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Terasen Gas

R.L. (Randy) Jespersen – President

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Overview

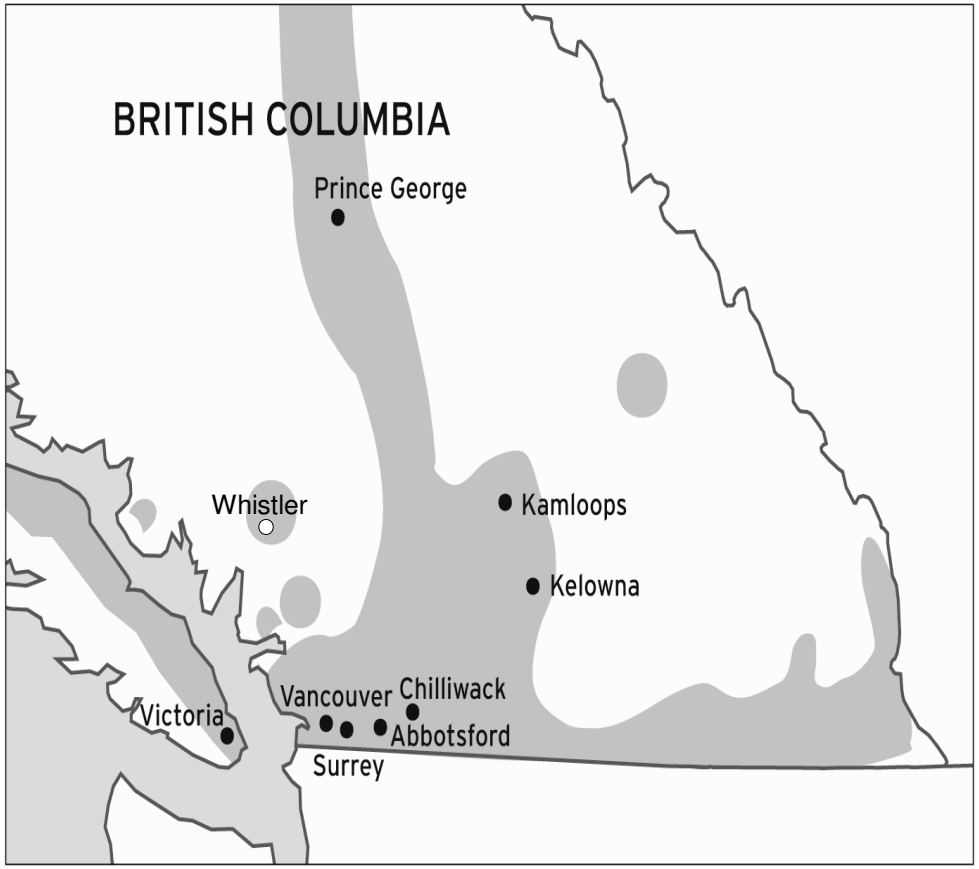
- Dimensions
- Our Opportunity
- Operational Excellence
- Key Initiatives
  - ROE & Capital Structure
  - Focused Growth
- Conclusion



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Terasen Gas Segment – Dimensions



- 892K customers
- Serve 95% of BC customers
- 27K miles of pipeline
- Third largest gas utility in Canada
- Largest natural gas utility in the Pacific Northwest
- C$2.9B rate base
- C$275M EBIT (2005)

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Our Opportunity

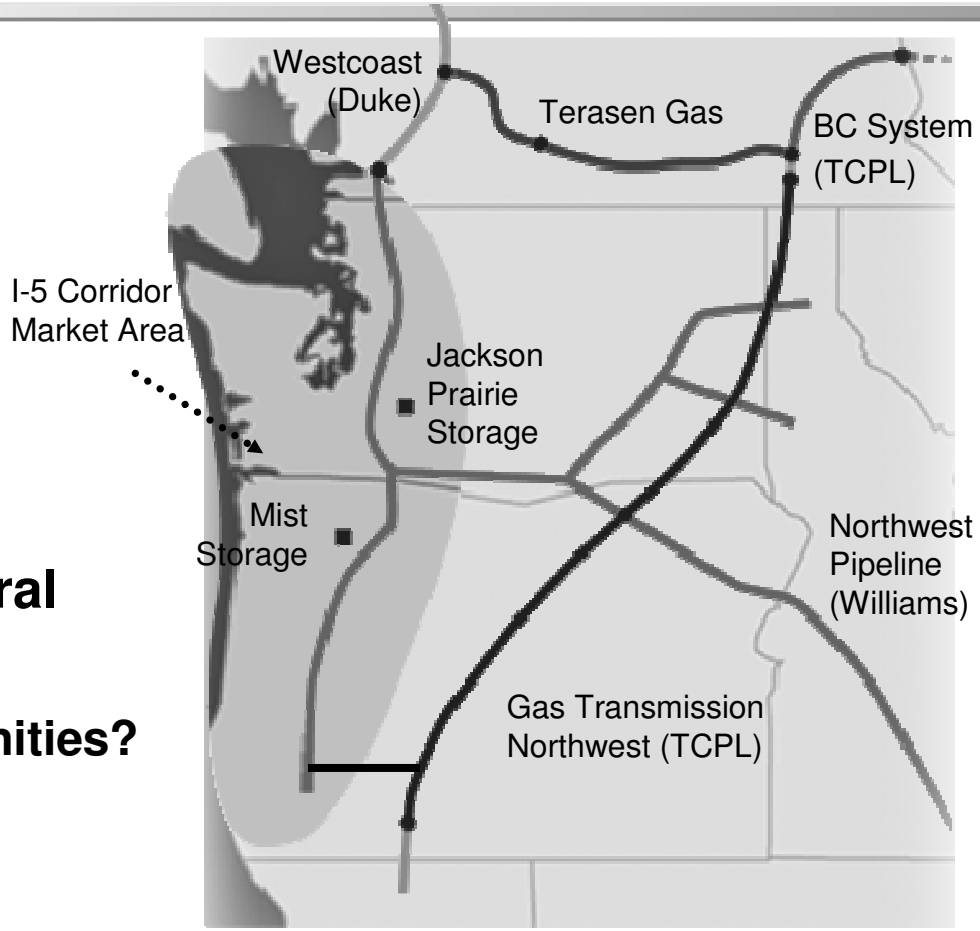
- Strong natural gas distribution franchise in a unique region
- Electric/gas rate compression
  - Challenging opportunity
- Leadership position to develop new gas infrastructure for regional needs
- Well positioned for consolidation opportunities

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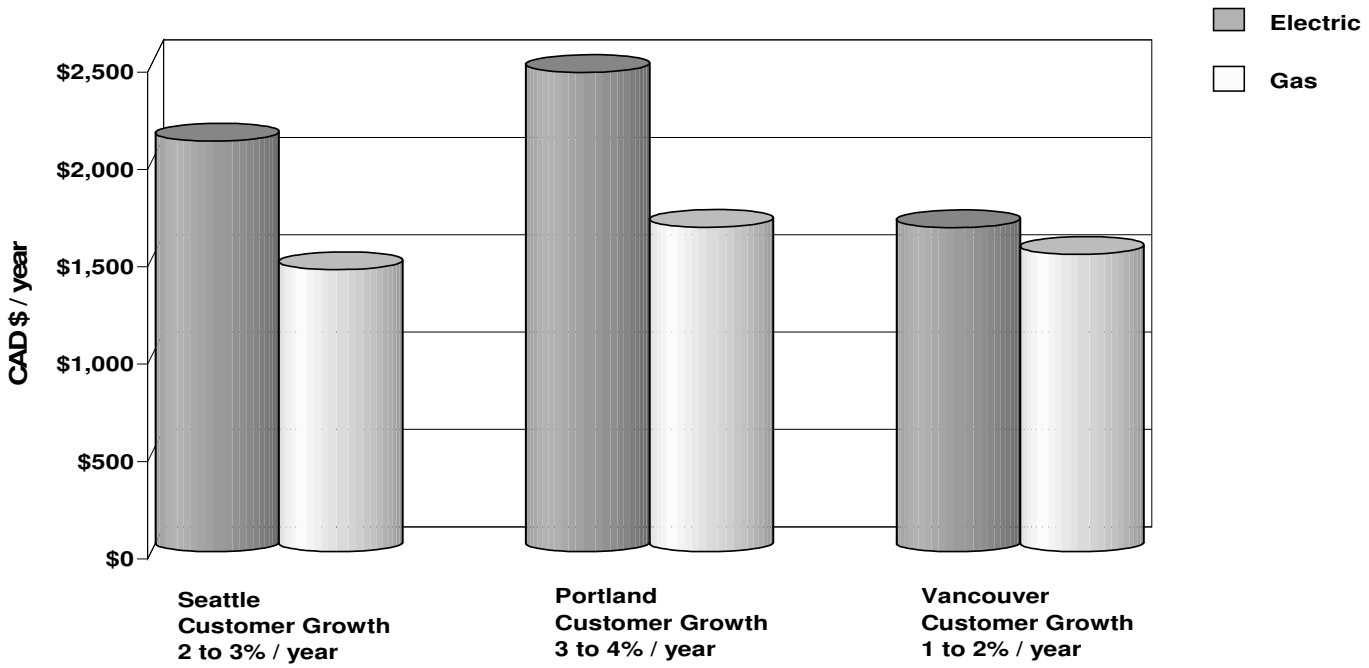
Our Opportunity

- **Pacific Northwest I-5 Corridor is unique**
  - **Market area is geographically separated from the rest of North America**
- **Region is served by several different gas LDCs**
  - **Consolidation opportunities?**



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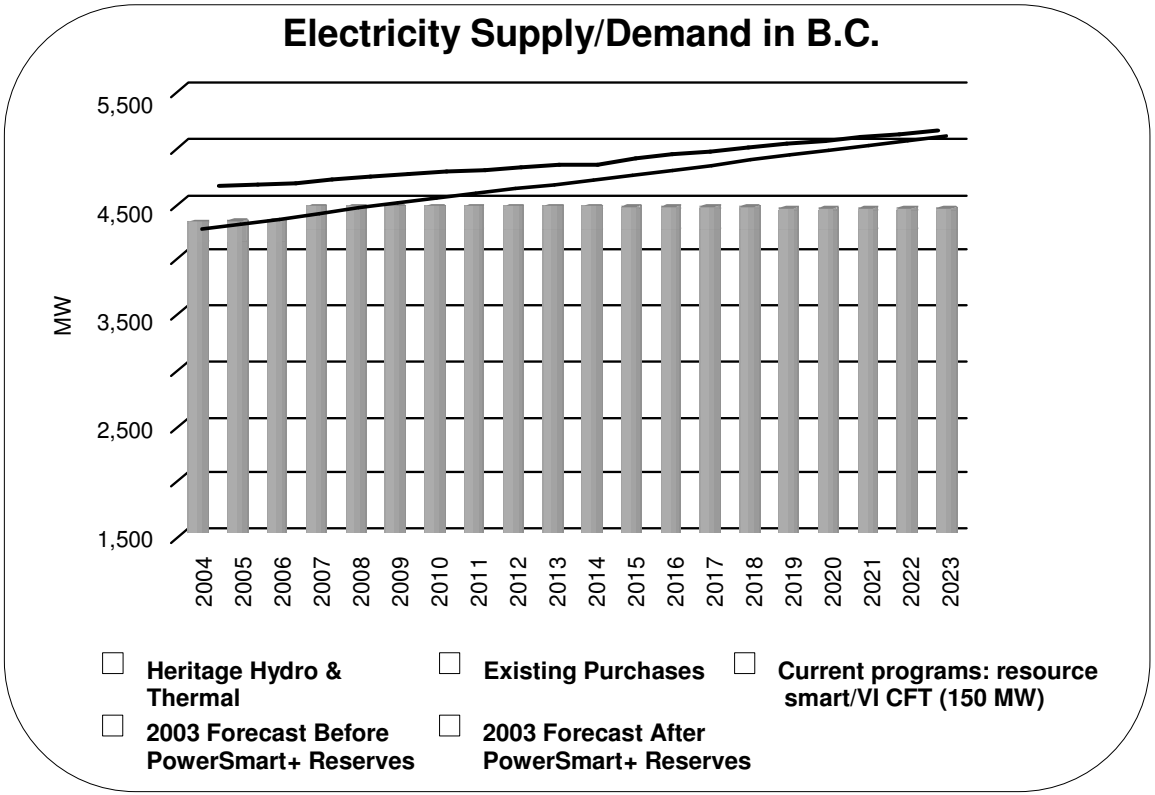
Gas/Electric Competitiveness as at January 2006



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Gas/Electric Competitiveness

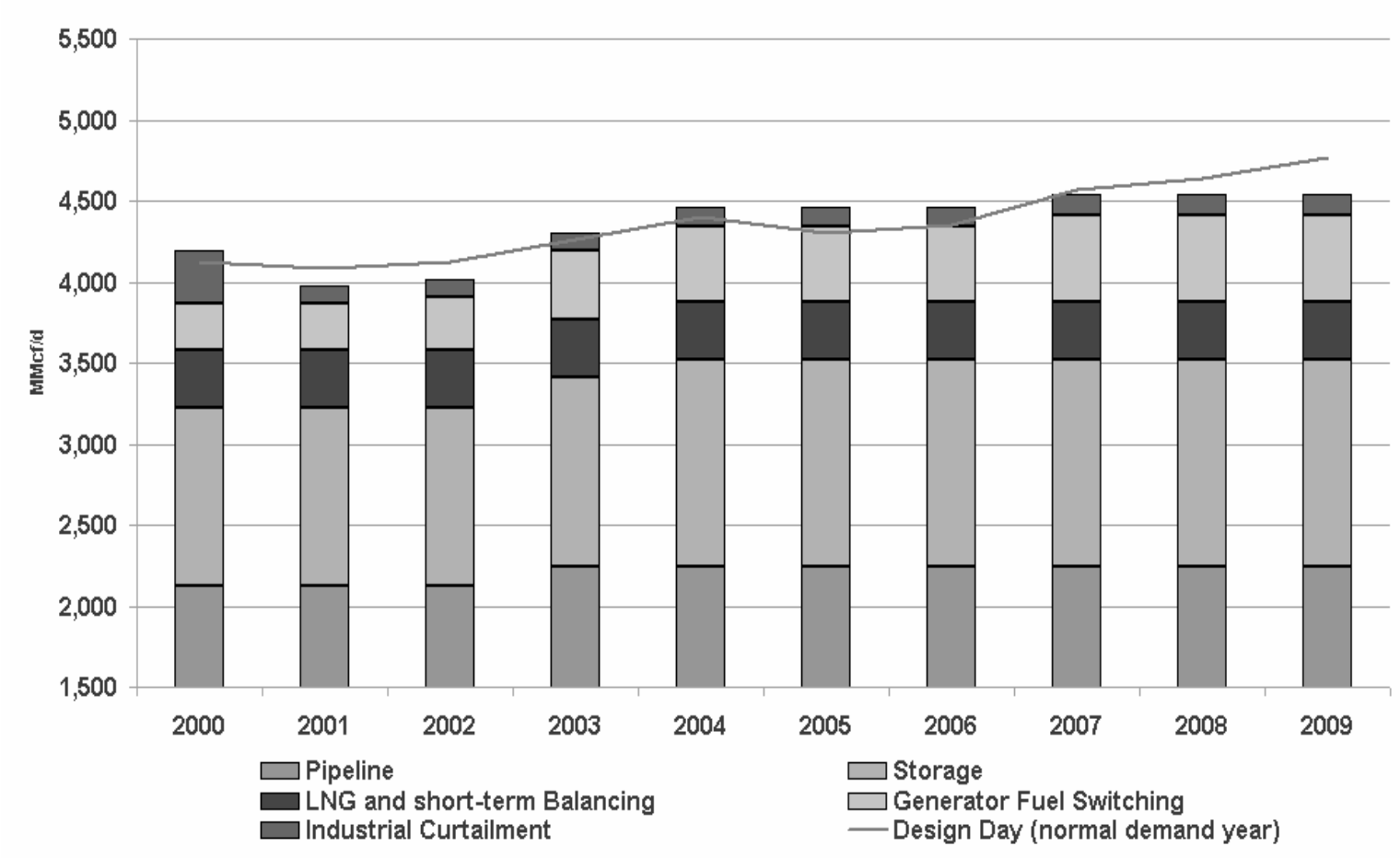
- Electric rates move towards market
- Expansion of gas infrastructure



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Regional Supply/Demand - Expansions Required

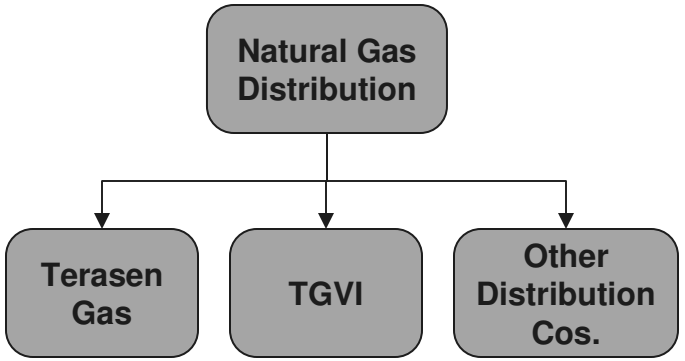


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Operational Excellence – Asset Management

- Four areas of focus:
  - Safety
  - Cost
  - Service quality
  - Environmental responsibility
- Credibility with regulators, customers and stakeholders
- Cost management drives efficiency for the benefit of customers and shareholders

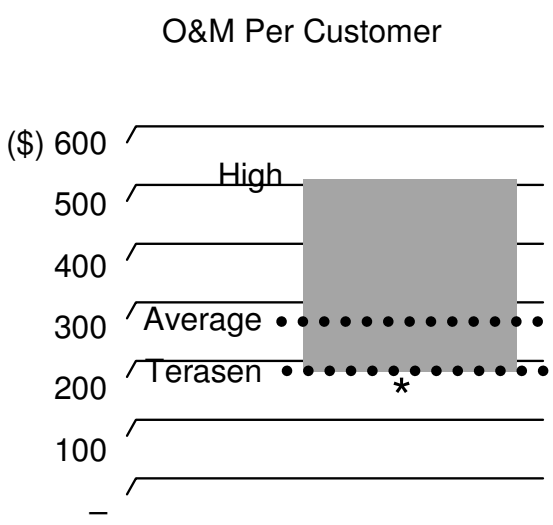


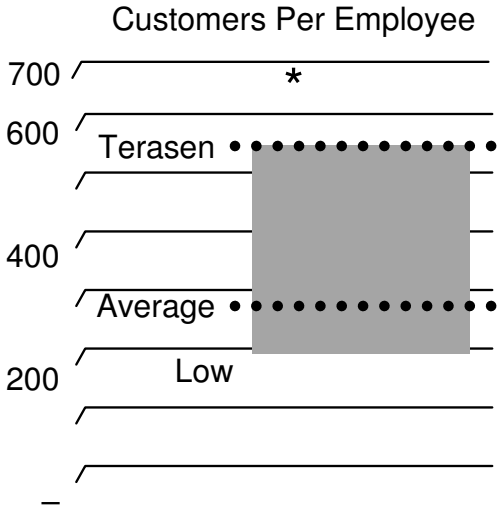
Terasen Gas

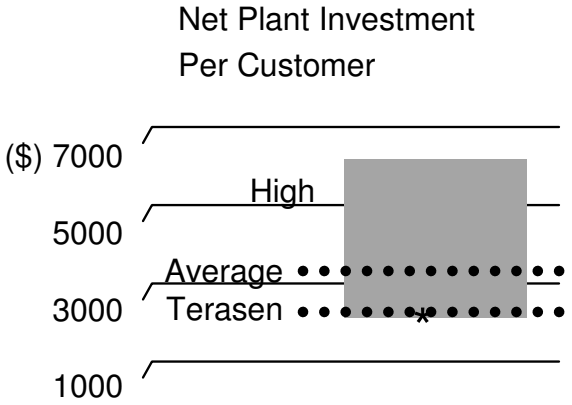
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Operational Excellence – Asset Management

A leader in operating efficiency







Source: LSM Consulting 2003
for Terasen Gas C$

*2005 Update

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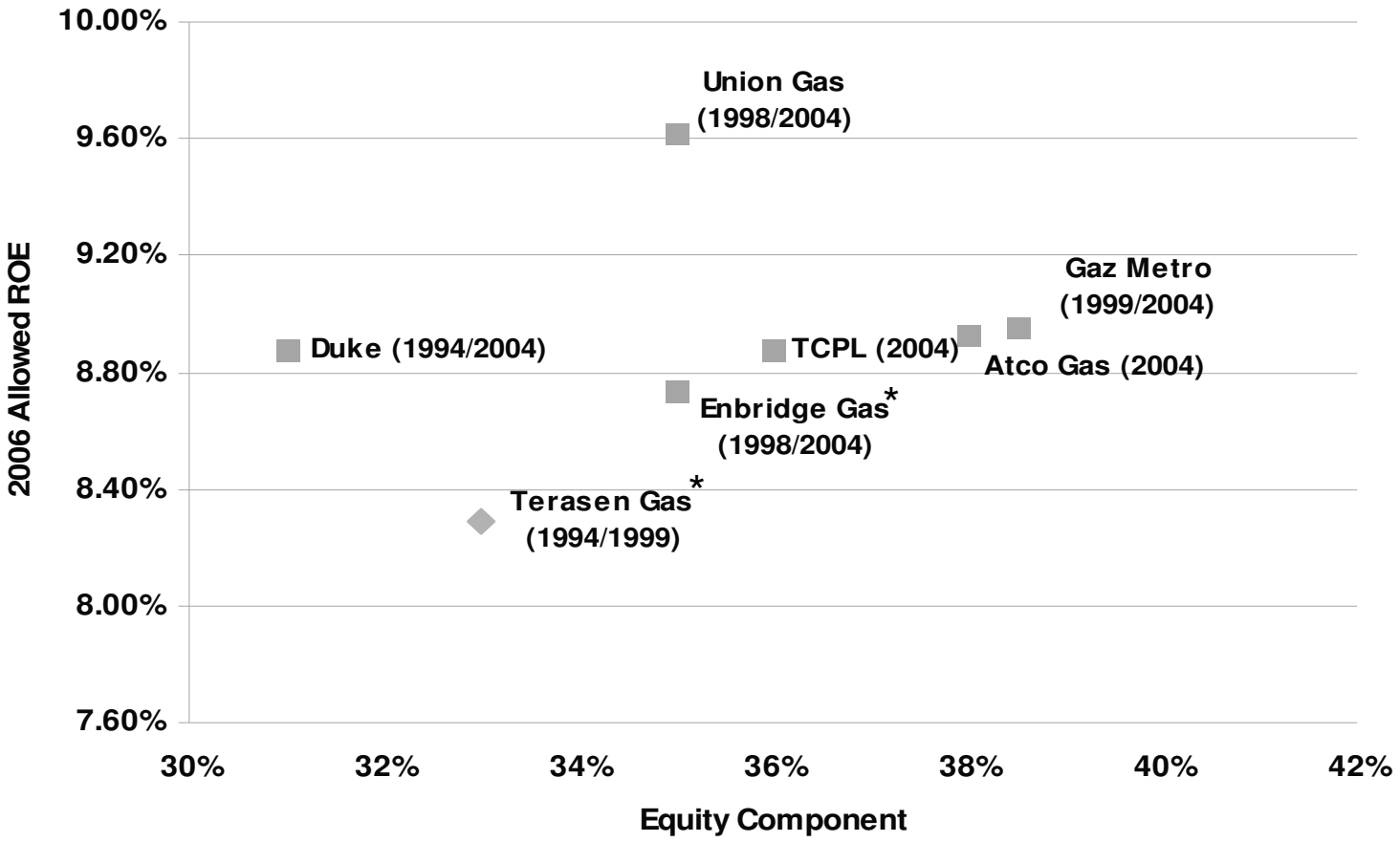
Operational Excellence - Regulation

- **Long history of negotiating and renewing incentive regulatory settlements**
- **Terasen Gas and TGVI settlements in place**
  - **Four year term from 2004-2007 for Terasen Gas**
  - **Vancouver Island extended to December 2007**
  - **Deferral accounts for Terasen Gas:**
    - Cost of gas, consumption levels, insurance, pension and financing costs

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Key Initiatives:
2006 Allowed ROE & Capital Structure

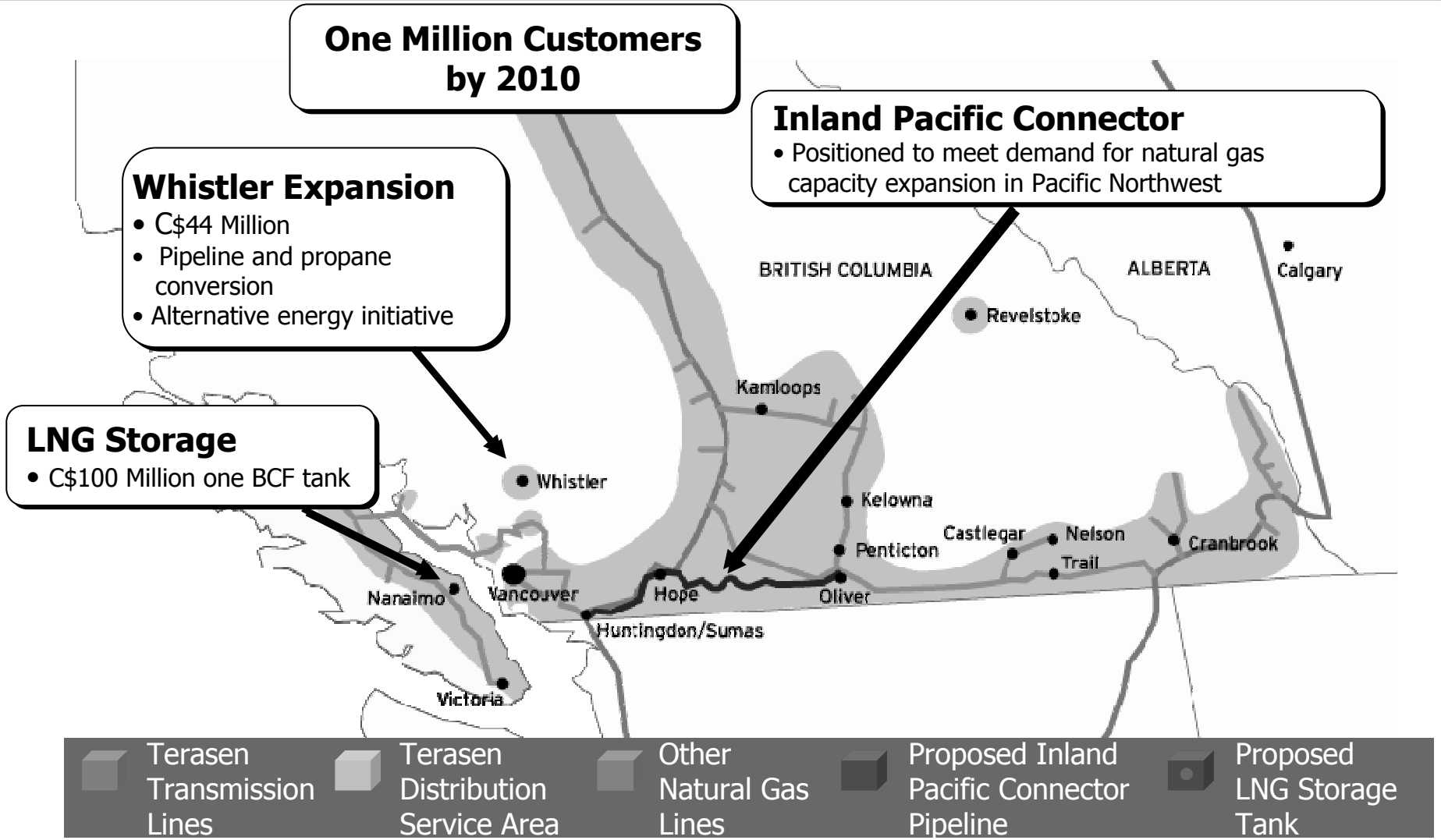


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Union Gas – rated last reset in 2004
*2006 Cost of Capital decision pending

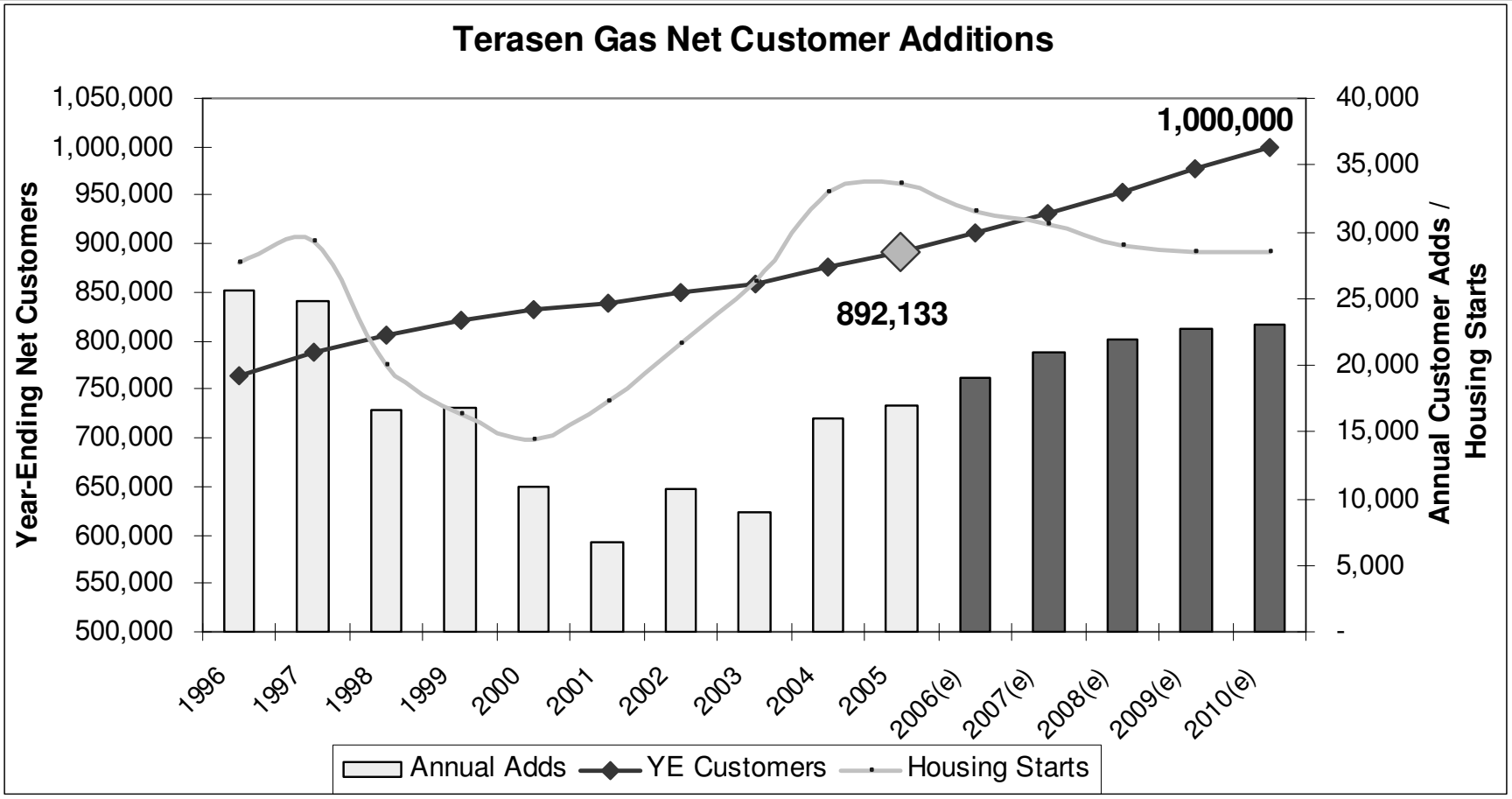
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Key Initiatives – Focused Growth



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Growth - One Million Customers by 2010

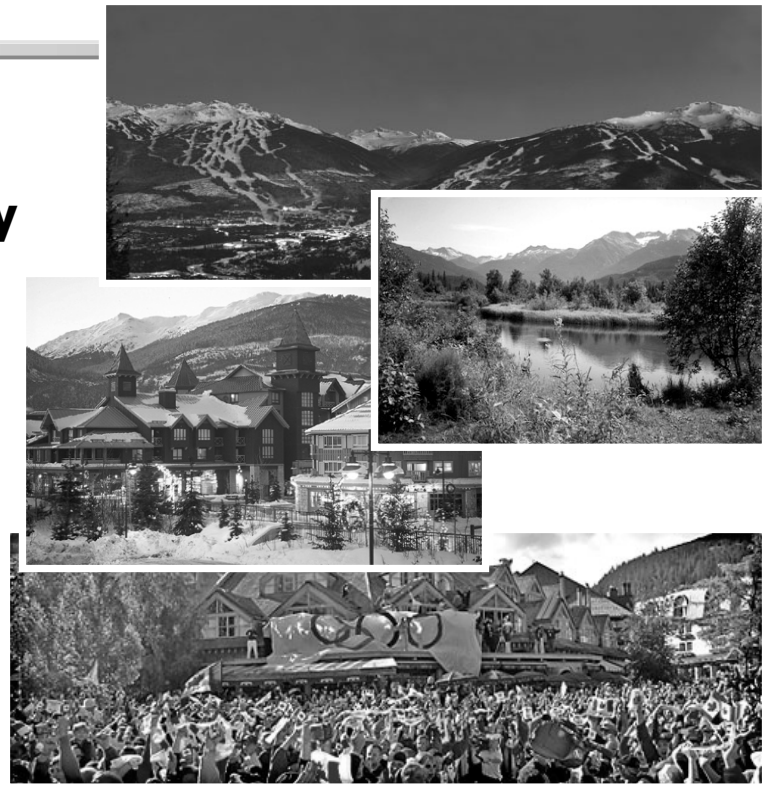


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Growth – Whistler

- **Working with the Resort Municipality of Whistler to develop a Sustainable Energy Strategy**
  - Construct a natural gas pipeline from Squamish to Whistler
  - Propane to gas conversion
  - Develop renewable district energy systems or other sustainable options
- **Conversion and pipeline cost - $44 Million**
- **Model for integrating natural gas with renewable energy sources**

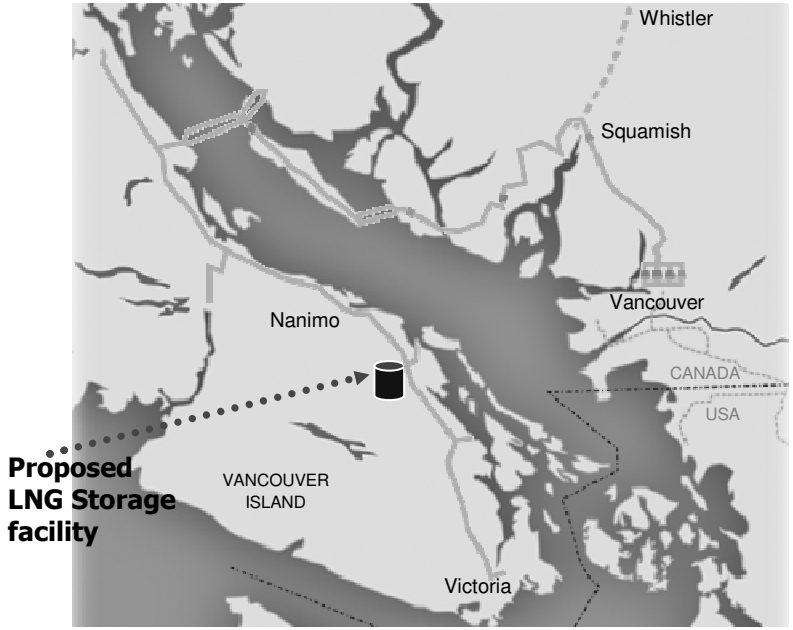


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Growth – LNG Storage

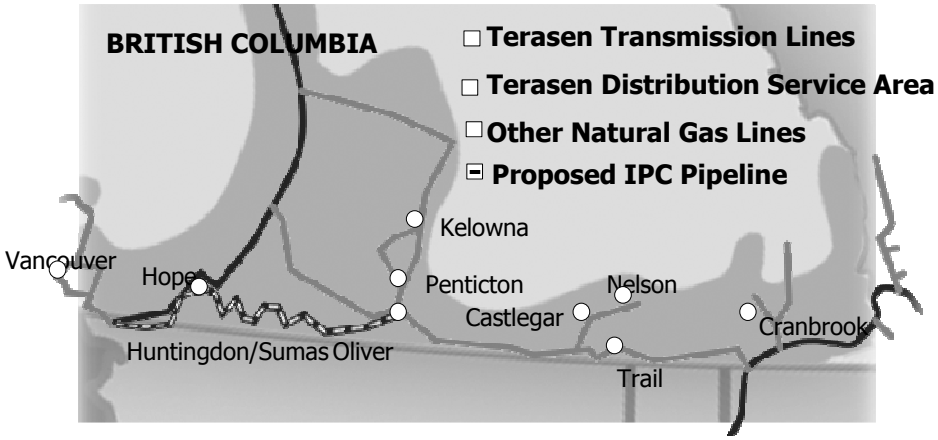
- **Organic growth opportunity serving Terasen Gas and TGVI customers**
- **C$100 Million Vancouver Island LNG storage tank**
- **Siting approvals in place**
- **Project timing impacted by customer growth and comparative economics**



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Growth – Inland Pacific Connector



- Potential C$300 to C$500 Million gas transmission line connecting SCP to the Lower Mainland and Sumas (NWPL)
- Project will require support from multiple shippers to move forward
- Increasing tolls on Duke System improving competitiveness

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Conclusion

- Strong, stable cash flow provides solid financial base for growth opportunities
- Strong asset management and stakeholder relations skills
- Several opportunities to invest in new gas infrastructure
- Well positioned for consolidation opportunities

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