

B.C. System and Foothills Shippers Joint Meeting

April 18, 2006

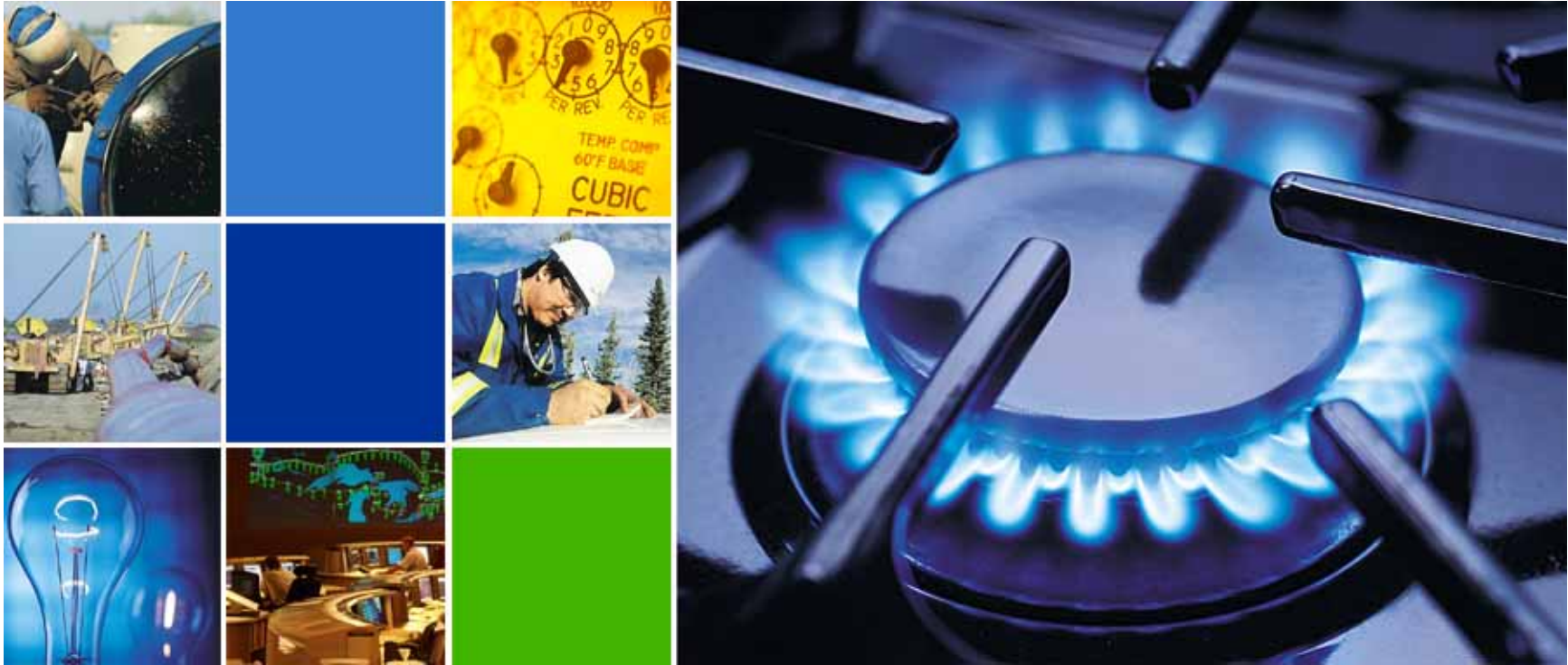
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Agenda



- Agenda Review
- Tariff Liability Review
- Energy Conversion Implementation
- B.C. System/Foothills Integration
- B.C. System/Foothills Zone 8 Capability Update
- ABC Border Measurement Update
- Next Steps/Next Meeting



Tariff Liability Review

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Agenda

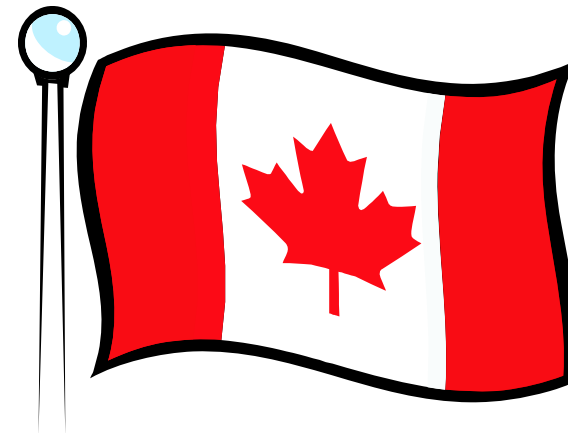


- Why Liability Review?
- The Issues
- Objectives
- Proposed Next Steps

Why Liability Review?



- Ongoing review of TransCanada's Tariff provisions
 - Clean-up
 - Credit Review
- TransCanada reviewed Tariff liability provisions
- Scope
 - B.C. System
 - Foothills System
 - Mainline System
 - NGTL System



The Issues



- Different liability provisions across pipes
 - e.g. Mainline Tariff contains *no* liability provisions
- Some provisions should be updated
 - Align with current legal decisions, trends
 - Outdated terminology; e.g. NGTL 'foreseeable damages'
- Opportunities for greater clarity
 - e.g. Which damages are excluded?



Objectives



1. Preserve original intent of Tariff provisions
 - Modernize where outdated
2. Eliminate uncertainties regarding liability
 - Greater clarity, ease of understanding
3. Develop effective provisions
 - Predictable outcomes if tested in court
4. Provide alignment across pipes
 - Uniform provisions

Proposed Next Steps



- Adopt issue for all pipes
- Strike task force
 - Joint committee
- Timeline
 - 2 – 4 months



Contacts - Customer Service



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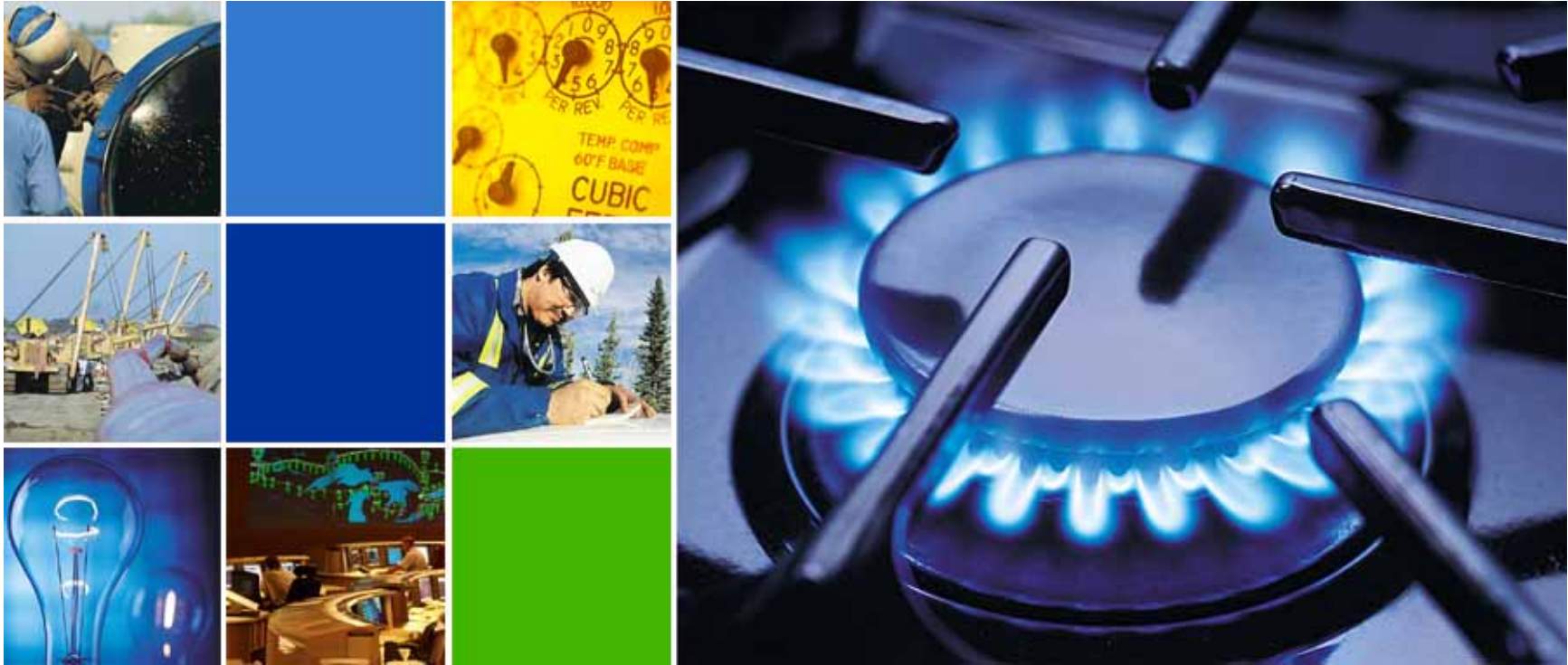
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Energy Conversion Implementation

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B.C. System Energy Conversion



- Effective June 1, 2006 TransCanada will no longer calculate a Floating MDDQ.
- The maximum daily quantity of gas will be the MDDQ as set out in Shippers' Service Agreements.
- Shippers have a one-time option to adjust their contract quantities by +/- 1%.

Foothills Energy Conversion

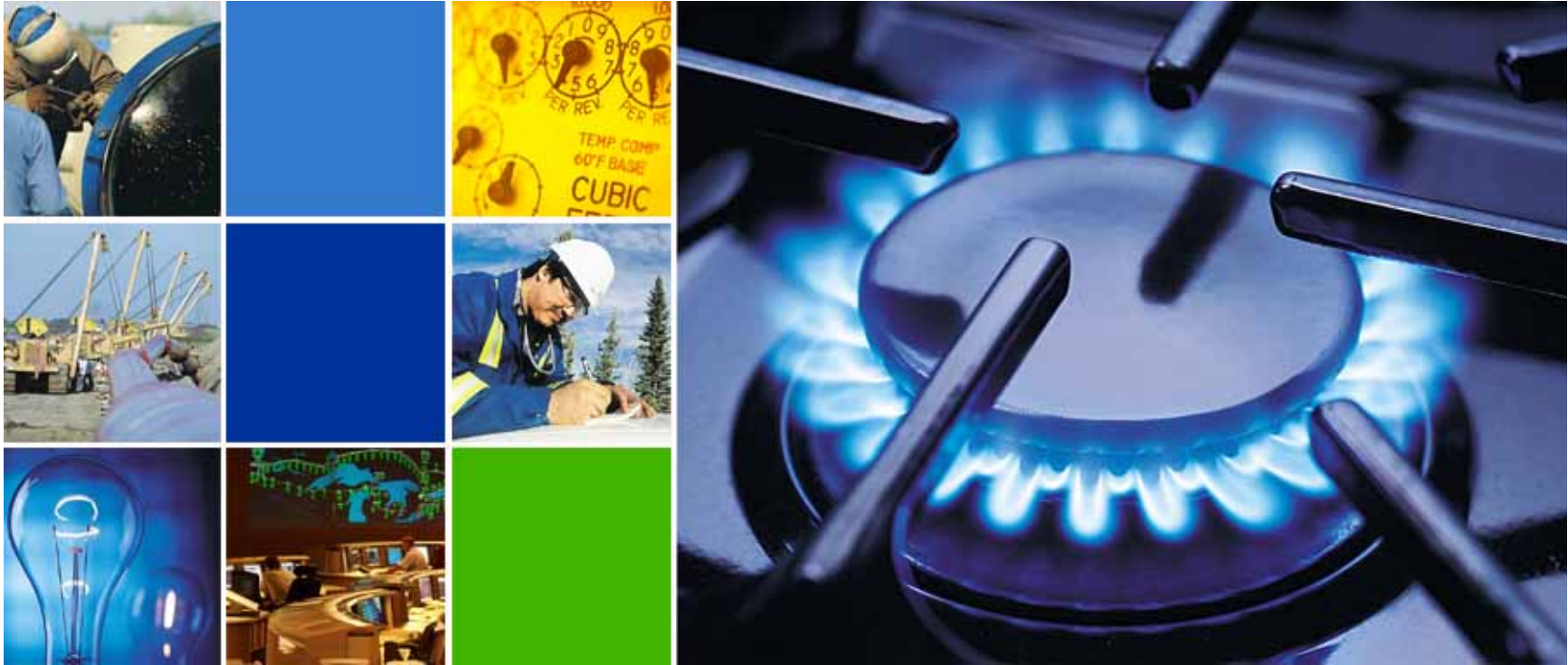


- Daily Quantities converted from volume to energy units using a heating value of 37.57 MJ/m³.
- Daily Quantities will be expressed as **delivery** quantities using a fuel rate of .78%.
- Shippers have the option of adjusting their contract quantity by +/- 1% to adjust the fuel rate; and +/- 1% to adjust for the energy conversion.

Energy Conversion Timeline



- Letters and Election Forms e-mailed to Customers April 5, 2006
- Signed Election Forms returned to TransCanada by May 1, 2006
- Shipper requests for updated Schedules/Contracts will be fulfilled prior to June 1, 2006
- June 1, 2006 Energy Conversion and Delivery Contracts in effect on Foothills and Energy Conversion Completed on TransCanada's B.C. System



B.C. System/Foothills Integration

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Integration Proposal



- Overview
- Foothills Settlement
- Depreciation Rates
- Services and Tariff Impacts
- Next Steps

Integration Proposal



- What
 - B.C. System and Foothills Zone 8 are operated as a single system today
 - Complete the integration from a legal perspective
- Why
 - Administratively more efficient
 - Eliminates duplicate processes (i.e., accounting, reporting requirements, regulatory filings, tariff, rate and contract administration, etc.)
 - Potential annual cost savings \$0.5 - \$1 million

Integration Proposal



- How
 - Modify Foothills Settlement to include B.C. System costs in G&A calculations
 - Foothills buys B.C. System assets and rolls them into Zone 8
 - Customers contract with Foothills instead of TransCanada's B.C. System
- When
 - Effective January 1, 2007

Foothills Settlement Background



- Major Provisions
 - G&A Incentive
 - Resolution of Special Charge
- Term
 - Jan 1, 2003 – Dec 31, 2015
 - G&A Incentive ends early if maximum savings level reached
 - Collection of Special Charge continues to 2015
 - Collection of Transition Costs continues to 2015

Foothills Settlement – G&A Incentive



- Fixes allowed G&A costs included in cost of service (escalated 3% annually)
- Foothills retains portion of savings between allowed and actual cost amounts (Foothills share declines over time)
- Foothills allowed to retain maximum of \$45 million
- Once maximum reached, allowed G&A amount for following year defined by agreement. Future years, revert to including actual costs in revenue requirement.
- Transition costs incurred to achieve savings collected over term of agreement

Foothills Settlement – Special Charge



- Allows for recovery of 2/3 of Phase II Preliminary Expenditures over the term to 2015
- No “return on” Phase II Preliminary Expenditures allowed
- At end of term, Phase II Preliminary Expenditures deemed to have been fully recovered by Foothills
- Terminates any requirement for Foothills to refund Special Charge amounts collected to Alberta producers/ others when Alaska proceeds

Foothills Settlement



- Integration of B.C. System into Foothills impacts total level of G&A costs
- Will not be able to separately identify the “B.C. System” portion going forward
- Need to adjust amounts in settlement to reflect the integration
- Objective is to minimize the changes required to the settlement
- None of the provisions dealing with the Special Charge will be changed or are intended to be impacted

Foothills Settlement – Agreed Amount



- 2006 Agreed Amount = \$14.2 million
 - Excludes:
 - Overhead allocation under Operating Agreement (\$1.2 million)
 - Pension costs (\$0.7 million)
- Comparable B.C. System costs = \$8.7 million
 - Includes overhead
 - Includes pension costs (\$0.5 million)
- Alternative 1: adjust Agreed Amount to include B.C. System costs and overhead allocation and pension costs attributable to Foothills
- Alternative 2: adjust Agreed Amount to include B.C. System costs excluding pension costs

G&A Incentive – Proposed Changes (2007)



	Current Foothills	Alt.1 Incremental	Alt. 1 Combined	Alt. 2 Incremental	Alt. 2 Combined
Agreed Amount	14,607	11,112	25,719	8,583	23,190
Escalation Rate	3.0%	5.0%	3.9%	5.0%	3.8%
Aggregate Incentive Amount Retained	45,000	20,000	65,000	15,000	60,000
Customer Share:					
2007 and 2008	30%	10%	30%	10%	30%
2009 and 2010	40%	20%	40%	20%	40%
2011 and 2012	50%	30%	50%	30%	50%
2013 onwards	50%	40%	50%	40%	50%

Current Depreciation Rates



- Foothills
 - Long-standing rates
 - Same rates used for all zones
 - No recent depreciation study
- B.C. System
 - Rates based on 2003 depreciation study
 - Treatment of General Plant consistent with Mainline and Alberta (Amortization Accounting)

Depreciation Rate Comparison



Account	Foothills	B.C. System
Pipeline Mains	3.0%	3.04%
Compressor Equipment	3.0%	3.07%
Heavy Work Equipment	30.0%	2.19%
Office Furniture	10.0%	8.90%
Computers – hardware	10.0%	20.68%
Computers – software	10.0%	26.08%
Tools & Work Equipment	10.0%	2.01%
Communication Equipment	10.0%	5.21%

Depreciation Rates Proposal



- Pipeline Mains & Compressor Equipment accounts for ~85% of gross plant on both Foothills and B.C. System
- Use existing Foothills rates for all zones of the integrated system with the exception of:
 - Heavy Work Equipment – use B.C. System rate
 - Majority of assets are from the BC System for which appropriate rate recently set through depreciation study
 - General Plant accounts - use amortization accounting method and B.C. System rates
 - Consistent treatment of shared assets (i.e., computers, furniture) amongst pipelines

Service/Tariff Impacts



- Foothills Pipelines Ltd. tariff will be amended as necessary to include B.C. System provisions
 - Streamline to extent possible
- B.C. System tariff will be terminated
- Existing contracts with TransCanada's B.C. System will be transferred to Foothills
- TBO agreement between TransCanada and Foothills will be terminated

Service Impacts



- Services substantially the same as today
- Certain Services and their provisions need to be aligned
 - Offer IT in Zone 8 – currently Overrun Service
 - Capacity Allocation Procedure – change from queue to Open Season for Foothills
 - Differences in make-up provisions
 - Renewal rights provisions – B.C. System evergreen, Foothills only available with 5 year term
 - Minimum term for expansion capacity – B.C. System 15 years, Foothills 12 years
 - LT Winter Firm Service (renewable) – grandfathered on B.C. System and not being offered any further, not available on Foothills, STFT available on both B.C. System and Foothills

Tariff Impacts

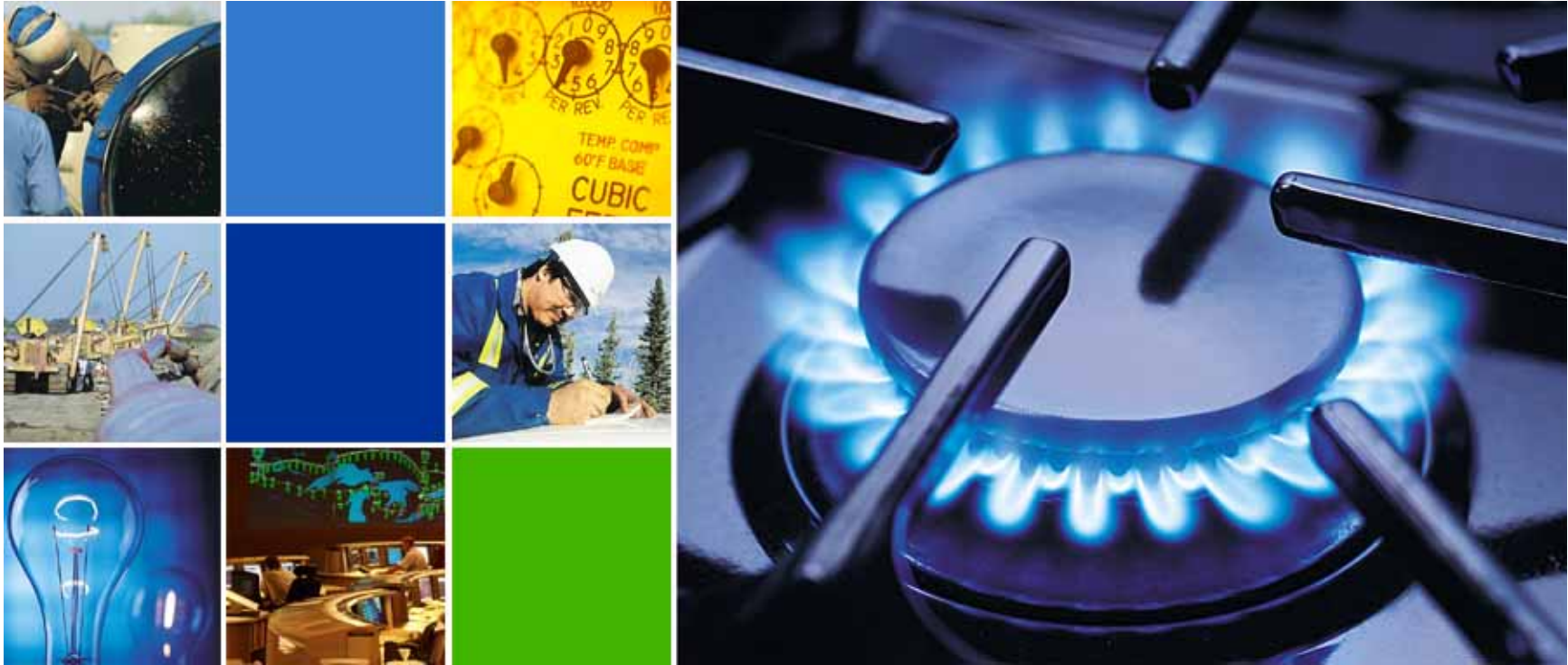


- Will align where wording differs but intent is the same
- Certain provisions need to be aligned
 - Minimum gross heating value
 - Maximum gas temperature
 - Payment due date
 - Impacts of tariff liability review, if any
 - Zone 8 Linepack – transfer ownership from shipper (TransCanada) to Foothills to align with other 3 zones
 - Various terminology – Business Day vs. Banking Day, GTSD vs. Tariff, Rate of Interest vs. Prime Rate, etc.

Integration – Next Steps



- April – present proposal at shipper meeting
- May/June/July – discuss/negotiate terms and conditions with interested parties
 - May 10th and 17th – service and tariff reviews
- August – prepare regulatory applications
- September – file regulatory applications
- December – apply for integrated Foothills 2007 rates
- January 2007 – implement integration



B.C. System/Foothills Zone 8 Capability Update

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Elko A Compressor Station Update



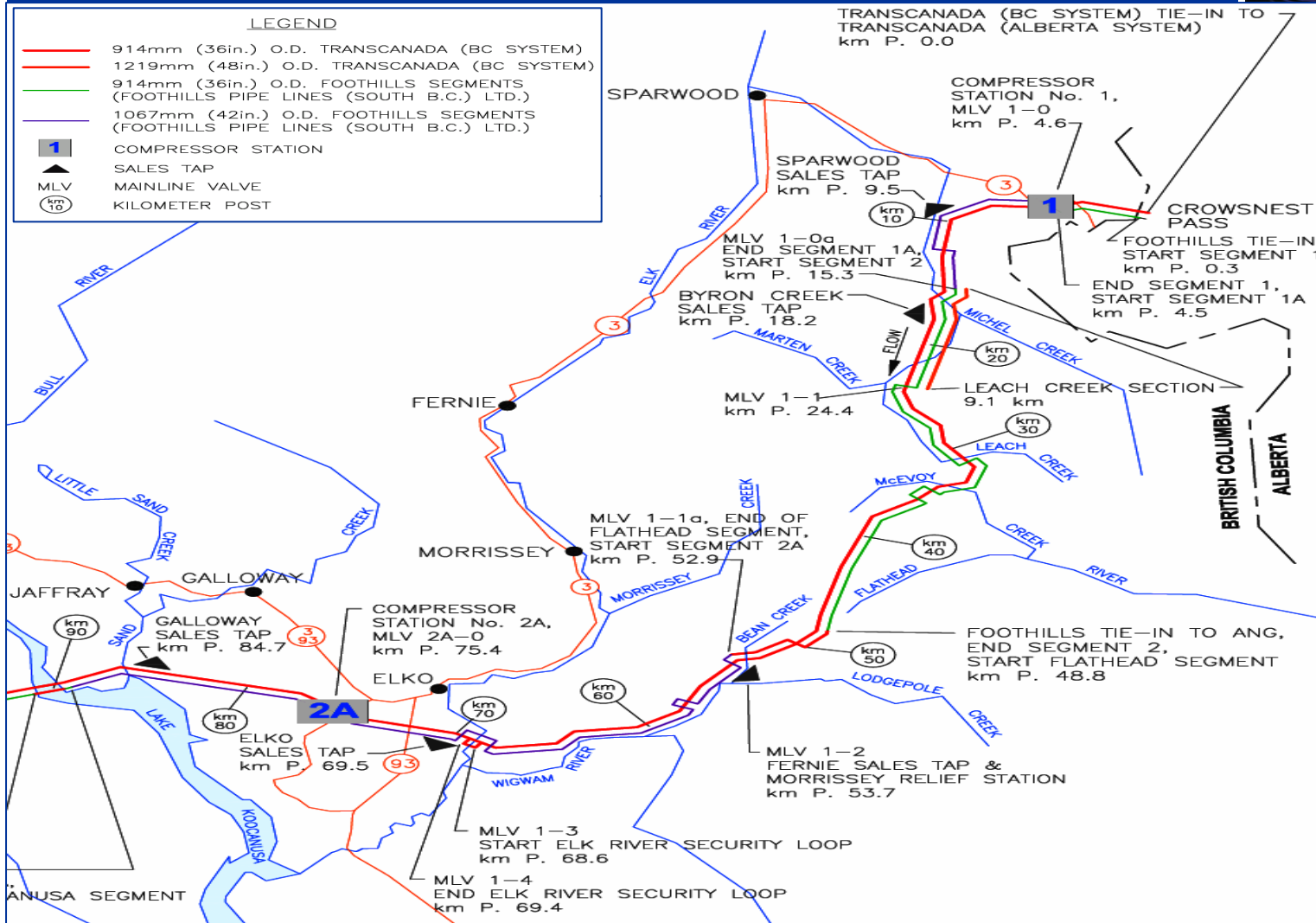
- April 5 failure at Elko C/S (A unit) resulted in temporary shut down of the entire Elko C/S
- B.C. System receipt capacity reduced to approximately 2,118 MMcfd (60 106m³/d or 2,268,000 GJ/d)
- Current nominated flow 1,518 to 1,765 MMcfd
- 15:00 MST on April 7 force majeure became effective
- April 8 Elko C/S (C unit) returned to service
- Continuing scheduled maintenance on Elko C/S (B unit)
- B.C. System receipt capacity limited to approximately 2,365 MMcfd (67 106m³/d)
- Elko C/S (A unit) expected to be out of service for an extended duration
- More information expected to be available in the next couple of weeks once the investigation is complete

NPS 36 Foothills BC M/L

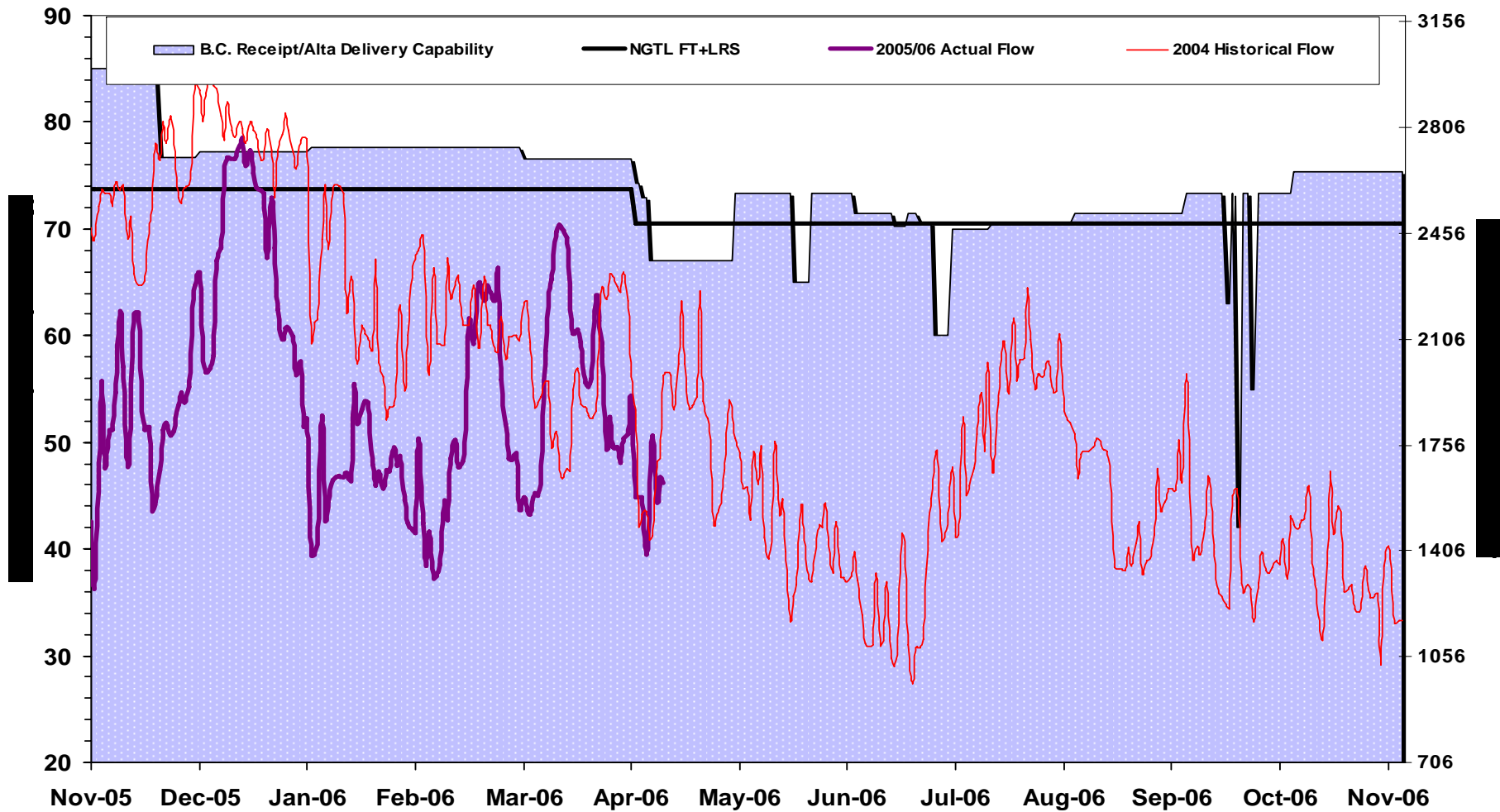


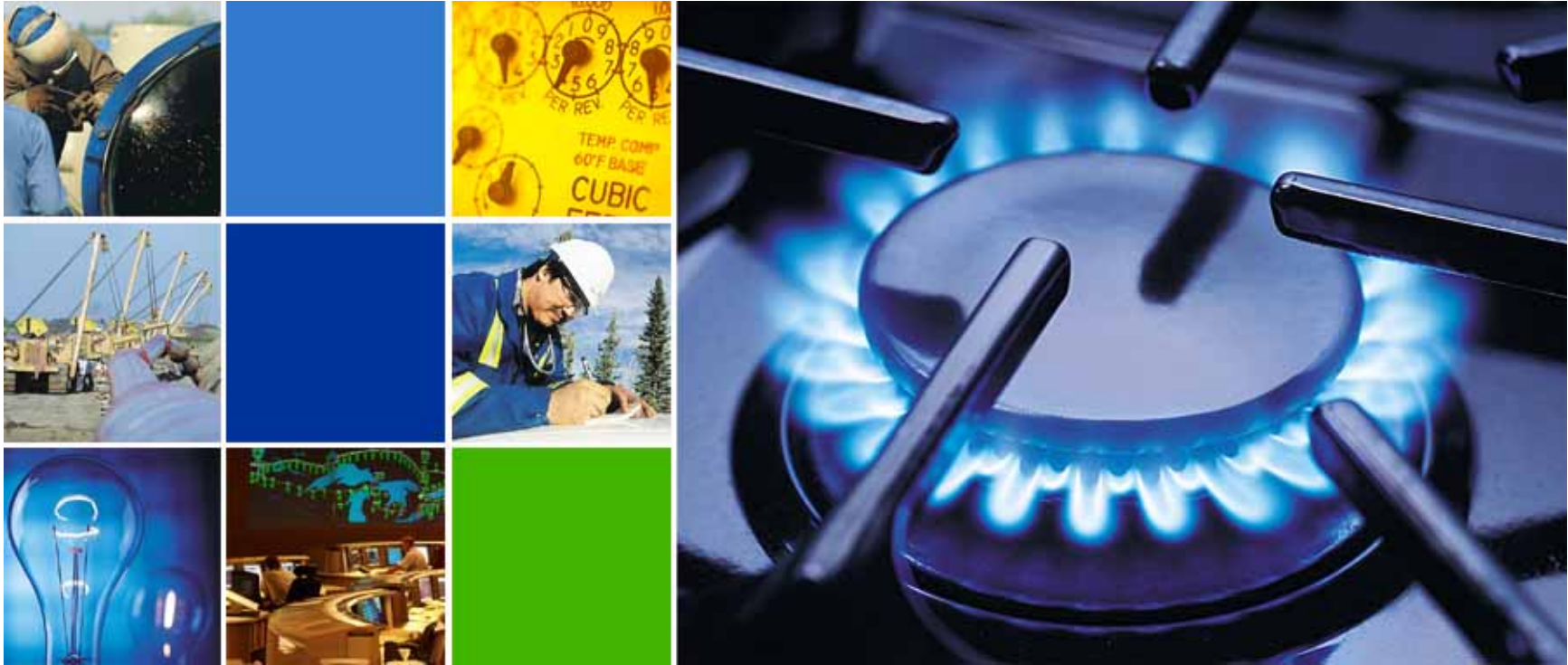
- Pressure reduction started November 20, 2005
 - Result of pipe inspections of NPS 36 Foothills BC Mainline
 - Reduced available capacity by 352 MMcf/d for Winter 2005/06 and 413 MMcf/d for Summer 2006
- Pigging scheduled for June 23 – 27, 2006
- Digs to follow in late 2006 (August - October)
- Validation of integrity of the pipe with any repairs will be scheduled after the digs (late 2006/early 2007)
- Access for digging and repairs will be an issue.
- Timing for lifting of the derate will be dependent on results of the above.

B.C. System Map – Eastern Portion



Kingsgate Border





ABC Border Measurement Update

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Overview



- Avoid repair of ABC meter station by pulling plates and calculating measurement
- Not eliminating ABC as a transaction point
- Results in Alberta System cost savings
 - Fuel Savings \$165K to \$330K per year @ \$6.00/GJ
 - OM&A Savings: Regularly scheduled maintenance ~ \$20K every two years
 - Capital Maintenance: Repair budgeted for \$200K, expect to be \$300K if more problems detected during maintenance

Calculate ABC Measurement



- Start at Kingsgate and work back to ABC Border
- $ABC = Deliveries - Receipts + \Delta LP + MV$
 - Where
 - Deliveries include Kingsgate, Sales Taps, East Kootenay Delivery, Fuel, Utilities, Losses
 - Receipts include East Kootenay Receipt
 - MV = measurement variance determined for the combined AB/BC Systems and collected through the monthly fuel rate of each system based on the total energy value of the Alberta receipts and BC deliveries

Next Steps



- Issue scheduled for vote at the April TTFP meeting
- Vote deferred due to outstanding ADOE and removal permit issues
- Attempting to resolve remaining issues
- Possible vote in May or June

Next Steps/Next Meeting



- Tariff Liability Review Task Force
- B.C. System/Foothills Integration Service and Tariff Reviews