

**FLASH: TransCanada Corporation (TSX: TRP; NYSE: TRP)**

## **BUILDING ITS PROSPECT POOL: TRP WINS A SECOND MAJOR GAS PIPELINE PROJECT TO SUPPORT BC LNG EXPORT FACILITIES**

TransCanada Corporation ("TransCanada" or "TRP") has been selected by Progress Energy Canada Ltd. ("Progress") to develop and operate a pipeline (the "Prince Rupert Gas Transmission Project") to transport natural gas from the North Montney gas-producing region in BC to the proposed Pacific Northwest liquefied natural gas ("LNG") export facility near Prince Rupert, BC. The Prince Rupert Gas Transmission Project is the second major natural gas pipeline awarded to TransCanada which supports LNG export on Canada's west coast, following up on the Coastal GasLink Project announced on June 5, 2012.

In addition, TransCanada also announced its intention to expand its Nova Gas Transmission Ltd. ("NGTL") system in northeast BC to connect both to the Prince Rupert Transmission Project and to additional North Montney gas supply.

While the in-service dates projected for the Coastal GasLink and Prince Rupert Gas Transmission projects are towards the end of the decade, and development uncertainty is high, the size of these projects, with a combined capital cost estimate of \$9 billion, suggest notable equity value upside if successful, and provide better visibility of TransCanada's post-Keystone XL growth plans.

Based on our estimates, the proposed west coast gas pipeline projects and NGTL system expansion represent \$4.00 per share of additional equity value not included in our current value estimate. This potential upside, combined with the \$2.50 of potential additional equity value per share we ascribe to a possible re-purposing of certain underutilized portions of TransCanada's Canadian Mainline to crude oil service underpin our positive investment thesis on TRP's common shares.

Overall, while we acknowledge that the BC LNG export facilities supporting these pipeline projects are on shaky ground, due mostly to fierce global competition to build out LNG export capacity to support Asian demand, the contract wins, and associated value potential, are positive developments. Accordingly, we are increasing our intrinsic value estimate to \$50.00 per TransCanada share, from \$47.50 previously, and maintaining a BUY recommendation.

(All amounts in Canadian dollars.)

### **PROJECT SUMMARY**

The Prince Rupert Gas Transmission Project will connect natural gas production from the North Montney region in BC to a proposed LNG export facility near Prince Rupert, BC, to be built by PETRONAS, the national oil and gas company of Malaysia. PETRONAS acquired all of the common stock of Progress in late-2012, a company focused on natural gas exploration, development and production in northeast BC and northwest Alberta.

According to the Prince Rupert Gas Transmission Project's website, a final investment decision is expected in mid-2014. Figure 1 summarizes the key attributes of the Prince Rupert Gas Transmission and Coastal GasLink projects.

**FLASH: TransCanada Corporation (TSX: TRP; NYSE: TRP)**

Figure 1  
**TRP's West Coast Gas Transmission Pipeline Projects**  
 (Amounts in Millions of Canadian Dollars)

	Prince Rupert Gas Transmission	Coastal GasLink
Receipt point	Fort St. John, BC	Dawson Creek, BC
Delivery point	Pacific Northwest LNG Facility	Pacific LNG Canada Facility
Product	Natural gas	Natural gas
Length of route	750 km	700 km
Initial pipeline capacity	2.0 Bcf/d (can be expanded to 3.6 Bcf/d)	1.7 Bcf/d (can be expanded to 3.4 Bcf/d)
Estimated cost (2012 dollars)	\$5 billion	\$4 billion
Estimated in-service date	End of 2018	Toward end of decade
<b>Equity value per share potential*</b>	<b>\$1.80</b>	<b>\$1.40</b>

\*We estimate the intrinsic value of these projects assuming a 40%/60% equity-to-debt capital structure, a 10% ROE, an in-service date of January 1, 2019, and an 8% cost of equity.

Source: Company reports and Veritas estimates

Veritas Investment Research Corporation ("Veritas") its directors, officers, employees and their immediate families are prohibited from trading any position in the securities profiled in a report thirty (30) days before and five (5) days after the publication date where the report involves coverage initiation or a change of opinion. Veritas has not offered any consulting, financial advisory, investment banking or underwriting services to the companies mentioned. Veritas does not accept research fees from the companies profiled herein. The information contained in this report has been obtained from sources believed reliable however the accuracy and/or completeness of the information is not guaranteed by Veritas, nor does Veritas assume any responsibility or liability whatsoever. All opinions expressed are subject to change without notification. This report is for information purposes only and does not constitute and should in no way be construed as a solicitation to buy or sell any of the securities mentioned herein. The contents of this research report do not, in any way, purport to include any manner of legal advice or opinion. The intention of this report is to provide a forthright discussion of business, accounting and financial reporting issues, as well as generally accepted accounting principles and the limits of their usefulness to investors. As such, please do not infer from this report that the accounting policies of any company mentioned herein are not allowed within the broad range of generally accepted accounting principles, or that the policies employed by that company were not approved by its auditor(s). This report may not be reproduced in whole or in part without the express prior written consent of Veritas. Veritas is a 100% employee owned firm. ©2013 Veritas Investment Research Corporation.