

Alberta Receipts Sub-Committee

This Sub-committee was established earlier in the year to review in more detail the implications of the projected increased receipts of gas from Alberta. The Sub-committee provided an update on its progress to the main group. To date the Sub-committee has been looking at three primary areas:

- Future requirements and physical options,
- Potential commercial options and
- Potential industry changes which could affect these.

It was noted that information on the first item was provided at the last Customer Dialogue meeting.

2010 Financials

TransGas provided the regular review of the 2010 capital and operating financial status, as of May 31, 2010. There were no significant changes to the trends which had been identified at the last Customer Dialogue meeting which suggested that TransGas may fall slightly short of its 2010 net income target.

Energy to Store 2 Update

TransGas reviewed the results of the recent storage queue offering and responses received which were for over 10 PJ of volume and over 130 TJ/d of deliverability. From this, approximately 2 PJ of new service has been contracted for 2010. TransGas will need to fine tune its development plans over the next months to determine how much

of the remaining can be contracted and for when.

Due to the very positive response to the queue offering TransGas will not be preceding to an Open Season for additional storage at this time; however as development plans are finalized, this may change.

While the specifics of the project may change as the development plans are fine tuned, TransGas reviewed the present view of the project from both a physical and economic perspective and indicated this could take the TransGas total storage to 50 PJ with over 800 TJ/d of deliverability. As well, when the standard storage capital contribution policy is applied to these preliminary numbers it indicates that there would be a lower capital contribution requirement than for the most recent two storage expansion projects, with associated rebates of these projects' capital contributions, and that there could be a slight downward pressure on storage rates.

2011 Business Plan

TransGas reviewed and sought customer feedback on its preliminary load and revenue forecast for 2011. On the transmission side, receipts from Saskatchewan production are forecast to fall due to well drilling not replacing the normal production declines. It is anticipated that this will be somewhat offset by increased flows from outside the province required to meet the provincial requirements. Overall transportation is projected to decline by less than 2%. It is anticipated that this will be more than be made up by projected



revenue increases from other areas such that overall revenue in 2011 is projected to be up slightly, around 1%. Storage revenue is projected to be up around 9% as the final portions of the ETS project and the initial portion of the ETS-2 project are brought on stream.

TransGas has still not completed all of the 2011 budget preparation work but indicated to the Customer Dialogue members that at this point the 2011 cost projections indicate a rate adjustment of 0 - 2%.

IFRS

TransGas provided an update to Customer Dialogue on the work underway towards the implementation of IFRS effective January 2011. Things are progressing well and the changes which will impact the TransGas rates are anticipated to be minimal.

Basic Monthly Charge

TransGas introduced the potential of increasing the Basic Monthly Charge for those smaller customers who do not have a demand component to their rates. This has not been adjusted for 15 years and its recovery of those administrative or customer orientated costs no longer seems appropriate. There is also a concern that inappropriate price signals are being sent to some customers. TransGas suggested that if a change were to be made it would most likely be in conjunction with some future overall rate adjustment and may be effective with the start of a new gas year (November 01).

Non-Core Initiative

TransGas indicated that there are some additional expenditures that it is planning to make to determine if there is a viable gas opportunity within some of its storage land holdings. Because of its nature and its risk profile, this activity will be conducted outside of the core TransGas business. However, the core services will be compensated for past and future costs associated with this non-core activity.

Business Update

The regular Business Update was provided. This information can be found on the TransGas Website (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.

