

Union Gas Business Development Initiatives for Storage and Transportation Customers

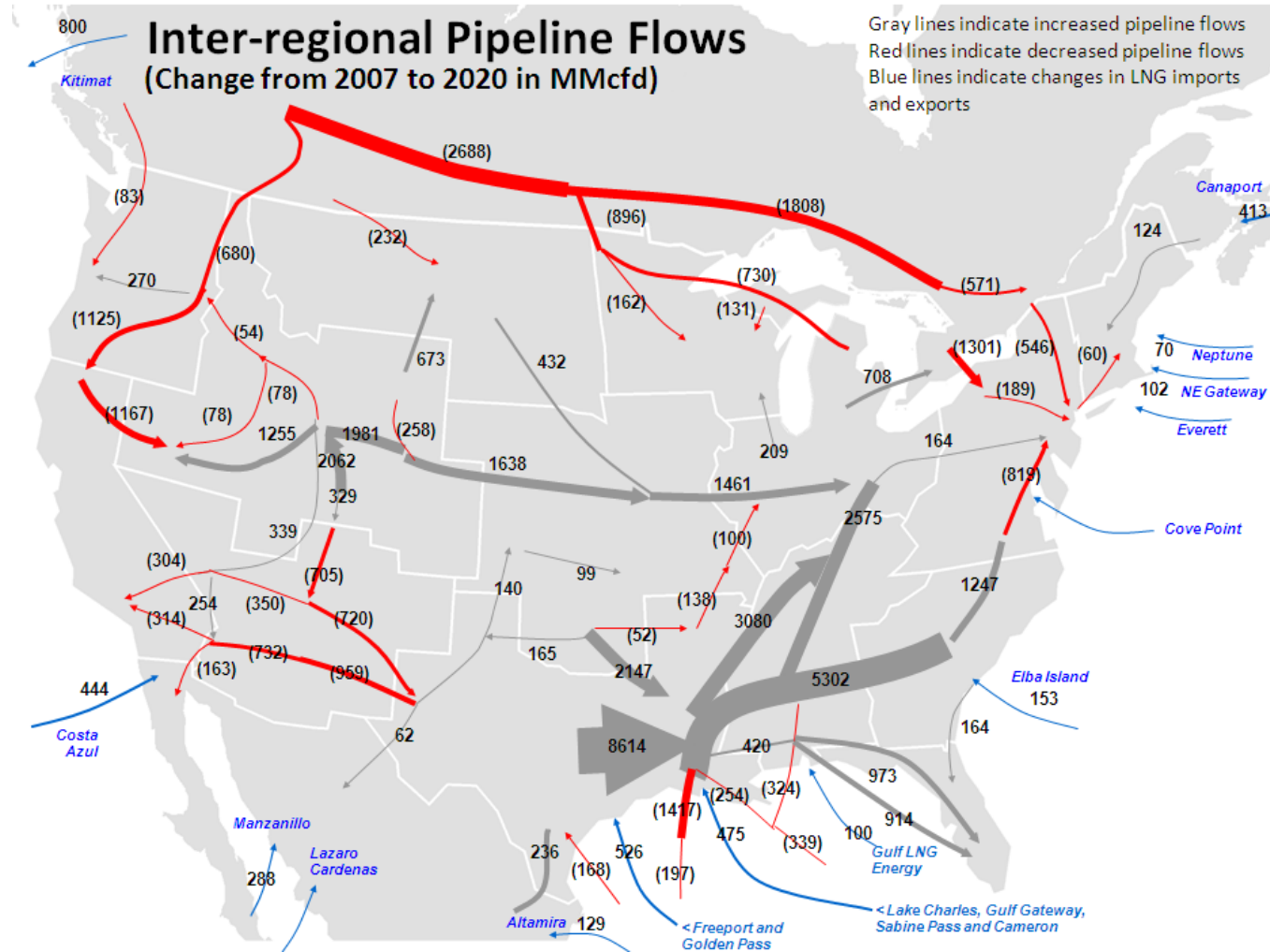
An update on trends, projects and services.

Wayne Passmore
Strategic Business Manager

- Macro Gas Supply trends that impact Great Lakes Region
- Marcellus Gas to Ontario
- Dawn to Dawn(TCPL) Update
- Dawn Gateway update
- Union Gas Transportation Open Season
- New Union Gas M12-X service – optionality
- Storage growth – Jacob Storage Pool
- Summary

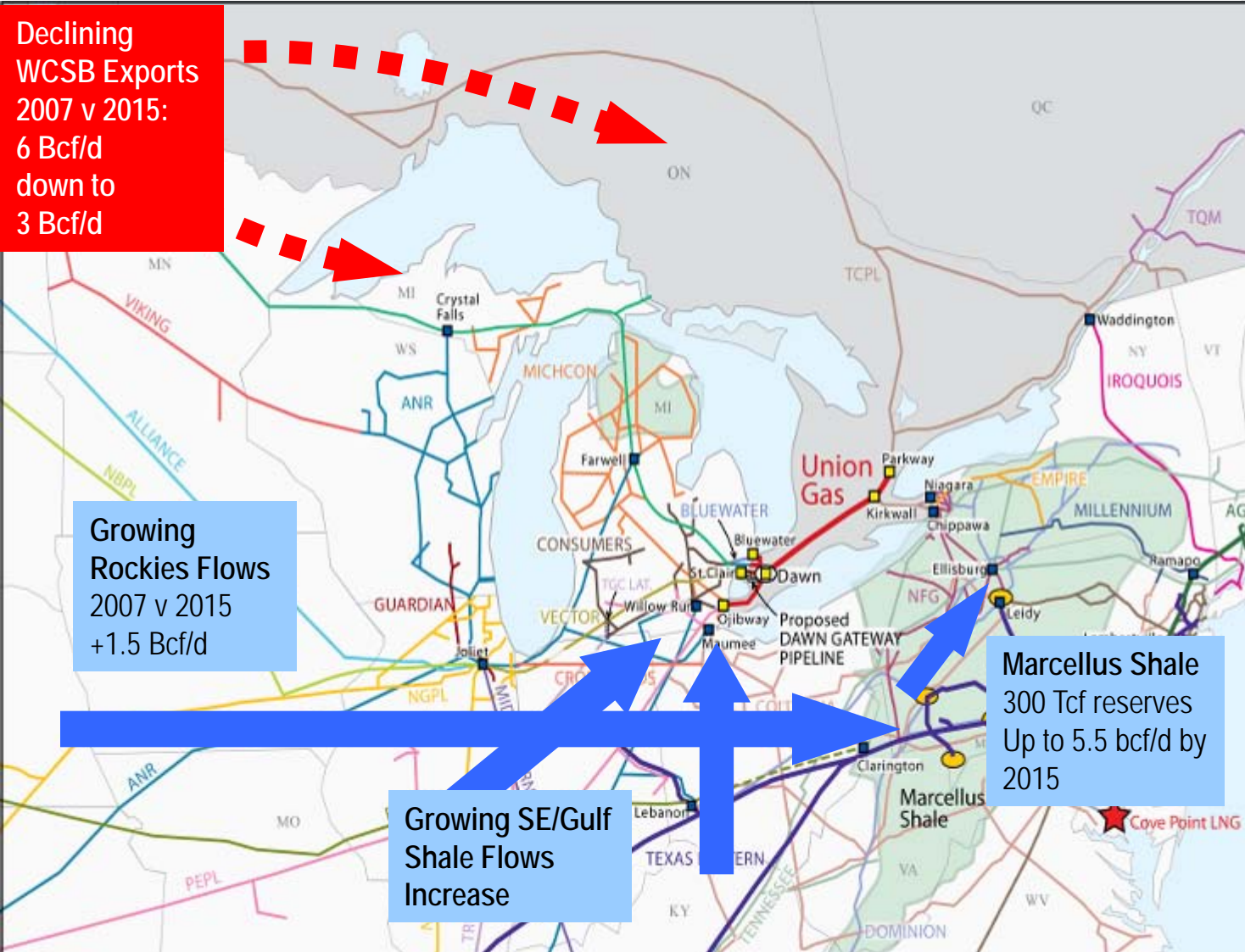
ICF's July Base Case: Changes in Supply and Demand Will Significantly Change Pipeline Flow Over the Next 10 Years

- Increases in flows from the Gulf Coast to the east are due to increases in Midcontinent Shale gas production.
- REX Pipeline enables increasing flow from the Rocky Mountains eastward.
- Marcellus gas production growth displaces gas flows into the Northeast U.S. (Shifts within the Northeast are not depicted on this interregional flow map).
- Declining conventional production in Alberta and increasing gas consumption for oil sands development causes flows from Western Canada to decline.



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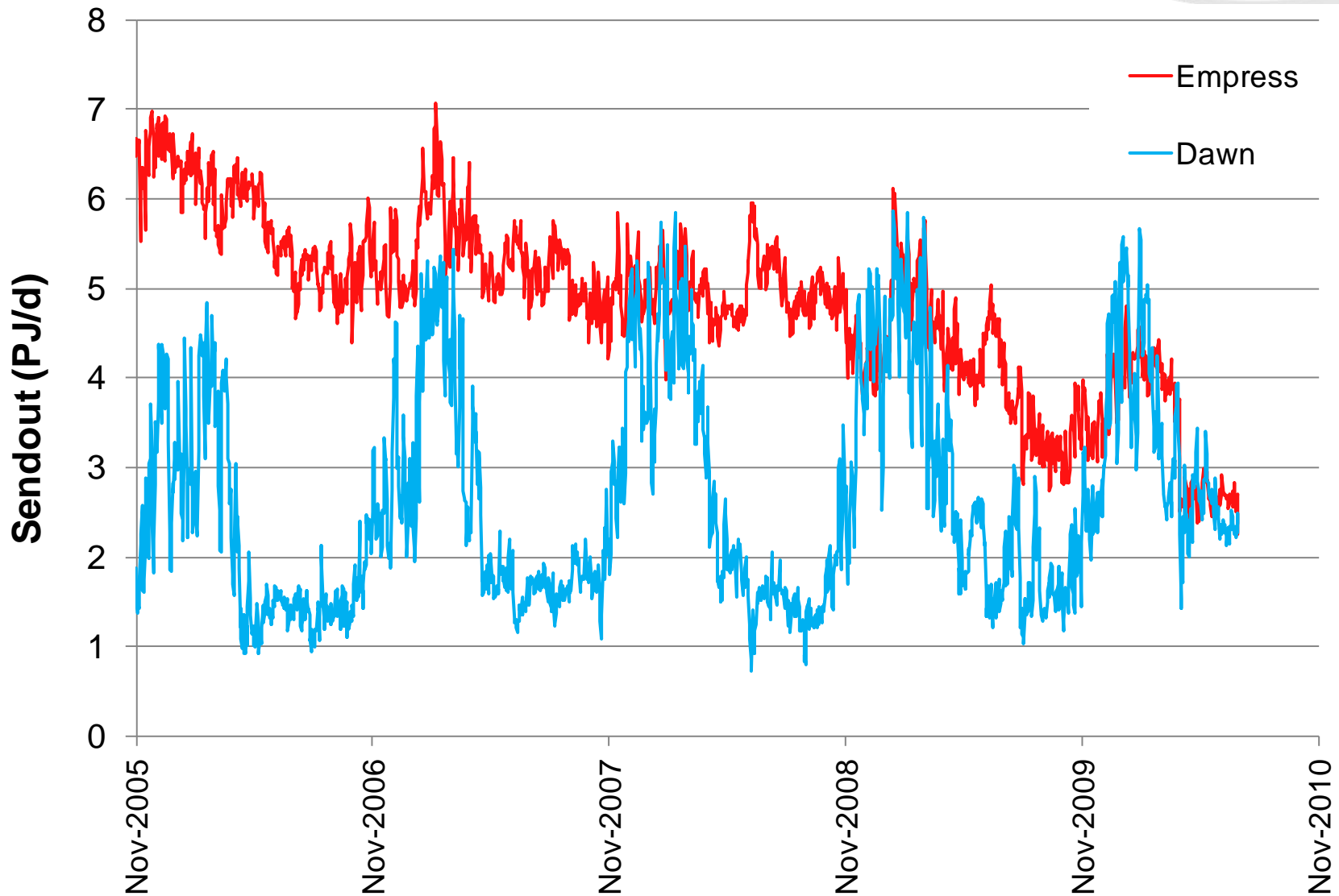
Supply Dynamics are Changing



Market Dynamics

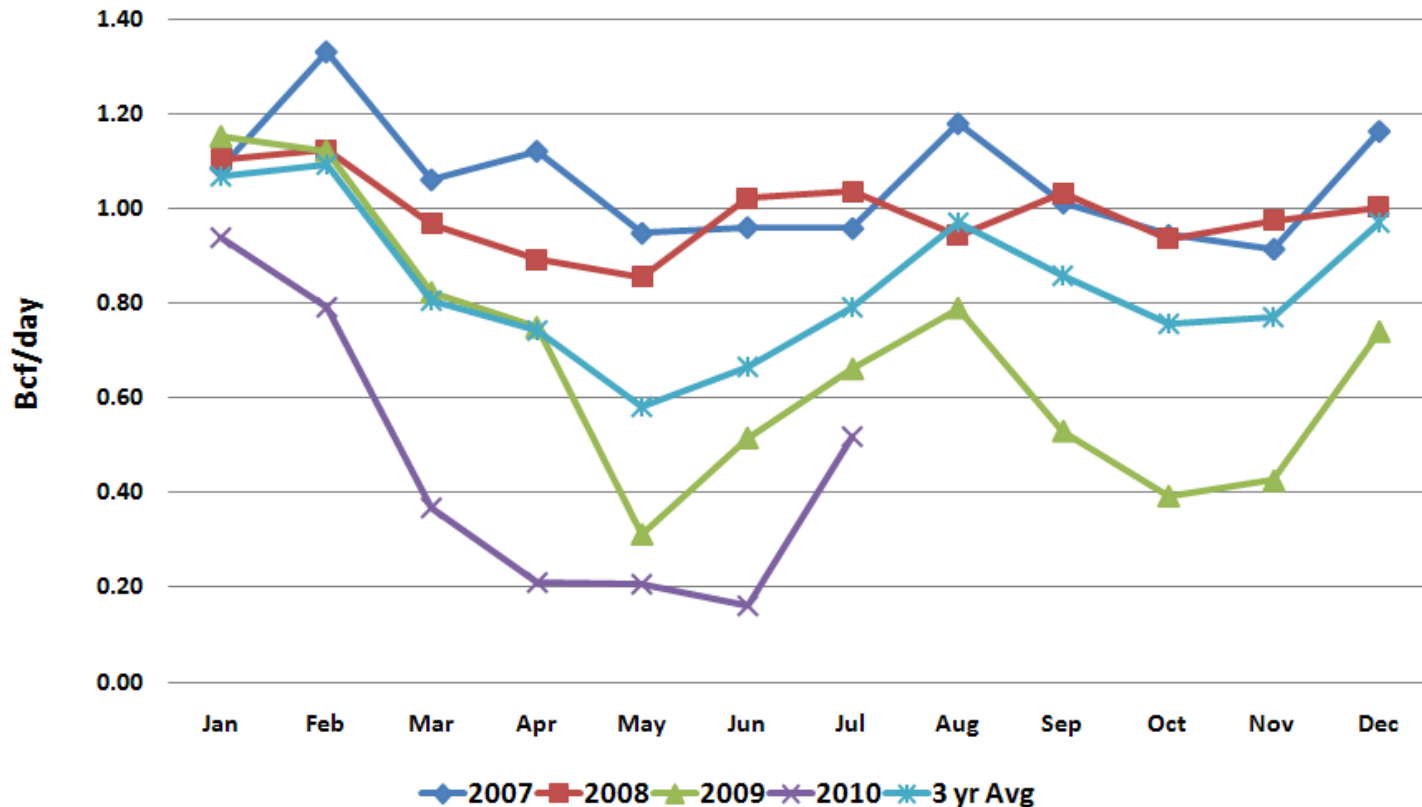
- Massive New Supply into the heart of the US Northeast Market
- Lowers Basis / Price in US Northeast

Dawn vs Empress Send out



US NE Export-Bound Deliveries

Monthly Kirkwall Deliveries



- Kirkwall deliveries land at the Niagara/ Chippawa export points to satisfy US Northeast demand
- Down due to
 - US Supply
 - LNG
 - Economy

Greater volatility and potential for a sustained decline in Kirkwall deliveries

Marcellus Gas to Ontario



Union Gas

- Held February/March Open Season
- Holding July/August Open Season

M12- X

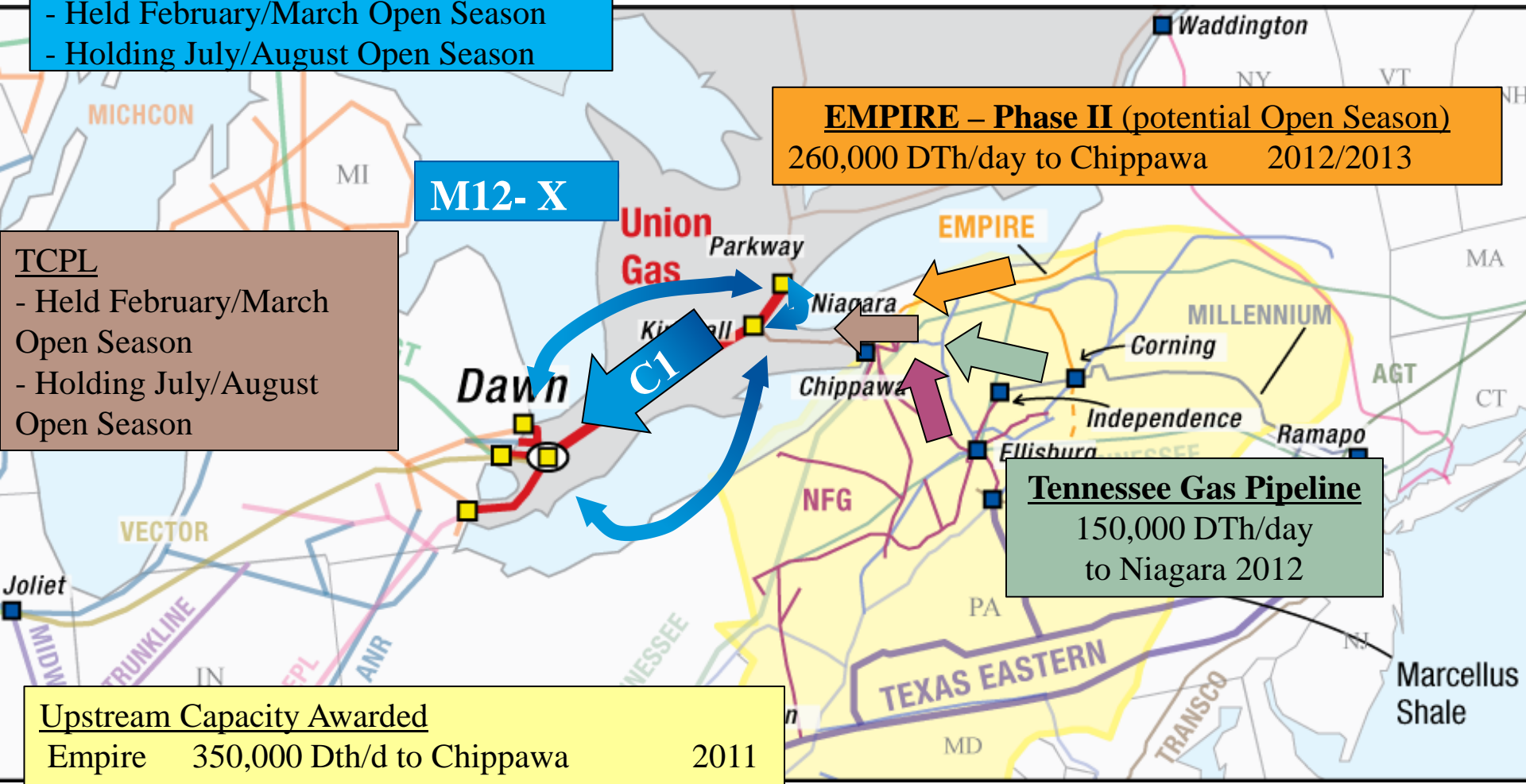
TCPL

- Held February/March Open Season
- Holding July/August Open Season

EMPIRE – Phase II (potential Open Season)
 260,000 DTh/day to Chippawa 2012/2013

Tennessee Gas Pipeline
 150,000 DTh/day to Niagara 2012

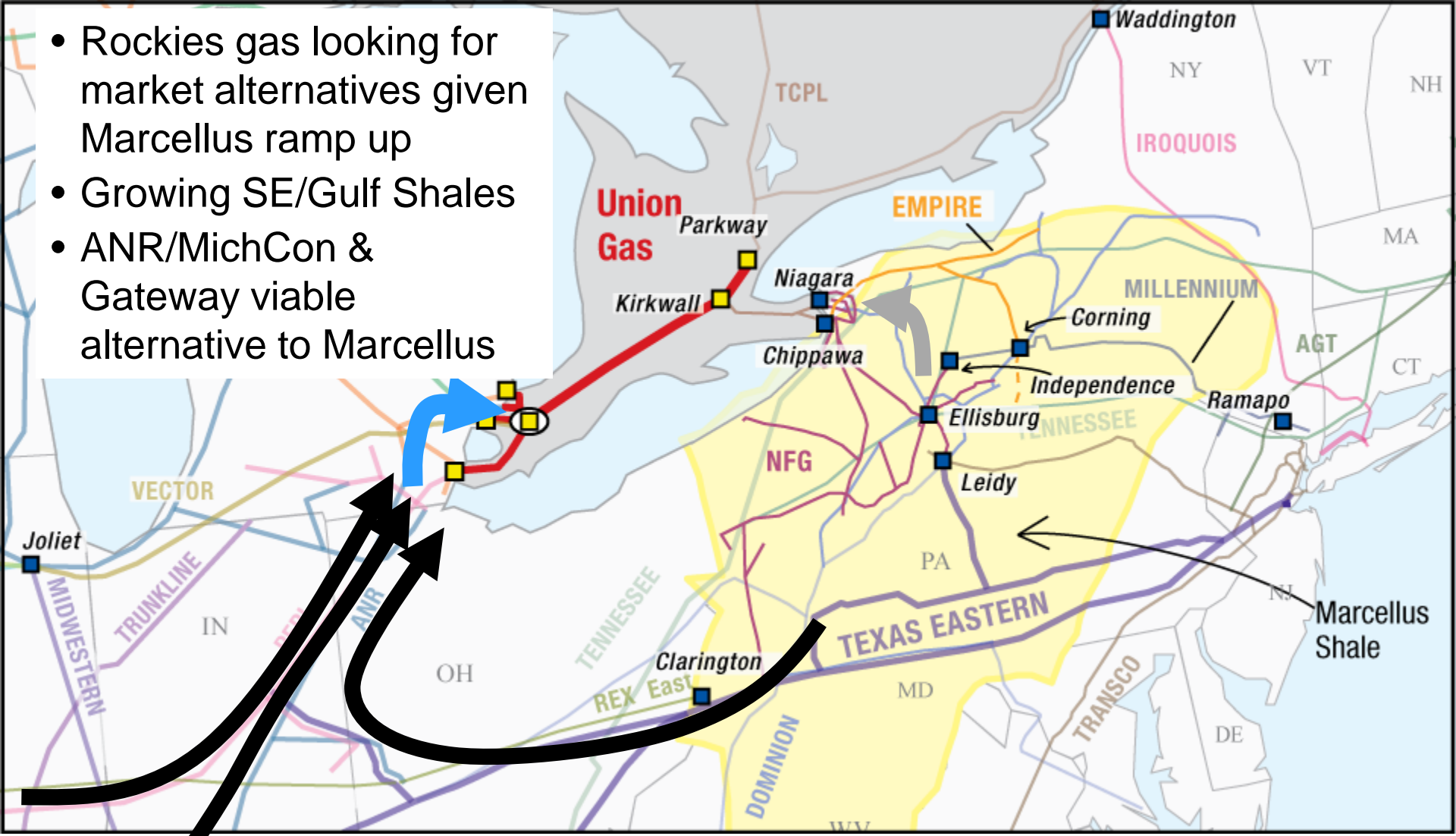
Upstream Capacity Awarded		
Empire	350,000 Dth/d to Chippawa	2011
NFG	320,000 Dth/d to Niagara	2012

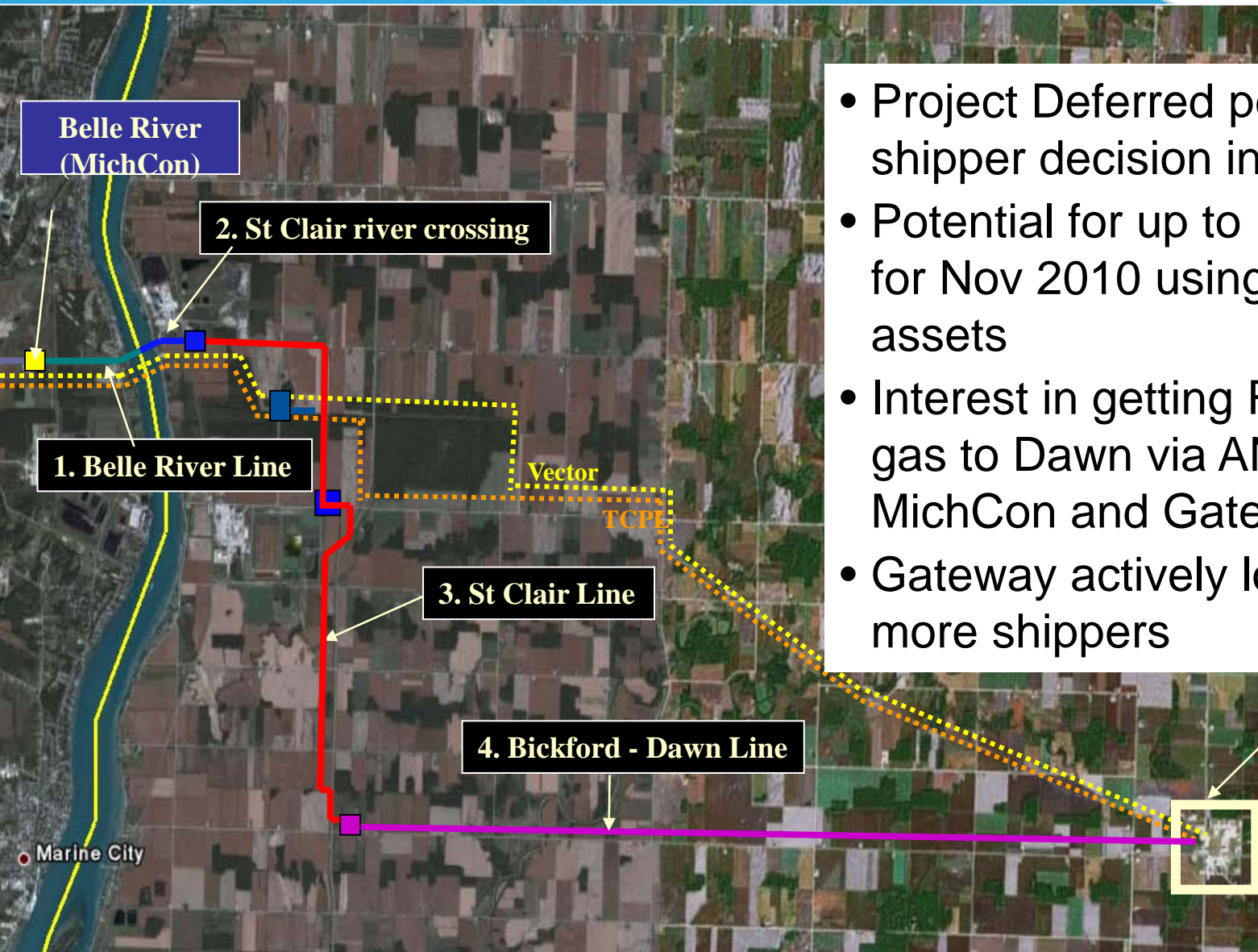


Rockies vs. Marcellus to Ontario

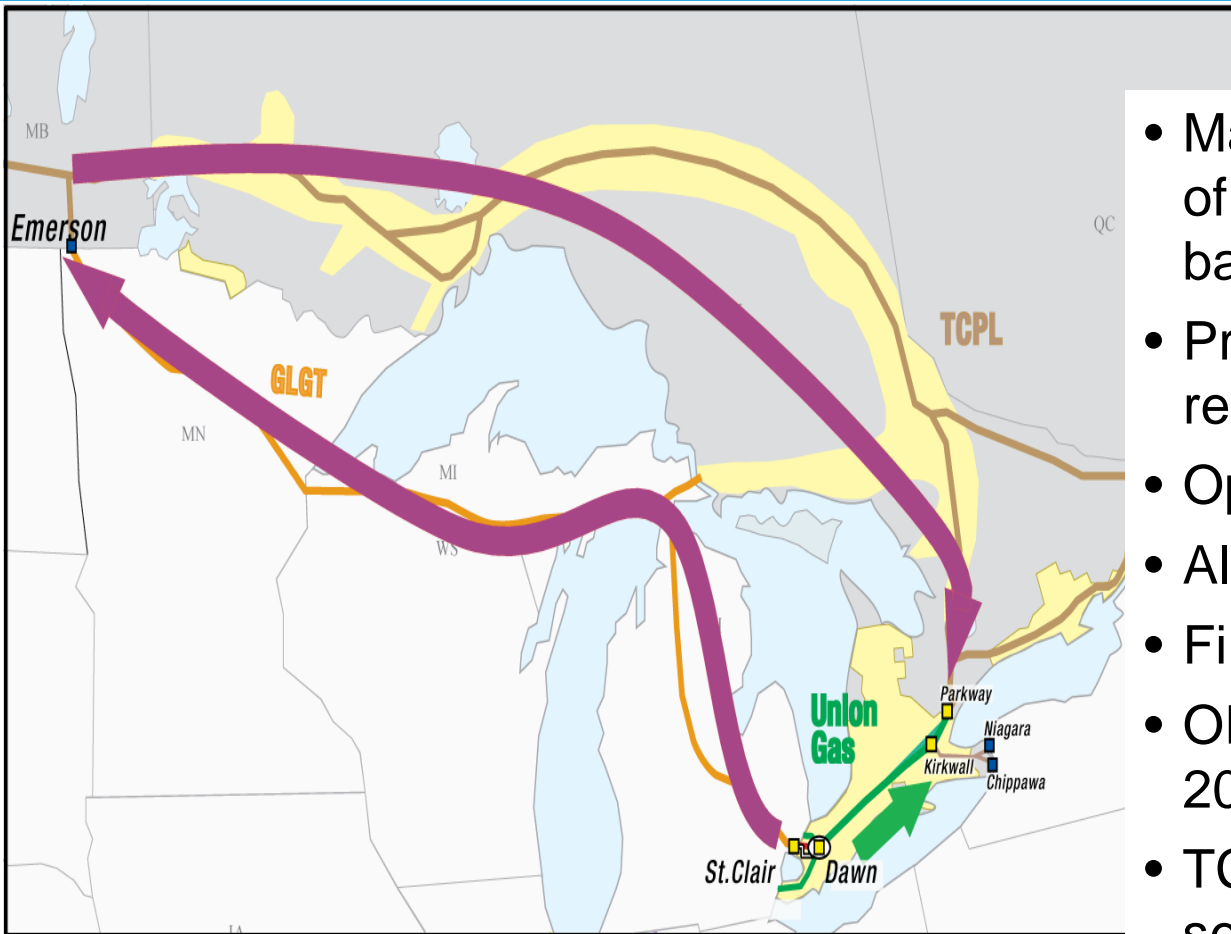


- Rockies gas looking for market alternatives given Marcellus ramp up
- Growing SE/Gulf Shales
- ANR/MichCon & Gateway viable alternative to Marcellus





- Project Deferred pending shipper decision in Oct 2010
- Potential for up to 150 TJ/d for Nov 2010 using existing assets
- Interest in getting Rockies gas to Dawn via ANR, MichCon and Gateway
- Gateway actively looking for more shippers



- Market need to reverse flow of gas at Dawn on some days back into TCPL/Great Lakes
- Prior Dawn to Dawn(TCPL) relied on displacement
- Open Season – 500 TJ/d firm
- All awarded to TCPL
- Filed with OEB June 11, 2010
- OEB Approved – Aug 12, 2010
- TCPL has filed with NEB for service
- In-Service – Nov 1, 2010

- Firm, long-term transportation - Start Nov. 1, 2011, 2012 or 2013
- Re-Open Non-Binding Open Season
 - Bids due 12:00 p.m. (noon) August 31, 2010
 - Offering:
 - 800,000 GJ/d of Kirkwall to Dawn C1
 - 400,000 GJ/d of M12 Dawn to Parkway conversion to M12-X
 - 100,000 GJ/d combined of new M12-X, M12 Dawn-Kirkwall converted to M12-X and new M12 for Nov 2011 (subject to turnback)
 - Further 240,000 GJ/d of combined of new M12-X, M12 Dawn-Kirkwall converted to M12-X and new M12 may be available for Nov 2012 or 2013 (subject to turnback and potential build)
 - Plan to go from non-binding bids directly to contract negotiations
 - Bids evaluated based on NPV
 - Contracts signed by December 1, 2010

C1 Kirkwall to Dawn

- Addresses needs of producers and other parties looking to get Marcellus supply to the liquid Dawn market
- Kirkwall to Dawn proposed to be added to C1 rate schedule

M12

- Attractive to Shippers moving gas to markets east of Dawn
- Traditional easterly transportation service
- M12 Dawn to Parkway or M12 Dawn to Kirkwall

M12-X Service

- Attractive to LDCs and marketers sourcing gas in the Marcellus and seeking flexibility
- Delivery and receipt on any given day at any of Dawn, Parkway or Kirkwall
- M12-X proposed to be added to M12 rate schedule
- Open season includes conversion of existing M12 D-P and D-K contracts for extension of term plus new M12-X capacity

- Flexible new service - significant M12 enhancement
- Firm, bi-directional, long-term transportation
- Receipt and delivery at any M12 point (Dawn, Parkway and Kirkwall)
- New cost-of-service rate under existing M12 tariff
- Expected demand charge rate = CDN \$0.095 - \$0.11/GJ/d
- Monthly expected fuel rate = see M12 Schedule 'C'
- Option to either convert existing M12 contracts to M12-X or subscribe for new M12-X service
- Incremental M12-X capacity may be limited
- Union Gas to seek OEB approval for demand charge and fuel rates after close of the open season

- Union Gas remains 'bullish' on the need and value of Dawn Storage over the long term – supply sources changing – the need for balancing remains and grows with markets
- Union Gas has acquired storage rights to a depleted reservoir west of Chatham – Jacob Storage Pool
- Currently drilling a test well to prove up the prospect.
- If favourable, file with OEB in Jan 2011
- Target ~ 2 bcf in-service in summer 2012

- We are in the middle of significant Gas Supply changes.
- Union Gas / Spectra Energy are active in the “race” to connect new supply to growing markets
- Union Gas / Spectra Energy continuing to bring new products and services to market – Gateway, Dawn to Parkway, M12X, Kirkwall to Dawn, Dawn to Dawn(TCPL), new storage
- We appreciate your past business and look forward to working with you in the future.