

# CUSTOMER DIALOGUE MEETING SUMMARY

Meeting No. 80

Calgary, AB

April 22, 2010

## Financials

TransGas confirmed that the projection of a favourable net income variance of \$2.94 million presented at the last Customer Dialogue meeting was what was finally reported in the TransGas annual report made public on April 19, 2010.

The regular year-to-date Capital Summary and Core Revenues & Expenses were presented with data to the end of the first quarter. The capital for this quarter, in aggregate, is quite close to budget but there were a number of projects ahead and some behind the progress originally anticipated. The Core Revenues & Expenses were fairly close to budget. However, when the numbers were examined a little closer and some projections to the end of the year were included, it indicated TransGas may fall a little short on its net income target for the year. Given the magnitude of the potential shortfall as seen today, the limited actual 2010 performance and the potential for further variances, both favourable and unfavourable, it is too early to act on any of the Income Variance Management Tools. However, TransGas will be monitoring this closely over the next few months and anticipates discussing with Dialogue again at the June meeting.

## 2009 Annual Report

The 2009 Annual Report was tabled in the Provincial Legislature on April 19, 2010 and is now available on the TransGas website. While attention is often focused on the financial results in the Report, TransGas took this opportunity to provide



Customer Dialogue with an overview of its non-financial achievements for the year. To a large degree these follow the Crown Sector Priorities as outlined by the owner. These include:

- High Quality Service at Lowest Possible Cost
- Infrastructure support for Saskatchewan Economic Development
- Financial Performance with a focus on Efficiency and Productivity Improvement
- Saskatchewan Focused Growth
- Seek Private Sector Partnerships
- Youth/Aboriginal Workforce Renewal
- "Going Green" for Sustainable Future

TransGas pointed out that these priorities are aligned with the Key Priorities of the TransGas Strategic and Business Plans. TransGas provided a number of 2009 Achievements which were aligned with the Crown Sector Priorities. A number of examples were provided where TransGas is focusing on Efficiency and Productivity Improvements.

## Temporary Assignments

At the last Customer Dialogue Meeting it was agreed that TransGas would permit the Assignor and the Assignee to a Temporary Assignment to determine whether the Assignor would have the ability to recall the Assignment. At this meeting the specific changes to the TransGas Tariff to facilitate this were reviewed and agreed upon.

TransGas will proceed to implement this change shortly following this meeting.

### **Southeast Saskatchewan Update**

TransGas provided some additional information on the Southeast Saskatchewan new pipeline recently announced by TransGas. Land easements have been obtained for the full 117 Km. The environmental review is now underway. Construction is anticipated to begin in August and the in-service date for the pipeline should be December 01, 2010.

### **Storage - Energy to Store 2**

TransGas indicated that it is now very close to proceeding with another storage project. Physically this consists of potential expansions at its existing field and cavern locations. The precise physical configuration of new capacity will depend somewhat on the market; however, TransGas believes there may be economic expansion potential of over 12 PJ with some of this available in 2010 and the remainder by 2012.

The existing Storage Queue of 14 PJ could potentially take all of the capacity and it will first be offered to those in the Queue as early as May, 2010. If those in the Queue are unable to commit for the full potential capacity an Open Season may be offered later in the summer. While the ultimate economics of this project will depend somewhat on the specific capacity to be added, which in turn is somewhat dependent on the market, it is anticipated that the project's capital contribution requirement will be no more than for the last project, Energy to Store and the impact on Storage service rates should be minimal.

TransGas also had some discussion with the Dialogue participants on ways to deal with potential non-Force Majeure physical impairments of its storage capacity. Replacement of the physical capacity may be very expensive and take some time to put in place. Participants provided some feedback and TransGas will be exploring this issue with storage customers, some of whom are not

members of Customer Dialogue. This will be reviewed again at the next Customer Dialogue meeting in June.

### **Alberta Receipts - Physical Management**

The TransGas natural gas Supply/Demand Forecast is characterized by increasing demand and decreasing supply from Saskatchewan Production. We are already at the point of requiring supply from outside the province to meet our needs (including filling storage) during certain periods. The need for external supply will grow over the years.

TransGas provided Customer Dialogue an overview of its facility plans to meet this need over the next 10 year period. The requirement of new Transmission facilities to accommodate these flows out of Alberta is also dependant to some degree on the way customers will want to flow these volumes into the province and how these flows will be integrated with storage utilization in the province. TransGas has identified a number of capacity enhancements which together will be able to accommodate these needs. This should provide TransGas the flexibility to grow its capacity to match these growing needs. Over the next decade it is anticipated these enhancements will cost in the range of \$20 million to \$50 million, or potentially less than a 4% increase to its rate base.

### **Business Update**

The regular Business Update was provided. This information can be found on the TransGas Website ([www.transgas.com](http://www.transgas.com)) under "Newsroom" - "Business Update".

If you have any questions arising from this meeting, or of the TransGas Customer Dialogue Process in general, please contact Vern Gorr at (306) 777-9556.

