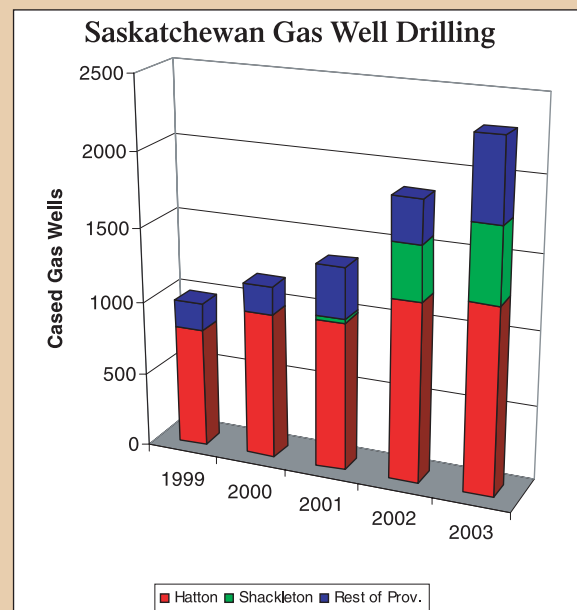


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Another Record Breaking Year!



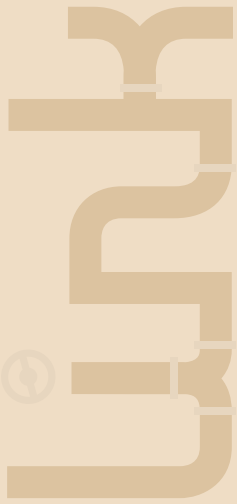
Natural gas producers have shattered another yearly gas well drilling record in Saskatchewan. The previous all-time record number of gas wells was 1,864 gas wells cased during 2002. During 2003, there have been 2,294 gas wells cased in the province - 23% more than last year's record total. And so far, it appears this trend isn't slowing down!

It is interesting to look at the breakdown of the drilling statistics by area over the last few years. During 1999 and 2000, over 80% of the drilling activity was in the Hatton area. 2001 saw an increased focus on exploration in Saskatchewan and more drilling in other areas - with about 25% of the wells were drilled outside of the Hatton area. In 2002, the Shackleton area's new drilling totaled almost 20% of the province's cased gas wells. And, 2002 was a record-breaking year too! But that's history now because 2003 combined additional development drilling in the Hatton area and strong drilling in the Shackleton area - AND increased drilling totals in the rest of the province!

Needless to say, TransGas is more than encouraged by these results. Continued infill drilling in the Hatton area is helping to maintain production levels

DID YOU KNOW ?

Thanks to our customers, the transition to a new gas year in November was the smoothest Transgas has ever experienced.



from this mature well-developed field, and the industry has aggressively developed the new Shackleton play area with very good results. We expect continued production increases in both of these areas.

In addition, there are positive indicators, both anecdotal and measurable, that the exploration effort is increasing in Saskatchewan. To date this year, there have been six gas wells cased in the Estevan/Weyburn area - a region of the province generally considered to be 100% oil prone. As well, an increasing proportion of the gas well drilling is occurring in the Lloydminster and Kindersley/Kerrobert areas. TransGas has received inquiries from parties interested in developing gas in non-traditional areas of the province, including the eastern side of the province in the Kamsack, Tisdale, Preeceville areas as well as the south central area (Bengough, Willow Bunch areas). So, Saskatchewan truly is the place to be!

We look forward to 2004 being another busy year both in tying in new gas reserves to our system and expecting increased total Saskatchewan gas receipts onto our system. Saskatchewan's Crown Mineral rights sales in 2003 were dominated by gas prone lands, with industry paying over \$100 million to the Province for these lands. With this level of investment in mineral rights, there will certainly be more activity in Saskatchewan in 2004! We expect it to lead to the expansion of some existing developed areas and to the development of some new reserves areas in the province. Stay tuned for more good news!

TransGas SCADA Upgrade Project

TransGas is in the final steps of implementing a state-of-the-art SCADA (Supervisory Control and Data Acquisition) application that will not only monitor our pipeline and storage network, but also provide measurement and other operational information through an integrated, enterprise-wide application utilizing web technology wherever possible! The system is expected to be fully operational in January 2004.

In 2000, TransGas completed a formal assessment of our corporate requirements for SCADA and recommended a direction for future improvements. TransGas initiated the study to address an aging SCADA system that had no more vendor support and at the same time, meet anticipated new operational requirements. Based on the results of the assessment, TransGas initiated a SCADA Upgrade Project and issued a request for vendor proposals (RFP) to seven potential vendors December 2001. On June 30, 2002, Telvent Canada Ltd. of Calgary, Alberta, signed an agreement to provide TransGas a SCADA host, extensive data acquisition capabilities, a measurement validation system, and two compressor station human machine interfaces (HMI). The long-term goal of this project is to ensure that a reliable SCADA system is maintained for TransGas, and to provide tools needed by corporate users to enhance our competitive position.



Left to Right: Morley Ignatiuk, Karl Koschorke, Gary Tolhurst, Scott Gray, and Donna Herchuk

Continued on Page 4...

Above and Beyond



In our LINK, we like to profile TransGas employees and initiatives that they have undertaken that improve our community, assist people in some way, or just because of their outstanding service to our company. But this issue is different. Although we have a lot of great customers, one of them has gone above and beyond what is expected. Paul Storey from Cavell Energy, is an amazing man.

Paul's niece, Loni Wells, was only a baby when she was diagnosed with a rare chronic illness called Focal Membrano Proliferative Glomerionephritis (MPGN) - a unique autoimmune disorder that many doctors are still unfamiliar with. Now 20, Loni has undergone many treatments, surgeries, and of course complications throughout her illness. Although always plagued with her illness, Loni still managed to excel in karate, chess, track and field, and school. She also got to experience her wish and act in a movie through the Make a Wish Foundation. The non-profit organization helps fulfill the special wishes of children between three and seventeen who have been diagnosed with a life-threatening illness. In 2002, Loni was able to be an extra on the movie 'The Devil and Daniel Webster' and was thrilled.

Unfortunately, as Loni grew older, her conditioned worsened. Her kidneys completely failed in February of 2000, which forced her to undergo 8 1/2 hours of a type of kidney dialysis to cleanse her blood every night. Then her peritoneal membrane failed, so this type of dialysis was no longer going to help her. Up until recently, Loni has had to undergo a very intensive haemodialysis for three 4 1/2 hour treatments at the hospital every week. The only thing that could improve Loni's health and help her to make a full recovery was a kidney transplant.

Here is where Uncle Paul's part of the story begins. Although Loni has several cousins and other relatives, they are all too young to be able to donate a kidney to Loni, or their blood type didn't match. Fortunately, Paul was the right match! On January 27th, Paul donated his kidney to Loni at the University of Alberta Hospital in Edmonton. We all hope and pray for a speedy recovery and for Loni to live a healthy, normal life from now on.

In celebration of the transplant, a special "Wishes Do Come True" party was held last November and over \$50,000 was raised for the Make a Wish Foundation. It's clear this is a family that just keeps on giving.



The Telvent OASyS DNA System

The Telvent OASyS DNA product is considered to be one of the most advanced SCADA solutions available on the market for pipeline operations and one that is expected to meet our needs for the next eight to ten years. TransGas is proud to be the first pipeline utilizing this application. The new modular and open architecture will provide TransGas opportunities for efficiency gains and creates the environment where employees can access operating information anywhere in the province. In addition, technical groups will have the flexibility to easily change applications and perform better data analysis.

SCADA being a “Corporate Resource”



SCADA has traditionally been an application for Gas Control to monitor and remotely control the pipeline operation. However, TransGas is looking to this SCADA application to be much more of a corporate application or resource. It now provides the ability to handle all data acquisition needs which are currently handled by separate hosting systems, including measurement and Gas Control. Information will flow through one system, and be made available through web technologies to corporate users. With this information availability, further cost efficiencies

are expected through reduced travel and manual processes and improved decision making by having timely operation and maintenance information available to decision makers across the company. SCADA system capacity will also meet with corporate initiatives over the next ten years, including the monitoring of SaskEnergy town border stations, increased central data collection from compressor stations, and future growth. New alarm handling techniques will be available to facilitate the increased quantity of information at the same time as keeping alarm management for Gas Control at current levels. Indirect benefits will be provided through improved decision making in planning, engineering, and maintenance functions plus improved customer service and marketing through the use of real-time information. The system not only incorporates the ability for acquiring real-time measurement and gas quality information, but also the ability to validate the accuracy of this data. The continued objective of providing accurate and timely measurement data to our Customers through the Daily Energy area of our TransGas Website will significantly benefit our Customers and will assist daily balancing of customer accounts.

Included in the scope of the project is the implementation of two Operator Interface systems for TransGas Compressor Stations. These Operator Interface systems are fully integrated with the central SCADA Host in Regina, allowing Gas Control and Web Users to see the same information as a District Mechanic Operator at a compressor station. TransGas is completing commissioning of the first Station DNA site at the recently constructed Asquith Storage Cavern facility. Two other systems are destined for Hatton and Rosetown, and will be evaluated in 2004 on the benefits that they will provide.



DID YOU KNOW ?

There were 2,294 gas wells cased in 2003...an all-time Saskatchewan record!

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DID YOU KNOW ?

SaskEnergy/TransGas internally raised \$104,320.26 for the United Way Campaign which is 109% of our goal!

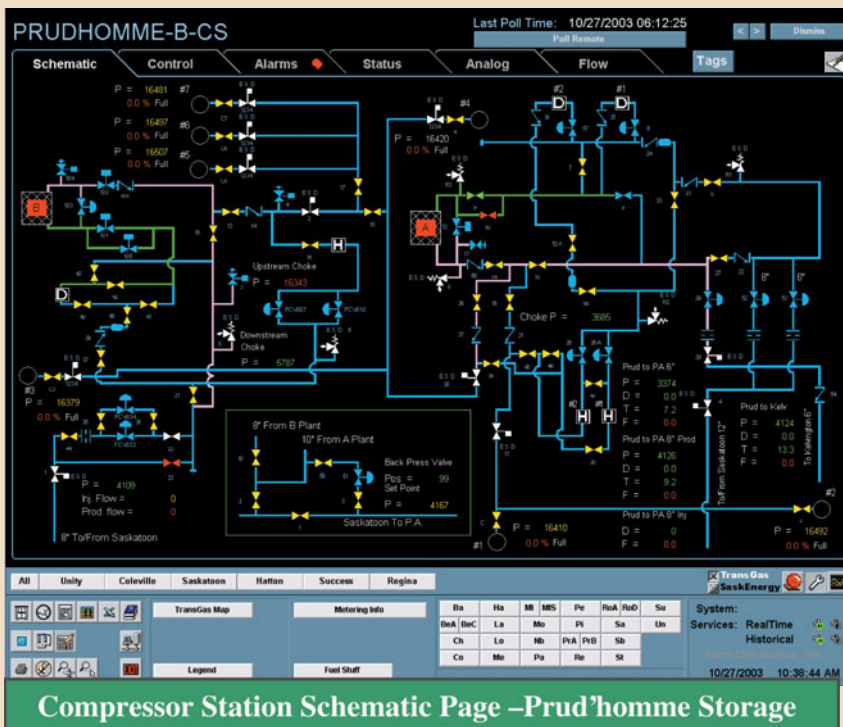
Easier to Support

To achieve a supportable architecture that will be in place over the next decade, numerous tools will be provided to ease configuration, maintenance of communications, data handling, storage, databases and graphics building. Compressor station monitoring can also be integrated with the new system, enabling remote monitoring of compressor stations from other stations and district offices, as well as Gas Control. The Telvent product will enable cost-effective integration of SCADA information to business systems, and provide data repository for all data collected from field control and measurement devices. Live information will be made available to corporate users through internal web based browser and reporting tools.

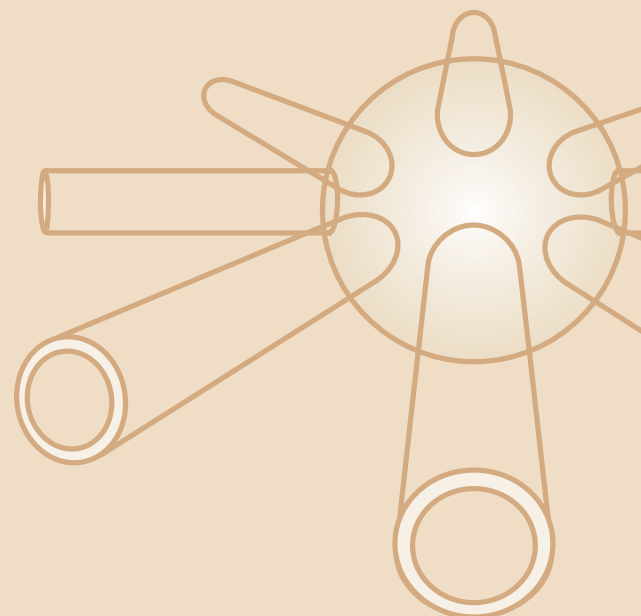
The project was jointly managed by TransGas and Telvent and they were challenged to provide such a flexible and technically advanced system in a very short time frame. This involved staff from Pipeline and Facility Automation, Measurement Acquisition, Gas Control, Information Systems and Operations. The results of all this hard work is close to realization as final site acceptance testing takes place in December and will be finished in January. Congratulations to Telvent and the TransGas project team! If further information is required on the details of this exciting project please contact Myron Dressler, Director, Pipeline and Facility Automation (777-9641).



Factory Testing at Telvent offices in Calgary



Compressor Station Schematic Page –Prud’homme Storage





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DID YOU KNOW?
 Over 3,400 volunteers participated in Grey Cup activities in Regina in November. 150 volunteers came from SaskEnergy/TransGas alone!

Saskatchewan Natural Gas Advantage Workshop a Huge Success!

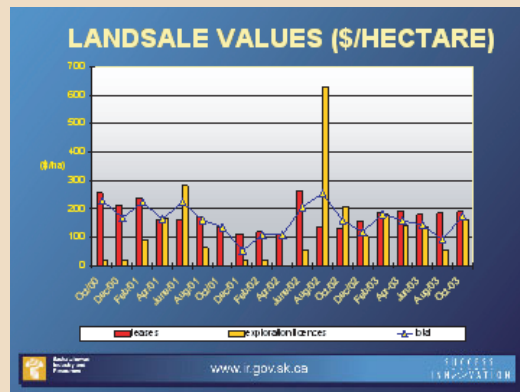
Everyone's been talking about what's happening with the natural gas industry in Saskatchewan. That's one of the reasons why we decided to host the Saskatchewan Natural Gas Workshop in November 2003. Over 150 potential customers and customers came to hear from provincial government representatives from such branches as Industry and Resources, Agriculture and Environment as well as representatives from TransGas.

TransGas' goal to provide a 'one-stop-shop' for anyone interested in the natural gas business in our province. We walked through every step of the natural gas industry including:

- Mineral Rights, Royalties, Taxes and Regulatory Changes
- Accessing Geological Information
- Land and Environmental Processes
- Transporting and Marketing Natural Gas

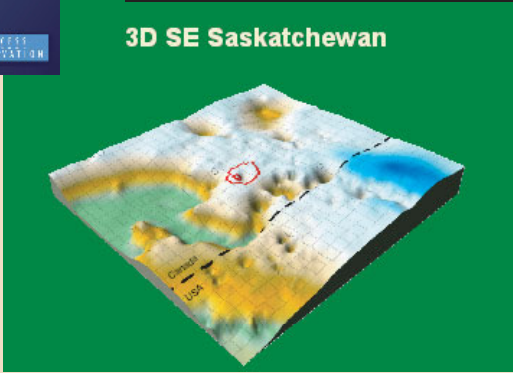
Not only did attendees hear from government branches and TransGas, but also from individuals from companies like Profico and Cavell that are currently doing business in Saskatchewan. In addition, we also provided a thorough reference manual for future use!

We have already heard from many people in Calgary that they would like this workshop to take place again in 2004. We will keep you posted!



Steps for all products

- contact the Regional Office ten (10) working days prior to expecting entry
- contact all agencies and address any reservations.
- survey plan for the project, use existing trails, roadways, seismic lines
- advise of the name and address of the parent company



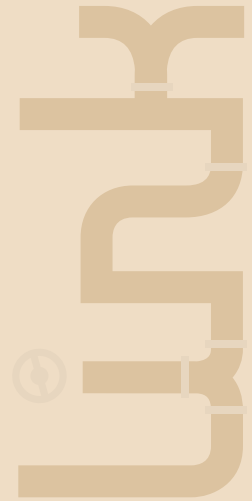
A Big Year For Saskatchewan

What a year! Year end is always a time to reflect on what's happened and what lies ahead. 2003 was a phenomenal year for TransGas and the natural gas industry in Saskatchewan. Among other accomplishments we continued to expand our transmission infrastructure to capture new gas developments and new industrial expansions, began construction on another natural gas storage project just outside Saskatoon, and provided a 4% roll back of transportation rates for our customers for the last five months of 2003. In addition, it was also another record drilling year in Saskatchewan.

Successful results like this don't come without a great deal of hard work and cooperation between customers and company representatives, and we want to thank all of you for your efforts.

TransGas is working every day to meet the needs of our customers and we are looking forward to 2004 and another successful year!

Dean Reeve and Daryl Posehn



TransGas Announces 2% Rate Reduction!

TransGas Limited (TransGas) wishes to announce a change to its rates for transportation and storage services that is effective January 01, 2004.

On August 1, 2003, TransGas temporarily reduced its transportation and storage service rates by 4 percent for the last 5 months of 2003. This temporary reduction was due to the significant increase in throughput and revenue that TransGas experienced in 2003, primarily as a result of the new natural gas reserve area around Shackleton in Southwest Saskatchewan. The reduction was expected to terminate on December 31, 2003 and service rates were to be returned to the previous levels. However, since TransGas expects to continue to experience strong throughputs and revenue for 2004, the company is lowering its transportation and storage service rates (excluding Hatton Service) by 2 percent beginning on January 01, 2004 for the entire year.

"There are several reasons for this rate reduction," said Executive Vice-President Dean Reeve, "Increased gas flows on our system caused by increased gas development, larger demands from industrial users, and the fact that TransGas works diligently to manage our costs of doing business. All of these things add up to produce this good news for TransGas customers."

TransGas also wishes to remind its customers that the previously announced, revenue neutral, rate change resulting from the commercial movement of storage to the TransGas Energy Pool (TEP) will still take place on May 01, 2004.

The reduction in rates is being applied across the board to all customers, with the exception of Hatton Service, which was established in 2001. Its toll structure includes provisions for future rate adjustments whereby its rates will escalate cumulatively at a maximum of two percent (2%) per year.

TransGas also wishes to announce that the transportation gas-in-kind requirement UFG (unaccounted-for gas and fuel gas) of 0.50 percent, assessed on receipt transportation, will continue for 2004.

If you have any questions on the Lost and UFG please contact your Key Account Manager, Debbie Brown at (306) 777-9687 or Chris Uhren at (306) 777-9501. If you have more general questions regarding the changes, Gary Johannsson, Manager, Rates and Revenue at (306) 777-9560 or Vern Gorr, Director, Policies, Rates and Regulations at (306) 777-9556.

DID YOU KNOW ?

Fifteen months after the Shackleton area first came on production, on December 25th, total gas receipts were over 119,000 GJ - or about 16% of TransGas Saskatchewan receipts!

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TransGas Transport & Storage Update

Total energy transported by TransGas and MIPL(C)L in 2003 was 354 PJ, which is 3% greater than 2002. Also, this is the second consecutive year of increasing annual transport. On December 23, 2003, TransGas achieved a new all-time maximum Saskatchewan gas production receipts transported by TransGas of 766 TJ/d, slightly exceeding the previous record of 765 TJ/d which occurred in January, 1995.

During the fourth quarter of 2003, the Shackleton Phase 2 expansion transmission facilities were placed in service, more than doubling the receipt capacity from the South Shackleton area to 164 TJ/d.

On January 4, 2004, a new all-time peak for Saskatchewan load deliveries was achieved of 1.05 PJ/d, which is 4% greater than the previous peak that occurred on January 22, 2003.

As of January 5, 2004, TransGas storage customers are 71% of full, with a remaining inventory in storage of 22 PJ. At November 1, 2003, TransGas storage customers were 99% of full. The highest net storage withdrawal nomination to occur during the 2003/2004 storage year to date was on January 5 at 510 TJ/d, 100% of contracted deliverability.

TransGas Constrained Areas and Transport Queues

This diagram summarizes the current constrained receipt and delivery transport areas on the TransGas system. Also included are the current receipt and delivery transport queues. The diagram is updated monthly on our website - www.transgas.com. For more information, please contact Randy Greggains at (306) 777-9489.

