



## Bruce Power Life Extension Agreement Conference Call

December 3, 2015



**Russ Girling, President and Chief Executive Officer**

**Bill Taylor, EVP and President, Energy**

**Don Marchand, EVP, Corporate Development and CFO**



# Forward Looking Information and Non-GAAP Measures



This presentation includes certain forward looking information to help current and potential investors understand management's assessment of our future plans and financial outlook, and our future prospects overall. Statements that are forward-looking are based on certain assumptions and on what we know and expect today and generally include words like anticipate, expect, believe, may, will, should, estimate or other similar words. Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks or uncertainties related to our business or events that happen after the date of this presentation. Our forward-looking information is based on the following key assumptions: inflation rates, commodity prices and capacity prices, timing of financings and hedging, regulatory decisions and outcomes, foreign exchange rates, interest rates, tax rates, planned and unplanned outages and the use of our pipeline and energy assets, integrity and reliability of our assets, access to capital markets, anticipated construction costs, schedules and completion dates, acquisitions and divestitures.

Our forward looking information is subject to risks and uncertainties, including but not limited to: our ability to successfully implement our strategic initiatives and whether they will yield the expected benefits, the operating performance of our pipeline and energy assets, economic and competitive conditions in North America and globally, the availability and price of energy commodities and changes in market commodity prices, the amount of capacity sold and rates achieved in our pipeline businesses, the amount of capacity payments and revenues we receive from our energy business, regulatory decisions and outcomes, outcomes of legal proceedings, including arbitration and insurance claims, performance of our counterparties, changes in the political environment, changes in environmental and other laws and regulations, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and foreign exchange rates, weather, cyber security and technological developments. You can read more about these risks and others in our most recent Quarterly Report to Shareholders and 2014 Annual Report filed with Canadian securities regulators and the U.S. Securities and Exchange Commission (SEC) and available at [www.transcanada.com](http://www.transcanada.com).

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events, unless we are required to by law.

This presentation contains reference to certain financial measures (non-GAAP measures) that do not have any standardized meaning as prescribed by U.S. generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures may include Comparable Earnings, Comparable Earnings per Share, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Comparable EBITDA, Earnings Before Interest and Taxes (EBIT), Comparable EBIT, Comparable Interest Expense, Comparable Interest Income and Other, Comparable Income Taxes, Funds Generated from Operations and Distributable Cash Flow. Reconciliations to the most closely related GAAP measures are included in our most recent Quarterly Report to Shareholders filed with Canadian securities regulators and the SEC and available at [www.transcanada.com](http://www.transcanada.com).





- **World's largest operating nuclear facility**
- **6,300 MW facility capable of generating ~30% of Ontario's power needs**
  - Bruce A Units 1 – 4 (3,000 MW)
  - Bruce B Units 5 – 8 (3,300 MW)
- **Power sold under long term contract with the Ontario Independent Electricity System Operator (IESO)**
- **All 8 reactors operating**
- **Achieved top nuclear operator status in 2015**

# TransCanada Ownership Interest

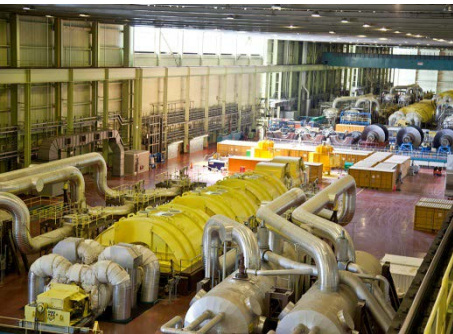
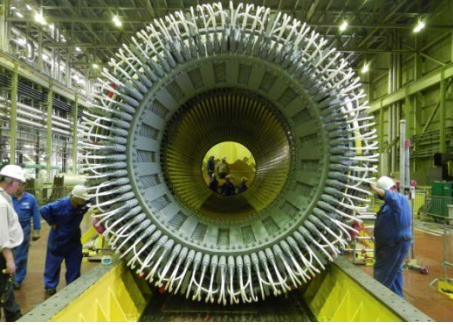


- Exercised option to acquire an additional interest in Bruce B from the Ontario Employee Retirement System (OMERS) for \$236 million
- Effective December 3, 2015, Bruce A & B partnerships are consolidated into one entity
- TransCanada and OMERS will each own 48.5% interest in Bruce Power
- Remaining interest held by Power Workers' Union, the Society of Energy Professionals and a Bruce Power Employee Trust





# Life Extension Highlights



- Amended agreement with the Ontario IESO effective January 1, 2016 through December 31, 2064
- Secures the future of Bruce Power
- Near term investment in Asset Management (AM) life extension activities for Units 3 – 8
- Major Component Replacement (MCR) investment begins in 2020
- Capital estimates are finalized over time and affect power price over time
- Accretive to earnings and cash flow over the short and long term

# Power Price



- Uniform price for all site generation effective January 1, 2016
- Includes return of/on capital for historic investments and the first 6 years of AM capital
- Adjusted for inflation and other cost factors each April 1
- Adjusted for return of/on MCR capital, April 1 prior to each MCR outage
- Incorporates O&M costs (salary component rebased each 9 years)
- Includes return of/on annual sustaining capital investment (~\$110 million/year\*)

\* TransCanada's share in 2014\$

	\$/MWh	Escalation
Starting Contract Price	56.40	Annually (basket of indices)
Dynamic Capability	\$1.33	Annually (CPI)
Fuel	<u>\$8.00</u>	Pass through
Total	<u>\$65.73</u>	January 1, 2016



## **Initial power price includes \$600 million\* related to AM capital**

- Reflects first 6 years of estimated \$2.5 billion\* AM total program
- Every 3 years power price is adjusted for 3 more years of AM capital
- First AM capital price adjustment is April 1, 2019

## **First MCR cost is finalized September 30, 2018**

- MCR capital reflected in power price on April 1, 2019
- Future MCR price changes expected to occur between 2022 and 2030

\* TransCanada's share in 2014\$



# Long Term Investment Program 2020 to 2033

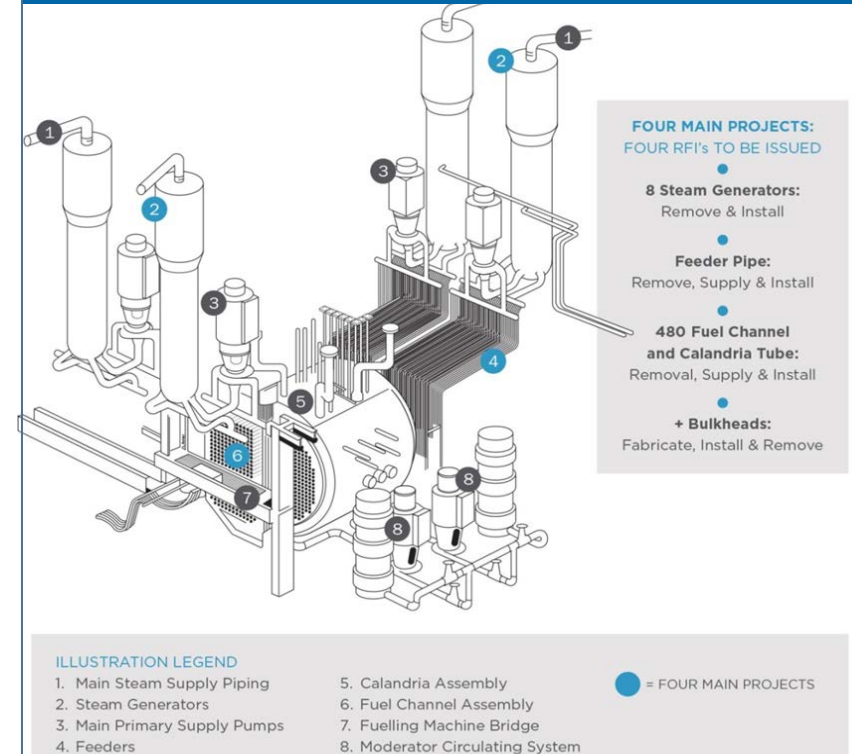


## Major Component Replacement (MCR)

- Cost and duration estimates finalized and fixed 15 months prior to outage
- First MCR outage January, 2020
- Scheduled in a manner to minimize outages and overlap
- Off-ramps provide the ability to exit future refurbishment if investment does not provide sufficient economic benefits
- Expected MCR capex \$4 billion\* through 2033
- Overruns and delays at owners' risk - upside shared with IESO

\* TransCanada's share in 2014\$

## MCR Project Diagram



# Capital Program Approach



- Scope based on operating units
- 3 years to prepare final cost estimates for the first MCR
- Spending spread over time through the split of scope between AM and MCR
- Experienced senior project management staff in place developing detailed resource plan
- Improved project management systems tested prior to start of the MCR program



- Program significantly extends life of the Bruce facility
- Attractive ongoing investment opportunity
- Better matching of revenues and costs
- Cost and related revenue determined at the time of the investment
- Significant long term growth in earnings and cash flows

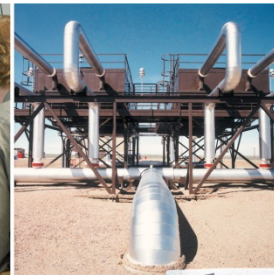
***Further TransCanada's strategy to invest in long term  
stable assets with solid returns***



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