

(ON MAX FELDMAN LETTERHEAD)

May 28, 1999

To: TransCanada customer

From: Max Feldman, vice president, Customer Service

Re: 1999 Canadian Mainline Transportation Rates

TransCanada filed an application with the National Energy Board for 1999 final rates for its Canadian Mainline system. TransCanada has requested that these rates be interim effective June 1, 1999, pending approval of them as final by the Board.

The 1999 applied for final rate compared to the current interim rate is set out below.

Canadian Mainline	1999 Interim Rate Jan 1 - May 31, 1999	1999 Applied for Annualized Rate	Applied for Final 1999 Rate Effective June 1/99
FT Eastern Zone rate (Cdn \$/GJ) (100% Load Factor)	89.1	91.9	93.6

Attached for your information is an appendix to help you understand the factors affecting the determination of the new rates.

If you would like additional information regarding TransCanada's 1999 Canadian Mainline rates, please contact your customer service representative, or contact me directly.

Sincerely,

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## Appendix - CanadianM airline

Key factors affecting CanadianM airline rates

The 1999 rate has increased compared to the 1998 rate due to cost of service changes and November 1, 1999 non-renewal of Firm Transportation contracts

	Rate (¢/GJ)	
* 1998 Final Eastern Zone Rate	89.1	
<b>Change to Cost of Service/volume increase</b>	<b><u>1.2</u></b>	<sup>(1)</sup>
1999 Annualized Eastern Zone Rate (if zero non-renewals)	90.3	
<b>Impact of November 1999 Non-renewal of Firm Transportation Contracts</b>	<b><u>1.6</u></b>	<sup>(2)</sup>
1999 Annualized Eastern Zone Rate	91.9	
<b>Adjustment for 1999 Interim Revenue efficiency</b>	<b><u>1.7</u></b>	<sup>(3)</sup>
Applied for Final 1999 Eastern Zone Rate (effective June 1/99)	93.6	

### Explanatory Notes

\* The 1998 final rate is the same as the 1999 interim rate charged from Jan. 1 - May 31, 1999.

<sup>1</sup>The airline's estimated 1999 revenue requirement is \$2.1 billion (Cdn.), \$162 million higher than 1998. This increase is primarily due to an increase in return and depreciation related to facility expansions 98/99, recognition of the full cost of FST conversion, inclusion of TQM facility expansion costs, and associated costs to replace preferred shares with preferred securities. The increase in revenue requirement has been mitigated by a lower return on equity, a positive contribution due to amortization of 1998 deferrals, a reduction in taxes resulting from converting preferred shares to preferred securities and an annualized increase in total system contract den and of approximately 240 m mcf/d.

<sup>2</sup>Some customers have chosen not to renew approximately 730 million cubic feet per day of Firm Transportation contracts on the CanadianM airline system effective November 1, 1999.

<sup>3</sup>A Revenue efficiency results from the 1999 Interim Rates that are in effect from January 1, 1999 to May 31, 1999. A adjustment is made to the rates charged for the remainder of the year to recover the Interim Revenue efficiency.

For a complete list of TransCanada CanadianM airline rates, please refer to the NR website ([www.nrj.expressway.com](http://www.nrj.expressway.com))