Terasen Gas
R.L. (Randy) Jespersen – President
Overview

- Dimensions
- Our Opportunity
- Operational Excellence
- Key Initiatives
  - ROE & Capital Structure
  - Focused Growth
- Conclusion
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)
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
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?
Gas/Electric Competitiveness as at January 2006

Seattle
Customer Growth
2 to 3% / year

Portland
Customer Growth
3 to 4% / year

Vancouver
Customer Growth
1 to 2% / year
Gas/Electric Competitiveness

- Electric rates move towards market
- Expansion of gas infrastructure
Regional Supply/Demand - Expansions Required
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
Operational Excellence – Asset Management

A leader in operating efficiency

O&M Per Customer

Customers Per Employee

Net Plant Investment Per Customer

Source: LSM Consulting 2003 for Terasen Gas C$

*2005 Update
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
Key Initiatives:
2006 Allowed ROE & Capital Structure

TCPL (2004)
Atco Gas (2004)
Terasen Gas* (1994/1999)

Union Gas – rated last reset in 2004
*2006 Cost of Capital decision pending
Key Initiatives – Focused Growth

One Million Customers by 2010

Whistler Expansion
- C$44 Million
- Pipeline and propane conversion
- Alternative energy initiative

LNG Storage
- C$100 Million one BCF tank

Inland Pacific Connector
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest
Growth - One Million Customers by 2010

Terasen Gas Net Customer Additions

Year-Ending Net Customers

Annual Adds / Housing Starts

- Annual Adds
- YE Customers
- Housing Starts

1,000,000

892,133

Terasen Gas
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
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
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
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