Put aside the pipe dreams and power plays, the populism and pandering, the politics and provincialism, and you're left with … the proof.

TransCanada & Denali

How their pipeline projects stack up

	TRANSCANADA	DENALI
Gas ownership	NO	YES *(through affiliates)*
Market capitalization	$26 billion	$360 billion
Pipeline expertise	Operates 36,000 mi. of p/l	Own/operate 50,000 mi. of p/l
AGIA commitments	YES	NO
Initial open season	2009-2010	2010-2011
Pipeline in operation	2017-2020	As soon as 2018
Commitment to build pipeline	NO	NO
$500 million state subsidy	YES	NO
Additional U.S. federal assistance	YES	NO
State exposure to triple damages	YES	NO
Revised state fiscal terms	NO, but …	YES *(for affiliates)*
Spending for initial open season	<$100 million *(1/2 state funds)*	$600 million *(own funds)*
Spending for FERC certificate	$600 million *($500 million state)*	>$2 billion *(own funds)*
Alignment with state interests	YES & NO	YES & NO
Pipeline rights-of-way in Canada	YES *(partial & conditional)*	NO
Past partner liability exposure	?	NO
Partners	Willing to partner w/producers	Willing to partner w/pipeline co.
Gas conditioning plant	No, but...	YES
Use of own pipelines past Alberta	YES	?

GAS OWNERSHIP

TransCanada	NO
Denali	YES (through producer affiliates)

Is this an asset or a liability? TransCanada wouldn't have gas to commit to its own pipeline and would be competing with an affiliate of two of its prospective customers to build the line. Between them, BP and ConocoPhillips own about two-thirds of the known gas resource on the North Slope. The Palin administration, however, has made it clear it doesn't want a current major North Slope gas producer/producers to own the pipeline in order to "open the basin" to other producers.

MARKET CAPITALIZATION (net worth)

TransCanada	**$26 billion**
Denali	**$360 billion (BP + ConocoPhillips)**

Cost of building a North Slope gas pipeline would exceed TransCanada's net worth. Without shipper commitments and/or government guarantees, TransCanada could not finance construction of a North Slope gas pipeline

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PIPELINE EXPERTISE

TransCanada	**Operates 36,000 miles of pipelines**
Denali	**>50,000 miles of pipelines owned and/or operated (BP + ConocoPhillips)**

Both entities are eminently qualified to build and operate a North Slope gas pipeline. Only BP and ConocoPhillips have operating experience in Alaska.

ALASKA GASLINE INDUCEMENT ACT (AGIA) COMMITMENTS

TransCanada	**YES**
Denali	**NO**

These include a contractual commitment to an open-access pipeline, take-off points for in-state use of gas and distance-sensitive tariffs, financing and expansion terms and a timeline for various procedures required prior to construction of a pipeline. Denali sponsors say their project also would offer open access, at least five in-state off-take points and distance-sensitive tariffs. The Federal Energy Regulatory Commission (FERC) has ultimate authority over many of these issues.

MILESTONES

TransCanada	**Initial open season within 18 months of license award (2009-2010)** **Pipeline operating 2017-2020**
Denali	**Initial open season in 2010-2011** **Pipeline operating as soon as 2018**

Ultimately, timetables for both would depend on certification from FERC.

COMMITMENT TO BUILD A PIPELINE

TransCanada	**NO**
Denali	**NO**

Such a commitment would be contingent on federal regulatory permits.

$500 MILLION STATE SUBSIDY

TransCanada	**YES**
Denali	**NO**

Under terms of AGIA, the state would subsidize 50 cents of every $1 TransCanada spends prior to an initial open season and 90 cents of every $1 after that, to a maximum of $500 million.

REVISED STATE FISCAL TERMS

TransCanada	**NO, but …**
Denali	**YES (for producer affiliates)**

Producers such as BP and ConocoPhillips that would make 25- to 30-year take-or-pay commitments for space in a gas pipeline want a deal with the state on predictable fiscal terms. The companies have indicated they will renew efforts to secure stable fiscal terms with the state once new cost estimates are developed. As a non-producer, TransCanada wouldn't be subject to upstream fiscal terms, but it has said it expects the state to work out such an agreement with the producers in order to promote a successful open season.

ADDITIONAL (U.S.) FEDERAL ASSISTANCE

TransCanada	**YES**
Denali	**NO**

TransCanada is seeking two new U.S. federal guarantees: a loan guarantee to cover cost overruns and a "bridge shipper" guarantee in which the U.S. would assume financial risks in the event of a failed open season. Both would require new federal legislation that THE Alaska delegation has indicated has little chance of success in Congress.

STATE EXPOSURE TO TRIPLE DAMAGES

TransCanada	**YES**
Denali	**NO**

Under terms of AGIA, the state is prohibited from granting incentives to any entity but the licensee (TransCanada) while a license is in effect – possibly for as long as 10 years. Otherwise, the state would be liable for damages equal to three times what TransCanada has spent. This could restrict the state's ability (and willingness) to cooperate with Denali sponsors on permitting and fiscal issues.

SPENDING

TransCanada	**<$100 million for initial open season (1/2 state)** **$600 million for FERC certificate ($500 million state)**
Denali	**$600 million for initial open season** **at least $2 billion for FERC certificate**

TransCanada says it's already accumulated a wealth of information on the Canadian portion of the pipeline and can prepare adequately for an initial open season for less than $100 million. Others question whether the company's proposed spending on engineering prior to an initial open season could provide a reliable cost estimate, and whether TransCanada wants to back-end load its spending in order to expedite and maximize its 90 percent state subsidy.

ALIGNMENT WITH STATE INTERESTS

TransCanada	**YES & NO**
Denali	**YES & NO**

On one hand, as gas owners, the state and producers have a common interest in the lowest possible tariff rates. Pipeline companies earn a regulated profit based on costs – the higher the costs, the greater the profit. On the other, lower tariffs help to attract new volume. AGIA proponents maintain an independent pipeline company like TransCanada would have greater incentive to increase pipeline throughput from third parties than a producer pipeline owner, and that would spur new exploration and production.

PIPELINE RIGHTS-OF-WAY IN CANADA

TransCanada	**YES (partial and conditional)**
Denali	**NO**

TransCanada holds conditional rights-of-way for much of the proposed pipeline route through Canada, not including segments in the Yukon Territory. They're conditioned on securing environmental permits from the Canadian government. Neither entity has rights-of-way in Alaska.

MULTIBILLION-DOLLAR LIABILITY EXPOSURE

TransCanada	**?**
Denali	**NO**

Potential partner claims arising from a TransCanada subsidiary's involvement in a 1980s venture to build a North Slope gas pipeline through Canada unlikely would be reflected in tariffs on a pipeline built today by TransCanada. The threat of claims could pose a risk for prospective partners in the project. TransCanada maintains it could avoid the liability with a new subsidiary that will seek new permits and rights-of-way for the Alaska portion of the line.

PARTNERS

TransCanada	**Willing to partner with gas producers**
Denali	**Willing to partner with third parties, including independent pipeline companies**

Neither TransCanada nor Denali currently has partners. BP and ConocoPhillips have said they won't partner with any AGIA licensee because of AGIA's terms. They've had discussions with at least one other independent pipeline company.

GAS CONDITIONING PLANT

TransCanada	**NO, but...**
Denali	**YES**

The $2 billion gas conditioning plant on the North Slope is included in the Denali project. TransCanada says it wants producers to build and operate the plant, but it's willing to do so itself if necessary.

USE OF OWN PIPELINE SYSTEM BEYOND ALBERTA

TransCanada	**YES**
Denali	**?**

TransCanada would ship North Slope gas exclusively in its own gas transmission lines beyond its Alberta hub. Denali developers would base their decision on building their own pipeline beyond Alberta on the cost-effectiveness and competitiveness of pipeline systems in place.