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2.8 FINANCIAL PLAN

2.8.1 Description of Applicant and Participating Entities

The Application is submitted by TC Alaska LLC and Foothills, both of which are wholly owned entities of TransCanada Corporation.

TC Alaska LLC is a limited liability company incorporated pursuant to the laws of Delaware with a sole member, TransCanada PipeLines (Alaska) Inc.

Foothills, a corporation incorporated under the laws of Canada, through the Foothills Subsidiaries holds the Canadian government-sanctioned certificates for the Canadian portion of the Project. These certificates were granted to Foothills in April 1978 when the Canadian Parliament enacted the *Northern Pipeline Act* which, following a competitive hearing at the National Energy Board ("NEB") created an expeditious single window approval process for the development of the Canada Section. Foothills has already constructed, and owns and operates Canadian pipelines known as the Pre-Build, which account for 30% of the Canadian Section, for which it holds the above-mentioned certificates under the NPA.

The designation of Co-Applicants in the Application enables TransCanada to utilize the best entity or applicant for the U.S. and Canadian portion of the Project. TC Alaska LLC is the applicant with respect to the rights and obligations in relation to the Alaska Section and the GTP. Foothills, through its applicable Canadian subsidiaries, is the applicant with respect to the rights and obligations under the License in relation to the Canada Section. The Co-Applicants shall be responsible only for those rights and obligations under the License for which they are the applicant, as set forth in this paragraph.

TransCanada Corporation was incorporated pursuant to the provisions of the *Canada Business Corporations Act* ("CBCA"), is a public company listed on the Toronto Stock Exchange and the New York Stock Exchange and is the parent company of the TransCanada group of entities. TransCanada PipeLines Limited ("TCPL"), also a CBCA company, is the principal operating subsidiary of TransCanada Corporation and is the entity from which resources would primarily be sourced by TransCanada for development of the Project. TransCanada would enter into agreements with experienced and knowledgeable third party contractors for the development and construction of the Project but, at this early time, no such relationships are in place and therefore the contractors cannot be named.

TransCanada has worked diligently for more than 30 years to bring Alaska's gas reserves to market by promoting and supporting the development of an Alaska natural gas pipeline. TransCanada has accumulated a significant base of expertise and experience, pertaining to building and operating a gas transportation system through Alaska and northern Canada. TransCanada Corporation and its subsidiaries have strong track records with stakeholders, including communities and regulatory agencies.

TransCanada's network of pipeline assets provides Alaskan gas with unparalleled access to growing markets across the continent: the Alberta Hub / NIT; the Pacific Northwest and California; the U.S. Midwest, including the Chicago hub; eastern Canada; and the U.S. Northeast, including New England and New York City. A Fact Sheet summarizing the general business and assets of TransCanada is included in Section 1 as Attachment 1-1.

2.8.2 Demonstration of Financial Resources

1) Capitalization Plan

TransCanada proposes a Recourse Rate capitalization plan of 70% debt and 30% equity for the initial build and 60% debt and 40% equity for all future expansions, changes in working capital and requirement for maintenance capital.

For Negotiated Rates, the capitalization plan during construction would be 70% debt and 30% equity for the initial build. The Project would be recapitalized upon commencement of operation with 75% debt and 25% equity. All future expansions, changes in working capital and requirement for maintenance capital would be capitalized with 60% debt and 40% equity.

For both Recourse and Negotiated Rates, all initial build capital cost overruns would be funded with 100% debt if the U.S. government agrees to use the loan guarantee for capital cost overrun credit support, otherwise any capital cost overruns would be funded in accordance with the capitalization plans as outlined above.

2) TransCanada's Financial Strength

TransCanada is one of North America's largest energy infrastructure companies and benefits from the financial strength and expertise required to implement the capitalization plan outlined herein. Evidence of the company's financial strength is highlighted in its financial statistics - total assets approaching $30 billion, market capitalization of approximately $21 billion**,** enterprise value of approximately $40 billion and annualized cash flow from operations in excess of $2.8 billion[1]. Further evidence of TransCanada Corporation's financial strength can be found in Appendix Q1 "TransCanada Corporation Third Quarter 2007 Report" and Appendix Q2 "TransCanada Corporation 2006 Annual Report" which present TransCanada Corporation's most recent reports to shareholders. Annual Reports and other financial information of previous years, including 40-F filings to the U.S. Securities and Exchange Commission, can be accessed on the TransCanada website at www.transcanada.com/investor/financial.html.

The capitalization plan calls for both the U.S. and Canadian project companies to raise the debt capital required for the project from banks and capital markets. Since the federal guarantees may not be sufficient to cover the entire debt requirement, a significant amount of debt may have to be raised on the strength of the project's transportation contracts and the quality of its sponsor. In this regard, TransCanada also brings significant experience in raising capital in both Canada and the United States, having raised over $8 billion[2] of capital in these markets since 2003.

Finally, TransCanada benefits from strong credit ratings. Moody's Investors Service (Moody's) rates TransCanada Corporation at A3 and the company's wholly-owned

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[1] TransCanada reports it's financial results in Canadian dollars. Unless otherwise noted, all references to the Company's financial statistics have been translated from Canadian dollars at an exchange rate of $1.00 = $C1.00 and are based on its Third Quarter report as at September 30, 2007.

[2] Canadian dollars raised have been converted to dollars using the year-end exchange rate for each of 2003 – 2006 and $1.00 = $C1.00 for 2007.

subsidiary, TransCanada PipeLines Limited, is rated A, A2 and A- by DBRS, Moody's and Standard and Poor's respectively. The most recent credit reports from each of these agencies are found in Appendix Q3 "TransCanada Credit Ratings Reports".

3) Sources of Debt and Equity Funds

TransCanada expects that the project companies would raise debt capital from both the syndicated bank market and debt capital markets. These markets are fluid, and the relative advantages of one over the other changes with time. As such, in order to minimize cost and execution risk, the mix of debt type (e.g. bank debt vs. bonds) and source (e.g. public bonds vs. private placement, domestic vs. international markets) would be determined during the development phase of the project.

TransCanada expects that it would provide irrevocable commitments to the project companies and the lenders with respect to its total equity commitment to the project. This equity would generally be provided on a basis consistent with the negotiated rate capitalization structure outlined above.

4) Federal Loan Guarantee and Benefits to State of Alaska

As described in Section 2.2.3.11(2) "U.S. Loan Guarantee for Capital Cost Overrun", TransCanada proposes to use the U.S. Loan Guarantee to provide credit support for project capital cost overruns, if any. Coupling that with a surcharge repayment mechanism would considerably reduce the downside risks for Shippers. Capital cost overrun risk and market gas price risk are the two biggest risks Shippers face on this Project. By reducing the capital cost overrun risk to shippers through the innovative use of the U.S. Loan Guarantee, TransCanada believes its proposal can improve shippers' expected value of the Project dramatically and greatly enhance the probability of a successful initial open season.

Limiting the downside capital cost risks for shippers can significantly increase the confidence of Producers and prospective ANS Explorers that Alaskan gas will be profitable at a wide range of market gas prices. As a result, TransCanada forecasts that more exploration would be encouraged and more gas will be found. As the sovereign and tax collector, the State of Alaska would benefit immensely from the increase in exploration activities and sale of newly discovered gas, as well as all the spin-off effects from a more vibrant hydrocarbon industry.