

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE STATE OF ALASKA AND TRANSCANADA CORPORATION**

RE: STRANDED GAS DEVELOPMENT ACT NEGOTIATIONS AND PROCESSING OF A STATE RIGHT OF WAY LEASE FOR THE ALASKA NATURAL GAS PIPELINE PROJECT ("PROJECT")

1. TransCanada Corporation, on behalf of itself or one of its subsidiaries, ("TransCanada") agrees to file, and the State of Alaska ("State") agrees to expeditiously process, an application under the Stranded Gas Development Act ("SGDA") primarily for the purposes of:
  - A. Negotiation of State fiscal terms related to Project pipeline issues; and
  - B. Assessment of such fiscal terms in the course of the State's evaluation and development of a sound commercial structure for the Project that will be economically beneficial to the State, the Alaska North Slope Producers ("ANS Producers") and TransCanada.

TransCanada agrees to sign a cost reimbursement agreement for purposes of the negotiation of the State fiscal terms as authorized by the SGDA. TransCanada reaffirms its commitment to work with Alaska interests, including Alaska Native Corporations, as potential participants in the Project. Any SGDA contract agreed upon by the State and TransCanada will contain a "most favored nations" clause with respect to State fiscal terms negotiated by the State with any other SGDA applicant as an incentive for TransCanada to expeditiously reach an agreement with the State.

TransCanada and the State acknowledge the critical importance of a timely resolution of upstream issues between the State and the ANS Producers on a parallel path.

2. In accordance with existing federal and State law, including requirements for public notice and hearing, the State agrees to expeditiously and cost effectively resume processing TransCanada's application, originally filed in 1981, for a State right of way (ROW) lease for the Project with the objective of issuing to TransCanada a final State ROW lease. Any such lease will incorporate a "notice to proceed" procedure substantially similar to the "notice to proceed" procedure contained in the Federal right of way lease for the Project. The specific "notice to proceed" procedure will be developed as an element of the ROW lease.

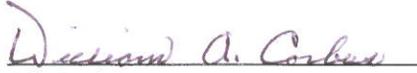
TransCanada agrees to negotiate a condition to the ROW lease which will provide that:

- A. Once the commercial arrangements with respect to the Project are sufficient to secure financing for the Project, TransCanada would be willing to convey, on reasonable terms and conditions and subject to the requirements of the ROW lease and applicable federal and State laws and regulations, such lease to a holder of a FERC certificate of public convenience and necessity that has become the developer of the Alaska segment of the Project, provided that such entity agrees to an exclusive interconnection agreement with Foothills Pipe Lines, Ltd. at the Alaska / Canada border with the right of reversion if such developer does not proceed expeditiously to construct the pipeline;
- B. TransCanada will not seek reimbursement from the entity to which the ROW lease is conveyed of any costs (including interest) associated with the State ROW lease that were incurred prior to January 1, 2000.

STATE OF ALASKA



Tom Irwin  
Commissioner of Natural Resources



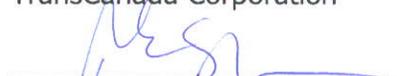
Bill Corbus  
Commissioner of Revenue

Date: April 19, 2004

TRANSCANADA CORPORATION



Dennis McConaghy  
Executive Vice, President, Gas  
Development  
TransCanada Corporation



Rhonda E.S. Grant  
Vice-President and  
Corporate Secretary  
TransCanada Corporation

Date: April 16, 2004

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