Project Cost Estimate
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2.5 PROJECT COST ESTIMATE

The Project cost estimates are based on the conceptual design for a 4.5 bcf/d system to transport natural gas from Prudhoe Bay to the Alberta market hub. The estimates have been developed over time, using a number of engineering companies, internal TransCanada personnel and several different estimating methodologies. The cost estimates are classified as Class 5. For this Application, TransCanada is classifying all cost estimates based on the AACE International Recommended Practice No.17R-97.

The major focus of the cost estimating efforts has been on the Yukon-BC Section of the pipeline. Utilizing field data compiled by Foothills, "crew up" cost estimates were developed for the installation component for this section of the pipeline. The crew-up estimates incorporate union labor rates, equipment rates developed using manufacturers' quoted purchase prices and recommended rate development, and pipeline construction industry accepted practices and productivity data. The costs have been updated utilizing market indices and escalators, and TransCanada's cost data and market intelligence, capturing current heated market conditions.

Installation costs developed in Canada were used as a base for developing the Alaska Section pipeline costs. Installation costs were applied to the varying terrain types as classified by Alaskan consultants. Site-specific conditions of the Alaskan landscape were incorporated into the estimate.

Major material costs including pipe, coatings, compressors, gas chilling equipment, aerial coolers and applicable logistical requirements were obtained from international suppliers. Compressor station and chiller costs were developed with the assistance of Alaskan and Canadian consultants and TransCanada's historical compression cost data.

Engineering, project management and construction management costs were based on bottom-up manpower requirements developed from project specific organizational charts. North American engineering and environmental consultants recently assisted in identifying the requirements and costs to achieve the necessary deliverables of the AGIA Development Phase. Estimate contingencies were developed through a quantitative risk analysis process.

The high level costs for the GTP were developed by consultants based on a conceptual design using a combination of cost capacity factors, factors for major components of hydrocarbon plants located in the Arctic and direct estimates for major equipment costs.

All costs are expressed in Second Quarter, 2007 U.S. Dollars. In compliance with the RFA requirements, the U.S. dollar to Canadian dollar exchange rate was determined by averaging the last three years' (2004 to 2006) exchange rates of the two currencies. This calculation resulted in a conversion rate of $1 U.S. dollar to $1.2156 Canadian dollars. TransCanada used this exchange rate in developing the Project cost estimates.

It is TransCanada's intention to upgrade the cost estimates to Class 4 during the Development Phase, Proposal Sub-Phase, and to Class 3 during the Development Phase, Definition Sub-Phase, once the design reflects actual volumes committed in the initial Open Season.

2.5.1 Cost Estimate for Development Phase (2007 million $)

	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	Phase Total
GTP	8	14	25	25	25	12	109
Alaska Section	21	38	67	66	67	33	292
Yukon-BC Section	11	21	41	41	41	20	175
Alberta Section	2	2	6	6	6	6	28
NGL Extraction	0	0	0	0	0	0	0
Phase / Annual Total	42	75	139	138	139	71	604

Note: State's contribution has not been deducted. Development Phase costs are evenly distributed over the FEED period. A conversion rate of 1$US = 1.2156 $Canadian has been used.

2.5.2 Cost Estimate for Execution Phase (2007 million $)

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	Phase Total
GTP	62	985	1,208	2,153	1,268	15	5,691
Alaska Section	166	1,265	2,229	3,773	2,327	32	9,792
Yukon-BC Section	104	1,085	2,173	3,547	2,112	21	9,042
Alberta Section	10	167	327	533	318	3	1,358
NGL Extraction	0	0	0	0	0	0	0
Phase / Annual Total	342	3,502	5,937	10,006	6,025	71	25,883

Note: State's contribution has not been deducted. Development Phase costs are evenly distributed over the FEED period. A conversion rate of 1$US = 1.2156 $Canadian has been used.

The above Capital Cost Estimate for the Execution Phase does not include Alaska property tax during construction. TransCanada estimates such taxes would be $521 million (nominal dollars).