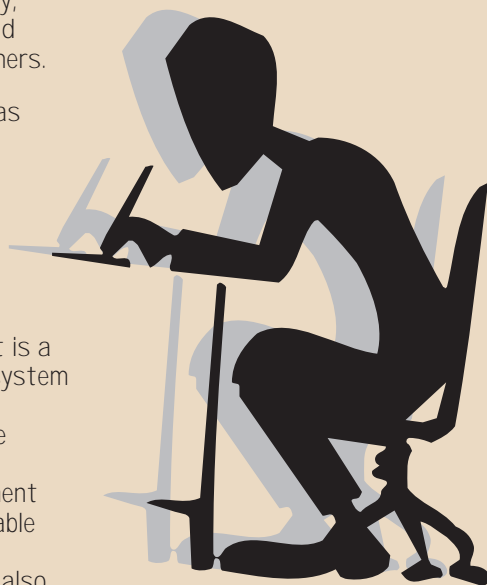


## Dear Valued Customers:

Bidding farewell to the 1900's, we at TransGas would like to take a moment to reflect upon our achievements and look toward the future of our company and the natural gas industry in Saskatchewan.

Although our experience as a provider of natural gas service goes back almost 50 years, TransGas Limited assumed its current form in 1988 following the deregulation of the natural gas industry. Within just a few years of deregulation, throughput on the TransGas system tripled. This accomplishment was made possible through the efforts of TransGas and its customers working together to significantly expand the TransGas pipeline system and open up new areas of Saskatchewan to natural gas exploration and development. Also during this period, TransGas opened up its natural gas storage facilities for commercial purposes. Today, TransGas storage is fully contracted and remains a valuable service to our customers.

Through the past several years, TransGas has implemented new technology as a means to control costs and improve its service. TransGas compressor stations have been automated resulting in lower cost of operation and savings to you, our customers. We have also made significant advances in our information systems. TransGas Net is a state of the art customer information system that integrates contracts, nominations, allocations, and billing into our corporate database. This system provides the foundation for a full e-business environment within which our customers will soon be able to access their specific information through the TransGas web site. We are also very proud of the fact that TransGas was able to smoothly transition into the year 2000 by being fully Y2K prepared.



Experience, stability, and superior customer service. These strengths have made TransGas "your link to success". However, we must not dwell on the past. The future promises to present many challenges as the natural gas industry becomes more competitive and complex.

TransGas is seeking opportunities to optimize our existing infrastructure by expanding our transportation system beyond our borders. Opportunities for TransGas to competitively serve natural gas producers, marketers and end-users are evident in Alberta and Manitoba. These opportunities are being pursued aggressively.

continued on page two

Your Link To

Saskatchewan's industrial future is also bright. Natural gas will become more prominent as the fuel of choice for new electrical generation in our province. The heavy oil industry has been growing steadily as well. TransGas has, and will be there to serve these new projects.

The natural gas sector has shown renewed interest in Saskatchewan with a record number of gas wells completed in 1999. Much of Saskatchewan's natural gas remains undeveloped and unexplored. At TransGas, we will continue to provide the encouragement and support to facilitate the development of natural gas in Saskatchewan through investment in customer specific facilities and strategic approaches to system enhancements and expansion.

At TransGas we have taken great pride in being a customer-focused pipeline and storage company. The TransGas Customer Dialogue process has, and will continue to play a major role in determining our customers' ever-changing needs and in developing relevant and practical services and policies. This corporate culture, augmented by knowledgeable and dedicated professionals will provide the basis for the continued success of the natural gas industry in Saskatchewan.

TransGas has demonstrated its flexibility by providing customer responsive solutions and will continue to do so in the future. We have frozen our competitive transportation tolls for the next two years and will continually strive to provide even greater levels of cost-effective, safe, and reliable transportation and storage service.

We look forward to working with you during 2000 and well into the new millennium as we build upon the strong foundation we have created together.

Sincerely:



Dean Reeve  
Vice President, Business Development and Market Services

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## TransGas Customer Services staff change

Randy Greggains has been appointed Manager of TransGas Customer Services effective February 14 on a temporary basis for six months. Randy will be replacing Vicki Bakken while she is on a leave of absence until August.

Randy will provide customer service for new and amended transportation and storage services requests, including Receipt and Delivery Point connections. He will also field inquiries relating to contract terms and conditions, policies, rates and queue positions.

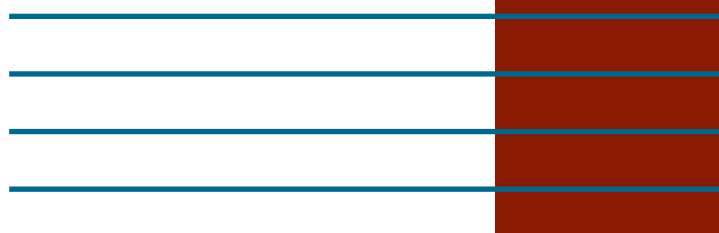
Randy can be reached at (306) 777-9489 (office), (306) 536-1831 (cell), (306) 525-3422 (Fax) or at [rgreggains@saskenergy.sk.ca](mailto:rgreggains@saskenergy.sk.ca).



# Quarterly Report

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Your Link To Success

# Customer Dialogue Consensus on Regulatory Approach

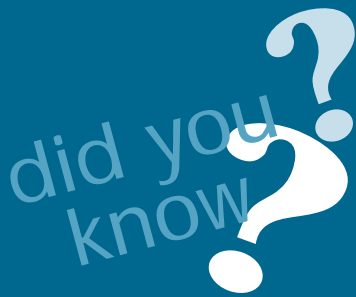
Last November, the Saskatchewan Government announced both the establishment of the Interim Rate Review Panel, and its intention to develop a permanent rate review process for Saskatchewan.

Since that time, TransGas and its customers, through the Customer Dialogue Process, have been jointly preparing a position paper with recommendations on the form of regulation for TransGas. At the Customer Dialogue meeting held on February 8, an agreement was reached, supported by all Customer Dialogue participants.

The highlights of the recommended mechanism not only sees a continuation of the Customer Dialogue Process, but also contemplates an important role for Customer Dialogue in the proposed regulatory process. It would also see the process opened to all customers. Other main points include:

- TransGas transportation service should be regulated but not the same as other Crown utilities.
- All issues would be reviewed first by the Customer Dialogue group in an attempt to reach consensus.
- Regulator to approve issues, where Customer Dialogue consensus was obtained, without further review.
- Issues without consensus may be taken to the Regulator for adjudication.
- Regulator not to raise issues of service, policy or rates on its own.

This report will be presented to the Crown Investments Corporation of Saskatchewan who is working on the permanent rate review process on behalf of the government.

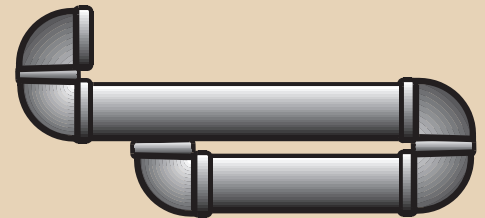


In addition to providing 138 PJ of annual Export Transportation to approximately 68 customers, TransGas also provides Natural Gas Transportation to a large and diverse Intra Saskatchewan Market.

*The Intra Saskatchewan Market consists of the following customer types:*

- *SaskEnergy - The L.D.C. - TransGas' largest customer (69 PJ per year) Serving approximately 300,000 residential and small commercial customers.*
- *Industrials in Sask. - 48 large and 124 small customers. (electric generation, potash, pulp and paper, fertilizer, manufacturing and processing and the oil industry.) (118 PJ per year)*

## Regulatory Issues: What's coming down the pipe!



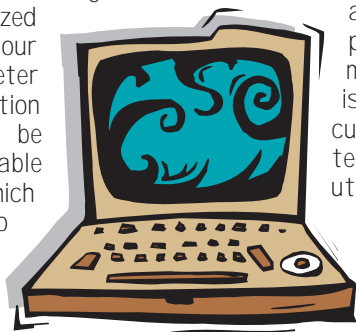
Regulations, acts and guidelines for environmental issues are continually being introduced or updated. In Saskatchewan, two key emerging regulatory issues will have an impact on the oil and gas industry; the proposed Federal Species at Risk Act (SARA), and the new Saskatchewan guidelines for Environmental Assessment.

First, the federal government's long-awaited answer to what it considers as acceptable endangered species protection is the SARA to be tabled early this year. The plan emphasizes stewardship and incentive programs, promotes cooperative relationships with the province to create a legally defined list of species, commits to using enforcement and commits to compensation for landowners and other stakeholders when habitat protection results in a loss of income.

Secondly, in January of 1999, Saskatchewan Environment and Resource Management (SERM) announced changes to its environmental screening process whereby oil and gas projects would first be submitted to the regional office rather than the Environmental Assessment Branch at head office in Regina. SERM also committed to review this "new process" after one year of implementation. They have recently completed that review in the form of a survey distributed to 99 oil and gas companies active in Saskatchewan during 1999. In a public meeting in Calgary in late January the results of that survey were presented. Analysis of industry comments revealed that there was concern with the process in some areas of the province, especially regarding lengthy turnaround times. Highlights of the commitments made by SERM included a review of the Environmental Protection Plan process, clarification of where and when an EPP is warranted and a commitment by SERM to gain additional knowledge about the oil and gas industry. Additional information on industry response or the commitments made may be obtained from SERM or through TransGas Environmental Affairs.

# Web update – Daily Energy Project

Customers, both producers and end users, have requested that TransGas provide them measurement information, preferably immediately after the end of the Gas Day. This feedback would assist them in making more informed business decisions and optimize their natural gas activities. TransGas has prioritized this request with a focus to provide our customers with daily access to meter specific, volume and energy information on the Web. Nominations can be compared with the best available volume and energy information, which will be updated daily and available to customers 3 hours after the end of the gas day (12:00 CST).



For customer confidentiality purposes, user access security is required in order to access Daily Energy information on the Web. Customers will be provided with a user name and password, which will give them access to meter information where they are the Common Stream Operator (CSO) at receipt points and the contract holder at delivery points.

External and internal user acceptance testing for the Daily Energy project was completed in February; the first time TransGas had involved a group of customers in the software testing process. As a result of the valuable input, various enhancements for the Daily Energy product will be implemented to improve the final product. We expect to provide our external and internal test customers a production release of Daily Energy in April for final acceptance. Given its success, a

Daily Energy release for customer use will be ready by May.

In conjunction with the Daily Energy project, TransGas is currently working on a Remote Read project. Remote access is currently available for approximately 80 percent of receipt custody transfer measurement information. Our goal is to have remote read access to all custody transfer receipt points, where technically feasible. TransGas has utilized various communication technologies including cellular service in an effort to access these sites. The Remote Read project which is currently underway, will increase access to receipt custody transfer locations to approximately 95 percent by June 2000.

All large delivery point meters are also remotely read, representing 75 percent of TransGas intra-Saskatchewan deliveries. Where economic, TransGas will increase its coverage and install remote read capability. Increasing the number of remote read meter sites will contribute to the success and customer use of the Daily Energy Web site application.

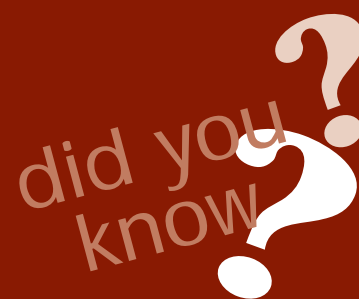
An announcement will be sent to our customers when Daily Energy is ready for production. Please call David Wark, Manager of Electronic Business Systems, at (306) 777-9585 for more information regarding the Daily Energy project.

## Profile - TransGas Operations Planning

Operations Planning is responsible for TransGas system planning, as it relates to the reliable and efficient operation of TransGas services provided; transport, storage, and gathering compression. The department of two Engineers and one Analyst is responsible for system analysis determining whether customer requests can be approved with existing system capabilities, and identifying any spare capacity that can be marketed. Operations Planning also develops the Planning Design Criteria for system design and operation. This criteria is important as it balances the objectives of minimizing of customer rates with the continued high availability of firm services.

An important responsibility of Operations Planning is system outage scheduling and outage plan preparation to minimize outage impact to our shippers. Another key objective is the minimization of compressor fuel consumption and electricity costs. The market value of total compressor fuel gas consumed annually on the TransGas system is over \$10 million. Operations Planning establishes transport and storage priorities in conjunction with District Operations and Gas Control, ensuring economic and reliable system operation objectives are met.

The Operations Planning Staff are pictured to the right: Monique Reifferscheid, Analyst; Paul Nissen, Manager; and Shauna Piluk, Engineer.



*The Dynamic Oil Industry in Saskatchewan is growing and forms approximately 20% of the TransGas industrial load in Saskatchewan consisting of the following:*

- 1 heavy oil upgrader and refinery located at Regina along with approximately 45 Oil Production facilities including E.O.R. facilities throughout Saskatchewan.
- 15 requests to TransGas for New Delivery Point connections to serve New Oil Production/E.O.R. facilities in Saskatchewan.
- In addition to the industrial load served by TransGas, MIPL(C) our federally regulated subsidiary, provides transportation to 1 heavy oil upgrader and electrical cogeneration facility at Lloydminster, Saskatchewan, with an annual load of approximately 28 PJ.

# In-line inspection only part of TransGas' pipeline integrity program

When TransGas performed an in-line inspection (ILI) of nearly 65 kilometres of pipeline from Parkbeg to Belle Plaine on November 9 and 10, the tests culminated nearly six months of preparations. This inspection, however, was only a small part of TransGas' pipeline integrity program.

Preparations for the two-day test began in July 1999 with the purchase of the necessary components, construction of the launcher and receiver, and training of the staff involved in the project. Supplied by Pipeline Integrity International, the nine-foot, \$1 million inspection tool employed state of the art technology to find metal loss and 'hard spots' on the pipeline. Information was stored on an on-board computer during the inspection and downloaded later to determine anomalies requiring further assessment. "ILI provided the basis to review maintenance assessments and integrity modeling conducted earlier in 1999," said Jules Chorney, Manager Pipeline Integrity and Field Services.

"TransGas operates more than 13,000 kilometres of high-pressure pipeline, transporting 315 Bcf annually through lines, in some cases 45 years old, so naturally we have a vested interest in pipeline integrity. ILI allowed us to gauge the integrity of our lines and determine if they need repair or replacement while ensuring the continued safe and reliable delivery of natural gas. TransGas has remained a leading edge natural gas transmission company due to increased use of such innovative tools," said Dick Graham, Director Pipeline Engineering and Integrity.

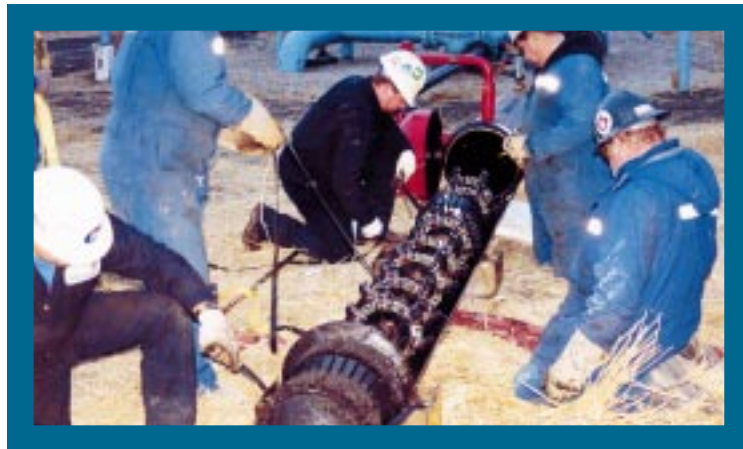
"The project was a result of a great deal of co-operation between various areas throughout the company," concluded Graham. "From District and Area Operations staff to Gas Construction, Gas Control, and Engineering to the folks at PII, TransGas was the beneficiary of exceptional project work from more than 40 people." Operations staff such as Devone Sandvold and Scott Terlson, and Construction staff such as Duane Lipp benefited from experience with the new technology, while engineers have benefited from their field expertise.

While the ILI near Belle Plaine wrapped-up another year of diligent integrity testing, plans for 2000 were in full development. In 2000, TransGas and MIPL (C) will continue to focus on providing safe and reliable service using such investigative techniques as system modeling for integrity assessment, excavations, and in-line-inspection technologies.

The year 2000 marks the beginning of a five-year program designed to modify TransGas' major pipelines. Facilities will be pre-built and

installed to accommodate future in-line-inspections minimizing outage impacts to you, our Customer.

While modifications to our system will be paramount to our ongoing integrity program, we plan to also complete numerous investigative excavations and run two or three ILI tools in major pipelines in the coming year as a part of our ongoing comprehensive pipeline integrity program.



TransGas and Pipeline Integrity International employees remove the in-line-inspection tool from a pipeline near Belle Plaine, SK.

## Recent staff changes in Gas Control

Randy Hahn, Director of Gas Control is pleased to announce that Leanne Johnson has been appointed as Transport Reporting Supervisor, Gas Control. Leanne had been Acting Supervisor in the area for the last year and was previously a Transport Administrator in both the Transport Management and Transport Reporting areas. Leanne replaces Cindy Walter, who has moved on to a new role in our Electronic Business area. Leanne can be reached at 777-9578 and will be more than willing to answer any of your questions regarding energy allocations and statement preparation.

## Policy Change: Temporary Assignments

TransGas has changed its temporary assignment policy in response to concerns over potential account risk, which could occur as a result of an assignment reversion. Changes to the policy were made after obtaining consensus at a recent Customer Dialogue meeting. The Assignor is now liable for any failure of the Assignee during the term of the Temporary Assignment. As a result, TransGas may require the Assignor to post account security to cover TransGas during the Temporary Assignment period. This policy change will be effective for all new Temporary Assignments on and after March 1, 2000.

Further questions regarding this policy change should be directed to your Contract Administrator, Randy Greggains at (306) 777-9489 or Dennis Orb at (306) 777-9559.

# Ask the Friendly Geologist!



## Question:

"Our company has recently heard that Saskatchewan is a good prospect for natural gas. We do not have any information however, on the geology of your province. Could you please tell me what kind of geological information is available and where we would have to go to get this information."

*Signed...An Interested Producer*

## Answer:

For more information on Saskatchewan geology, the primary source is Saskatchewan Energy and Mines (SEM) in Regina. The head office is located at:

2101 Scarth Street  
Regina, SK S4P 3V7

Their website contains a complete list of contacts at:

[www.gov.sk.ca/enermine/about/semcon](http://www.gov.sk.ca/enermine/about/semcon).

All Saskatchewan well information is available at the above street address (Sorry, no internet access for well data). Confidentiality periods are 30 days for development wells and 12 months for exploratory wells. If further information is required, the main contact is Bob Troyer at (306) 787-2562.

A catalogue of SEM publications is available for a \$5.00 postage/handling charge from the SEM Communications Branch at the above address or fax (306) 787-2527. An electronic version can be found at [www.gov.sk.ca/enermine/store/cat\\_tc](http://www.gov.sk.ca/enermine/store/cat_tc).

Cores from all wells drilled in the Saskatchewan portion of the Western Canadian Sedimentary Basin are stored at the SEM Subsurface Geological Laboratory located at:

201 Dewdney Ave. East  
Regina, SK S4N 4G3  
(306) 787-2621 (phone)

Copies of well logs, well data summaries and other geological data are also available from several data vendors in Calgary.

If what you are looking for cannot be found from one of the above sources, contact Bruce Lotts at (306) 777-9570.

*Signed...The Friendly Geologist*

Please send any questions you'd like The Friendly Geologist to answer in care of [hsaunders@TransGas.sk.ca](mailto:hsaunders@TransGas.sk.ca) or call (306) 777-9916.

## Community relations at TransGas

In the last 6 months, TransGas has hosted open houses at four of our facilities in the Regina/Saskatoon district. The purpose of the open houses is three fold: first, to raise awareness of our facilities for First responders should they be requested to respond to an emergency at one of our sites; secondly, for public awareness of our facilities and the importance of safety while working in the vicinity of our pipelines and facilities, and thirdly, to share with those outside our company the nature of our business and the services we provide.

Guests for these open houses included Emergency First Responders (ambulance, police, fire, EMO etc.), rural municipal government, local landowners & residents and local vendors of goods & services. Open house features included a presentation on TransGas as a company, the site as a part of the transmission system and an introduction to local staff. After the presentation, guests were given a tour of the facility, including explanations on identifying pipelines and right of ways, aerial markers and danger signs that they may come across in road allowances and fields.

Our thanks to the staff that helped make these open houses a success. Look for open houses in your area in the year to come.

## 2000 TransGas System Capacity Available

Service	Location	Firm Status And Interruptible
A. Compression	Coleville	Yes
B. Gathering	Coleville	Yes
C. Receipt Transmission	Hatton-Success Bayhurst Area	Yes
	Loomis-Cypress Area	Yes
	Estevan-Steelman Area	Yes
	Coleville-Unity Area	Yes
	John Lake, Beacon Hill Areas	Yes
	TCPL Interconnects (Unity, Cold Lake, Empress)	Yes
D. Delivery Transmission(Export)	TCPL (Bayhurst, Success & Herbert)	Yes
	TCPL (Welwyn & Regina)	Yes
	Foothills (Piapot)	Yes
	Williston Basin (North Portal)	Yes
E. Delivery Transmission (Intra)	Various Saskatchewan Delivery Points	Yes
F. Storage (Volume and Deliverability)		Queue
	- Firm - Summer Use	Yes

The [TransGas Quarterly Report](#) is published quarterly to provide customers with up-to-date information on the transportation and storage services offered by TransGas Limited.

If you have any comments or require additional copies of our [Quarterly Report](#), please contact:

Jim Perfect                                      1500 - 1945 Hamilton Street  
Phone: (306) 777-9436                                      Regina, SK S4P 2C7  
Fax: (306) 525-3422  
E-Mail: [jperfect@saskenergy.sk.ca](mailto:jperfect@saskenergy.sk.ca)

## TransGas transport and storage update

Total transportation for 1999 was 319 PJ (308 Bcf), a 2% drop from the 1998 delivered volume of 325 PJ (314 Bcf). Export delivery volumes dropped by 4% to 137 PJ (132 Bcf), while Saskatchewan deliveries were unchanged at 183 PJ (177 Bcf). Saskatchewan field receipts reached 222 PJ (216 Bcf) and were up 7% from 1998, while Alberta receipt volumes reduced 36% in the last year.

The 1999/2000 winter peak day was on December 19. Deliveries on that date were 1.3 PJ (1.2 Bcf), 83% of the all-time system peak that occurred on February 6, 1994. The Saskatchewan load deliveries on December 19, 1999 were 0.9 PJ (0.9 Bcf), 92% of the all-time Saskatchewan load peak on February 1, 1996.

As of February 10, 12 PJ (11 Bcf) of storage production has occurred since November 1, or 55% of design storage production for winter period. The significantly lower than design storage production is due to the combination of a mild November and December, and a minimal winter to summer 2000 gas price differential that has existed for the majority of winter to date.

No significant system outages (planned or unplanned) have occurred during the past winter, and planning for the 2000 outage schedule is in progress. TransGas will continue to communicate plans of any outage impacting a customer's service at least 7 days prior to outage, and will make every effort to minimize the impact.

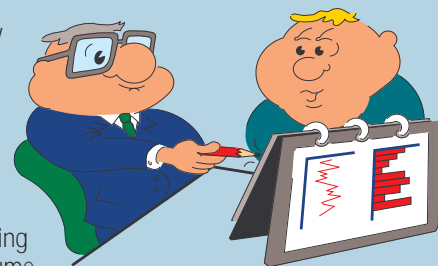
## Storage renewal update

TransGas's firm S-90 storage service was fully contracted for the contract year ending May 1, 2000. These Firm Storage contracts "evergreen" automatically for another 12 month term unless the customers decontract by serving notice prior to the renewal deadline.

The renewal deadline of February 1, 2000 for TransGas storage contracts resulted in 24 storage customers renewing their firm S-90 storage service to approximately the same level as last year (32 PJ of volume and 530 TJ/day deliverability).

A small amount of volume (0.2 PJ) and deliverability (1.2 TJ/day) was not renewed.

TransGas is currently determining the amount of volume and deliverability it will have available to offer to the storage queue waiting for service. The queue consists of a number of customer requests totaling approximately 7.7 PJ of volume and 39 TJ/d of deliverability.



Bookmark "The Saskatchewan Connection" on your internet!

[www.transgas.sk.ca](http://www.transgas.sk.ca)

— **TransGas** —

