

41.4

# TransCanada Cost Impact Analysis - Longhaul vs. Shorthaul

| Case Reference No.                                | Case Description  | Contract Quantity (GJs/day) | 2010 (1)                                   |  |   | 2011 (2)                                   |  |   |
|---|---|-----------------------------|--|--|---|--|--|---|
|   |   |                             | Empress to Eastern Zone Toll Impact (¢/GJ) | Annual Cost Impact to remaining Mainline shippers (\$ Millions/year) | Annual Cost Impact to remaining Ontario Market Mainline shippers (\$ Millions/year) | Empress to Eastern Zone Toll Impact (¢/GJ) | Annual Cost Impact to remaining Mainline shippers (\$ Millions/year) | Annual Cost Impact to remaining Ontario Market Mainline shippers (\$ Millions/year) |
| Contract requests as originally filed to the OEB: |   |                             |  |  |   |  |  |   |
| 1   | Enbridge: Niagara to EGD CDA (incremental shorthaul)          | 30,000                      | 0.1 ¢                                      | \$1.2 M  | \$0.4 M   | 0.2 ¢                                      | \$0.1 M  | \$0.3 M   |
| 2   | Union: Empress to Union EDA (decontract longhaul)             | (10,000)                    |  |  |   |  |  |   |
|   | Empress to Union NDA (decontract longhaul)                    | (10,000)                    |  |  |   |  |  |   |
|   | STS to Union EDA (decontract shorthaul)                       | (10,000)                    |  |  |   |  |  |   |
|   | Parkway to Union EDA (incremental shorthaul)                  | 20,000                      |  |  |   |  |  |   |
|   | Parkway to Union NDA (incremental shorthaul)                  | 10,000                      |  |  |   |  |  |   |
|   | Niagara to Kirkwall (incremental shorthaul)                   | 21,101                      |  |  |   |  |  |   |
|   | Union: Overall impact (displacement of longhaul to shorthaul) |                             | 0.9 ¢                                      | \$9.3 M  | \$2.0 M   | 2.5 ¢                                      | \$15.2 M   | \$5.7 M   |
| Union revised contract filing to OEB:             |   |                             |  |  |   |  |  |   |
| 3   | Union: Niagara to Kirkwall (incremental shorthaul)            | 21,101                      | (0.1 ¢)                                    | (\$0.6 M)  | (\$0.1 M)   | (0.1 ¢)                                    | (\$1.1 M)  | (\$0.2 M)   |
| Other scenarios:                                  |   |                             |  |  |   |  |  |   |
| 4   | Empress to EGD CDA (incremental longhaul)                     | 30,000                      | (1.9 ¢)                                    | (\$17.3 M)   | (\$4.7 M)   | (5.2 ¢)                                    | (\$30.7 M)   | (\$12.2 M)  |
| 5   | Empress to EGD CDA (decontract longhaul)                      | (30,000)                    | 2.0 ¢                                      | \$17.3 M   | \$4.6 M   | 5.3 ¢                                      | \$30.7 M   | \$11.7 M  |
| 6   | Empress to EGD CDA (decontract longhaul)                      | (30,000)                    |  |  |   |  |  |   |
|   | Niagara to EGD CDA (incremental shorthaul)                    | 30,000                      |  |  |   |  |  |   |
|   | Overall impact (displacement of longhaul to shorthaul)        |                             | 2.1 ¢                                      | \$18.5 M   | \$5.0 M   | 5.4 ¢                                      | \$30.8 M   | \$11.9 M  |

Assumptions:

(1) 2010 impacts are based from the Final 2010 NEB approved Mainline tolls which have also been implemented by the NEB as 2011 Interim Mainline tolls. These tolls use current NEB approved rate design methodology.

(2) 2011 impacts are based from the 2011 Alternative Mainline Interim tolls TransCanada filed to the NEB on Dec 9, 2010 representing what 2011 tolls would be under current NEB approved rate design methodology and following the current approved 2007-2011 Mainline Settlement. Actual Interim Tolls have been set at 2010 levels.

In order to provide the required contract quantities associated with this open season, additional TransCanada facilities between Kirkwall and Niagara and in the Parkway to Maple corridor along with Union TBO are required. For purposes of this analysis, TransCanada has proportionally allocated approximately \$110M of capital costs to multiple contracting parties, including Enbridge and Union, over contract quantities ranging between 240 - 270 TJ/d depending on the specific facilities, contract quantity and path. The final facilities set and allocated costs will be dependent upon the final contracted quantities.