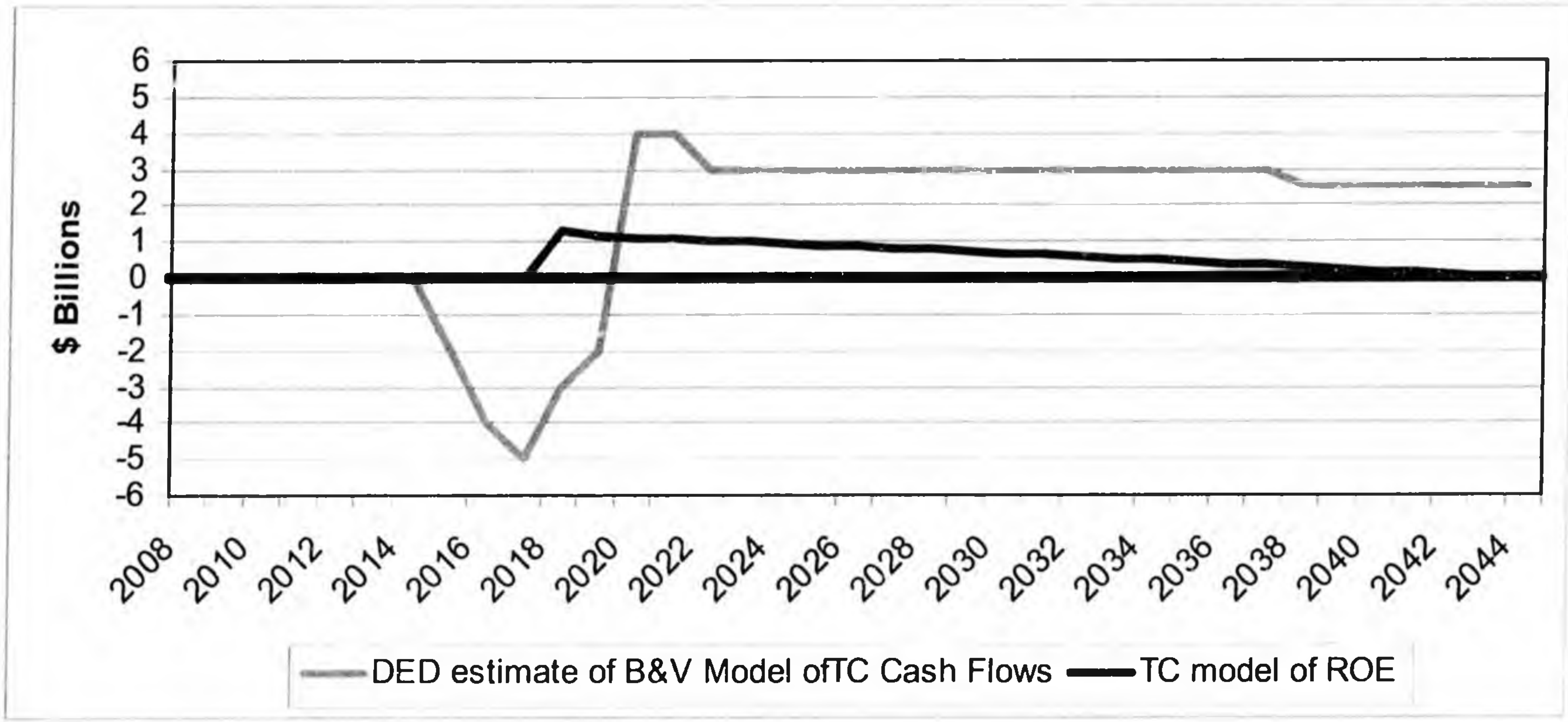
ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 HRLS 12307

# How do the forecast prices Black and Veatch used compare with those TC used?

| | | 2042 AECO nominal Price per mmbtu |
|---|---|---|
| Wood MacKenzie AECO Forecast | $ | 27.00 |
| EIA AECO Forecast | | 21.00 |
| **BV Base Case Forecast** | | **25.00** |
| BV p 10 | | 15.00 |
| BV p 90 | | 37.00 |
| Historical AECO w/inflation | | 14.50 |
| | | |
| TC 2005 EIA inflated | $ | 13.30 |

# What is the difference between TC and B&V estimate of TC Dollars? (B&V includes outlay and return of investment?)



# Is State harmed or helped by delay in project?

## (Data from longer delays not published)

**Table 5-3: $NPV_5$ for the State**[71]

| | Base Case ($NPV_5$) | 1 Year Delay ($NPV_5$) | Difference ($NPV_5$) |
|---|---|---|---|
| Royalties | $21,149 | $21,273 | $124 |
| ACES Tax | $35,664 | $37,482 | $1,818 |
| Property Tax | $2,709 | $2,656 | ($53) |
| State Corporate Income Tax | $4,579 | $4,446 | ($132) |
| **State of Alaska Totals** | $64,099 | $65,857 | $1,758 |

AGIA NPV Analysis Report, Black & Veatch, May 2008, page 157

# Are producers harmed or helped by delay in project?

## (Data from longer delays not published)

**Table 5-2: $NPV_{15}$ for all Producers**

| | Base Case ($NPV_{15}$) | 1 Year Delay ($NPV_{15}$) | Difference ($NPV_{15}$) |
|---|---|---|---|
| **ProducerTotal Revenue** | $16,915 | $15,222 | $1,692 |
| ***Less Cash Expenses:*** | | | |
| Capex | $1,415 | $1,146 | $270 |
| O&M | $506 | $433 | $73 |
| Royalties | $2,256 | $2,027 | $229 |
| ACES Tax | $3,392 | $3,234 | $158 |
| Property Tax | $358 | $313 | $45 |
| State Corporate Income Tax | $565 | $488 | $77 |
| Federal income Tax | $3,238 | $2,884 | $353 |
| **Producer Net Cash Flow** | $5,185 | $4,697 | $488 |

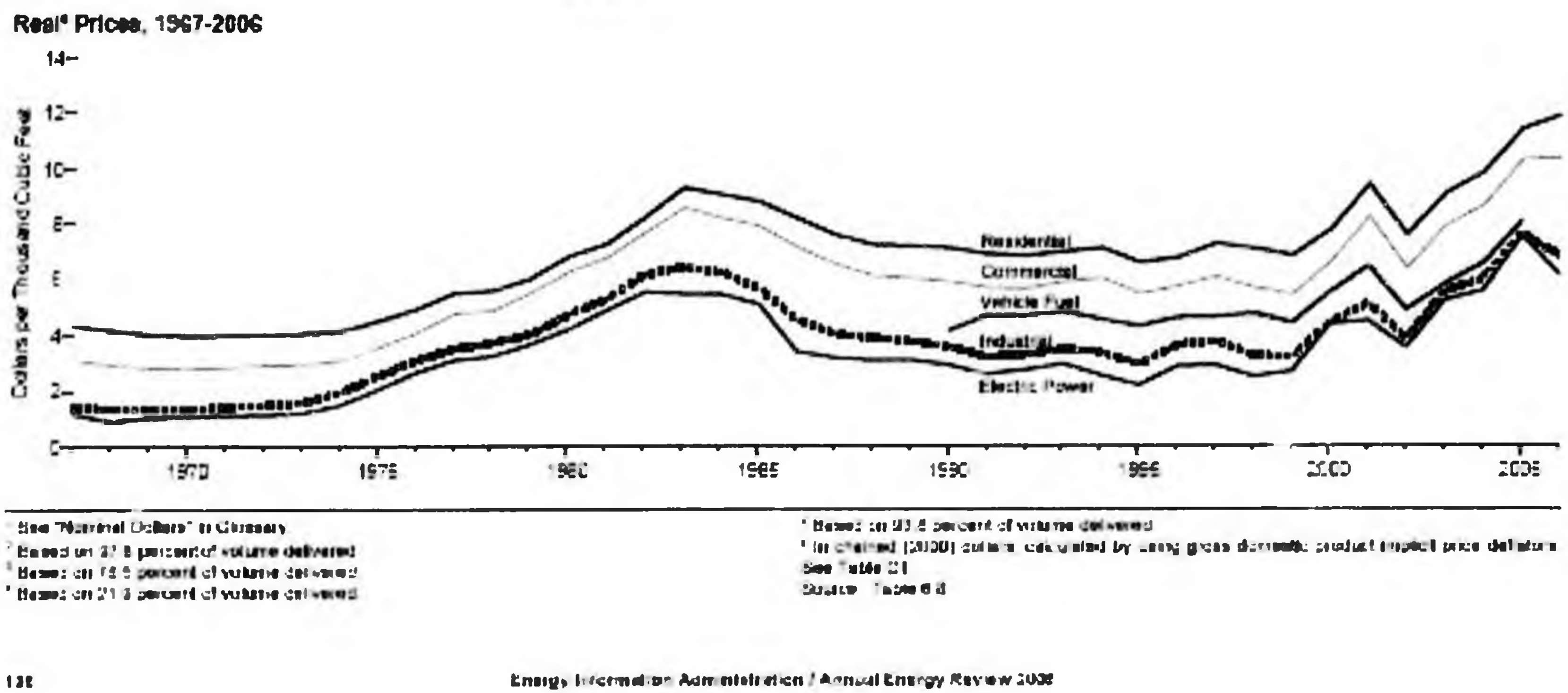
AGIA NPV Analysis Report, Black & Veatch, May 2008, page 157

# Is State harmed or helped by delay in project?

- State investment buys progress
  - Delay Costs the State – deferred revenue
    - Intrinsic value ~ deferred revenue from gas commercialization
    - Extrinsic value ~ weakened bargaining position
- Left over from a lower price assumption?

- <u>(Is AGIA Worth $500 Million?</u> Alaska Gasline Determination May 30, 2008)

# How robust is the assumption of rising real prices over life of project?



# Why are the producers concerned about fiscal certainty?

- What are the producers concerned about? Low prices when the state will have revenue issues of its own?
- Or high prices with lots and lots of Upstream rents?
- Both? Neither?

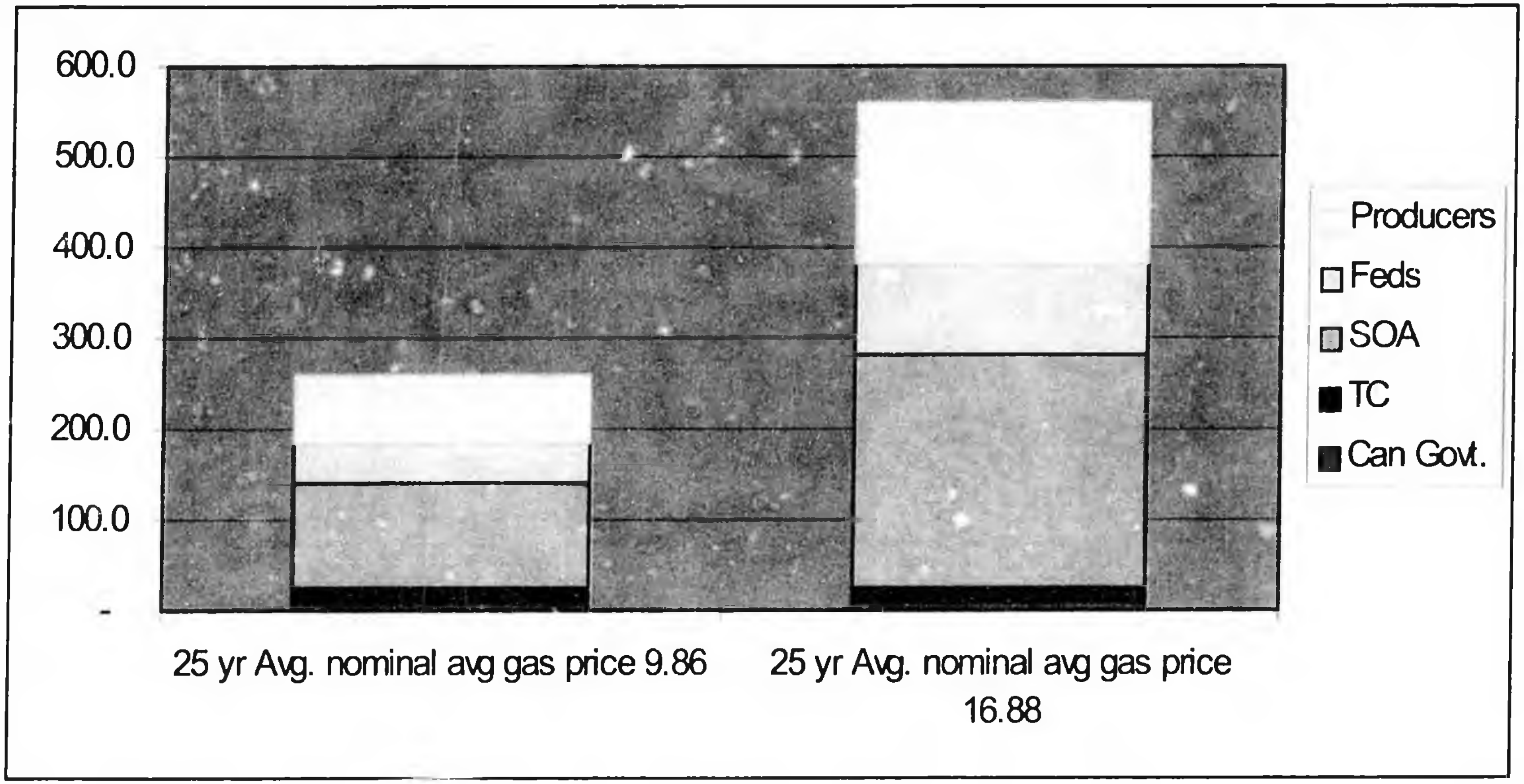
# Words Matter

- Avoid:
- a "subsidy"
- "$10 billion dollars in concessions"
- OK:
- "Quid pro quo, Something for Something"
- "State investment buys progress"
- "State investment buys provisions"
- (Is AGIA Worth $500 Million? Alaska Gasline Determination May 30, 2008)

# If Everyone Makes Money – Is there Room To Move?

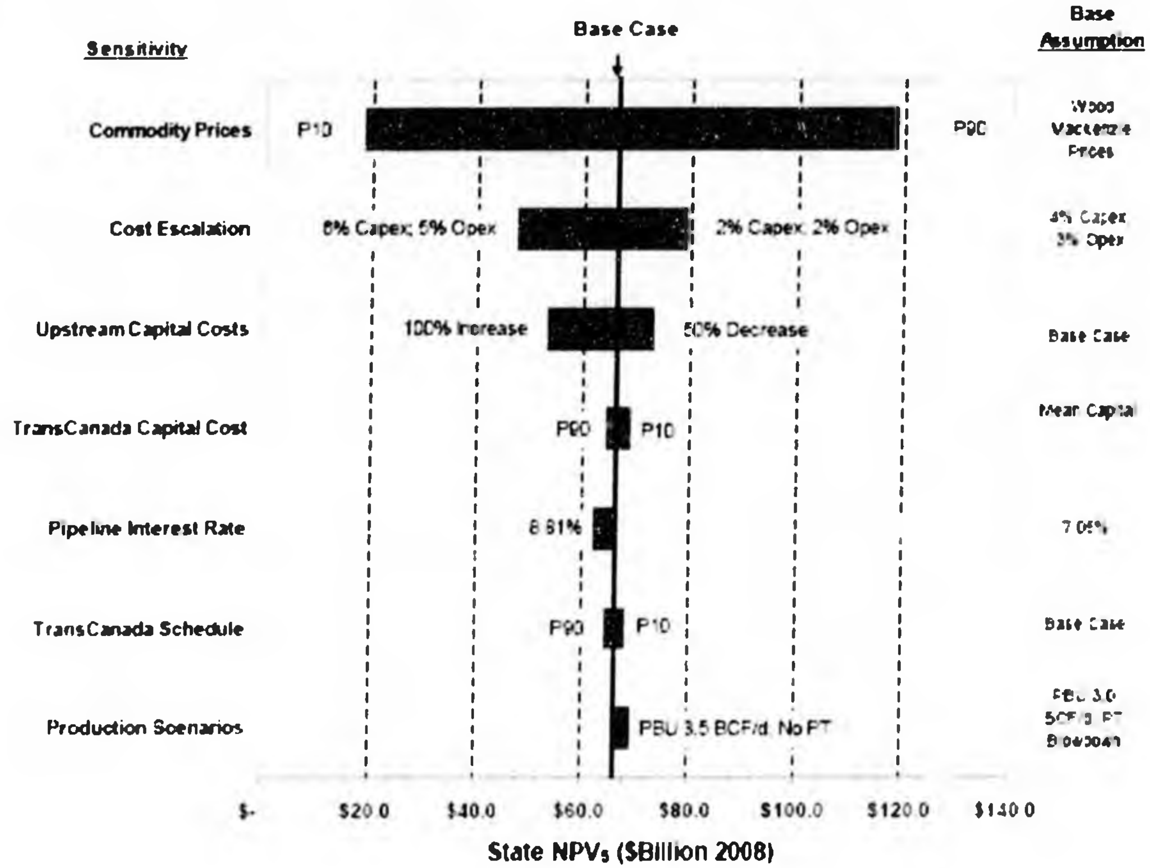
- State used quid pro quo and found someone to build pipeline.
- Now it needs to find someone to sign FT commitments to finance pipeline. Is current quid pro quo sufficient?
- At high prices what is the relative weight of midstream and upstream dollars?

# How important is the allocation of upstream value driven by price to the state? TC answer (does not incorporate progressivity):



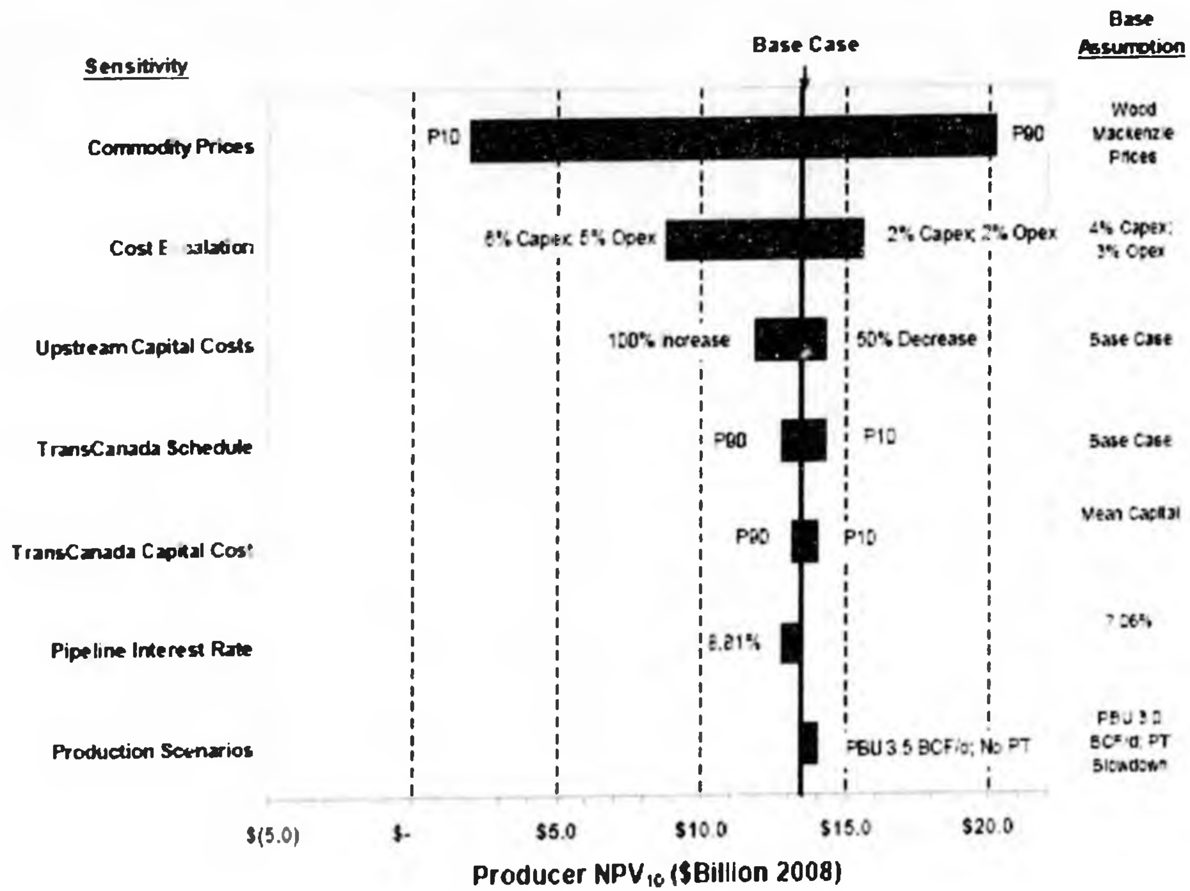
# How important is the allocation of upstream value driven by price to the state? B&V answer:

**Figure 5-4: State $NPV_5$ Sensitivities for the 4.5 Bcf/d Proposal Base Case (Tornado Diagram)**



# How important is the allocation of upstream value driven by price to the state? B&V answer:

**Figure 5-5: Producer $NPV_{10}$ Sensitivities for the 4.5 Bcf/d Proposal Base Case (Tornado Diagram)**

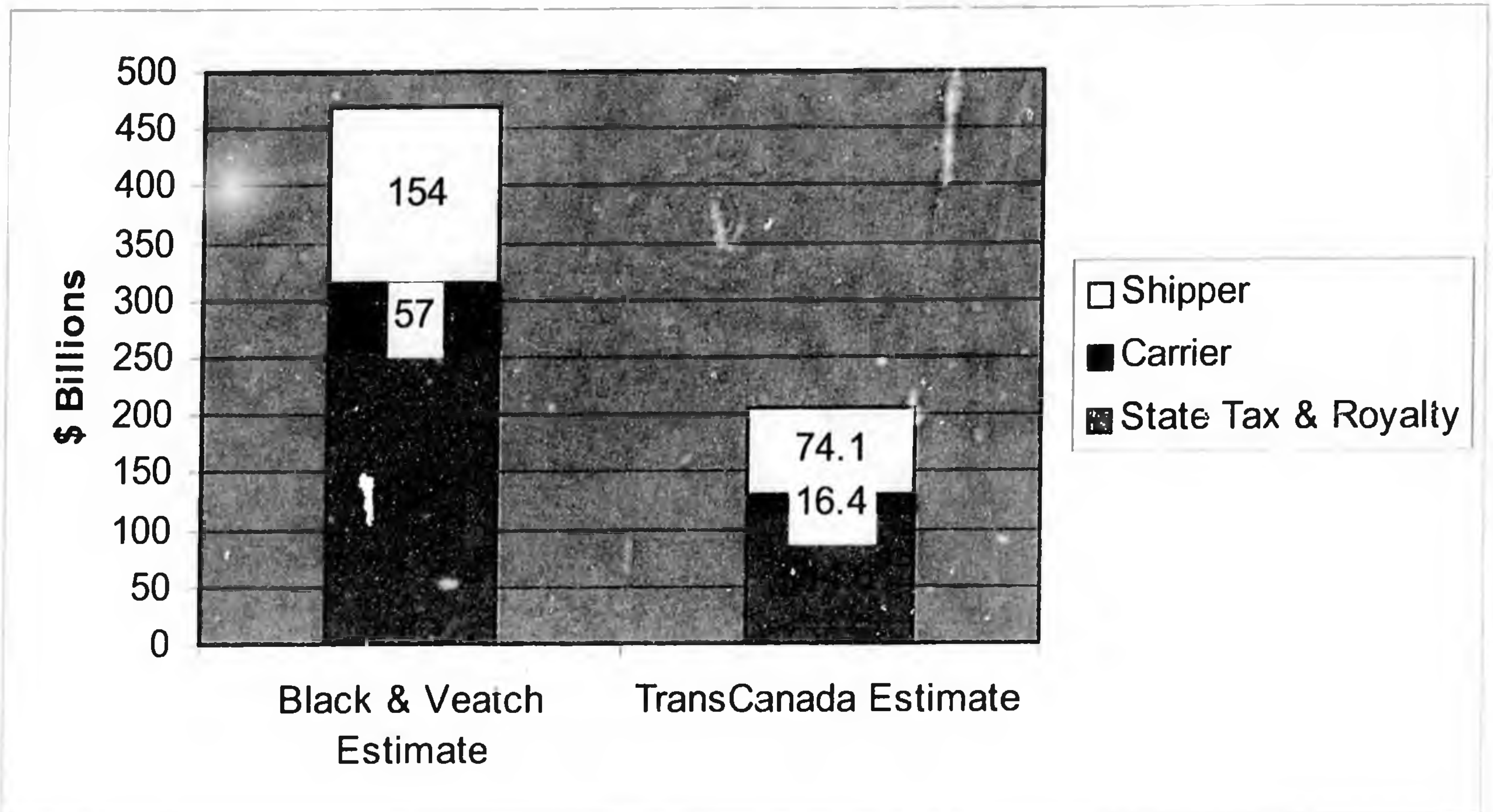


# Everyone Makes Money Questions: Would the producers make more as producer/carriers?

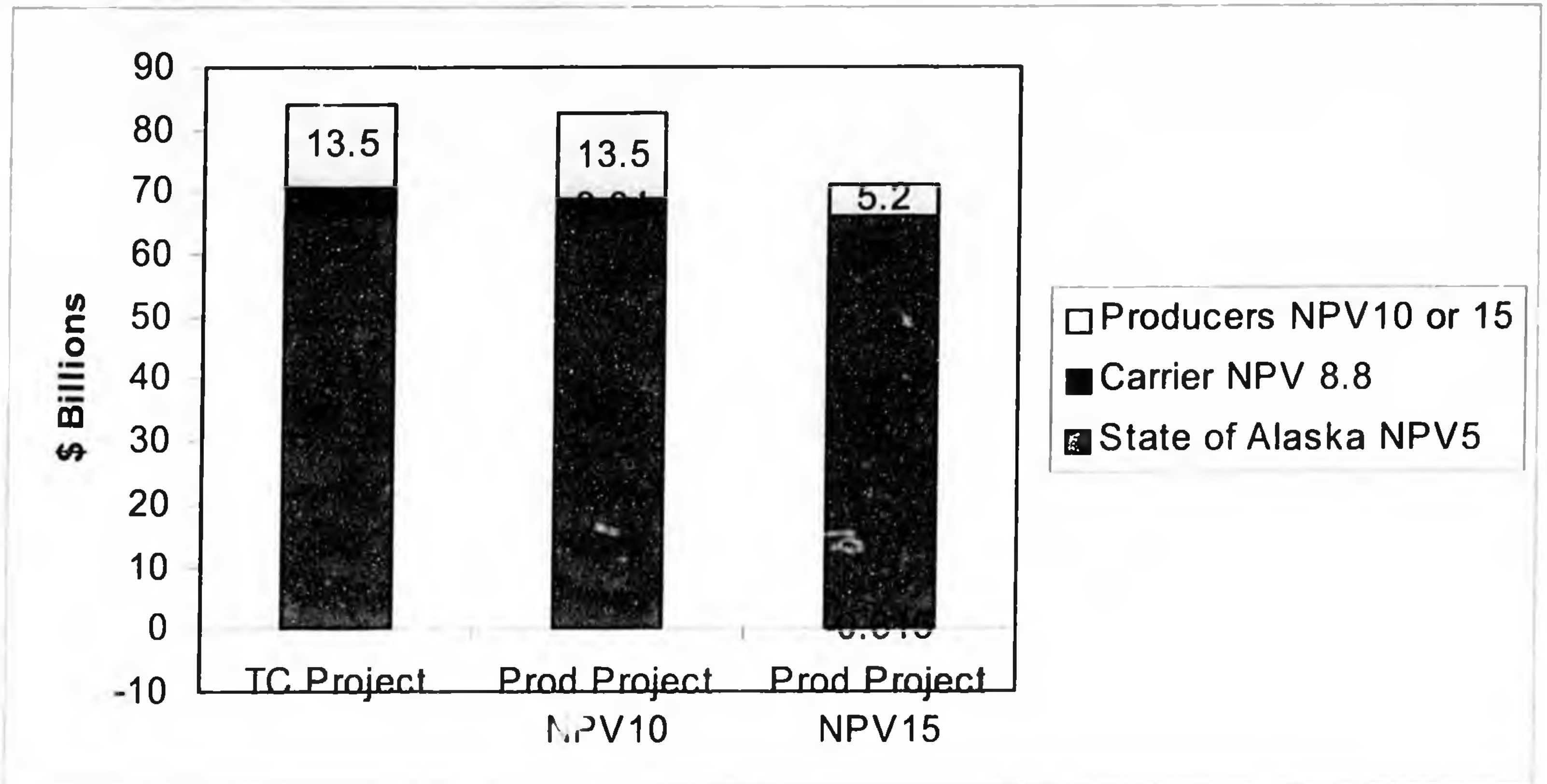
- Are the producers making so much money (114 billion or 256 billion) that they would sign on to this project no matter what?

- Assume producers agreed to all the AGIA "Enhanced Equal Access" provisions and built and owned pipeline instead of TC What happens?

# Simplistic estimate of effect of moving shipper cash flows from TC to producers (ignores income tax)



# Everyone makes money questions




Note: NPV8.8 TC cash flows of $4.5 billion shrink to $2.8 when restated as NPV10 Producer Cash flows, and become negative $ 15 million when restated as NPV15 Producer Cash flows. (Income taxes ignored)

# Everyone Makes Money

- Take Away Questions: If State, Shippers and TC all make money from the TC project, do combined shipper/producers make more from a producer project?
- How much of state money flows from state incremental effects of must-haves and how much from "unenhanced" project?
- Which leads to Item #3 - "enhanced open access line"

# Item # 3. How does the state achieve an "enhanced open access line?"

- Pipeline will be open access pipeline under federal law.
- Goal of "must-haves" is to turn it into an "enhanced open access pipeline"
- Does obtaining commitments from Trans Canada about the positions they will take in front of regulators or the negotiated outcomes they will accept guarantee an "enhanced open access pipeline?"

# What are the Enforceable Commitments for an "enhanced open access line"?

- FERC or NEB not bound by AGIA – and they will know that TC has contracted to take the position they are advocating.

- FERC and NEB have jurisdiction over negotiated rates.

# How will Third Parties be affected by TransCanada's commitments?

- Imagine yourself as an explorer facing "an unknown and uncertain regulatory process - that doesn't exist anywhere else, don't know how long it will take, don't know whether it will succeed" – DOR Commissioner Galvin May 28, 2008, Alaska Gasline Determination Public Forum)

- Is navigating the new rules at FERC any clearer with TransCanada commitments?

# What has FERC's usual practice been in these cases?

- Have any of the unique requirements added by the US Congress in ANGPA have ever been part of FERC traditional practices?

# 5 Tariff Commitments

- 6.Expand in reasonable engineering increments and on reasonable commercial terms.
- 7.Rolled in Rates (up to 15% of original tariff)
- 10.Minimum 70% debt (TC license @75%)
- 11.Cost overrun mechanism
- 18.$500 million state spending not in rate base

# How will Third Parties be affected by TransCanada's commitments on rolled in rates?

- True "Open Access" will be when – "Explorers have confidence that pipeline will be expanded…new gas will pay a fair transportation rate (rolled in rates) (In State Energy Alaska Energy Authority May 30, 2008, Alaska Gasline Determination Public Forum)
- "Explorers won't explore without confidence…" (DNR Dept. Commissioner Marty Rutherford May 30, 2008, Alaska Gasline Determination Public Forum)
- Does TransCanada's commitment make the difference in confidence above and beyond federal presumptions? Does TransCanada's commitment increase make the difference to overcome likely objections from existing shippers?
- Are rolled in rates money out of TransCanada's pocket or just rearranging dollars between shippers?

# Are there better ways of achieving "Rolled In Rates" or other "Must-Haves"?

- FERC already has presumption favoring rolled in rates for an Alaska Project (Any pipeline – not just this project).
- Who is going to object to rolled in rates? In general – the existing shippers long term contracts for volumes.
- Is having that conversation with those shippers more likely to achieve the "must have"?

# What happens in tariff negotiations?

- Limit on Equity % – TransCanada pays, shippers gain.

# What happens in tariff negotiations?

- Cost over run risk mechanisms – TransCanada takes on some risk. Wide variety of mechanisms with different winners and losers under different circumstances?

# What happens in Tariff negotiations?

- According to the Administration $500 million "credit to rate base pays for itself in increased future revenues."
- Were the rest of the "must-haves" free?
- If the state paid for entire line and had only operating cost as tariff would "credit to rate base pay for itself in increased future revenues? Where is the breakeven point?

# Does state already have a tool to protect upstream tax revenues from on tariff issues?

- Under <u>new</u> AS 43.55.150 if (a) "the shipper is… affiliated with the transportation carrier or with a person that owns an interest in the transportation facility…
- (b) gross value at the point of production is calculated using the actual costs of transportation or the reasonable costs of transportation … whichever is lower. The department shall determine the reasonable costs of transportation using fair market value…or other reasonable methods."

# Items 4 & 5 – Does this license create unique opportunities for Local Gas and LNG export ?

- Wrap together the local "must have" enforceable commitments and the "best path to LNG export" and "best path to "local energy use."
- How will this license lead to in-state gas in ways that other project won't?
- How will this license lead to an LNG project in ways that other project won't?

# The syllogism

- All these benefits will flow from a pipeline project.
- This license is the best/only way to start a pipeline project.
- Hence all these benefits flow from this License.

# 5 Local Commitments

- 12 - 5 in state take off points
- 13 – Firm transportation with distance sensitive rates even without FT commitments
- 14. Local headquarters
- 15. Local niring and contracting
- 17. PLA

# Are local hire benefits unique to this project? What if anything should be read into this membership?

## Commissioners AGIA Training Steering Committee

### Members and Staff

**Industry Members**

Edgar Cowling, Conoco Phillips
Dave Rees, BP
Dave Matthews, HC Price
Tony Delia, Arctic Slope Regional Corporation
Bonnie Jo Savland, Alyeska Pipeline

# Unique to TC Project?

- If state got all 20 “must-haves” for $500 million, how much value do these local commitments probably don’t account for?
- Are Local Gas use projects and LNG export both more promising as incremental add to any project?
- Is the ANGDA principle for “lowest cost gas to Alaskans”: “Ride as far as you can in the big pipe” tied to this project?

# What is the enforceable commitment for In-State Rates without FT?

- "TransCanada would offer firm transportation service …provided that In-State Shippers must execute long-term firm transportation contracts with the Alaska Section for Service."
- "In the event there is insufficient capacity for the delivery of in-State gas, TransCanada is prepared to expand the Alaska Section to accommodate such deliveries, provided that such expansions are in engineering increments under commercially reasonable terms and conditions."
- TC AGIA Application, November 30, 2007, (page 2.2-70)

# How does TC make its money?

- Transporting gas?
- Return on investment in equipment?

- If it takes less equipment and gas is transported fewer mcf/miles when gas is delivered to Alaska rather than AECO are the State and TC aligned on in-state projects?

# AGIA Mechanism

- AGIA provided inducements for
  - a carrier to hold an open season and obtain a license [as a prelude to constructing a line]
  - shippers to agree to underwrite a line in that open season

# AGIA Mechanism

- The Carrier Inducements proved sufficient
  - Was the $500 million a fair trade for value?
    - Did someone give up $500 or was new value created?
  - Was TC allowed to play with "shipper chips"?
    - Will a "win/win" work against the shipper inducements or make the producer conversation more difficult?
  - What were TCs alternatives?

# AGIA Mechanism

- Will the shipper inducements be sufficient?
  - Does making them a one time offer enhance the inducements value?
  - What are the shippers' alternatives?

# Part II: The Vote - Beginning or end of Competition?

- Awarding a license encourages another competitor -
- Unless the state treats the awarding of the license as the end of the competition and the crowning of the winner, and
  - (1) doesn't work on producer/state issues that affect both parties on any project; or
  - (2) goes on to favor the licensee over other potential projects like LNG export, producer line or incremental GTL plants just because of license.

# Beginning or End of Competition?

- "We are not here to stop them [the producer line]." – DOR Commissioner Galvin, 5.28.08 at Alaska Gasline Determination Public Forum

- "State has considerable interest in steering producer gas to T/C project" – DOR Commissioner Galvin, 5.28.08 at Alaska Gasline Determination Public Forum

# Asking Questions of Other Projects

- It is easier to ask detailed questions about detailed projects.
- Enforceable commitment #2 was a detailed description of project.
- What are other projects learning if they start to invest and work toward an open season?

# How can another ‘competitor’ “with no credit and no customers” strengthen the prospect for a line?

- The more information gathered the better (State is paying for roughly 80% of work).
- Producers may use non-conforming offers at a T/C open season to forward the conversation.
- If each party brings strengths, a merged project may result. Producers may add value with GTP, T/C may add value in Canada.
- FERC experts believed FERC may act to bring projects with commercial conflicts to resolution. (may be sub optimal for both Carriers but in national (and state?) interest.

# Questions as to what happens next?

- What is the right set of carrots and sticks for State to employ to bring the shippers in to finance the project?

# Questions as to what happens next?

- Anchor shippers/producers want fiscal stability, State wants enhanced access provisions.
- When do we have the Upstream conversation? If the producers want to wait until their open season, how does state advance the conversation without bidding against itself? Do we ask TransCanada to be the in the middle?

# HB 3001
# SB 3001
# 6/6/08
# SPECIAL SESSION DOCUMENTS

# AGIA

## Statute & RFA Refresher

**Special Session Opening**
**June 6, 2008**

# Today's Agenda

AGIA
The Alaska Gasline Inducement Act

- AGIA Statute & RFA Refresher
- TC Alaska Application Overview
- Commissioners' Finding and Determination Summary
- "The Prize" – Alaska Arctic Natural Gas Potential
- Jobs, Training, and In-State Gas

# Next Four Days

AGIA
The Alaska Gasline Inducement Act

- Saturday
  - Pipeline Regulation and Commercial Terms
  - Pipeline Expansion
- Sunday
  - How Do You Get the Gas?
- Monday
  - LNG: Economics, Likelihood of Success, & Path Forward
- Tuesday
  - TC Alaska's Project: Economics & Likelihood of Success

# AGIA Statute

AGIA
The Alaska Gasline Inducement Act

## Three Parts

- AGIA License Application Requirements and Process
  - Applicant must Unconditionally accept the "Must Haves"
  - Application Review Criteria
    - "NPV" and "Likelihood of Success"
    - Sufficiently Maximize Benefits to Alaskans
- Terms of the AGIA License
  - State's Obligations & Licensee's Remedies
  - Licensee's Obligations & State's Remedies
- Upstream Inducements

# The State's Obligations

AGIA
The Alaska Gasline Inducement Act

## AGIA Requires the State to:

- Provide a Matching Contribution of up to $500 million
- Provide an AGIA project coordinator

The State is NOT required to support and defend the Licensee's application before regulatory bodies, such as FERC.

# If The State Wants Out

AGIA
The Alaska Gasline Inducement Act

If the State Provides Financial Benefits to a Competing Project:

- The State must pay three times the Licensee's expenditures
- Licensee's expenditures do <u>NOT</u> include amounts reimbursed by the State as part of the $500 million match

# If The Licensee Wants Out

AGIA
The Alaska Gasline Inducement Act

If the Licensee breaches the License, the State receives:

- Recoupment of all funds paid, with interest
- All work product related to the project acquired by Licensee during the term of the License
- Any other remedies provided by law or equity

# Request for Applications (RFA)

AGIA
The Alaska Gasline Inducement Act

- Similar to Role of Regulations
- Clarifies Statutory Language for the Application Process and Terms of License
  - Assumptions to be used in providing cost and tariff estimates in the Application
  - Definition of "Project" – Allow expansions to be at less than 70% debt (pg. 19)
  - Definition of "Project Plan" – What changes will require Commissioner Approval (pg. 42)
  - Includes Contractual Terms of the License

# Contractual Relationship

AGIA
The Alaska Gasline Inducement Act

- "The License constitutes the final contractual agreement between the state and the Licensee." (RFA pg. 40)
- The License consists of the AGIA statute, the RFA, and the TC Alaska Application including all responses to additional information requests.

## ANCHORAGE DAILY NEWS ARTICLES

### Alaska Gas Pipeline
### (1987 – 2004)

| DATE | ARTICLE |
|---|---|
| 04/08/87 | Local Hire Issue Could be Added to Pipeline Bill |
| 12/15/87 | ARCO Drops Gas Pipeline Participation |
| 02/08/89 | Gas Pipeline Gets a Boost from BP |
| 02/19/91 | Congress May Decide Future of Gas Pipeline |
| 01/07/92 | Senator Backs Gas Line - Murkowski Asks BP, ARCO for Commitments |
| 01/23/92 | Hickel Plans to Test Market for Gas - Administration Forges Ahead Despite Pipeline Setback, Industry Reluctance |
| 02/09/92 | ARCO Offers No Help Exec: Gas Line Must TAP Buyers |
| 02/21/92 | Gas Line Rebates In Works Plans Try to Lure Pipeline Investors |
| 06/22/95 | Oil Giants Grapple Over Gas, Differences Yield Rare Public Hostilities Among Companies |
| 07/15/95 | Knowles Gets Scoop on Gas, Oil Producers Discuss Plans for Possible Sales, Pipeline |
| 07/20/95 | Slope Gas Owners Say Exports Decade Away |
| 10/13/95 | Natural Gas Market Elusive Potential Buyers Tell ARCO, BP, Prices Must be Competitive |
| 02/17/96 | ARCO's Indonesian Gas Find Worries Alaskans |
| 06/25/96 | Study Pumps Slope Gas, Project Hinges on High Price Over Long Term, Authors Say |
| 07/04/96 | Exxon, ARCO Nix Gas Pipeline |

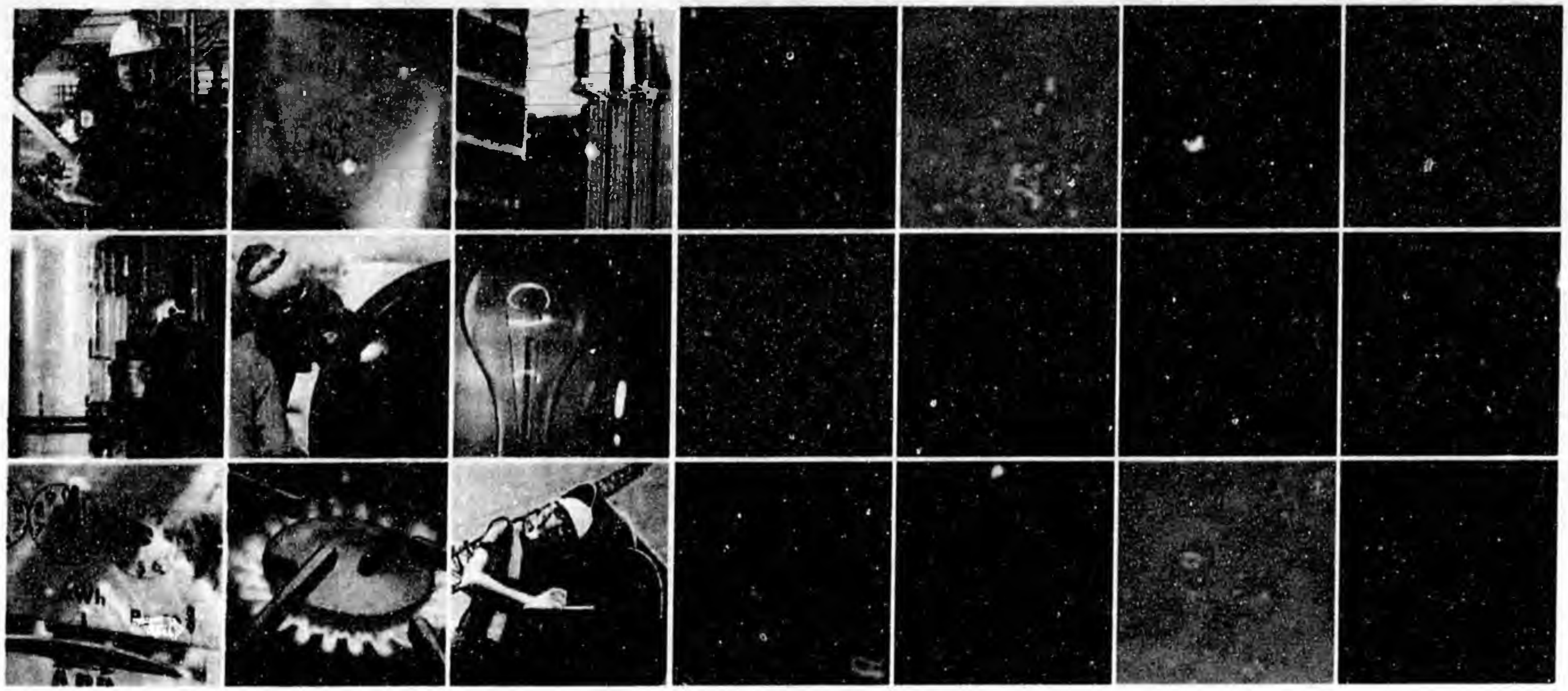
| DATE | ARTICLE |
|---|---|
| 01/10/97 | **Barnes Says Gas-Line Laws Needed Now**, Knowles Objects, Says Gas Project Needs More Study |
| 01/22/97 | **Slope Gas Profitable by 2010, Expert Says** |
| 01/23/97 | **State Unveils Gas Pacts**, Most Oil Firms Satisfied; Exxon Criticizes 3 Features |
| 01/24/97 | **Barnes Grabs Pipeline Bull by the Horns** |
| 01/28/97 | **Opinion:** Barnes vs. Exxon A Point Well-Taken About the Gas Line |
| 02/07/97 | **Gas Pipeline Resolution Goes on Record** |
| 03/21/97 | **Deals Help Clarify Gas Plans**, North Slope Project Gains Ground, But Major Hurdles Remain |
| 04/08/97 | **State to be Patient**, EXPERT: Gas Line Needs Tax Delay |
| 04/11/97 | **Gas-Line Bills on Hold for '97**, Lawmakers Likely to Consider Tax, Royalty Cuts Next Session |
| 04/12/97 | **N. Slope Committee Proposed**, Knowles Wants Group to Explore Gas Options |
| 04/16/97 | **Oil Firms Back Gas Bill Delay** |
| 04/17/97 | **Gas Project Rivals Surface**, Smaller Firms Vie with Slope Giant to Tap Asian Market |
| 06/13/97 | **Alaska News:** Team to Study Gas Project Juneau |
| 06/20/97 | **Natural-Gas Task Force Begins Work** |
| 07/24/97 | **Incentives May Fuel Gas Project**, Panel Says Giant North Slope Complex Defies Global Trend |
| 08/16/97 | **Down in the Alders'**, Answers Elude Gas-Line Team |
| 08/26/97 | **Phillips Joins Signers to Develop Slope Gas** |
| 12/04/97 | **Gas Line May Need State Help**, Project's Huge Costs Make Deals Necessary, Panel Says |

| DATE | ARTICLE |
|---|---|
| 01/14/98 | **Summit May Help Sell Gas**, Efforts to Cut Emissions Could Expand Global Market |
| 01/18/98 | **Despite Tub Thumping, Nothing Likely to Happen with Slope Gas** |
| 01/25/98 | **Knowles Backs Gas Pipeline** |
| 01/3[illegible]/98 | **Pipeline Cities Offer Tax Break to Lure Gas Line** |
| 02/10/98 | **Bill Seeks Gas-Line Deal**, Knowles Says Put off Taxes |
| 02/28/98 | **ARCO Recruits Gas Line Team** |
| 05/10/98 | **State Willing to Gamble on Gas**, Bill Would Allow Flexible Taxation to Give Development a Chance |
| 05/10/98 | **Senate Panel Oks Tax Incentives for Gas Development** |
| 05/12/98 | **Senate Backs Gas Pipeline Incentives 19-0** |
| 06/18/98 | **New Law Oks Gas Pipeline Talks** |
| 07/09/98 | **Point Thomson Promise**, Exxon Development Plan Satisfies State for Now |
| 02/24/99 | **Consortium Narrows List of Gas Pipeline Routes** |
| 06/22/99 | **$5 Oil Would Keep Slope Pumping, Economist Says** |
| 07/15/99 | **Yukon Pacific Quits Group**, Disagreement Leads Company to Leave Gas Project Consortium |
| 08/06/99 | **Mayors Push Gas Line**, Port Authority Plan on Table |
| 08/13/99 | **Pipeline Concept on Track**, Parties Discuss Natural Gas Project |
| 11/14/99 | **Price Set for Gas Sets off Debate** |
| 03/25/00 | **Exxon Sues to Halt Arco Sale** |
| 03/30/00 | **Slope Gas At Root of Exxon Lawsuit**, ARCO Sale May Jar Producer Balance |

| DATE | ARTICLE |
|---|---|
| 06/14/00 | **Pipeline Dreams**, Firm Eyes Canadian Route for Natural Gas Proposal |
| 07/15/00 | **Offshore Pipeline Pitched**, Proposal Would Route Gas to Canada |
| 07/20/00 | **Route for Gas Altered**, Fairbanks Key to New Pipeline |
| 08/17/00 | **Knowles Plans Energy Talks**, Governor to Co-Host Meeting Inspired by High Natural Gas Prices |
| 08/18/00 | **Stevens Takes Stand on Gas**, Senator Opposes Route Along Arctic Coast for Pipeline |
| 08/23/00 | **Knowles: Gas Job Must Benefit Alaska, Alaskans** |
| 09/07/00 | **As Prices Rise, Exxon Mobil Reviews Gas Pipeline Option** |
| 09/14/00 | **Gas Market Awaits Supply**, Trade Group Boss Says Alaska Could be Key to Meeting Demand |
| 09/16/00 | **Gas Line Backers Eager**, Execs say Route to be set in 2001 |
| 09/21/00 | **Natural Gas Producers Fighting Regulation** |
| 09/21/00 | **BP Aims for Gas by 2007**, Production Chief says Pipeline could top $10 Billion |
| 11/16/00 | **Gas line plans stir hope**, Canada eager for routes as talks get under way |
| 11/18/00 | **Gas route backed**, Knowles - 'My way is the highway' |
| 11/19/00 | **Gas line forecast modest**, Plan would not be 'another Prudhoe' |
| 12/07/00 | **3 Gas owners link up**, Group finances pipeline review |
| 01/07/01 | **Lawmakers foresee big fight over gas line**, Alaska would benefit from the biggest project since the pipeline |

| DATE | ARTICLE |
| --- | --- |
| 01/20/01 | **Lawmakers push course for gas line,** ROUTE: House panel introduces a bill that dictates design and path |
| 01/27/01 | **Gas Line no done deal,** PATIENCE: High prices called a threat to Alaska's hope for pipeline |
| 01/28/01 | **The Prize,** Slope gas suddenly looks good |
| 02/15/01 | **Japan pitches for gas,** Tokyo Gas chief says his nation looks to Alaska to fill it burgeoning energy needs |
| 02/16/01 | **Juneau hot spots - gas line plan, school funding,** KNOWLES: Legislators fight governor's push for Alaska Highway route |
| 03/02/01 | **Expert predicts big demand for Alaska gas,** MARKETS: High prices, tight supply seen as justifying Slope pipeline |
| 03/02/01 | **Meeting with Knowles inaugurates 26-member gas council,** ROUTES: Governor wants oil companies to take advisory group seriously |
| 03/09/01 | **Knowles calls for unity on pipeline projects:** Canada, Alaska will benefit from natural gas demand, governor says |
| 07/21/01 | **Bill seeks fast permitting for natural gas pipeline,** PROJECT: Oil companies circulate draft legislation in Washington |
| 09/11/01 | **Gas producers spurn tax breaks,** KNOWLES: Offers to aid pipeline construction get cool reception |
| 09/27/01 | **Gas line price is too high,** ANALYSIS: Oil companies report that neither route would generate the 15 percent return they want |
| 09/30/01 | **Report hurts, doesn't sink, project,** ANALYSIS: Officials believe incentives, cost-cutting could bring key players together |
| 10/03/01 | **Phillips shifts pipeline position,** GAS LINE: Company indicates it might go along with southern route |
| 11/01/01 | **Gas council sends Knowles its report,** PROJECT: Pipeline to Lower 48 is still viable, governor says |

| DATE | ARTICLE |
|---|---|
| 11/16/01 | **Companies get around 'Meatball' $4** BILLION: Old partners take a big liability off the table |
| 12/01/01 | **Strategy for gas line is outlined,** COUNCIL: Many ideas to push project, but along only one route |
| 12/27/01 | **North Slope gas opened to bidders**, ROYALTY: State hopes to spark interest and test the market |
| 01/16/02 | **Alaska gas line requires action now**, Compass |
| 01/20/02 | **Gas auction scrapped**, Producers decide not to put shipping capacity of proposed pipeline up for bid |
| 01/29/02 | **Panel to hire gas line consultants**, PLAN: Legislative Council to spend up to $282,000 for additional expertise |
| 02/05/02 | **Gas talks deemed a success**, PIPELINE: Murkowski arranges get-together with producers, politicians |
| 02/16/02 | **BP's gas pipeline dreams go on hold**, FEASIBILITY: Low natural gas prices keep plans at bay for now |
| 02/28/02 | **Daschle gives gas pipeline a boost**, ENERGY BILL: Knowles, Ulmer announce the changes, and Murkowski offers his own |
| 03/23/02 | **Senate adopts 2 Murkowski gasline amendments**, ENERGY BILL: Revisions address preferred route and applicable law |
| 03/27/02 | **35 tribes sign pipeline pact**, NATIVES: Alaska, Canada leaders want to protect gas line interests |
| 04/23/02 | **House eyes state-owned gas line**, Measure calls for report on future feasibility |
| 04/23/02 | **House pushes gas-line tax breaks**, EXEMPTIONS: Measure would save $500 million in local, state property levies |
| 04/27/02 | **Revision puts brakes on gas line bill**, NO VOTE: Measure tabled after tax break changed to deferral |
| 04/27/02 | **Gas line price tag called too high** |



# TransCanada's AGIA Application
# Presentation to Legislature

June 2008

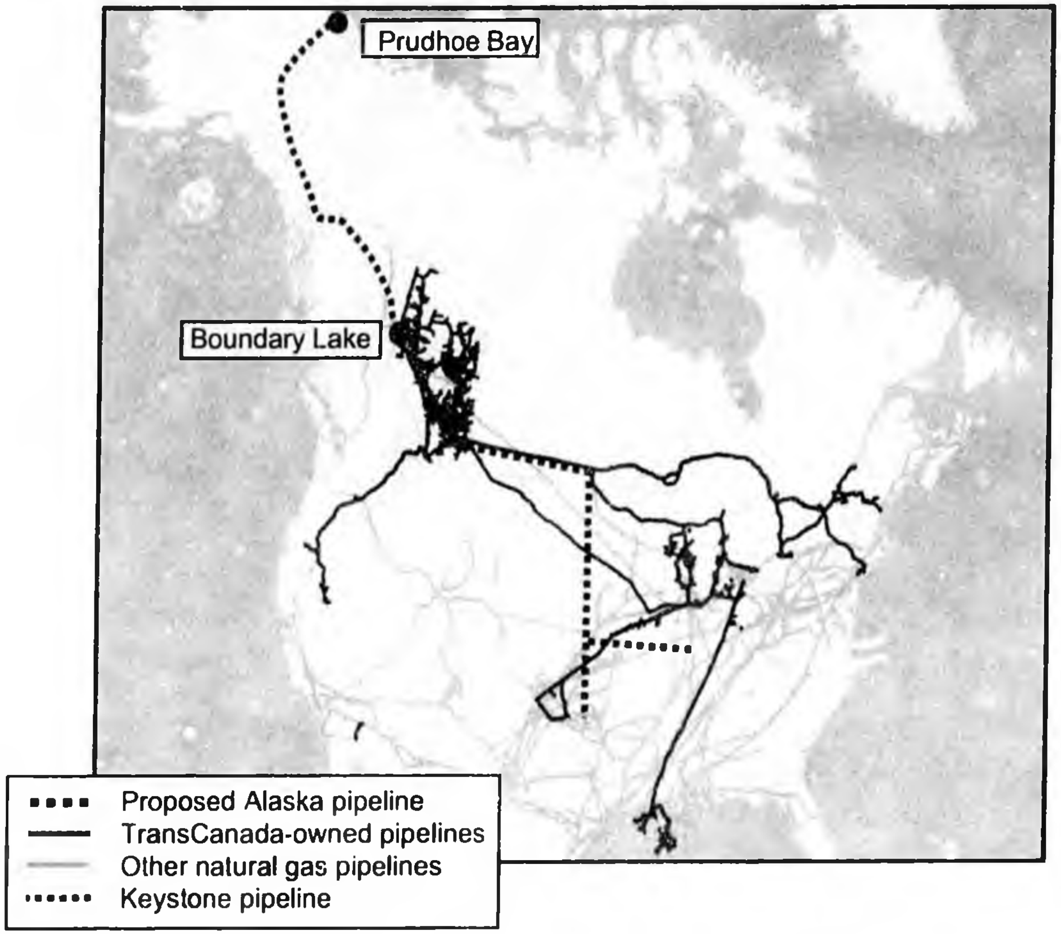
TransCanada
*In business to deliver*

# TransCanada's Objectives – Alaska Project

- Early in-service
  - Largest investment opportunity in core business line and geographic footprint
  - Utilize spare capacity on existing North American pipelines
  - LNG market as alternative investment opportunity
- Encourage long-run basin development
  - Serve In-State and other markets
  - Increase market and supply diversity
  - Growth investment opportunities
    - Pipeline expansions can create "virtuous circle"
      - Pipeline expansions promote more exploration and drilling which, if successful, leads to more pipeline expansions
- Equitable treatment for all customers
  - 50-year successful track record of balancing interests
    - Initial and future
    - Large and small

TransCanada

# TransCanada's Credentials



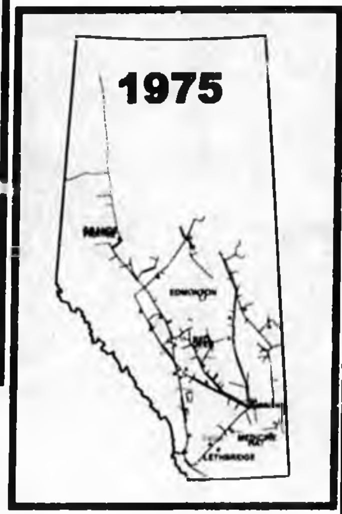

| | TransCanada Total | Alaska Pipeline Project |
|---|---|---|
| Miles of Pipe<br>• in U.S. | 36,500<br>• 12,000 | 1,715<br>• 750 in Alaska |
| Compression Horsepower | 5,370,000 | 750,000<br>• 265,000 in Alaska |
| Throughput Volumes | 15 bcf/d | 4.5 bcf/d |

| | |
|---|---|
| 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 - 2009<br>Keystone Pipe | 2,150 miles<br>New build in U.S. - 1,380 miles |

TransCanada

# Proven Basin Developer – Alberta Example








**Regulatory Structure**

- **Independent pipeline model**
- **Rolled-in tolls**
- **3 customers in 1958, 300+ today**