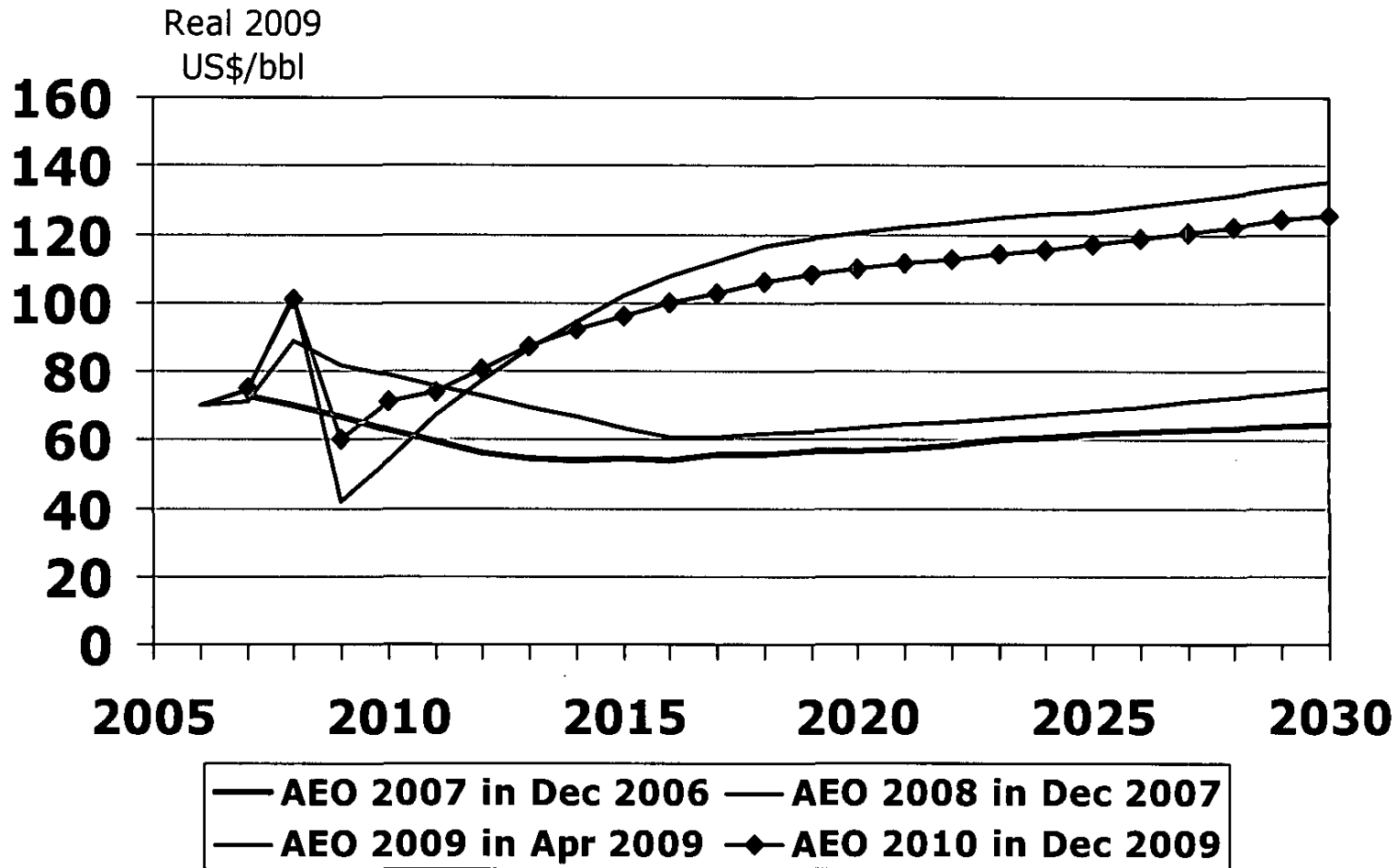
Both options include:

- 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

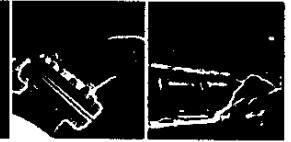
Comparison of Recent US DOE Annual Energy Outlooks for Alberta Hub Natural Gas Prices



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



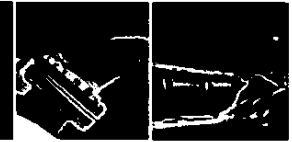
APP Development Stage – Post Open Season



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

Post Open Season



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

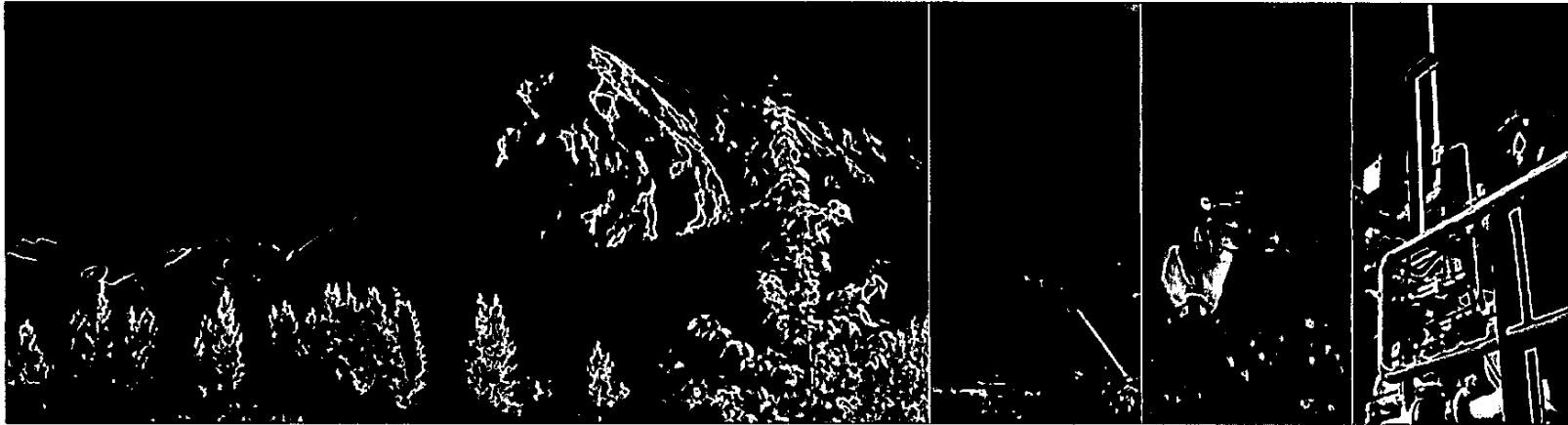
Alberta / Valdez options both viable

**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



ExxonMobil



ALASKA PipelineProject



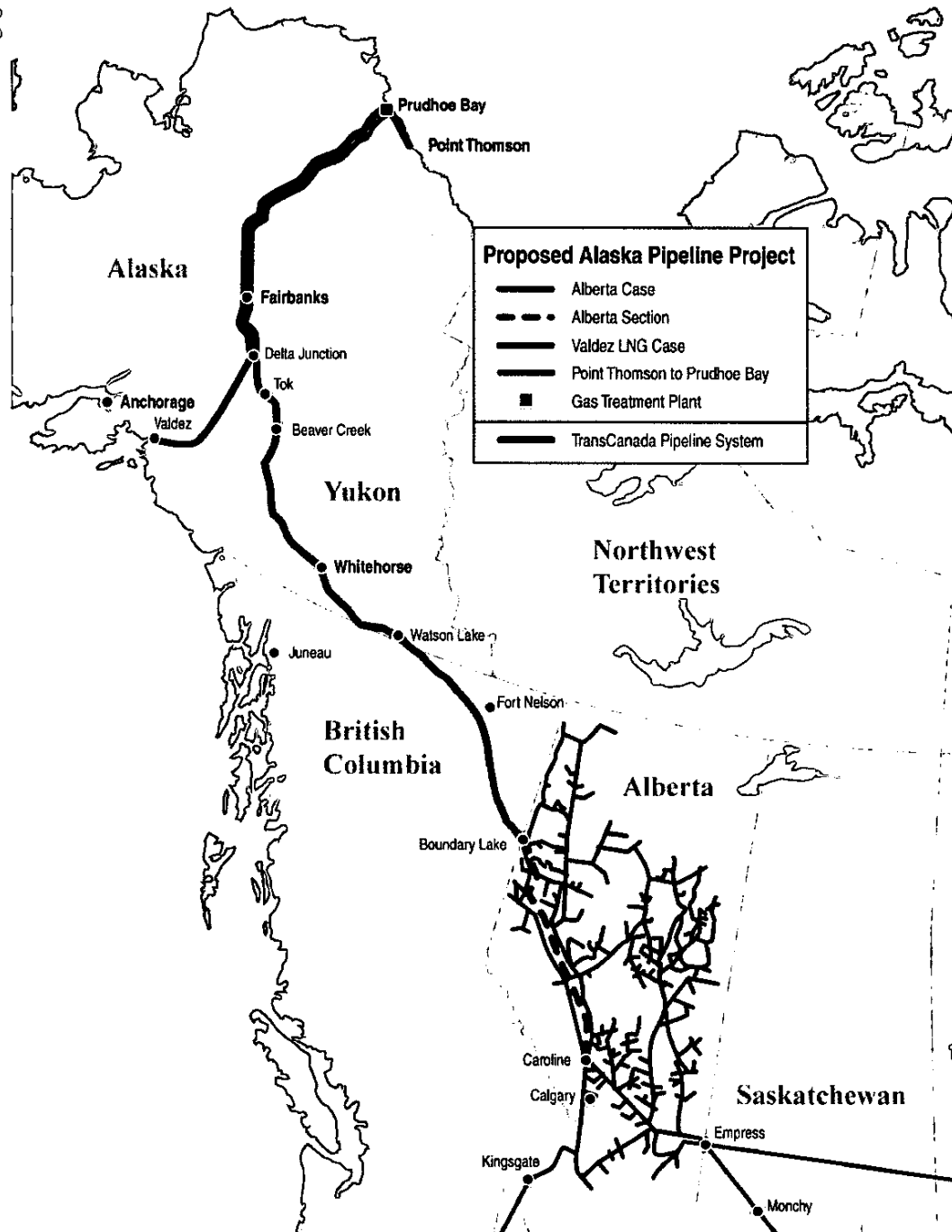
Alaska Legislature Senate/House Resources & Energy Committees

February 2010



TransCanada

ExxonMobil



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

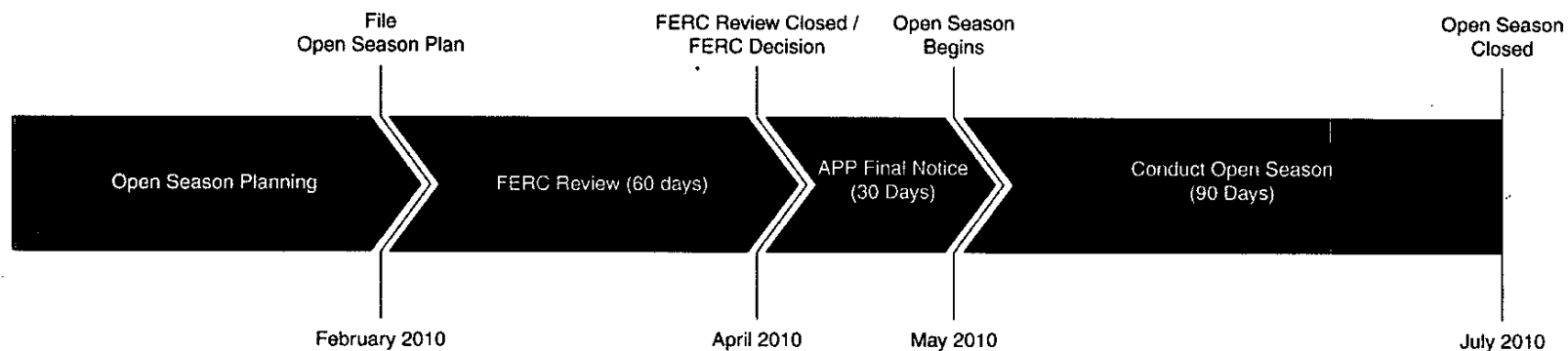
- APP
 - Alignment of key stakeholders
 - TransCanada / State of Alaska via AGIA License in 2008
 - TransCanada / ExxonMobil in 2009
 - Continue to offer equity participation to BP / ConocoPhillips
 - Initiated FERC (NEPA) pre-filing process in U.S.; Continuing interface with Northern Pipeline Agency (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



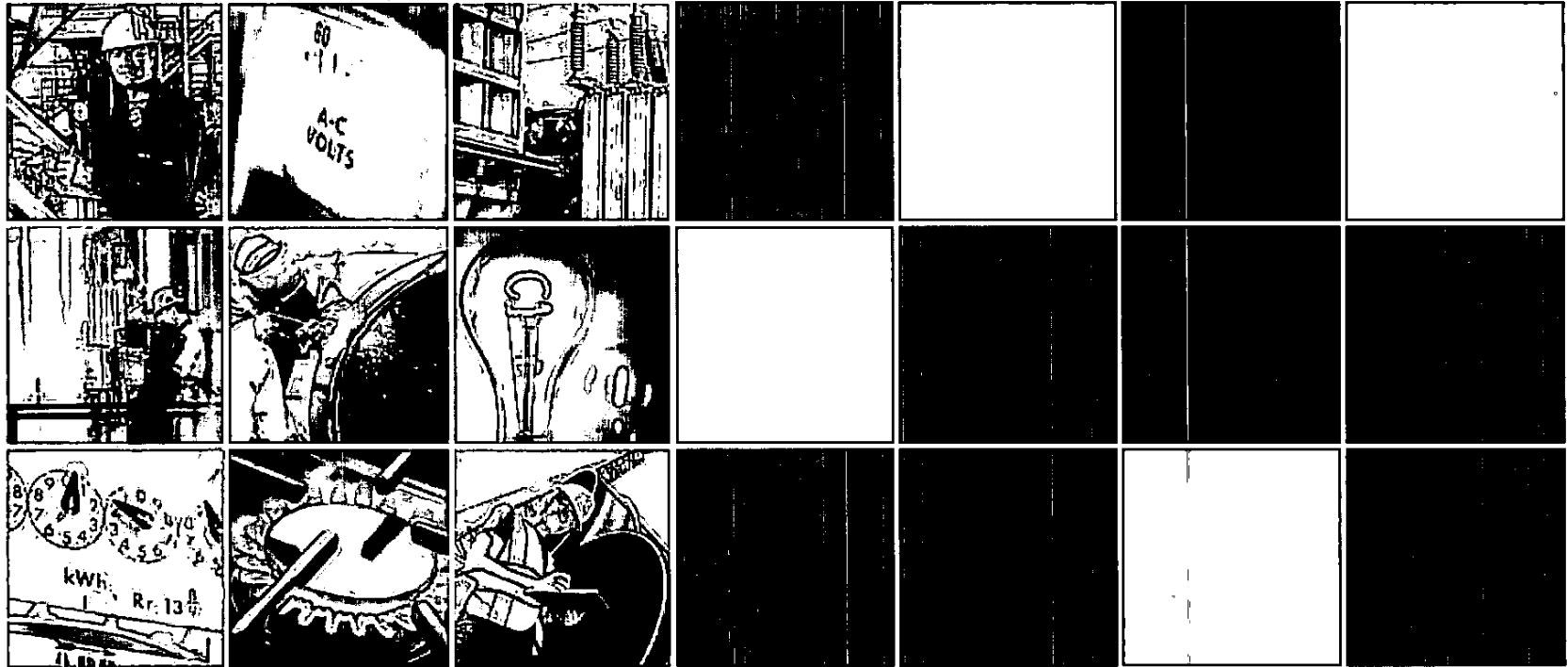
February 2010

ALASKA
PipelineProject

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**



TransCanada's Alaska Pipeline Project

Status Report
House Energy Committee
April 7, 2009





TransCanada's Alaska Pipeline Project

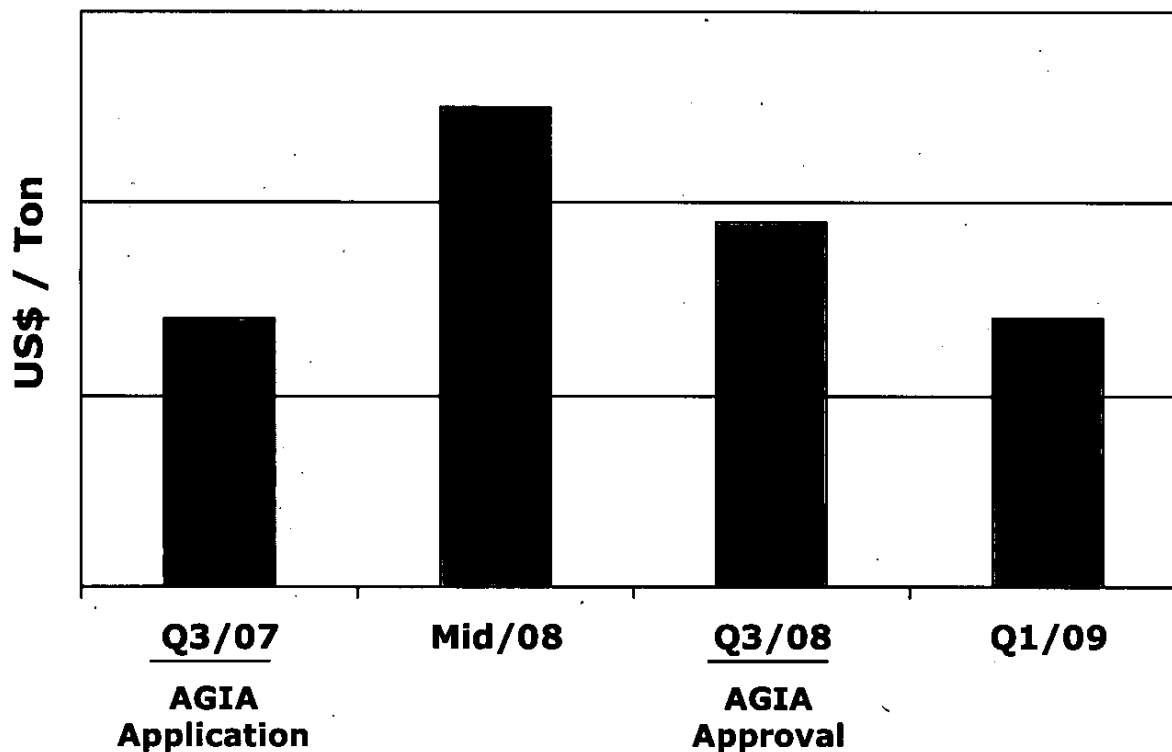
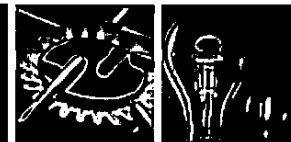


Project Design



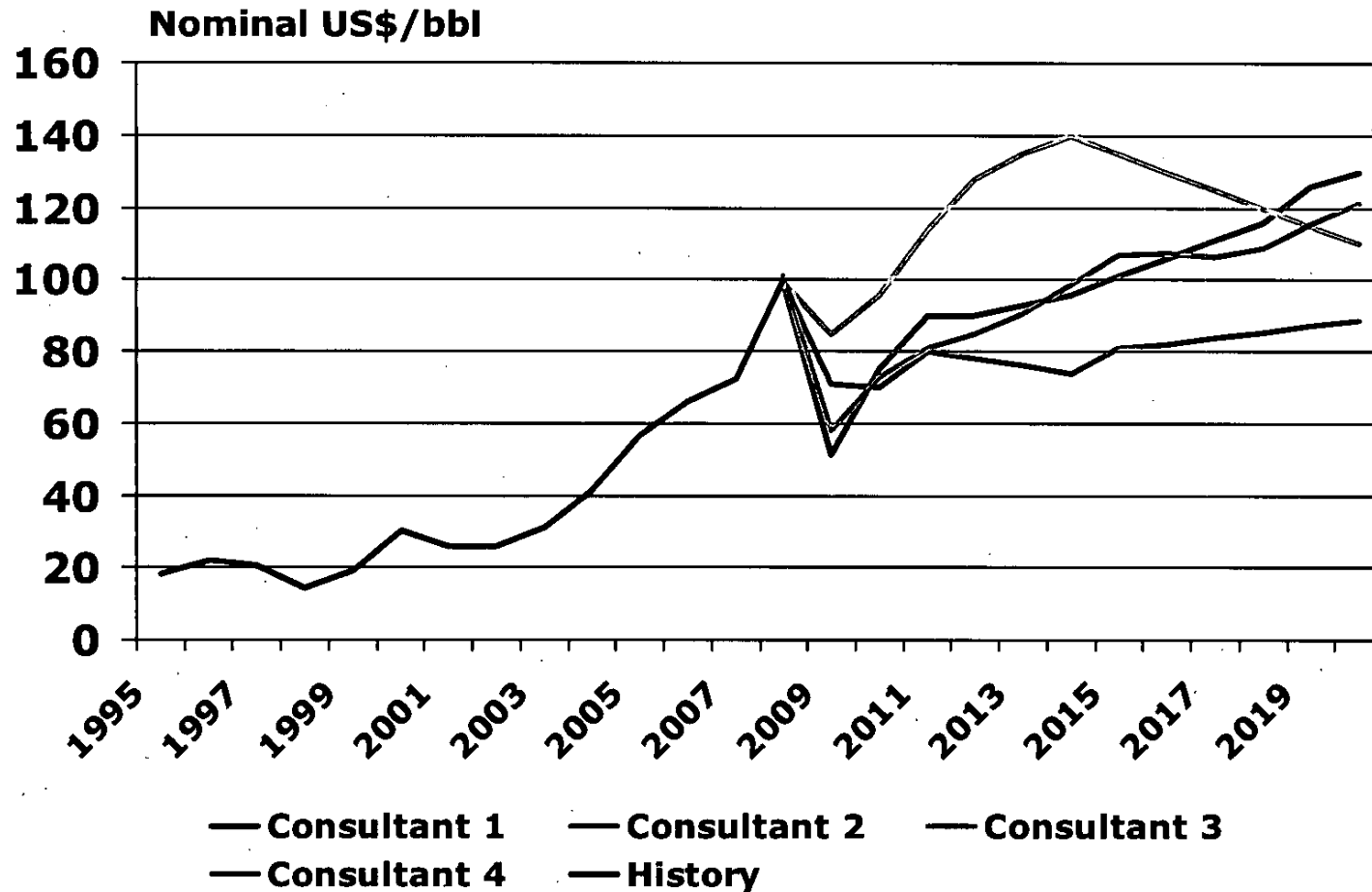
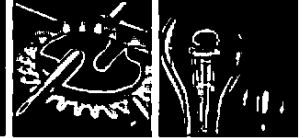
- Two alternatives
 - To Lower 48 via Alberta Hub
 - To LNG markets via Valdez
- Alberta Hub
 - 5 Bcf/d gas treatment plant (GTP)
 - 4.5 Bcf/d pipeline
 - 48-inch diameter, 2500/2600 PSIG
- LNG
 - 3 Bcf/d pipeline/GTP
 - 48-inch diameter, 2500/2600 PSIG

Economic / Technical Viability - Pipe Prices

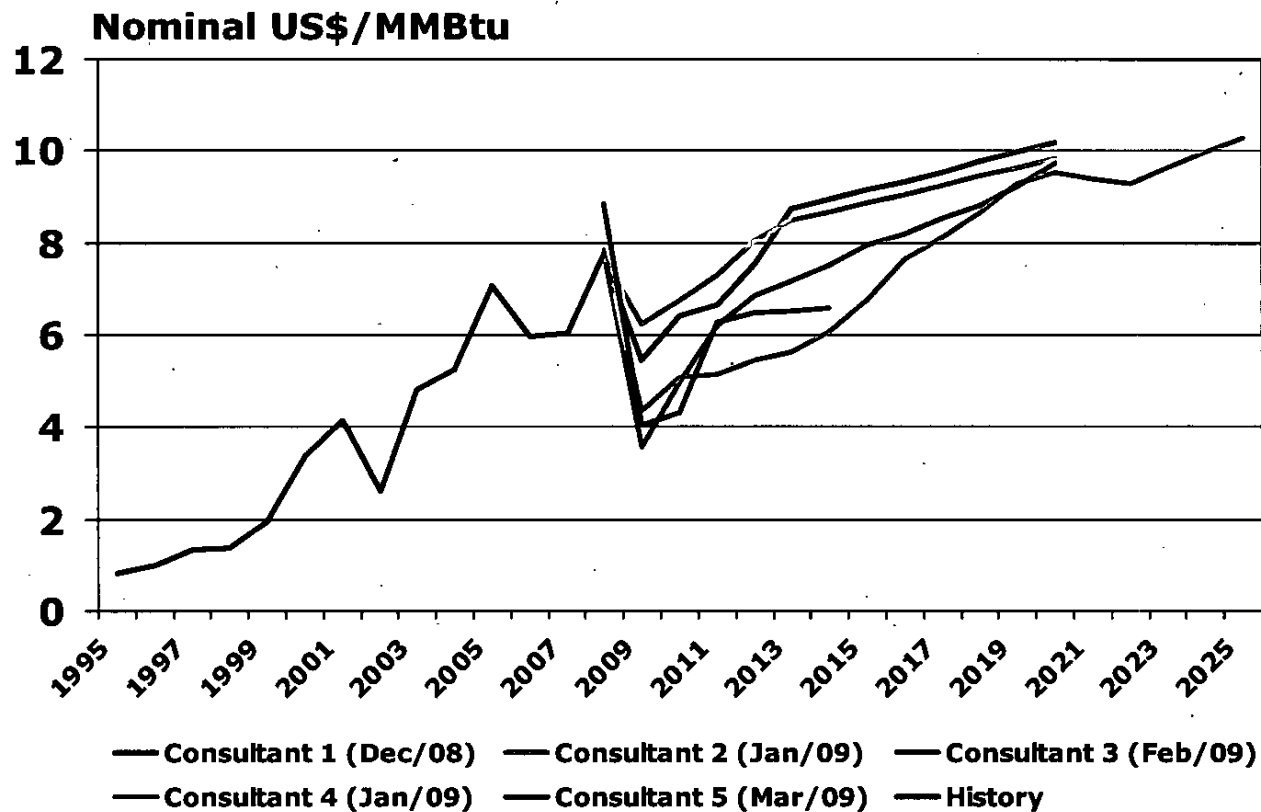


Q1 2009 pipe prices at same level as TransCanada's AGIA Application

Economic / Technical Viability - Recent Crude Oil (WTI) Price Forecasts – Jan/09

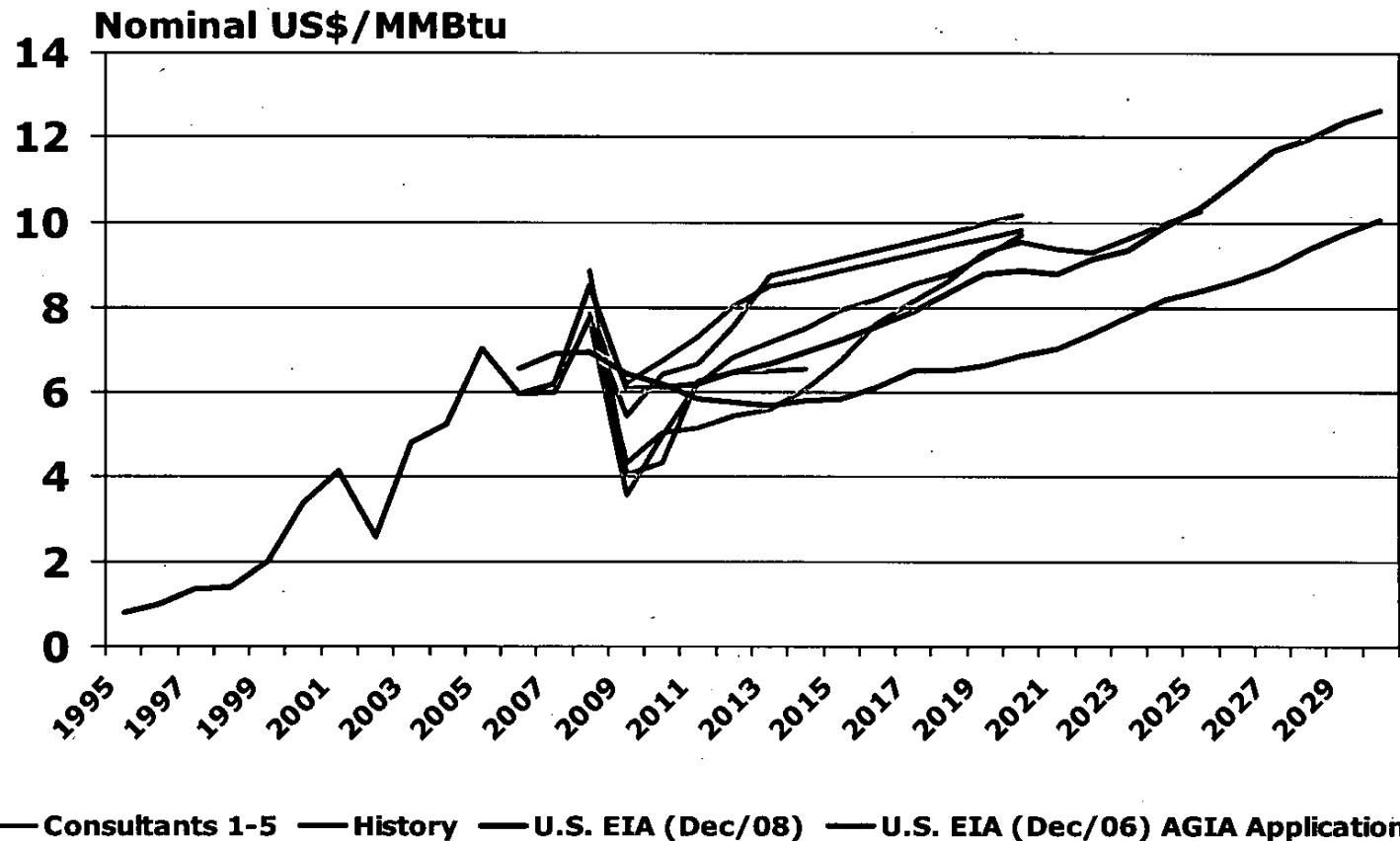
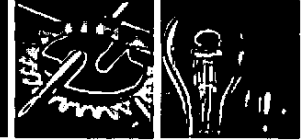


Economic / Technical Viability - Recent Alberta Hub Gas Price Forecasts



Alaska Pipeline economics remain attractive based on recent forecasts (2018 and beyond)

Economic / Technical Viability - U.S. EIA Alberta Hub Gas Price Forecasts



Current EIA Forecast approx. \$2/MMBtu higher than projections used in TC's AGIA Application

Economic / Technical Viability - Impact on Project Economics



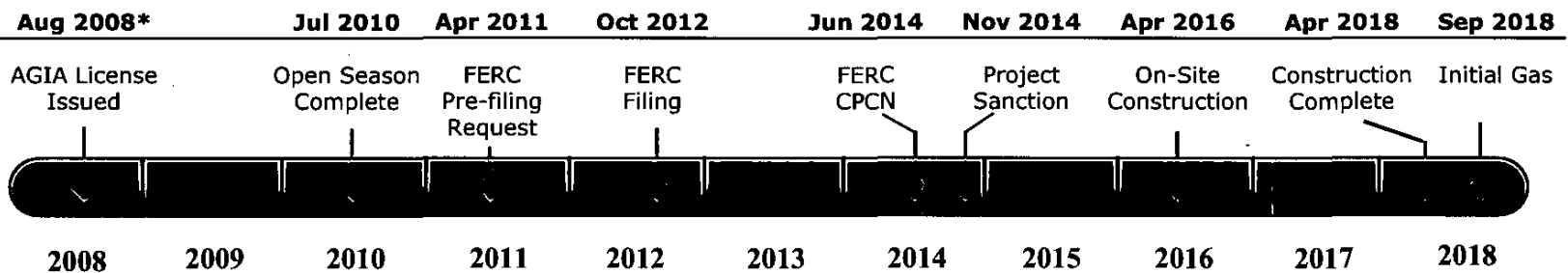
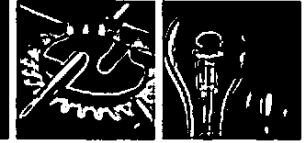
	<u>AGIA Application</u>		<u>March 2009</u>	
	2018 1 st Yr	25-Yr Annual Avg	2018 1 st Yr	25-Yr Annual Avg
U.S. EIA Gas Price Forecast (\$/MMBtu)	\$6.53	\$9.92	\$8.37	\$12.43
Pipeline + GTP Tolls ¹ (\$/MMBtu)	\$2.76	\$3.03	\$2.76	\$3.03
Netback (pre-tax) (\$/MMBtu)	\$3.77	\$6.89	\$5.61	\$9.40
Producer/Govts Total Revenue ² (\$Billions)		\$350		\$475

Current U.S. EIA forecast results in extra \$125 B to producers/governments

¹ Includes fuel

² Direct revenue only – no indirect impacts from additional E&P activity and spin-offs

Project Schedule, Work Plan and Budget



* AGIA license assumed to be issued in August 2008 – actual date December 5, 2008

- TransCanada's work plan was comprehensively set out in our AGIA Application and responses to data requests
- Capital costs of \$26 Billion (2007 \$ excluding AFUDC)
 - Includes approximately \$0.6 Billion for Open Season and regulatory certification

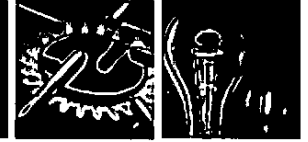
Engineering, Environmental, Field, Commercial and Regulatory Update - Open Season Phase 2008 to July 2010



Key Objectives:

- Develop Class IV cost estimate to support Open Season
- Identify pipeline routing within study corridor to guide stakeholder and public engagement
- Execute preliminary environmental activities to prepare for pre-filing requirements and to develop permitting plan
 - FERC discussions regarding advancing pre-filing date
- Conduct successful Open Season

TransCanada Open Season Work Plan (August 2008 – July 2010)



- TransCanada has the in-house expertise and experience to develop top quality CAPEX and rate estimates for the initial Open Season
 - 2000+ pipeline employees responsible for transporting 20% of North American natural gas every day
 - Standardized operating and construction procedures for all activities already in place
 - Maintains low costs while achieving environmental / safety standards
 - CAPEX – 19% / 28% lower than Canadian and U.S. competitors respectively
 - OPEX – 25-35% lower than U.S. / Canadian competitors
 - TransCanada is a proven leader in development of U.S. and Canadian interstate / inter-provincial natural gas pipelines
 - Recipient of the 2008 Global Pipeline Award for leading edge technology

Engineering



August 2008 – Q1 2009

- Detailed plans for technology development, engineering, construction infrastructure, logistics and cost estimating
- Aerial photography for Alaska, including LNG alternative
- Commenced terrain mapping for Alaska
- Completed 360° video in Canada
- Planned and initiated implementation of winter geotechnical field program (~120 borehole samples)
- Collected arctic engineering test data and research on frost heave

Outlook –Q2 2009

- Complete terrain mapping and winter geotechnical field program in Alaska
- Determine requirements for a summer geotechnical field program in Alaska
- Continue route reconnaissance and corridor selection in Alaska
- Begin engineering (Pre-FEED) for GTP
- Conduct interface meetings with Prudhoe Bay and Point Thomson operators

Environmental



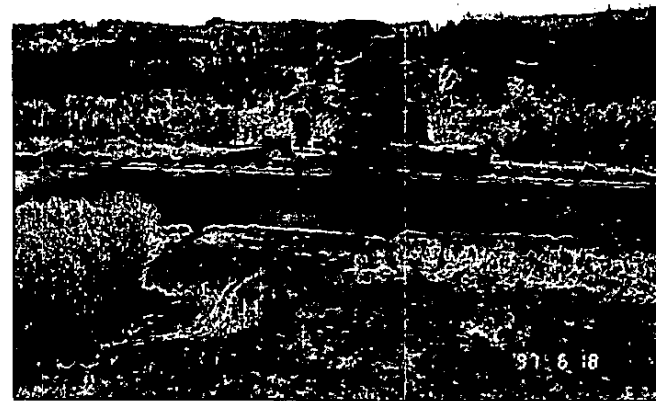
August 2008 – Q1 2009

- Established GIS platform to support environmental planning and permitting
- Provided preliminary environmental constraints information for Alaska routing, Alaska and Canada construction planning
- Completed initial route update review in Canada



Outlook – Q2 2009

- Complete environmental information needs analysis with regulatory agencies to support construction planning, cost estimating and environmental work planning
- Commence development of RFP for TransCanada environmental contractor – issuance in Q3 2009



Regulatory / Permitting



August 2008 – Q1 2009

- Preliminary environmental permitting strategy for Alaska and Canada
- Submitted all permit applications to support winter geotechnical program to North Slope Borough, ADNR, AF&G, USF&WS, USDOJ (BLM), USACE, as well as referral to SHPO
- Completed permitting for winter geotechnical field program

Outlook – Q2 2009

- Continue FERC discussions re pre-file date
- NPA multi-department engagement
- Continue discussions with individual agencies to update Environmental Information Needs Analysis – U.S. and Canada

Regulatory / Permitting (cont'd)



August 2008 – Q1 2009

U.S. multi-agency meetings:

- January 5 – FERC
- January 6 – in D.C.; Office of Federal Coordinator, Departments of Defense, Energy, Homeland Security, Interior, Transportation, Commerce, State, Treasury, Advisory Council on Historic Preservation, Environmental Protection Agency, FERC, Council on Environmental Quality, Office of Management & Budget
- January 14/15 – in Anchorage/Fairbanks; JPO/SPCO, ADNR, ADOT, ADF&G, SHPO, ADEC, NOAA, EPA, DOI (BLM), OFC, USFWS & University of Alaska Fairbanks
- February 25 and March 9 – NPA engagement meetings – in Ottawa
- March 10 – FERC
- March 16-19 – continued multi-agency meetings in Anchorage and Fairbanks

Commercial



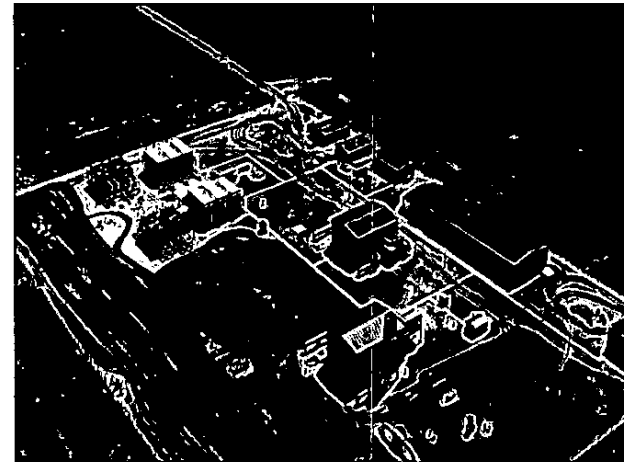
August 2008 – Q1 2009

- Continued discussions with potential shippers

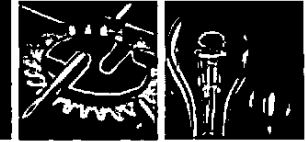


Outlook – Q2 2009

- Initiate In-State Gas Study
- Continue discussions with potential shippers
- Continue to develop plans for Open Season

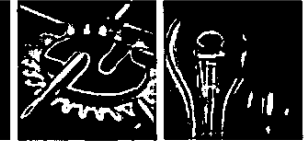


Canadian Authorizations and Right-of-Way



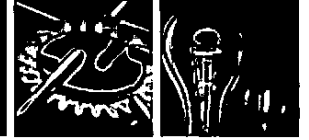
- Project delays critical factor in final capital costs
 - TransCanada has sole access to specific legislation, regulations and ROW for this project in Canada
- Legislation
 - Northern Pipeline Act (NPA)
 - Specific project legislation available only to TC
 - Canada / U.S. Treaty
 - Establishes rights / responsibilities of both countries available only to TC
- Regulation
 - Northern Pipeline Agency
 - Single-window regulatory agency available only to TC
 - Proven track record with Prebuild through 1998
 - Certificate of Public Convenience and Necessity in place
 - Re-staffing of Northern Pipeline Agency underway
- Right-of-Way
 - Yukon ROW in hand available only to TC

Canadian Authorizations and Right-of-Way (cont'd)



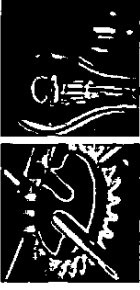
- First Nations
 - NPA Terms and Conditions set out specific benefits
 - Participation Agreement negotiations commencing
- Environmental
 - TC has proven expertise in both FERC and Canadian forums
 - Go / no-go decision already made – available only to TC
- TransCanada's Performance
 - 7000 miles of interstate / inter-provincial pipelines constructed in 1990's on schedule
 - 4000 mile Keystone Pipeline – first phase under construction
 - TC transports 2/3^{rds} of Canadian gas and 20% of North American gas

LNG



- In initial Open Season, potential shippers will have opportunity to nominate gas deliveries to points:
 - Within Alaska
 - To Asia / Lower 48 via Valdez
 - To Lower 48 via Alberta Hub
- TransCanada has commenced the necessary design, engineering, environmental, field and commercial work to provide CAPEX, tolls and commercial terms for LNG alternative

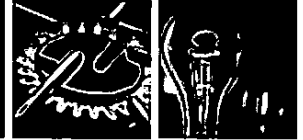
Timing of Initial Open Season, FERC Pre-filing, FERC Application



- Already covered in Slide #9

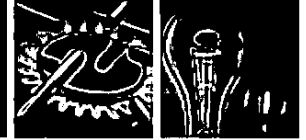


Gas Treatment Plant



- Design covered in Slide #3
- TransCanada will develop / own only if necessary
 - TransCanada has commenced work on GTP for initial Open Season
 - Pre-FEED Contract awarded to URS in March 2009
 - ASRC Energy Services will provide subcontracting to URS

Cost Analysis



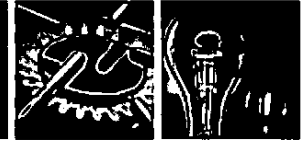
- TC's AGIA Application in November 2007 estimated project CAPEX at \$26 Billion, including \$0.6 Billion for development costs through initial Open Season and regulatory certification
 - At present, no change to these estimates
 - In early 2010, TC will have completed an updated project CAPEX estimate for its initial Open Season
- TC's AGIA Application proposed a return reduction in event of capital cost overruns
 - AGIA Application also set out TC's work plan, management oversight and track record on controlling costs.

In-State Gas Deliveries



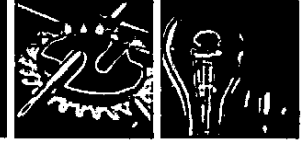
- TC's AGIA Application committed to 5 delivery points in Alaska and a single distance-sensitive rate (subject to FERC approval) for Alaska consumers
 - Status unchanged
 - TC will complete a study of in-state gas use later in 2009. This study will assist with definition of delivery points and determination of the distance-sensitive rate.

Alaska Contractors / Suppliers



- Aerial Photography – Aero-Metric Inc., Anchorage
 - Sub-contractor - Lounsbury & Associates Inc., Anchorage
- Terrain Mapping – R&M Consultants Inc., Anchorage
- Geotechnical fieldwork – Golder Associates Inc., Anchorage,
 - Sub-contractor – Discovery Drilling Inc., Anchorage
- Environmental Planning and Permitting – ENSR AECOM, Anchorage
 - Sub-contract with Clarus Technologies LLC, Eagle River for SHPO submission
- Geothermal Modeling and Support – Northern Engineering and Scientific, Anchorage
 - Sub-contractor geotechnical consultant - DMR
- Office setup and support - Peach Investments LLC and GCI, Anchorage

Alaska Headquarters, Alaska Hire, Project Labor Agreement for Construction



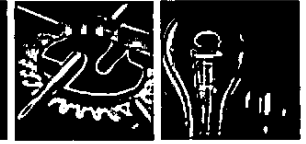
- HQ
 - December 1, 2008 lease for Anchorage office
 - Office Manager in place
- Alaska Hire
 - To date, approximately 42 Alaskans have been employed on the project either directly by TransCanada or via contractors
 - These individuals were hired within the state
 - TC has participated in alignment meetings with Department of Labor (Alaska)
 - AGIA Training Strategic Plan Steering and Implementation Committee
 - Alaska Pipeline Trades Academy Dedication and Tour
 - Alaska Workforce Investment Board

Alaska Headquarters, Alaska Hire, Project Labor Agreement for Construction (Cont'd)



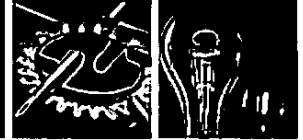
- Reimbursement Agreements in place with Alyeska, BLM (Alaska) and JPO
- Project Labor Agreement for Construction
 - Initial meetings with Alaska labor leadership to discuss initial plans and path forward towards PLA for construction phase.
- Developing relationships with communities
 - Project information presentations and discussions at Tok, Nuiqsut, Barrow, Tanana Chiefs Conference annual convention, Four Village Coalition, RDC.
 - LNG information meeting in Valdez

Project Ownership and Construction



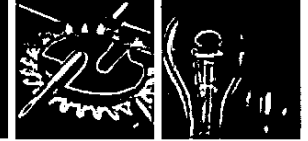
- At present, TC is sole project sponsor
 - TC has indicated its preference that other parties develop / construct the GTP
 - TC will develop / own if necessary
 - TC will offer equity opportunity to shippers in initial Open Season that subscribe for a threshold volume

TransCanada's Readiness, Financial Capacity and Technical Ability



- TC's AGIA Application comprehensively set out our readiness, financial and technical capacity. Outlined below is TC's recent access to capital markets:
 - Raised C\$5.5 billion in capital since November 2008
 - Raised C\$1.157 billion in common equity through a public offering
 - Issued US\$1.25 billion 30-year Senior Unsecured Notes at 7.625 per cent
 - Issued US\$750 million 10-year Senior Unsecured Notes at 7.125 per cent
 - Secured a US\$1.0 billion bank facility dedicated to funding the Keystone Pipeline system
 - Issued C\$400 million 30-year Medium Term Notes at 8.05 per cent
 - Issued C\$300 million 5-year Medium Term Notes at 5.05 per cent
 - Alaska Pipeline Project will have access to US\$18 billion Federal Loan Guarantee
 - **Commence financing at decision to proceed (2014/15)**

Website



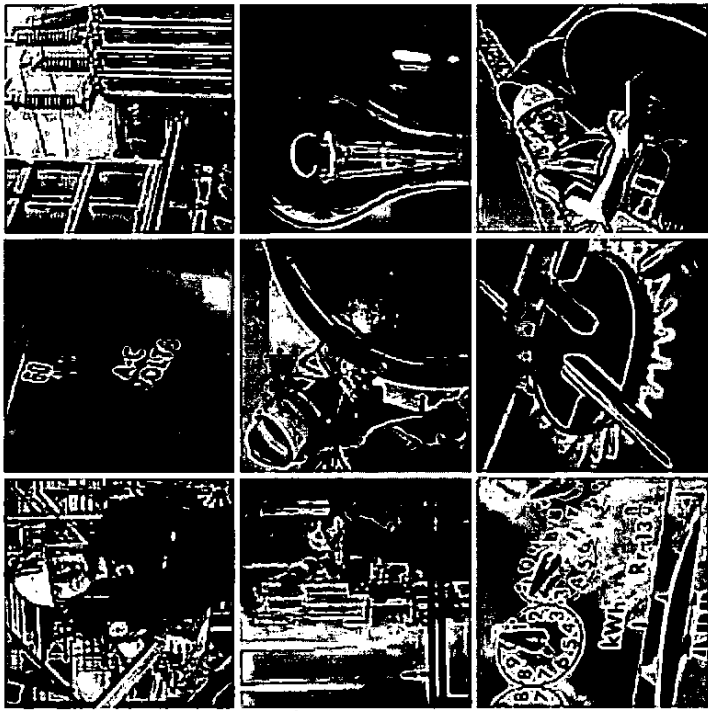
www.transcanada.com

- Alaska Pipeline Project
 - Project Overview
 - Project Materials
 - News Releases
 - Status and Timelines
 - AGIA
 - Contractor / Vendor Registration
 - Careers
 - Contacts

Summary



- AGIA Bill approved and License issued
- TC's commitments unchanged from AGIA Application
- TransCanada aggressively advancing the project
 - Engineering / Cost Estimation, Environmental, Administrative
 - Commercial, Regulatory and First Nations
- Project activities and schedule unaffected by recent turbulence in financial markets
- TransCanada has solid access to capital markets
- Current gas price forecasts result in an increase of \$125 Billion revenue to producers/governments as compared to projections in TransCanada's AGIA Application
- Major projects like the Alaska Pipeline Project succeed or fail based on long-term project economics (i.e. 25-50 years commencing in 2018), not short-term swings in natural gas prices
- TransCanada will continue to focus on costs, schedule and attracting customers



Thank You

