TransGas
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## DID YOU KNOW ?

SaskEnergy is conducting two microturbine pilot projects. One will be conserving Flaregas near Carlyle, the other will be generating supplemental heat at the Regina General Hospital. By the end of the summer there should be 60 kW at Flatland's Oil Battery and 120 kW at the hospital. The projects are being done in partnership with the host sites and SaskPower. We are also investigating using Microturbines to supplement or replace line heaters at regulator stations.

# TransGas Connecting New Gas Plant in Southeast Saskatchewan

In a typical year, TransGas constructs 10 to 15 new customer receipt point tie-ins. Anyone doing this kind of work knows that each tie-in is unique in some way. More often, tie-in projects are in response to a gas producer's development on the western side of the province, since historically that has been the more prolific area for gas development. But a new project in the eastern side of the province is a nice change! BP Canada Energy's Glen Ewen project is a new gas plant development to collect and process associated gas. The plant will be located about 1.7 km west of Glen Ewen (about 60 km east of Estevan - not too far from the U.S. border). The associated gas being processed at this plant is produced in conjunction with oil operations in the area and is both sour (contains H2S) and rich (contains hydrocarbon liquids). In order to transform this associated gas to a condition that is acceptable for receipt onto the TransGas system, BP is installing facilities to sweeten the gas (remove the H2S) and to remove the hydrocarbon liquids. With the addition of this new facility in southwest Saskatchewan, the natural gas processing capacity in the area will be increased, resulting in more of the associated gas being collected and sold as opposed to being flared. And that's good for everyone!

Hydro Vac of Crossing

According to BP Canada's Dave English, project manager for the Glen Ewen tie-in, "BP Canada is proud to undertake projects that are both economical and good for the enviroment, we all benefit from the enviromental impact of reducing flared gas.

Digging Trench

TransGas' involvement in this project is a 17.9 km pipeline to connect BP's plant to


Lowering pipe into trench

our system line in the area and a meter station configured with H2S sensing and shut-in equipment. Pipeline routing and mainline tap location were designed to avoid environmentally sensitive areas, such as lands in the vicinity of the Alameda Reservoir. As a result, much of the pipeline was installed in cultivated land with minimal amount of surface disturbance.

TransGas received customer commitment to proceed with this project on March 25 and should have the TransGas facilities completed during the week of 2002 June 16. TransGas has been working closely with BP to ensure that the in-service timing for the TransGas portion of the project does not delay their start-up plans. A local Saskatchewan contractor was awarded the tender for this project and is engaged in completing construction and is on schedule.

We are excited to be involved in a project that has so many positives - adding value for our customers, reducing flared gas, investment in Saskatchewan, and increased flows on the TransGas system. It doesn't get much better than that!

## TransGas Web Nominations is Ready!

TransGas is happy to announce that July 2nd, 2002, you will have the ability to enter nominations electronically using our latest web offering, Web Nominations! Web Nominations gives you the flexibility to enter and view TransGas nominations any time, anywhere. The Web Nominations application can be found under the Customer Activities area of the TransGas website (www.TransGas.com).

The TransGas Web Nomination application provides you with many advantages over the current method of sending nomination information by fax. This is what the web noms page will look like on the TransGas web site.

Some of the fast facts and advantages of TransGas Web Nominations include:

- An overall summary of TEP and Storage activity is provided in order to help you remain within TransGas Shipper tolerance limits.
- With Web Nominations it is easy to navigate between the various Classes of Service you currently hold resulting in efficient Nomination entry.
- Nominations are entered at the meter level and then can be easily viewed at the contract level of detail.
- Storage Nomination details pertaining to potential injection or withdrawal overrun quantities are available at the time you are placing Storage Nominations.
- Transportation Nominations can be entered for up to six months into the future.
- Storage Nominations can be entered for up to two months into the future.
- For your convenience, you can use TransGas Quick Apps to link directly to other Customer Activities applications such as Shipper Imbalance.
- If you choose to continue faxing your Nominations to TransGas while Web Nominations is phased in, Web Nominations can be still be used to ensure Nomination information has been received and processed by TransGas.

And, to add to our continuing effort to work to serve you better, TEP and Storage transfers will be available within the Nomination application this fall!

TransGas is hosting a FREE workshop that will outline Web Nominations and other e-business applications and policy changes. There will be a workshop in Saskatoon on the 20th of June, and a workshop in Calgary on June 27th. Please call Kathy Milgaard at (306) 777-9994 or e:mail Kathy at kmilgaard@transgas.com, if you are interested in attending either workshop.

If you are interested in obtaining access to the Web Nominations application, please complete and return a TransGas Electronic Access Application form to TransGas. The TransGas Electronic Access Application form can be found under the Administration Area of TransGas Customer Activities on the Web site. Please call Darlene Exner at (306) 777-9805 for more information on TransGas Web Nominations.

# Phil's the Man

Last issue we said a fond farewell to the former Executive Director of Customer Services, Dennis Orb. This issue, we want to officially introduce you to the NEW Executive Director, Phil Sandham. Phil isn't new to TransGas - or to the natural gas industry either!

Phil has worked for TransGas for the past 16 years and has over twenty years in the business. He has worked in engineering and project management including leadership roles in major transmission pipelines and customer tie-ins, compression, gas storage development, plant facilities and metering stations. He's been involved with the development of nine natural gas storage caverns in Saskatchewan and has lots of experience in facility studies, design, construction, project management, commissioning and operation.

In his capacity as Executive Director Customer Services, Phil is committed to ensuring the needs of customers are met and exceeded! Phil's areas of responsibility include: Customer Services, Transport Reporting, Electronic Business Systems, Contracts, and Transport Management and Invoicing. In addition, some of Dennis' duties, in particular the responsibility for dealing with customers on new facilities requests have been assigned to Randy Greggains, Manager Customer Facilities Requests (306) 777-9489.

So, while all of us were sad to see Dennis go, we're happy to have a very familiar and capable person taking over the helm! Welcome Phil! By the way, Phil is always happy to speak with customers or potential customers, so if you have any questions for him, give him a call at (306) 777-9603.


Unity Compressor Sation Sign, designed by employee Andrew Ruder, recognized in the provincial Communities in Bloom competition.



## TransGas Unity District Employees are Great Corporate Citizens

Staff in the TransGas Unity District have always been strong community partners, and have been involved in almost every type of volunteer and/or sponsorship possible in their area! They've done everything from volunteering their time to help clean up cemeteries, assist with skating and curling programs, SaskEnergy/TransGas Share the Warmth projects, to sponsoring and working at community Rodeos! Another initiative that Unity staff take pride in is their role with the Saskatchewan Parks and Recreation Association's Provincial competition of "Communities in Bloom". Launched in 1995, Communities in Bloom is an exciting program of environmental awareness and municipal beautification. It is an initiative designed to involve whole communities in the challenge of improving the visual appeal of Canada's cities, towns and villages, and to compete for provincial and national awards. In 2001, our own Unity Compressor Station was recognized for the best-looking business for Communities in Bloom! See? There's WAY MORE that happens in the TransGas Unity District area than natural gas transmission. But we do that well too! The General Manager of the Unity District, Terry Smith, has been with our organization for 28 years. Terry started his career with SaskPower in Hatton in 1974 as a Mechanic In-Charge and became Foreman in the Hatton District and then Operations Supervisor. In 1998 Terry became General Manager in Unity District. Assisting Terry with the Unity operation is Rick Lewis, Operations Supervisor. Together Terry and Rick work closely with the 22 District staff to provide exceptional operation and maintenance of the transmission, gathering, compression, treatment and storage facilities within the Unity District.

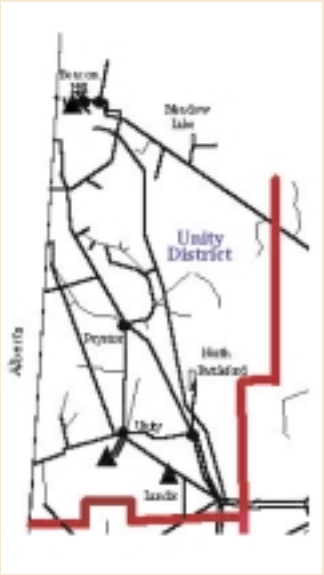
# Unity District Operations Activities

In a continuing effort towards ensuring a safe and reliable system, the Unity District is involved in an In-Line Inspection (ILI) program. The ILI involves sending an electronic tool from one end of a pipeline to the other using the gas pressure to move it at controlled speeds. The ILI tool detects, locates and sizes areas of metal loss (due to corrosion, etc.) along the entire length of the pipeline using principles of magnetic field technology. Metal loss information is stored in a computer onboard the tool. Once the tool is retrieved from the pipeline, the data storage tapes are sent away for a detailed analysis, where any metal loss features will be summarized in a report. This process is referred to as "pigging". There will be 320 kilometers of 12" pipeline pigged from Beacon Hill to Prince Albert, which will be the longest pigging job that has taken place within TransGas to date. Further, installation of In-line Blockvalves on our 16" line from the Alberta border to the Biggar Blockvalve will be completed to assist with future pigging and In-Line Inspections.

In-Line Inspection tool resting on support tray a few hours before being launched into a pipeline.



To facilitate the removal of Cushion Gas from Mannville and Pierceland Gas Fields, a new compressor and dehydrator was installed in the Mannville field. The existing compressor and dehydrator were removed from its foundation and loaded on a sixty-four wheeled trailer to begin its journey to its new home in the Pierceland field. This process proved to be a great challenge, largely in part due to the weight of the load while crossing bridges. Portable bridges were used over several existing bridges to support the load of the compressor package. In order to meet the flow requirements at the reduced field pressures in the Mannville Field and allow final blowdown of both fields, a screw-type compressor package was purchased and installed. This is a first for TransGas!




# Upcoming Service and Policy Enhancements

TransGas will be introducing a number of further service and policy enhancements beginning in November of 2002. These changes will improve the quality and fairness of the services provided by TransGas, and will follow up on the recent improvements TransGas introduced as part of Connection to Value (C2V). These most recent changes have become known as C2V2.

There are eight changes that will be introduced between November 01, 2002 and May 01, 2003, with some transitional aspects extending until May 01, 2004. These changes are:

(1) Commercial movement of storage to the TransGas Energy Pool (TEP).
(2) Adjustments to the toll design and renewal notice for standard storage service.
(3) Price differentiation of short-term transportation.
(4) Establishment of a toll premium for, and some quantity limit on, the transfers of intra Saskatchewan transportation service to export transportation service.
(5) Enhanced shipper accountability provisions associated with transmission system expansions.
(6) Revisions to the queuing process for requests of less than five years.
(7) Relaxation of requirements to obtain renewal rights.
(8) Clarification of minimum term requirements for different types of transportation contracts.

Beginning in the fall of 2001, TransGas has been working with its customers, through the Customer Dialogue Process and a number of one-on-one discussions, to formulate these enhancements. Time was dedicated to C2V2 at four of the regular Customer Dialogue meetings, and there were five special Customer Dialogue meetings dealing specifically with C2V2. TransGas now has a package of changes it will be discussing with its Board of Directors in late June 2002. TransGas will be seeking approval of the rate aspects of these changes from the Crown Investments Corporation (CIC) and the Provincial Government later this fall. A key part of the implementation of these C2V2 changes will be customer communication in ensuring a smooth transition.

## Movement of Storage to TEP

The commercial movement of storage to TEP on May 01, 2003 is the most significant of the C2V2 changes. It will touch virtually every TransGas customer. This change is being made for the following reasons:

- Better reflects the physical characteristics of the system;
- Provides shipper flexibility and facilitates a more liquid marketplace;
- Provides an ability to structure gas deals more creatively and creates synergies between storage and transport;
- Facilitates daily balancing on the system, and is similar to the Alberta hub model; and
- Reduces TransGas revenue uncertainty.

In moving storage to TEP, there will no longer be the transportation service and rate to move gas from the field receipt points to storage (R17 and R18), nor the transportation services and rates to move gas from storage to TEP (R13). This will necessitate a realignment of transportation costs on the system. In so doing, TransGas will attempt to balance cost responsibility with customer acceptability. TransGas will be proposing a 20 percent increase to storage rates and a 14 percent increase to the remaining transportation rates. As a result of these changes, some customers will see net cost increases, while some will see net cost reductions. TransGas will receive no additional revenues. The customers who will see the net cost reductions will tend to be the high users of transportation service from storage to TEP who have, in the past, been paying a disproportionate share of system costs. In addition, gas that is in storage at the end of April 30, 2003 will see a 11.2¢ transportation charge applied as the gas is moved to TEP along with storage. To mitigate the negative impacts that these changes will have on some customers, the rate changes will be phased in over 2003 and 2004.

## Storage Service Adjustments

TransGas will be introducing two changes designed to allow it to meet the storage needs of two separate market segments: long-term, cost-based storage customers; and shorter-term, value-based storage customers. Firstly, on May 01, 2003, TransGas intends to introduce a cycling component to the storage charge to reflect the value which some customers obtain by multi-cycling their storage inventories. There will be corresponding reductions to the existing volume and deliverability components of the storage charge. Secondly, the renewal notice for standard, cost-based storage service will be increased to 17 months. This change will not affect customers until December 01, 2003.

## Short Term Transportation

On January 01, 2003, TransGas intends to introduce a 10 percent premium fee on those export and receipt transportation customers who take advantage of the additional flexibility of holding short-term, less than one-year term, transportation services.

## Transfers of Intra to Export

Similar to the 10 percent premium for short-term transportation, on January 01, 2003, TransGas intends to introduce a 10 percent premium fee on those intra-Saskatchewan delivery customers who take advantage of the flexibility to transfer their contract obligations to the export markets and avoid unutilized demand charges.

In addition, on November 01, 2002, TransGas will introduce a cap on the volume that a low load factor (less than 50 percent) intra-Saskatchewan delivery customer can transfer to the export market. The cap will be based on historic usage, and will provide customers flexibility without potentially distorting the Saskatchewan marketplace.

## System Construction Accountability

Under certain circumstances, the concept of customer-specific facilities, which would attract TransGas investment but which may require a longer initial contract term or a customer contribution, will be expanded to include facilities that may serve a broader group of existing customers. This change to the TransGas investment policy, effective November 01, 2002, is intended to ensure a higher level of shipper accountability with respect to the construction of new facilities.

## System Access (Queue Policy)

In order to ensure fair and consistent access to the TransGas system, some modifications will be made to the queue policy for requests of less than five years. After November 01, 2002, capacity requests of less than five years will be allocated based on the Net Present Value of benefit to the system. Requests of five years or greater will continue to be based on a first-come-first-served basis.

## Renewal Rights

TransGas will grant renewal or evergreening rights to all contracts with a one-year or greater term whenever TransGas has the go forward capacity to do so. Contracts of less than a one-year term will have no automatic renewal rights. This change will be effective November 01, 2002.

## Minimum Term

Effective November 01, 2002, the TransGas Tariff will be modified to reflect a one-month minimum contract term for the non-seasonal receipt and export transport services. All intra-Saskatchewan delivery transport services, which tend to have a seasonal character, will have a one-year minimum contract term.

Over the next several weeks, TransGas will be finalizing the details of the complete package of C2V2 changes, including drafting the necessary changes to the TransGas Comprehensive Tariff. We will continue to work with Customer Dialogue through the summer to ensure the details continue to meet our customer expectations. In the latter part of the summer and early fall, TransGas will seek the approval of its Board of Directors, CIC and, ultimately, the Provincial Government for the rate change components of the package. At the same time, TransGas will begin the necessary system changes, primarily to accommodate the movement of storage to TEP, to facilitate a smooth transition to the new business model.

Customer communication will be key, as always, to ensure a smooth transition. TransGas will have a number of customer mail-outs to ensure affected customers are aware of the changes before they occur. As well, TransGas will be working with its customers at workshops to ensure the right people understand the changes. In June, TransGas will give an overview of the C2V2 changes at workshops in Calgary and in Saskatoon. TransGas is planning workshops for later this fall at which the November 01, 2002 and January 01, 2003 changes will be discussed. Finally, TransGas is planning workshops for early 2003 at which the May 01, 2003 changes will be further discussed.

Your Key Account Manager is available to discuss the specific implications of these changes on you. Please contact Debbie Brown at (306) 777-9687, or Chris Uhren at (306) 777-9501 if you have any comments or questions relating to these upcoming service and policy enhancements.



**DID YOU KNOW?**

In 2001, TransGas and our parent company had over 4,000 volunteer hours in our communities. Close to 46% of our employees perform volunteer work!

# TransGas' High Tech Enviroment

Years ago, people in the natural gas industry did not dispose of wastes in what would be considered today as an "environmentally friendly" manner. That's why TransGas has been working to investigate, assess and remediate these sites. Although we use several methods of accomplishing this goal, some of them are listed for your information:

Investigation
- Electromagnetic surveys tied to Global Positioning Systems for non-intrusive site evaluations
- Real-time plume delineation using a membrane interface probe connected to a gas chromatograph photo ionization detector

Assessment & Modeling
- Computer simulated contaminant transport and fate analyses
- Quantitative risk assessment using probabilistic analyses of pollutant toxicity, transport mechanisms and target receptors
- Physical scaled modeling simulation of contaminant transport and recovery

Treatment & Remediation
- Dual Phase Vacuum Extraction and Pneumatic Fracing
- Enhanced in-situ remediation using a pressurized system that injects an atomized nutrient to promote microbial degradation of contaminants

Since 1997, TransGas has partnered with the University of Regina, Faculty of Engineering to enhance our remediation efforts and promote technological advancement. To this end, continued research has resulted in the award of two Ph.D.'s, with four other Ph.D. candidates currently furthering their research efforts based on TransGas sites.

For additional information, please feel free to contact TransGas' Environmental Affairs Department at (306) 777-9136.

# Contract Renewals

Unlike other major transmission pipeline companies that require up to one year notice of transportation contract renewals, TransGas has a ninety day renewal policy. For standard firm (evergreening) transportation agreements, TransGas requires written notice 90 days prior to the anniversary date, of the customer's intent to terminate or amend the agreement.

As a customer service, TransGas generally sends out reminder letters prior to this deadline. Most

of our agreements have an anniversary date of November 1, resulting in the notice from the customer being required by end of business on 2002 August 2. TransGas will be issuing these reminder letters to shippers in late June/early July. As well, for contracts with an anniversary date other than November 1, TransGas will issue a reminder letter to the shipper in advance of the renewal deadline date for that contract. Please call your Key Account Manager with any questions regarding contract renewal, termination or amendment.

Dual Phase Vacuum Extraction with Nutrient Injector

# TransGas 2002 system capacity available

| Service | Location | Firm Status And Interruptible |
|---|---|---|
| A. Compression | Coleville | Yes |
| B. Gathering | Coleville | Yes |
| C. Receipt Transmission | Hatton-Success | Yes |
| | Bayhurst Area | Yes |
| | Loomis-Cypress Area | See Note 1 |
| | Estevan-Steelman Area | See Note 1 |
| | Coleville - Unity Area | Yes |
| | John Lake, Beacon Hill Areas | Yes |
| | TCPL Interconnects(Unity, Cold Lake, Empress) | See Note 1 |
| D. Delivery Transmission (Export) | TCPL (Bayhurst and Success) | Yes |
| | Foothills (Piapot) | Yes |
| | Williston Basin (North Portal) | See Note 1 |
| E. Delivery Transmission (Intra) | Various Saskatchewan Delivery Points | See Note 2 |
| F. Storage (Volume and Deliverability) | | |
| - Firm | | No |
| - Summer Use | | No |

Notes:
1. Only interruptible available.
2. Some constrained delivery laterals exist that are currently fully contracted.



# TransGas Transport & Storage Update

The total energy transported in 2002 to May 31 of 152 PJ is 9% greater than 2001 for the same 5-month period. Since mid-May, near maximized daily storage injection has occurred, as a result of significantly reduced gas prices, and reduced Saskatchewan load deliveries. On May 26, a total storage injection of 337 TJ/d was achieved, the highest since 1996, and the second highest in TransGas history. The recent high storage injection was supported by maximized nominations at the 3 TCPL (Alberta) interconnects of up to 350 TJ/d. At June 1, approximately 20 PJ of injection remains to fill all storage customers to contracted storage inventory levels.

As of June 1, approximately 50% of the currently scheduled outages for 2002 totaling near 100 have been completed. Two major transmission line outages were completed as planned in May, one on the Moose Jaw 12-inch, and the other on the Saskatoon 14-inch, both with no customer impact. Also, a 7-week Hatton compressor station outage for major unit maintenance has been completed, removing the 6 TJ/d receipt restriction. TransGas will continue to communicate plans of any outages impacting a customer's service at least 7 days prior to the outage, and will make every effort to minimize the impact.