Responding to Evolving North American Supply

NECA Conference on Natural Gas and Fuel Issues

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Agenda

- **TransCanada Mainline Overview**
  - Historical Flows
  - Evolving Supply & Demand
- **Mainline Competitiveness**
- **Marcellus Shale – access to market via TransCanada's Canadian Mainline**

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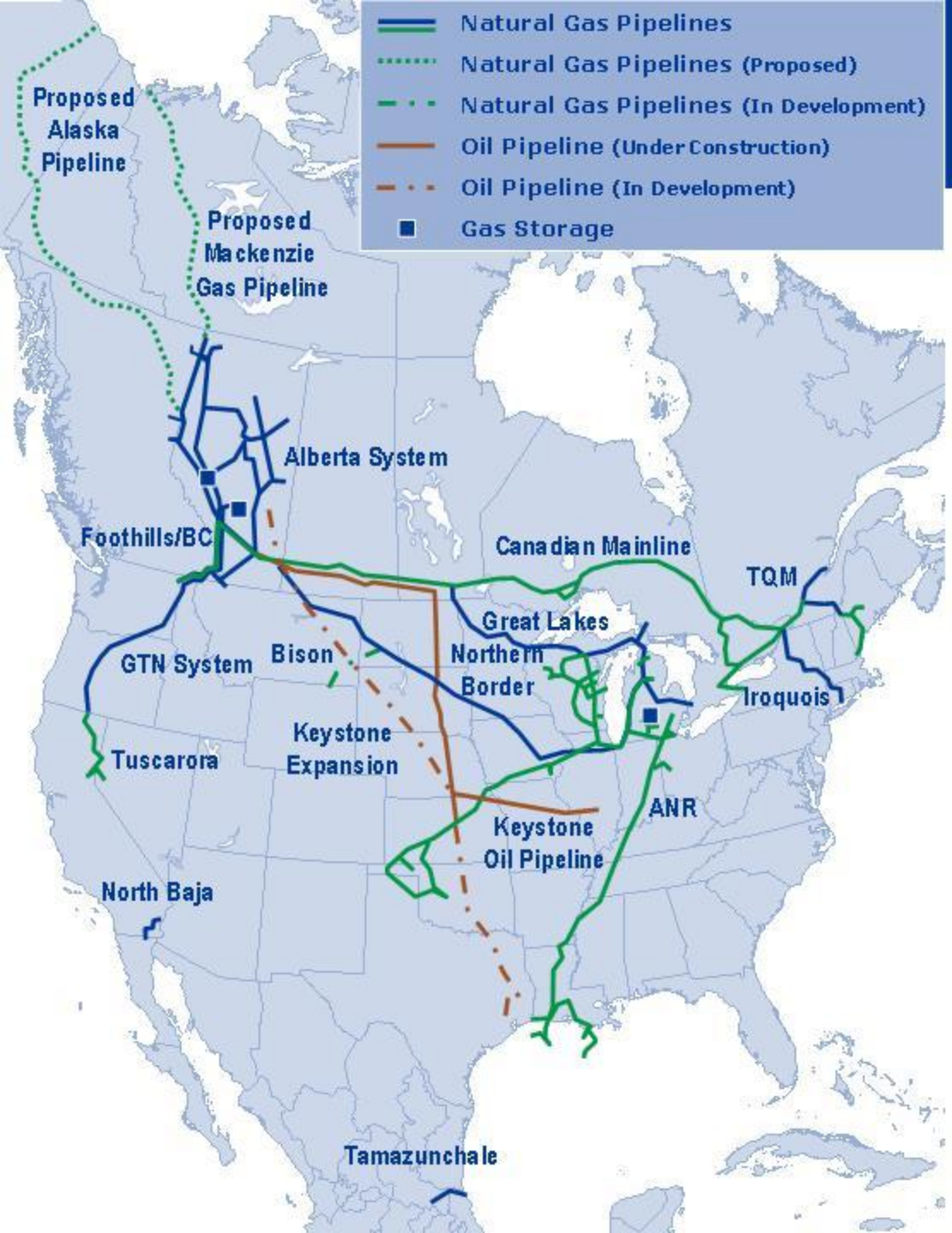
Pipeline Assets



- 59,000 km (36,500 mi) of wholly owned natural gas pipeline
- Interests in an additional 7,800 km (4,800 mi) of natural gas pipeline
- 250 Bcf of regulated natural gas storage capacity
- Unparalleled connections from traditional and emerging basins to growing markets
- Average daily volume of approximately 15 Bcf
- Keystone oil pipeline 1.1 million Bbl/d
- Developing northern frontier pipeline capacity

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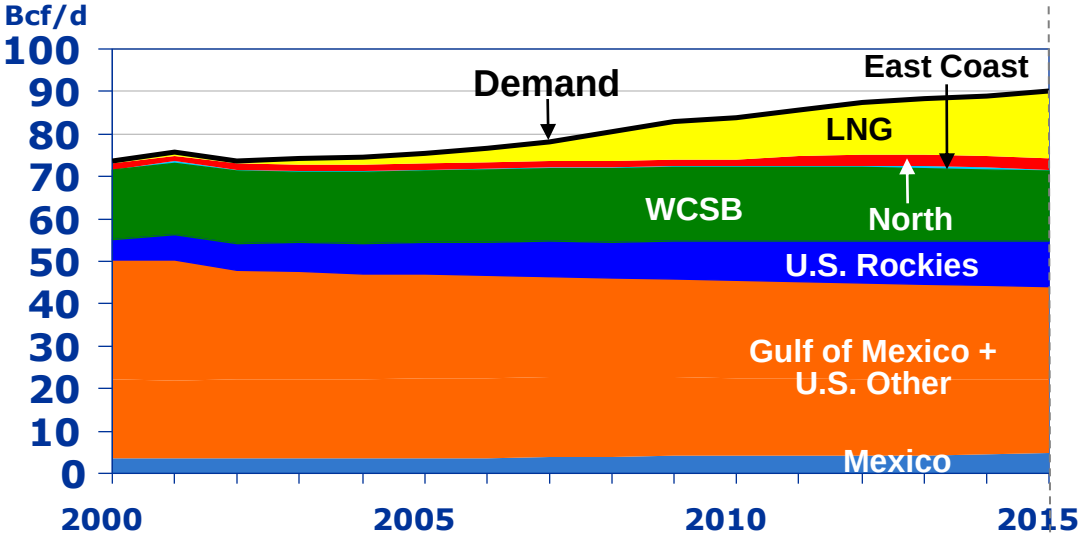
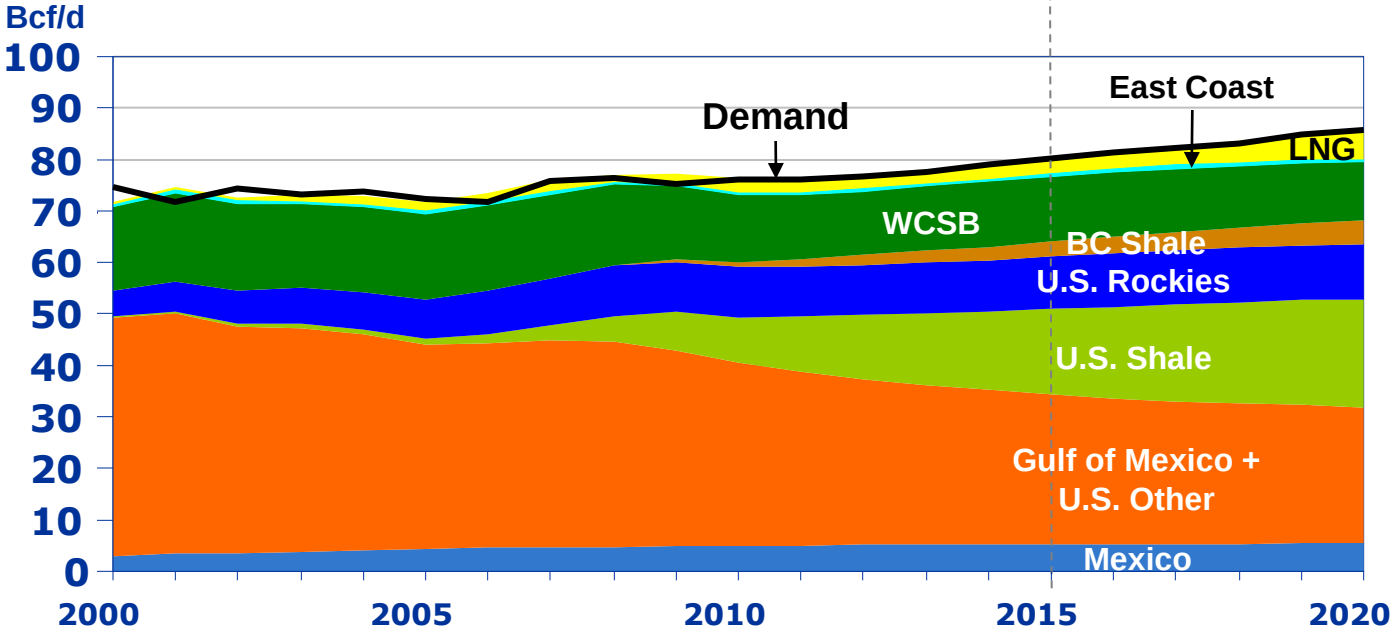
Fundamental Shift in North American Supply/Demand



2005 Base Case Outlook



2010 Base Case Outlook

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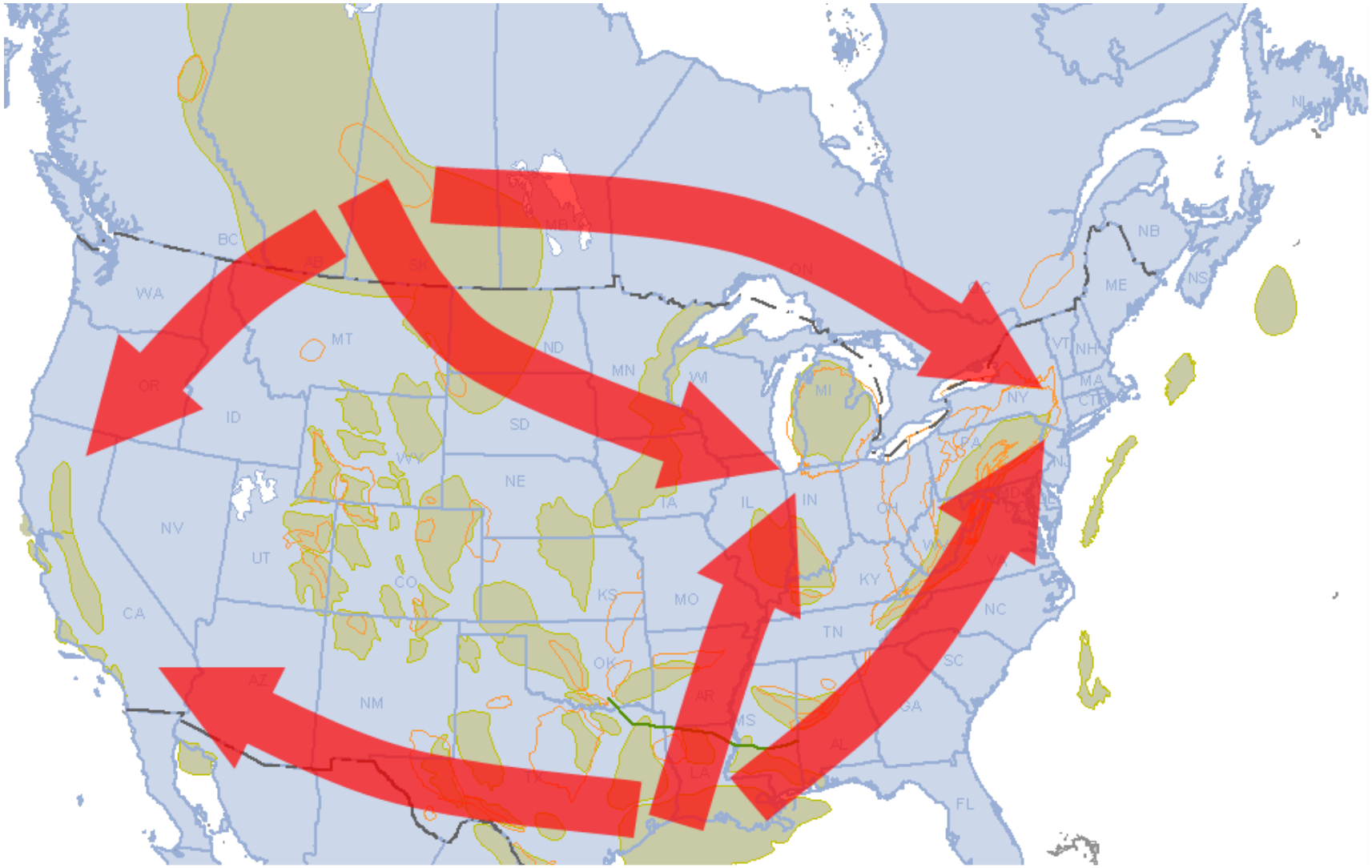
Conventional Gas Development: WCSB vs Gulf of Mexico (GOM)



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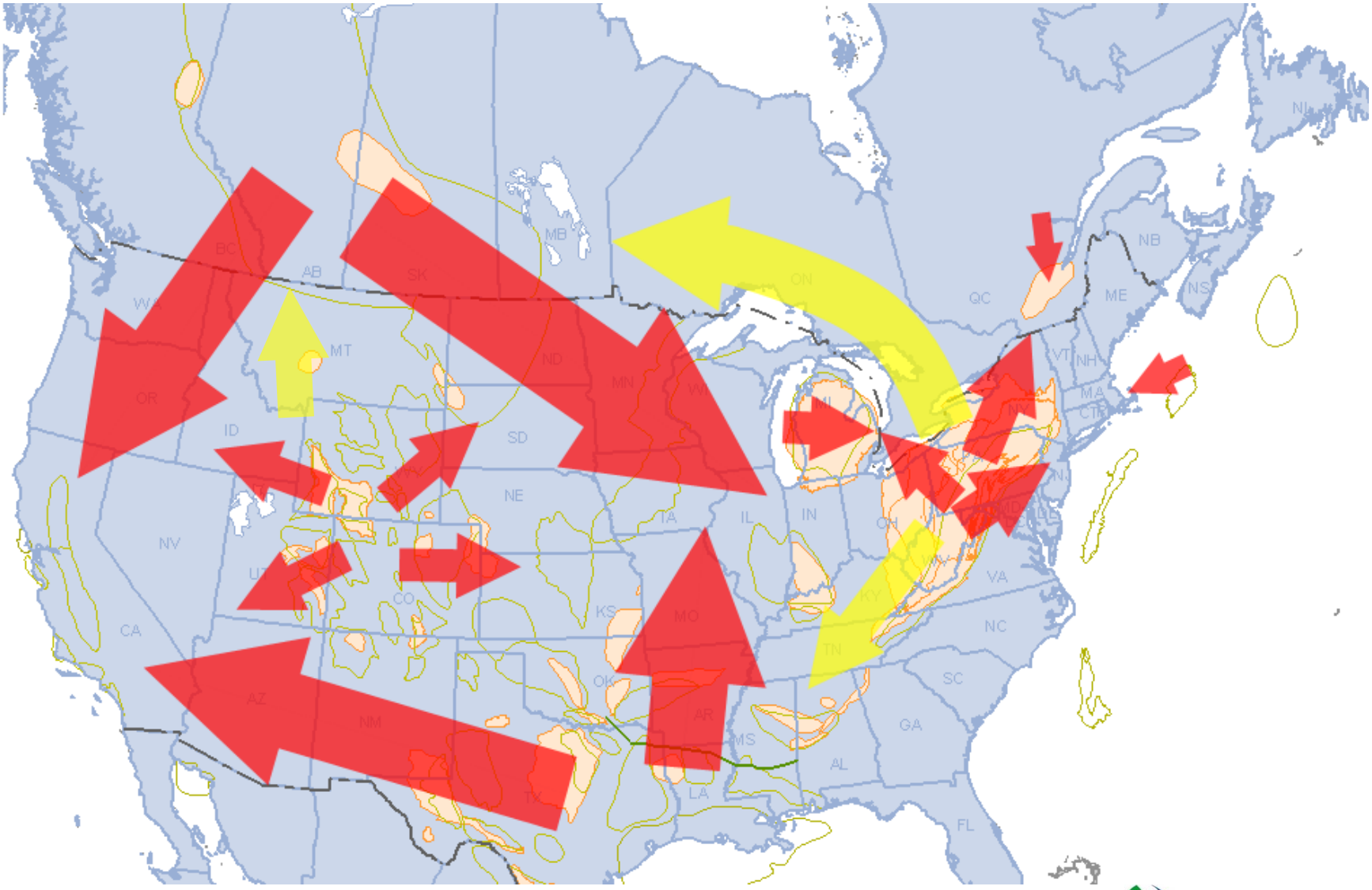
Unconventional Gas Development: WCSB vs GOM, Rockies, Marcellus, LNG, etc.



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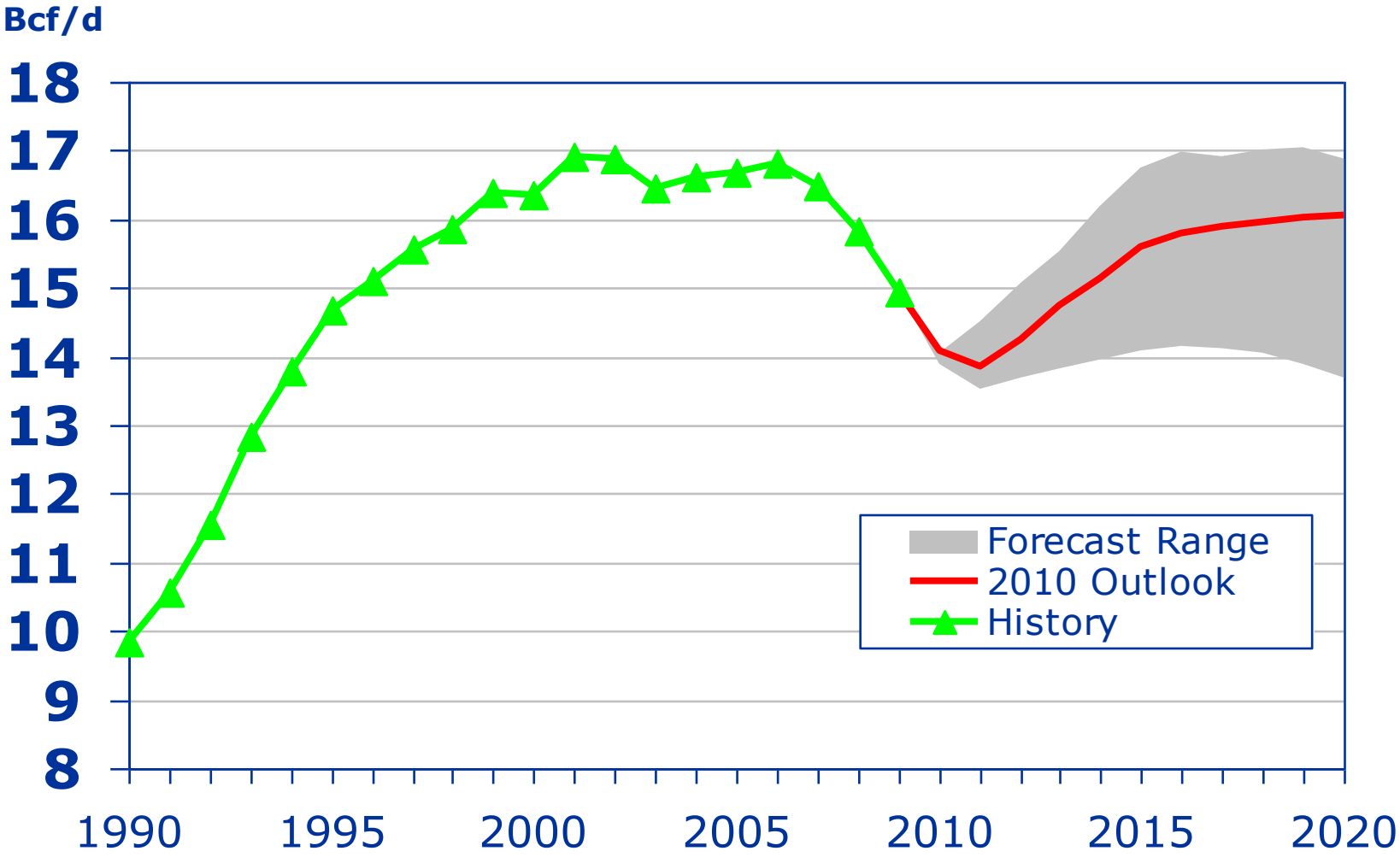
WCSB Production
(Conventional & Unconventional)



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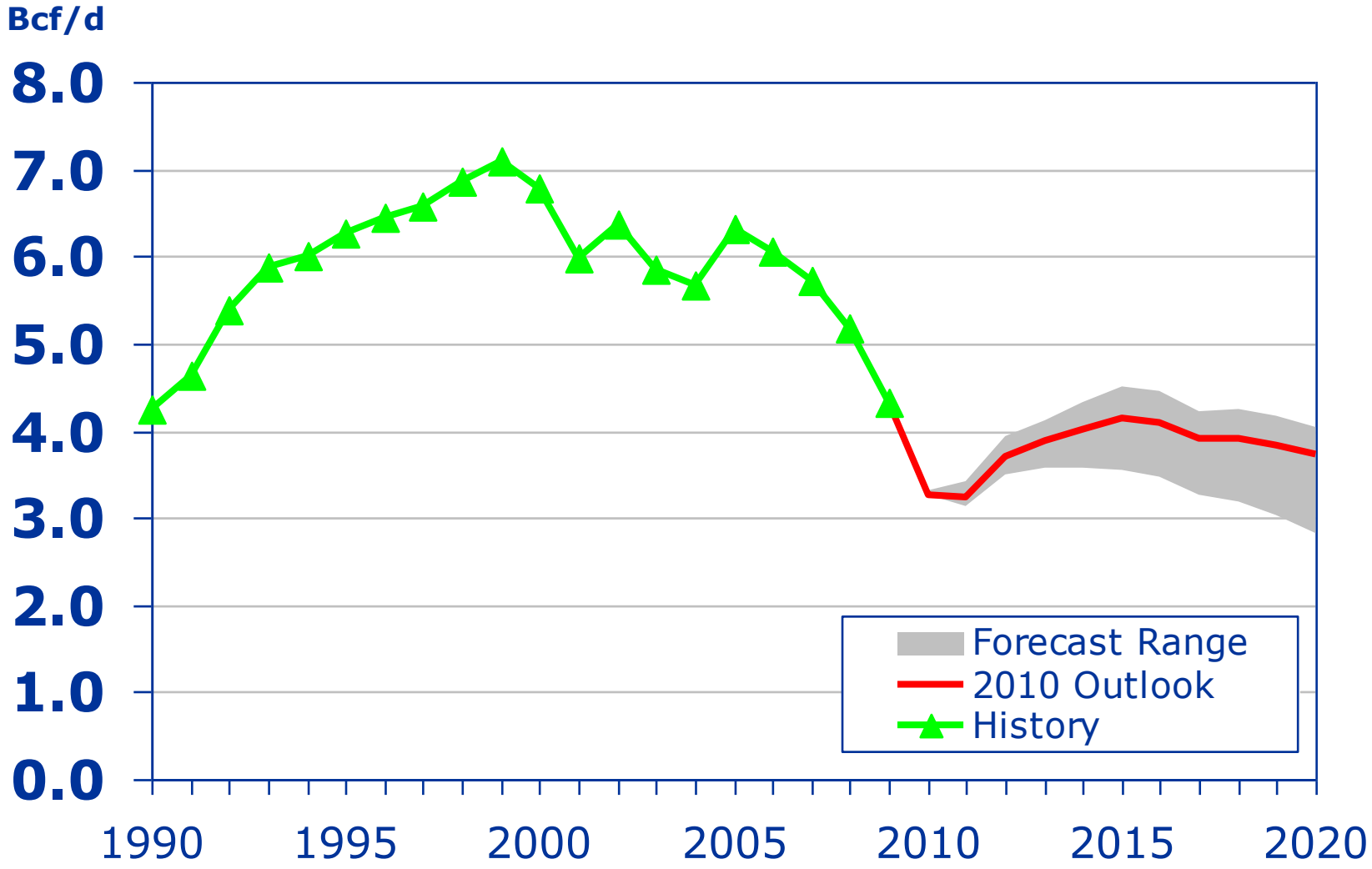
Mainline Western Receipt Flows



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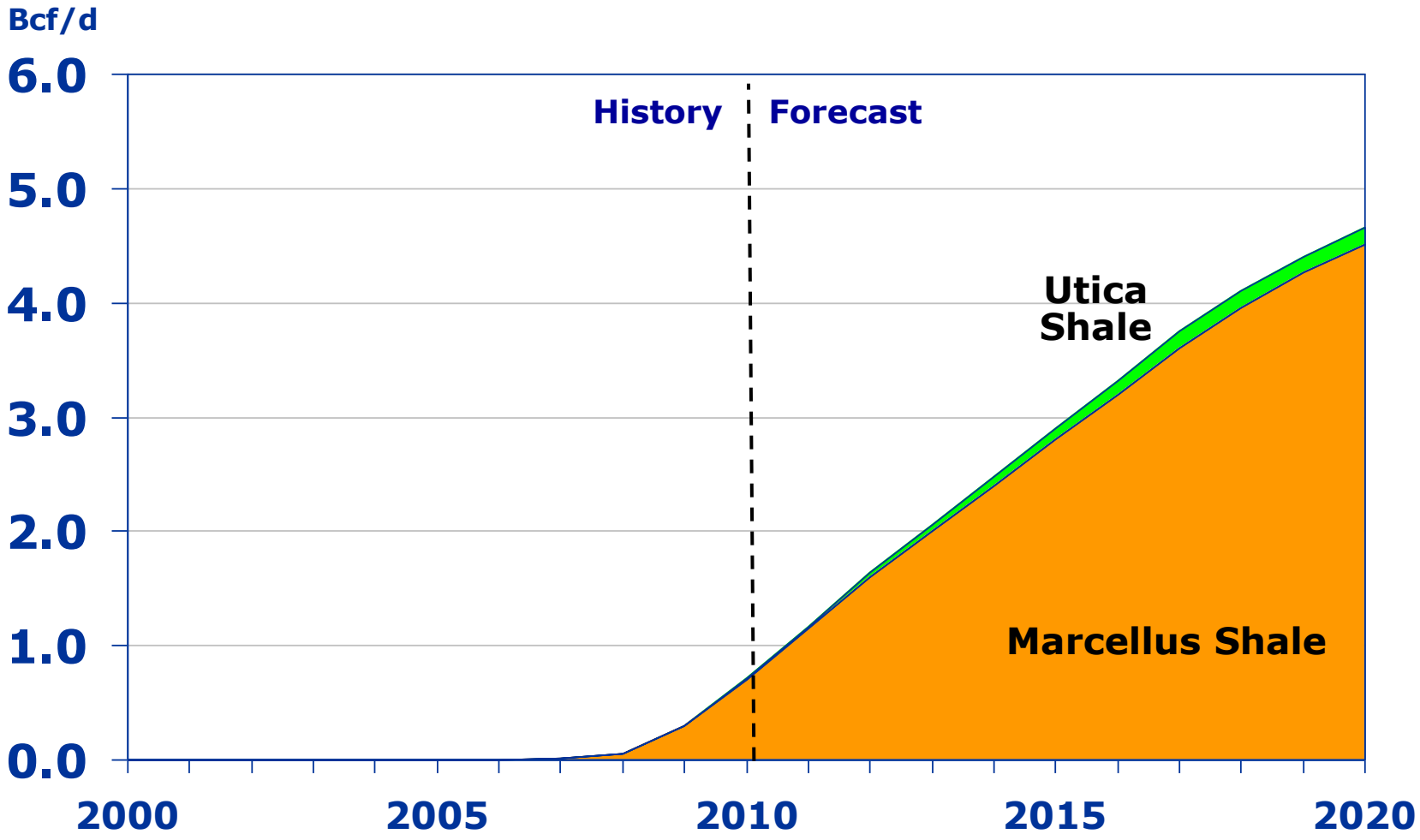
Eastern US Marcellus and Eastern Canadian Utica Shales



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Response to Changing Flows & Rising Tolls - Mainline Competitiveness

- **Comprehensive Package**

- **Objective**
  - Lower tolls
  - Toll stability and certainty
  - Economic Alignment btw Shippers and TransCanada
  - Flexible Product Offering

- **Key Components**
  - Business Model
  - Rate Design
  - Services

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Marcellus and the Mainline

- In late 2009 / early 2010, Empire Pipeline and National Fuel Supply Corp. initiated open seasons to move Marcellus shale to Chippawa and Niagara Falls
- TransCanada met jointly with Marcellus producers and representatives of Empire, National Fuel and Union Gas
- Purpose of meetings was to promote access to markets (e.g. IGTS, power gens) and storage (e.g. Dawn) via the Canadian Mainline
- TransCanada held a New Capacity Open Season in January 2010 to align with Empire, National Fuel and Union open seasons

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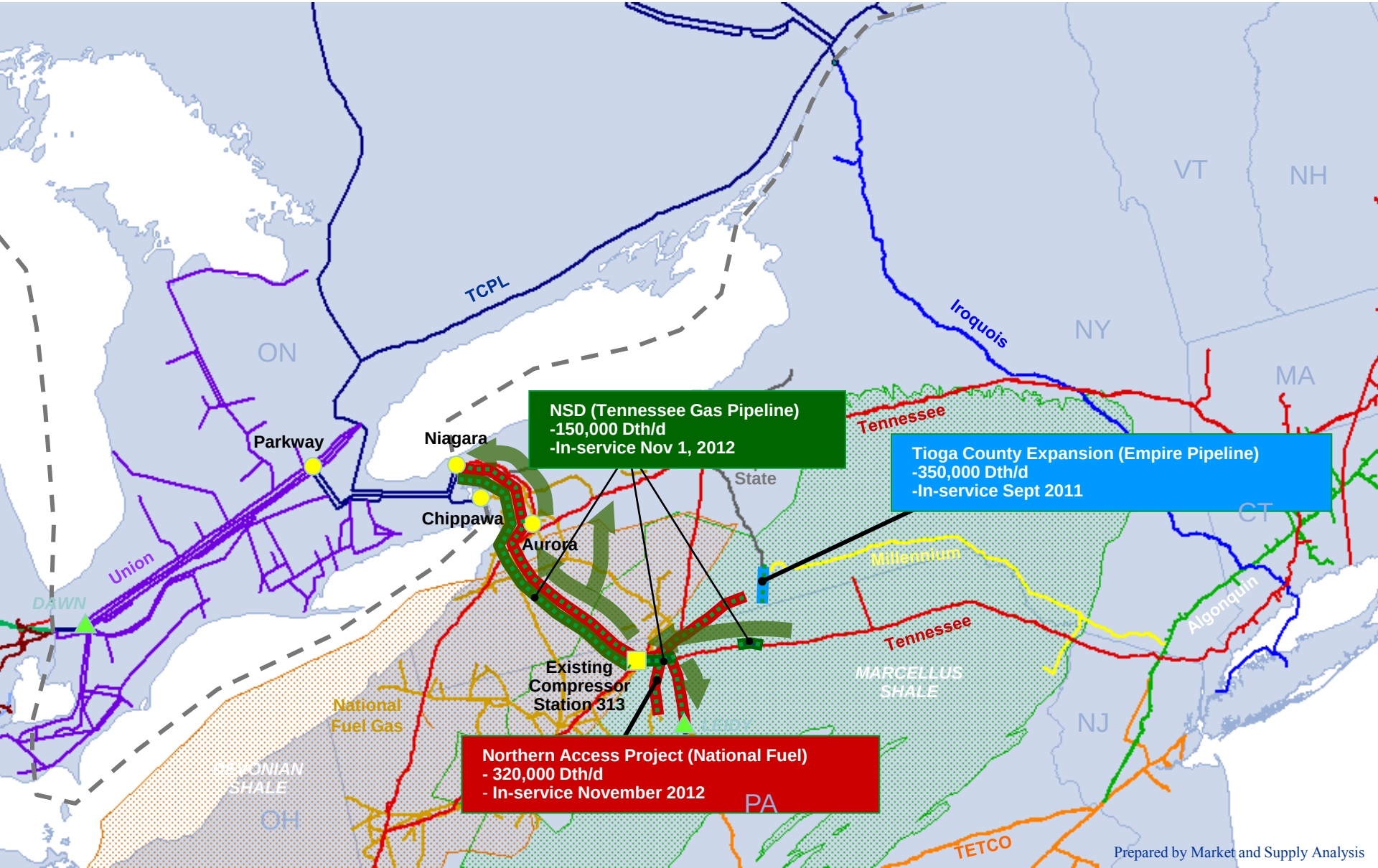
Projects Bringing Marcellus Supply to Canadian Markets



Prepared by Market and Supply Analysis

TransCanada Mainline Open Season

- TransCanada subsequently received customer requests to hold another New Capacity Open Season to bring Marcellus supply to the Mainline

- TransCanada commenced a second New Capacity Open Season to address these requests:
  - Closed Aug 25, 2010
  - Over **1 Bcf/d of interest**
    - Interest from 1st open season rolled into this open season
    - Majority of requests from Niagara/Chippawa
    - Bids were for 10-year terms
  - Currently negotiating Precedent Agreements with Customers

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Access to Markets and Storage

- **The Canadian Mainline provides access to high-value markets:**
  - Gas-Fired Power Generation
    - ~ 4800 MW of gas-fired generation sourcing supply at Dawn
    - ~200 000 GJs (1000 MW) of new gas-fired generation expected in service by 2013
  - Storage (Dawn, Michigan)
  - Export markets (New England and NYC via IGTS)

- **TransCanada will hold open seasons and address facilities requirements as required to enable Marcellus supply to reach these markets**
  - Lower threshold volumes and greater certainty of in-service than Greenfield projects

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Conclusion

- **TransCanada is the preferred path to market for the next tranche of Marcellus supply:**
  - Least expensive option
  - Access to diverse markets and storage in Canada and the U.S.
  - Economical expansions available for a range of volumes
  - Service can be provided quickly (as early as 2011)
  - Backed by diverse, secure supply at Dawn, which includes WCSB and US supply

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Thank you.

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