

EXECUTIVE SUMMARY

This Annual Plan has been prepared according to the requirements of the Alberta Energy and Utilities Board's (Board) IL 90-8 to provide the Board, NOVA Gas Transmission Ltd.'s ("NGTL") Customers and other interested parties with a comprehensive overview of the expected Alberta System facilities for the 2007/08 Gas Year.

IL 90-8 requires that NGTL follow a two stage process for facilities approvals. The first stage is the filing of an annual preliminary overall system plan ("Annual Plan") outlining planned facility additions and major system modifications. Section E of IL 90-8 requires that the Annual Plan contain information on the need, rationale, and justification for the proposed facility additions. The second stage is the filing of individual facility applications to the Board. NGTL understands that the Board assesses a number of factors in its application review process including the necessity and purpose of the facilities, economic and environmental considerations and available alternatives to the proposed facilities.

The December 2006 Annual Plan can be accessed on TransCanada PipeLines Limited's web site located at: http://www.transcanada.com/Alberta/regulatory_info/facilities/index.html

This is NGTL's seventeenth Annual Plan, and it follows a similar format to previous Annual Plans. Definitions are located in the Glossary in Appendix 1. Capitalized terms are defined in NGTL's Gas Transportation Tariff, which can be accessed at:

http://www.transcanada.com/Alberta/info_postings/tariff/index.html

The Annual Plan contains NGTL's design methodology including assumptions and criteria, NGTL's design forecast including its long term outlook for system field deliverability, system FS productive capability, system average receipts, gas deliveries, NGTL's design flow requirements and proposed facilities for the 2007/08 Gas Year. Historical flow data are also included to illustrate the correlation between design flow requirements and actual flows. Capital

expenditures, revenue requirements and firm transportation demand rates are limited to the years 2006 and 2007.

This Annual Plan is based on NGTL's June 2006 design forecast of gas receipt and delivery which in turn is based on supply and market assessments completed in May 2006.

From a receipt forecast perspective, the forecasts of field deliverability, average receipts and FS productive capability used in this Annual Plan are subject to numerous uncertainties. Producer success in developing new supply, actual levels of new firm transportation Service Agreements and changes in market demand may result in deviations from forecast values.

From a delivery forecast perspective, the maximum day delivery at the Export Delivery Points as shown in Section 3.4.2 is equal to the forecast of Firm Transportation-Delivery ("FT-D") contracts at the Export Delivery Points and does not include Short Term Firm Transportation-Delivery ("STFT") or Firm Transportation-Delivery Winter ("FT-DW") contracts. Estimates of FT-D contracts at the Export Delivery Points have become difficult to forecast given the significant gap between these contracts and the actual gas flows at the major Export Delivery Points due to the preponderance of short term contracting. Although it is difficult to forecast maximum day delivery volumes (FT-D contracts) at the Export Delivery Points, there are no additional facilities requirements in this Annual Plan resulting from the forecast of maximum day delivery volumes at the Export Delivery Points.

NGTL will continue to closely monitor industry activity, contracting levels, and design implications throughout the year in order to anticipate and respond to Customer needs in a timely manner.

The mainline system facilities flow determination has been expanded in this years Annual Plan to include a peak expected flow determination, as described in Section 2.6.2. The peak expected flow determination is the result of the increasing difference between levels of firm transportation contracts and actual flows and is used to identify the potential of transportation service

constraints where the peak expected flow exceeds the system capability. Should a capability constraint be identified, any resulting facilities additions required to transport the peak expected flows are subjected to a risk of shortfall analysis (load/capability analysis) prior to being recommended.

There are no facilities additions identified in this Annual Plan resulting from the peak flow determination. Any future facilities additions identified using the peak expected flow determination will be presented to NGTL’s Customers prior to the filing of any facility application.

The primary factors affecting NGTL’s facilities requirements for the 2007/08 Gas Year are the increasing delivery requirements in the Fort McMurray area and the decreasing FS productive capability in the North of Bens Lake Design Area. The facilities additions proposed for the 2007/08 Gas Year are listed in Table 1. Costs associated with the proposed facilities will generally occur in the 2007 and 2008 calendar years.

**Table 1
Proposed Facilities**

| Project Area | Proposed Facilities | Annual Plan Reference | Description | Required In-Service Date | Capital Cost (\$ millions) |
|--|--|------------------------------|--------------------|---------------------------------|-----------------------------------|
| Peace River | No facilities required | | | | |
| North & East | Fort McKay Mainline (Birchwood Section) | Chapter 5 | 85 km NPS 36 | April 2008 | 149.9 |
| | North Central Corridor Loop (Buffalo Creek East Section) | Chapter 5 | 28 km NPS 36 | April 2008 | 51.7 |
| | Marten Hills Lateral Loop #2 (McMullen Section) | Chapter 5 | 34 km NPS 30 | April 2008 | 52.5 |
| | Paul Lake Compressor Station – Unit #2 | Chapter 5 | 15 MW | April 2008 | 27.7 |
| Mainline | No facilities required | | | | |
| Capital Costs are in 2006 dollars and include AFUDC | | | Total | | 281.8 |

The North Central Corridor (“NCC”), as described in the December 1999 Annual Plan, remains the preferred facilities to meet system-wide receipt and delivery requirements. The NCC meets all of the following needs:

- Addresses the growth in Alberta deliveries in the Fort McMurray area;
- Establishes a plan to ensure the long term utilization of existing facilities in the North and East Project Area which enhances NGTL’s delivery capability at the Empress and McNeill Export Delivery Points and therefore maximizes the flexibility of the system to deliver to a variety of Alberta Delivery Points and Export Delivery Points; and
- Transports the future growth in FS productive capability from the Peace River Project Area to the North and East Project Area, reducing the requirement for facilities that would otherwise be necessary in and downstream of the Peace River Project Area.

When compared to the evaluated alternatives, the NCC will reduce the overall distance of gas transportation on the Alberta System, which significantly lowers fuel consumption.

The NCC is currently proposed to be on-stream April 2010, which is outside the scope of this Annual Plan. However, due to the lead time required for public involvement, land and environmental survey, route selection, and the long lead time required for materials procurement to enable an on-stream date of April 2010, it has been included in this Annual Plan in Section 5.6 as a future facility.

Customers and other interested parties are encouraged to communicate their suggestions and comments to NGTL regarding the development and operation of the Alberta System and other related issues. Please provide your comments to:

- Shelagh Ricketts, Vice President, System Design and Operations, at (403) 920-7655; or
- Stephen Clark, Vice President, Commercial – West, Canadian Pipelines at (403) 920-2018.

Should you have any questions or comments regarding this Annual Plan, please contact Darlene Maier at (403) 920-5108.