

TransCanada's 2008 Inside Track Customer Meeting

NGTL and ATCO Integration
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TransCanada
In business to deliver

Background and History

- ATCO Pipelines (AP) and NGTL (Alberta System) have operated independently
- Customers with business that transcend AP/NGTL boundaries have faced stacked tolls
- Discrete TBO's of regulated pipe have been used to provide integrated service for individual customers
- Customer specific integration situations generally resulted in extensive delays that affect customers and consume significant regulatory resources – Fort Saskatchewan, Foothills, etc.

Background and History

- For many years, a full integration of AP and NGTL has been contemplated and advocated by many:
 - NGTL 95 GRA, ATCO 94/95 GRA, NGTL 04 GRA and others
- Situation has culminated in Competition Hearing
 - EUB encouraged collaborative process to address competitive pipeline issues

Integration of NGTL and AP

- Customers indicated that they want:
 - Integrated service across the AP and NGTL systems (seamless)
 - Optimized facility construction and operation
 - To eliminate the inefficiencies that result from regulatory interventions, both costs and delays
 - Quick delivery of reliable service with certainty

Integration Transaction – Overview

- AP and NGTL have reached a proposed agreement on an integration model - Term: Perpetuity
- The proposed integration model is subject to regulatory approval
- The model would:
 - Create a single gas transmission enterprise with the objective of providing seamless gas transmission service in Alberta

Single:

- Tariff
- Rate design philosophy
- System design philosophy
- Service provider
- Eliminate stacked tolls for all gas transmission customers
- Optimize facility and operating solutions

Integration Transaction – Overview

- Establishes a Central Alberta Footprint (CAF):
 - AP builds, owns and operates any required new gas transmission infrastructure within the CAF
 - NGTL builds, owns and operates any required new gas transmission infrastructure outside of the CAF
 - AP and NGTL swap existing assets inside/outside CAF – COS neutral
- Integrated system will use a single:
 - System design philosophy
 - Rates and services model – no stacked tolls
 - Service provider
- NGTL contracts all AP Alberta assets at a cost of:
 - Years 1-5: 43% Equity thickness + AP GRA Application dated Dec 18, 07, escalated over 5 years plus capital additions
 - Years 5+: AP revenue requirement
 - Shippers/AP/NGTL share synergies

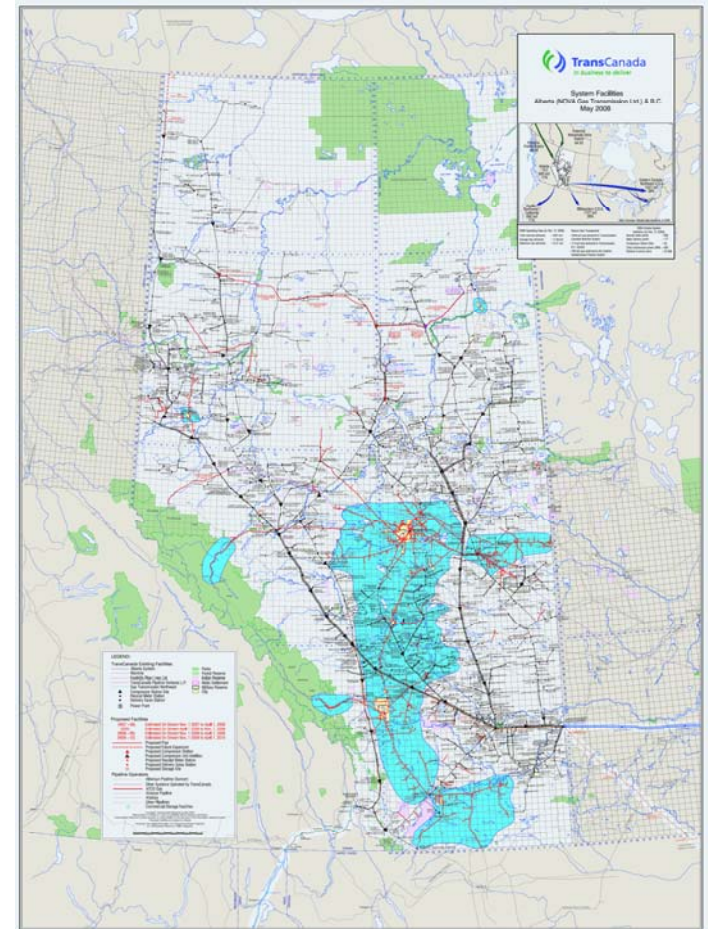
Integration Transaction – Term Sheet Details

Alberta Facility additions

- The Central Alberta Footprint (CAF)
 - The blue area
- Inside CAF – AP: add to Rate Base
 - Except major “Through Pipes”
- Outside CAF – NGTL: add to Rate Base

Asset Swap

- Equal Value, Revenue Neutral
- Inside CAF
 - NGTL to AP (except through pipes)
- Outside CAF
 - AP to NGTL



Integration Transaction – Term Sheet Details

Revenue Requirement, Tariff, Rates and Services

- Total integrated system revenue requirement: NGTL revenue requirement inclusive of integration costs including AP costs
- Revenue requirement will form the basis for the determination of rates for all customers
- NGTL and AP each responsible for the determination and approval of their respective revenue requirement
- A single tariff and rate design will be used (including LDC rate)
- NGTL is responsible for tariff, rates and services
 - Rate design review is underway
 - Assess potential rate impacts that result from integration

Integration Transaction – Term Sheet Details

Commercial

- NGTL is contractual counterparty and customer interface to all Alberta customers
 - AP manages relationship with ATCO Gas in Alberta

Customer Service

- NGTL responsible for all Customer Service functions including; Nominations, Allocations, Shipper Account Balancing and Management, Contract Administration, Exposure Calculations, Billing, Collections, Fuel Ratio Determination and Management, Determination of Lost and Unaccounted for Gas, Measurement Data Integrity Issues, Prior Period Adjustments, Gas Quality, Call Centre
- AP will process ATCO Gas billing

Integration Transaction – Term Sheet Details

System Design

- A single system design philosophy will be used – long term facility requirements basis - minimize CPVCOS
- System design philosophy will be reviewed with stakeholders
 - Is extension criteria still valid?
 - Stakeholder endorsement
- NGTL is responsible for system design functions (excluding minor additions/modifications to serve ATCO Gas and for AP system integrity)
- Annual Plan process to continue
- AP to provide required information for system wide Annual Plan
- AP kept whole on costs if facilities inside CAF are not approved due to design

Integration Transaction – Term Sheet Details

Operations Planning

- NGTL is responsible for all Operations Planning including:
 - Simulation
 - Authorization of Nominations
 - Determination of most efficient flow
 - Instructions to NGTL and AP Gas Control
 - Curtailments

Integration Transaction – Term Sheet Details

Joint AP (within CAF)/NGTL (ex CAF) Responsibilities

- Detailed design and construction
- Gas Control – instructions provided by NGTL Operations Planning
- Field Operations - potential synergies
- Maintenance Planning – to be coordinated amongst NGTL/AP
- SCADA and Measurement Data – data to be shared

Benefits to Customers

- Direct access to and from NIT – improved liquidity and transparency
- Single rate design
 - Integrated tolls – eliminate toll stacking
- Single system design philosophy - optimized facility construction and operation
- Improved efficiency of regulatory process
- Single commercial interface
 - Simplified processes for customers

Quick delivery of reliable service with greater certainty
Potential Synergies
Clarity
Simplicity

Process and Timelines

- Request AUC concurrence to discuss with customers
- During stakeholder discussion
 - Regulatory interventions will be suspended
 - AP will not apply to construct facilities outside the CAF
 - NGTL will not apply to construct facilities within the CAF other than major through haul facilities
 - Neither Party nor their affiliates will take action to negatively impact the combined Alberta System

Process and Timelines

- September 2008 – Commence stakeholder communication and discussions
 - Overall integration proposal
 - System design principles
 - Rate design – includes LDC considerations
- December 31, 2008 – Definitive AP/NGTL Agreements
- December 31, 2008 – AP/NGTL Board of Directors Approval
- 1H 2009 - Conclude stakeholder negotiations
- 2H 2009 – File regulatory applications
- No later than December 31, 2010 – Receipt of Acceptable Regulatory Approvals

Questions / Discussion

QUESTIONS / DISCUSSION