

Ensuring a safe and Reliable System

The TransGas System Integrity group will be busy once again in 2012, ensuring a safe and reliable system. The 2012 capital integrity budget is an increase of 133% over the 2011 budget. The budget increase is due to a heightened public and regulatory focus on pipeline integrity, following a few unfortunate pipeline incidents in North America over the past two years.

All five of TransGas' Integrity Management Programs (IMP) are risk-driven and work with industry research and technical working groups to ensure that TransGas is aligned with industry best practices related to integrity programming. The 2012 work plans for each of the five IMPs is summarized below.

The Pipeline Integrity team focuses on the safety of the 14,639 km of TransGas pipelines. Pipeline Integrity's major projects include replacement or relocation of the pipeline through Moose Jaw, increased in-line inspections (ILI), digs, pipeline reclamation and two cracking prevention projects.

Moose Jaw has a growing population developing around the 12-inch, 7-km long pipeline that runs through it. Pipeline Integrity has decided that a

pipe upgrade or a re-location is required to enhance the safety of the growing population.

ILI tools have sensors that run through the pipeline and provide information on the integrity of the pipeline. The data is then analyzed, which allows for a focused inspection on the pipe to determine if a repair is needed. Currently, TransGas can only run ILI tools in pipelines that are 6-inch and above diameter that have been properly modified to allow for ILI tools to enter the pipeline. To date, TransGas has inspected 29% of total pipeline length and 57% of pipeline length over 6 inch diameter. In 2012, Pipeline Integrity is modifying enough pipelines for the next two years of baseline inspections to allow more operational flexibility by having more pipelines to choose from when dealing with operational system constraints.

Due to high precipitation levels over the last couple years, TransGas is seeing an extremely high number of washouts (pipe exposures or reduced cover protecting the pipeline). These pipe exposures can be in existing streams or rivers as well as in fields where excess water has cut into the ground and exposed the pipeline. These are

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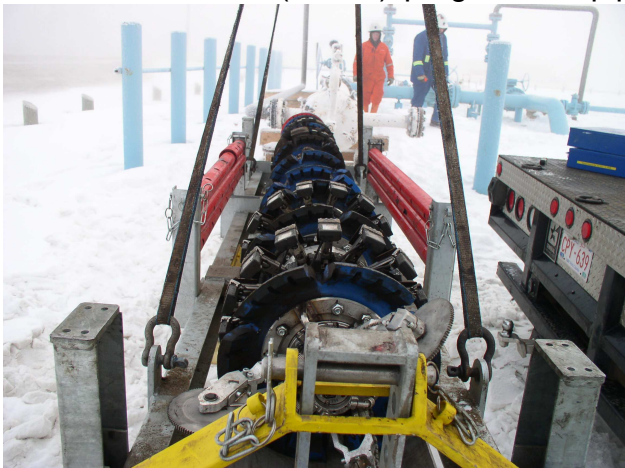
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found through annual aerial and ground surveys as well as by landowners. Last year we identified 64 possible locations, 13 of which require remediation work in 2012.

There are two major crack inspection projects planned for 2012. A crack detection ILI on the Success-Parkbeg 12-inch pipeline, and a pressure test of the first 19 km of the Unity-Biggar 16-inch pipeline are planned for 2012. Both of these projects will help mitigate cracking threats for the above pipeline sections.

Meanwhile, the Plant Integrity team is inspecting and recoating 875 m of buried piping at five compressor stations. Plant Integrity is also inspecting 44 pressure vessels at 11 locations across the province (compressor stations, storage fields, block valves / meter stations).

Cathodic Protection (CP) Integrity team members are starting an External Corrosion Direct Assessments (ECDA) program for pipe-



Getting ready to run an ILI down the Moose Jaw to Belle Plaine NPS 12 pipeline

lines that are under 6-inch diameter or pipelines that cannot be in-line inspected. ECDA will give a means to evaluate the risk and integrity of the pipelines which will allow for improved mitigation, prevention and detection programs to be developed.

Storage Integrity personnel are assessing the risks associated with having storage caverns near urban centers and will develop future plans based on these assessments. The Storage group also has work planned to ensure that the caverns that are in service remain safe and reliable to operate.

Finally, the Compression team is using 2012 to build up mobile facilities to ensure ever changing planning needs, by building a docking station at the Success compressor station and purchasing a new mobile compressor. Minor system improvement work will also take place at various locations across the province.

TransGas has a long history of providing safe and reliable natural gas transportation and storage services in the province of Saskatchewan. The above projects will help ensure that we continue to provide safe and reliable service, while still meeting the province's growing energy needs.

DID YOU KNOW . . .

That each spring, TransGas completes an assessment to determine its summer storage related offerings? This traditionally includes Seasonal and Monthly Bid-dable Injection and whenever possible, potential Open Seasons for Summer Use storage and other storage. Although details will become available both by email and on our website, you may also choose to call your Key Account Manager.

Saskatchewan Oil and Associated Gas Workshop

A **complimentary** one-day workshop is being offered in Calgary on **Wednesday, April 18, 2012** at The Metropolitan Conference Centre, 333 – 4th Avenue SW, **Calgary, AB**.

This workshop is being hosted by TransGas Limited and will be of particular interest to those people who are involved in the production of oil and associated gas in Saskatchewan.

The workshop will cover topics including the Oil Geology of Hot Plays in Saskatchewan as well as an in-depth presentation of New Techniques to Improve Recoveries in EOR projects. You will also hear speakers from the Ministries of Energy & Resources and Environment through which you will learn about Saskatchewan's new Environmental Code, Associated Gas Conservation Directive, and the Benefits of the PRIME

project which has modernized the business aspects of oil and gas production reporting.

Please **register by April 13th, 2012**. Space is limited, so please register as soon as possible! The **agenda** and **registration** is available on the web at:

<https://www.regonline.com/skoilandgas2012>

This information will be collected and managed by an independent contractor, REGONLINE. The information collected will not be shared and will only be used by TransGas Limited for the purpose of this workshop.

Please call Jim Perfect at 306.777.9436 at TransGas for further information or to register by phone.

TransGas Storage Update

As of March 31, TransGas storage customers have a total inventory in storage of 22 PJ, which is 48% of full, based on currently contracted storage of 46 PJ. The total TransGas storage net production during the 2011/12 winter, period between November 1 and March 31, was 22 PJ. The lower than normal storage withdrawal this past winter was due to the combination of very mild weather and the lowest natural gas prices in over a decade.

On May 1, 2012 the contracted TransGas storage increases by 4 PJ to 50 PJ, a record high contracted storage amount. The pending incremental contracting of storage relates to the last contracting step of the Energy to Store 2 expansion. Assuming all storage customers 100% fill their storage by the end of this summer, the 2012 summer total net injection requirement would be 29 PJ.

TransGas Customer Satisfaction Survey – 2011

On an annual basis, TransGas conducts an external survey to assess our customer satisfaction levels. TransGas received positive results in 2011 with an overall customer satisfaction level of 93.8% compared to 93.2% in 2010; and a composite score of 93.2% in each of 2011 and 2010.

Though customers are confident TransGas will ensure adequate supply for provincial growth, TransGas is considering other comments made related to customer access to the most economical source of supply as well as the

need to balance the short- and long-term benefits. TransGas continues to focus on:

- ♦ Alberta receipts management that can bridge to the long term strategy that includes the commercial solution – NIT to TEP; and
- ♦ Facilitating Saskatchewan's infrastructure related to large multi-year delivery projects some of which include power generation, and enhanced oil recovery.

Alberta Receipt Capacity Update

TransGas has four major Alberta border interconnects for receipt of supply to the Trans-Gas Energy Pool (TEP); these are Unity, Cold Lake, McNeill and Empress. All of these four interconnects have direct access to the Alberta market place. The total Alberta interconnect capacity from these four interconnects is currently over 250 TJ/d. This capacity will increase by another 100 TJ/d with the completion of the Bayhurst to TCPL Bayhurst 16-inch transmission line loop. This pipeline loop will be entirely completed by November 1, 2012, with the majority of the pipeline available for service by July 1, 2012. This will increase the Alberta interconnect capacity 60 TJ/d by July 1, and

the entire 100 TJ/d increase in capacity by November 1.

For the month of April, 2012, 99 TJ/d of NIT to TEP service has been contracted, with short term one-month firm service contracted in addition to this amount. The firm NIT to TEP service contracted more than doubles over the next year reaching 228 TJ/d by March 2013.

TransGas is projecting a high availability of interruptible NIT to TEP service for the remainder of 2012, with the availability year to date at near 100%.