

In the heart of the production zone

Taking advantage of Gaz Métro's network



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Gaz Métro in a Nutshell



→ Main natural gas distributor in Quebec

- Owns right over the entire Quebec territory (except Outaouais)
- 97% of natural gas distributed in Quebec

→ Gaz Métro is a Limited Partnership

- Units are listed on the Toronto Stock Exchange – GZM.UN

→ 10,000 km of pipelines

- 12 administrative regions
- Present in 53 *Municipalité régionale de comté* (MRC)
- Across 300 municipalities

→ 1,300 employees in Quebec

Regulation

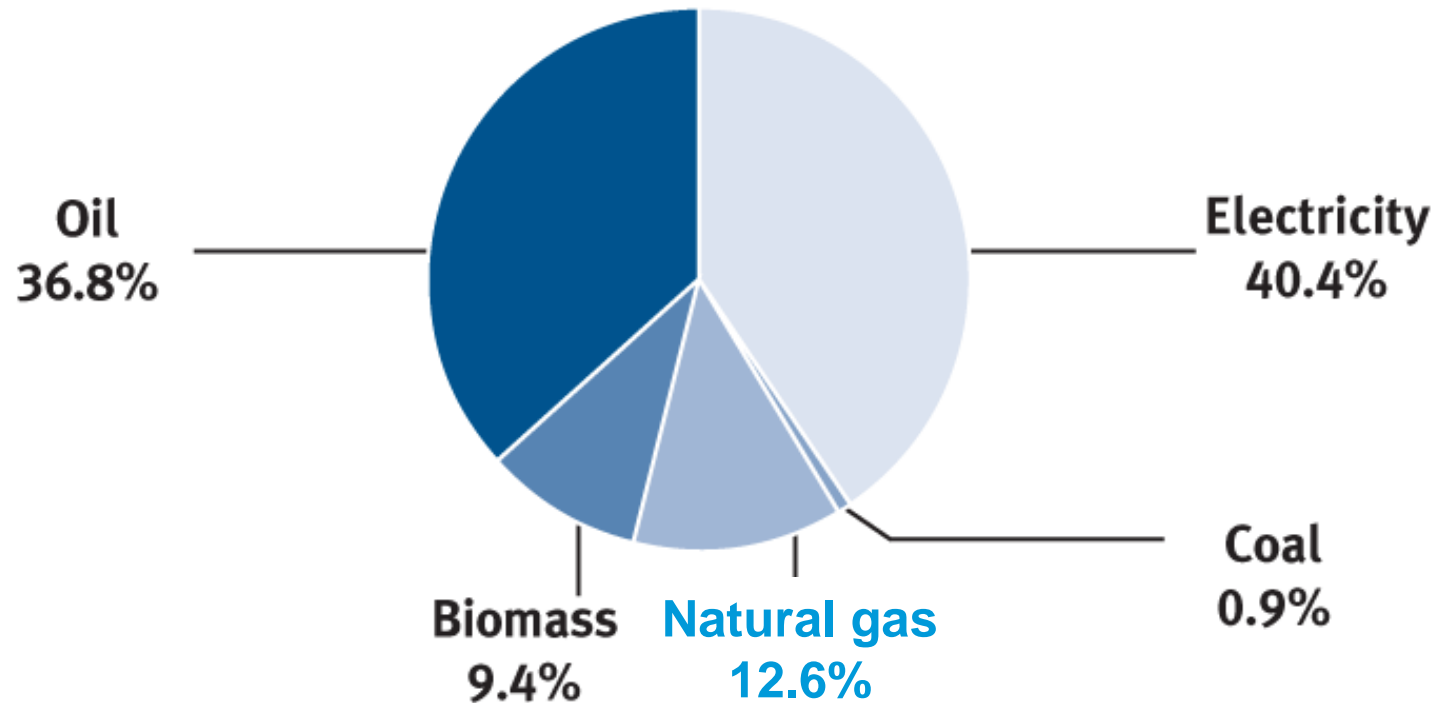


- Gaz Métro is regulated by the *Régie de l'énergie*
- The *Régie* approves the tariffs and decides on all major immobilization projects
- The *Régie* applies economic profitability criteria to all of Gaz Métro's network extensions

Energy Consumption in Quebec



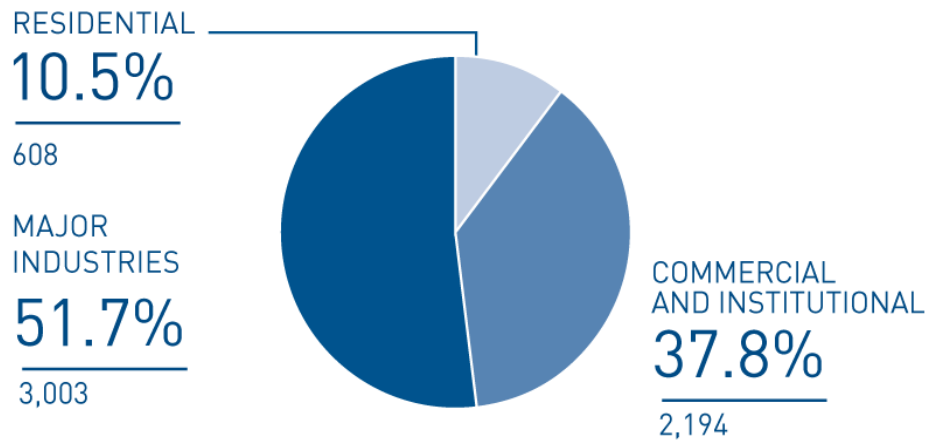
Natural gas has a place to take



Gaz Métro's Markets

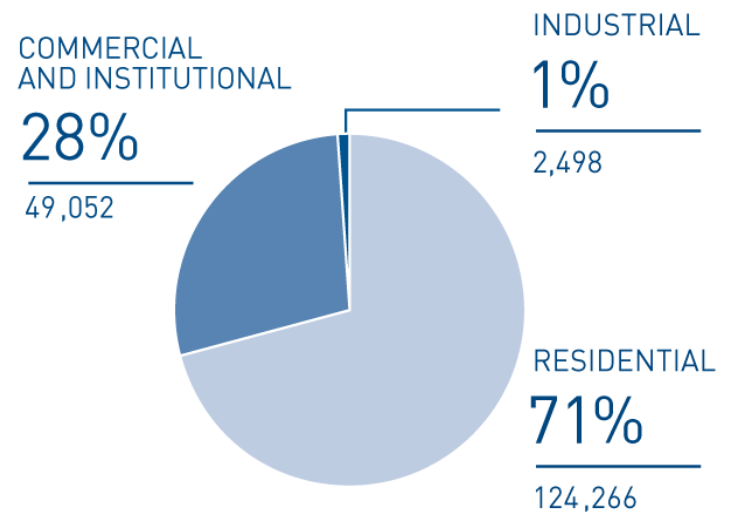


Normalized volumes of natural gas
(in millions of cubic metres)

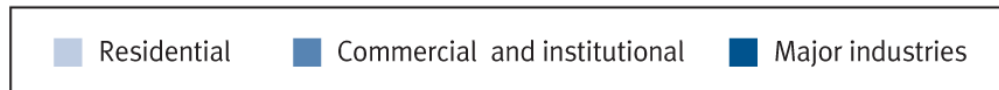


Total: 5,805 millions of cubic metres

Number of customers



175,816 customers





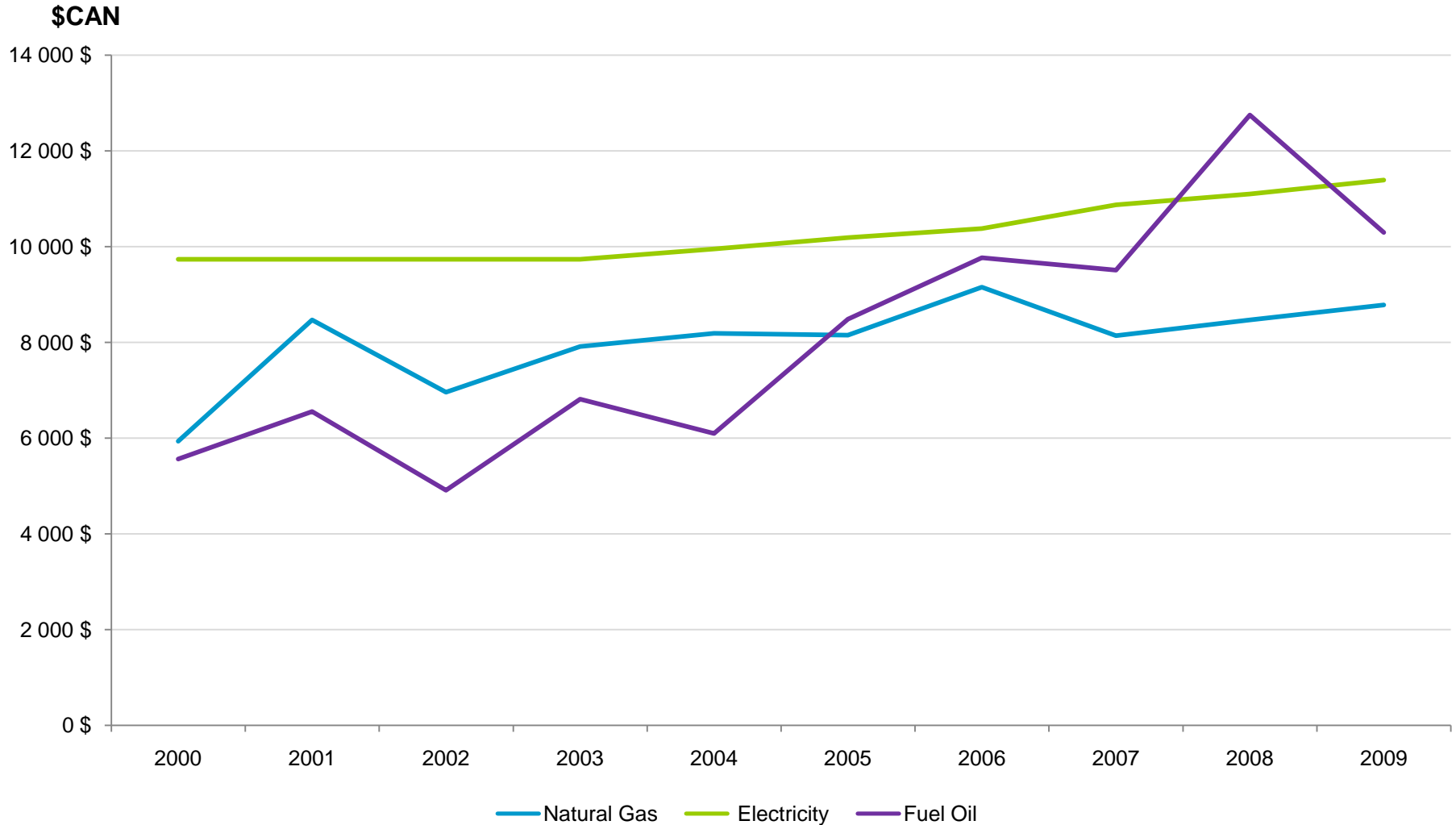
Gaz Métro's Market by Sector

Competitive Position Residential Market



Competitive Position

Commercial, Institutional and Industrial Market

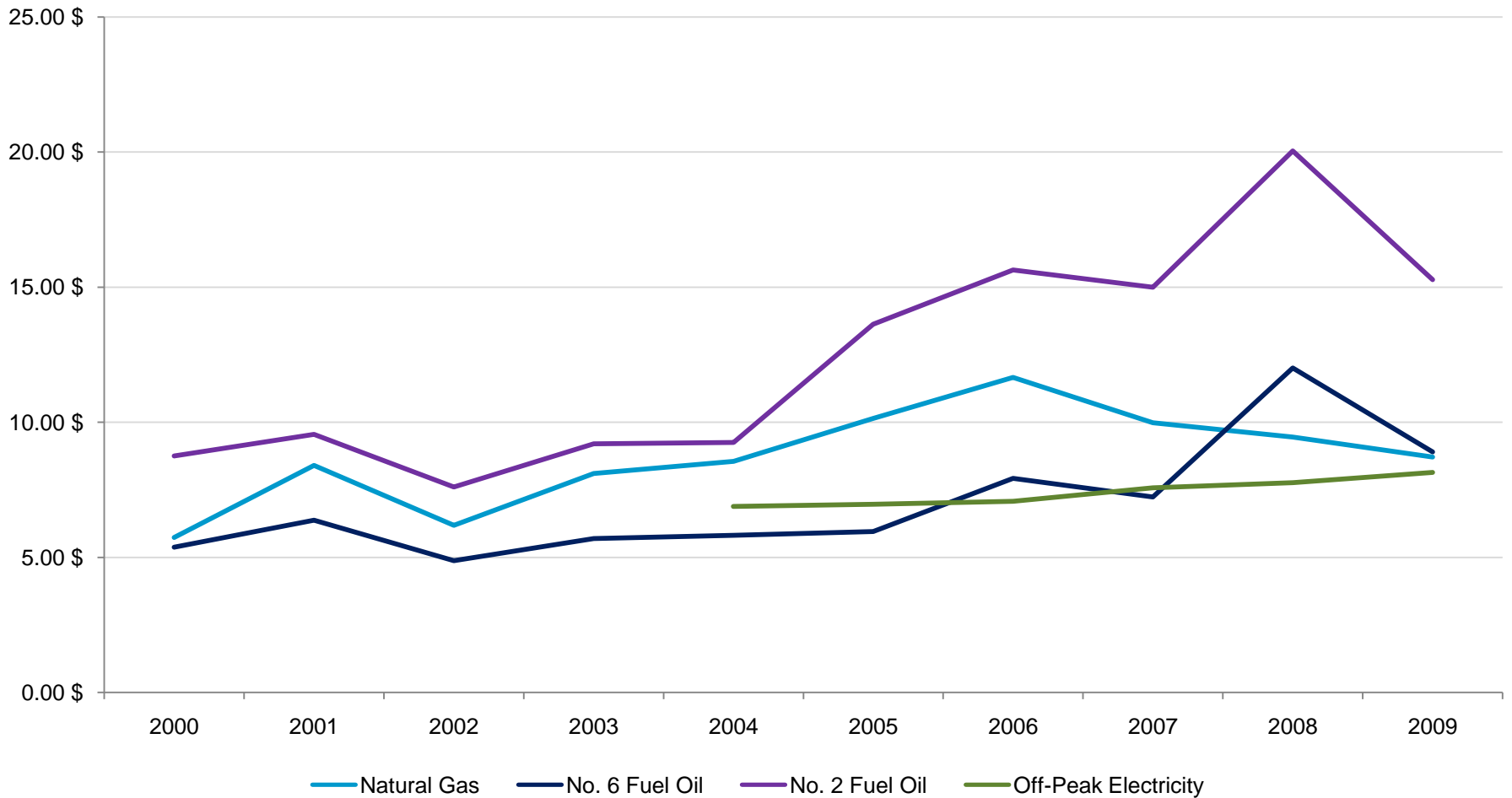


Competitive Position

Major Industrial Market



\$CAN/GJ

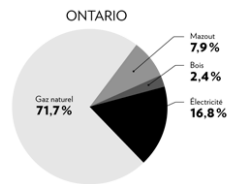
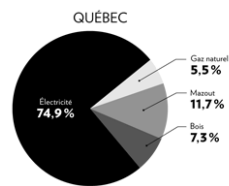


CHAUFFAGE COMPARAISON DES COÛTS



UN PEU MOINS CHER POUR SE CHAUFFER, SAUF POUR LES CLIENTS D'HYDRO

LE CHAUFFAGE RÉSIDENTIEL
SELON LA SOURCE D'ÉNERGIE



Source: Ressources naturelles Canada, 2006



HELENE BARIL

Ceux qui ne l'ont pas encore fait ne tarderont pas à le faire. C'est le temps de remettre en marche son système de chauffage. La saison de la chauffe est commencée et elle nous réserve une surprise: ceux qui utilisent l'électricité seront les seuls à voir leur facture augmenter par rapport à l'année dernière, si on se fie aux prix actuels.

Cette année, la baisse des prix du pétrole brut et du gaz naturel change la donne. Ceux qui ont une chaudière au mazout auront vraisemblablement droit à un répit, si l'hiver est comparable à celui de l'an dernier. La saison commence avec un prix inférieur de 18 % à celui de l'hiver dernier. Un

litre de mazout coûte actuellement 67 cents à Montréal, comparativement à un prix moyen de 82 cents pour la saison 2008-2009.

Le prix du mazout augmentera avec la demande hivernale, mais il devrait rester inférieur au prix moyen de l'an dernier. C'est du moins le pari que fait Ultramar, qui offre à ses clients un prix plafonné de 73,3 cents pour tout l'hiver. Ceux qui optent pour ce prix pourront profiter des baisses, s'il y a lieu, mais ils ont l'assurance que le prix ne dépassera pas ce plafond. La tranquillité d'esprit a toutefois un prix. L'assurance coûte 150\$ pour l'hiver.

Ceux qui se chauffent au gaz naturel ont une double raison de réjouir. Le prix du gaz n'a pas été aussi bas depuis des années, en raison du ralentissement économique et de la découverte de nouveaux gisements qui augmentent l'offre disponible sur le marché. Et selon l'Agence de l'efficacité énergétique, le gaz est devenu la source d'énergie la moins chère pour chauffer une maison-type de 2000 pieds carrés, parmi les trois sources les plus utilisées au Québec (gaz naturel, électricité et mazout).
Même si le prix du gaz a beaucoup

400

conversions du mazout au gaz naturel chaque année

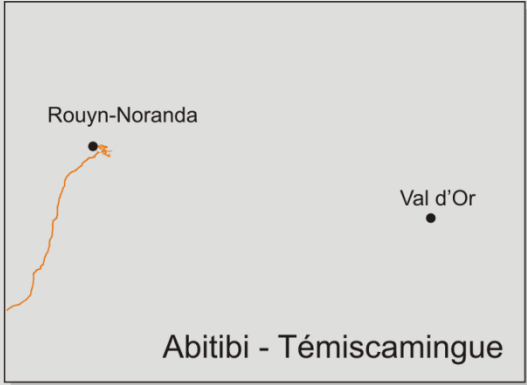
60 000

conversions du mazout à l'électricité depuis 2006

A Unique Expertise

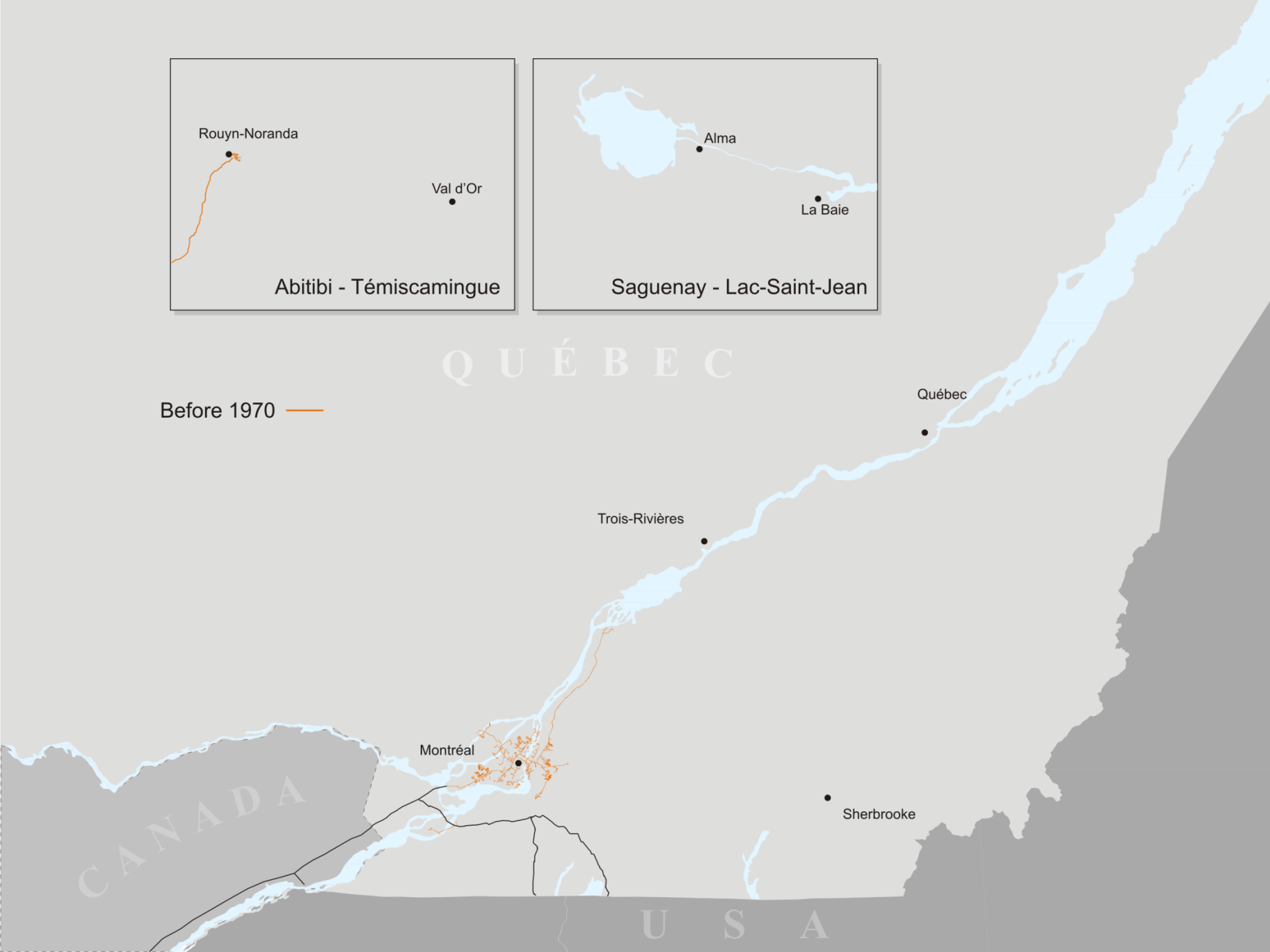


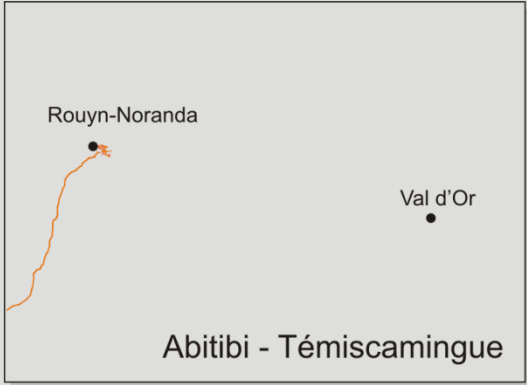
- Gaz Métro operates a network of over 10,000 km, passing through more than 300 municipalities and 13,000 landowners
 - 900 km of high pressure distribution and transmission lines
 - 9,500 km of low pressure distribution lines
- Gaz Métro has its own construction management teams all over its territory
- Unique expertise in obtaining permits and construction management and has maintained good relations with local communities and private landowners for years



QUÉBEC

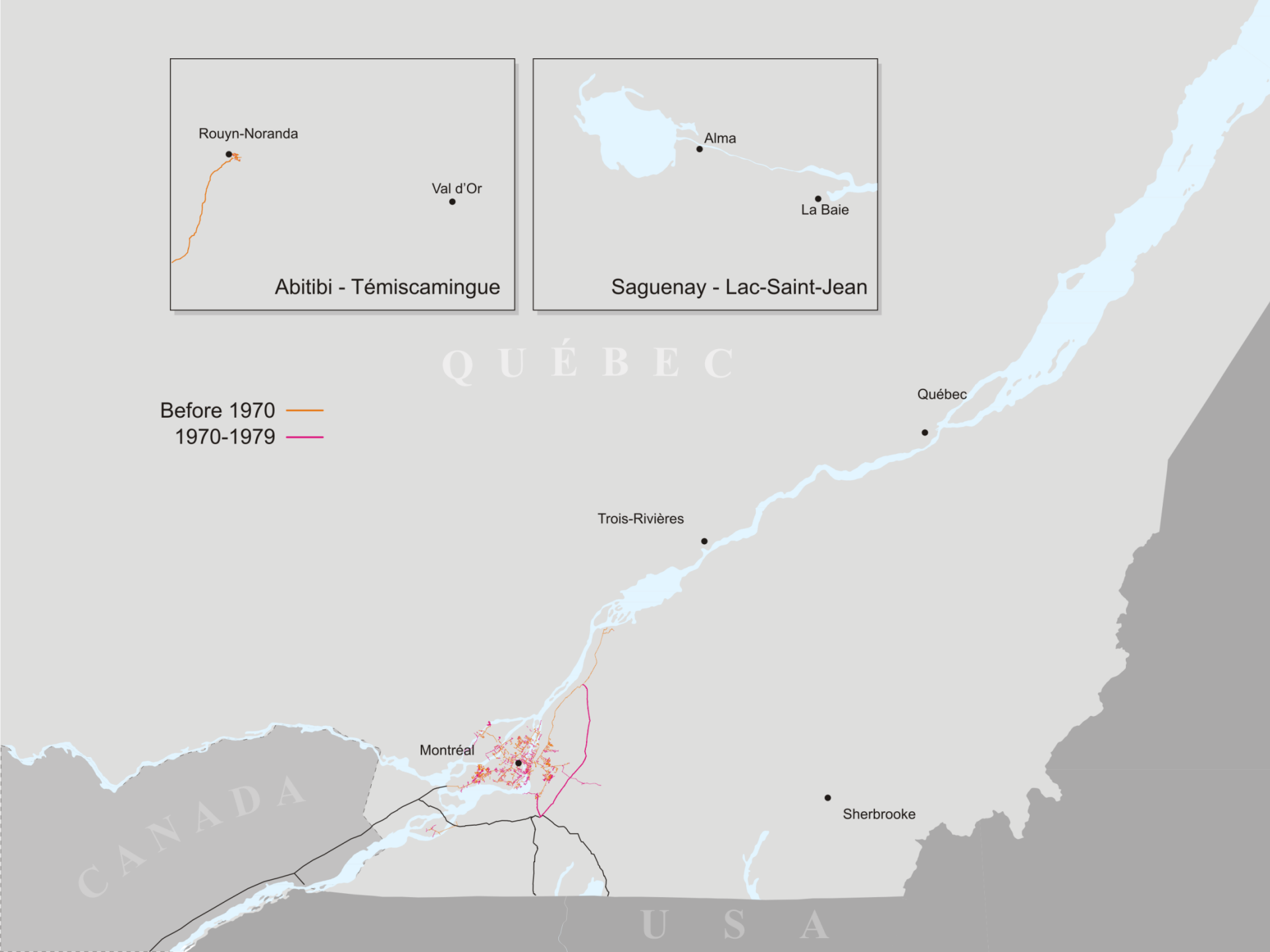
Before 1970 —

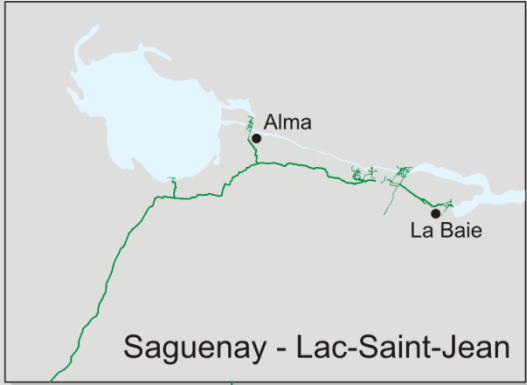
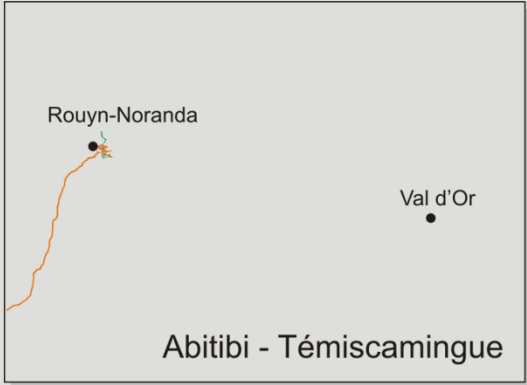




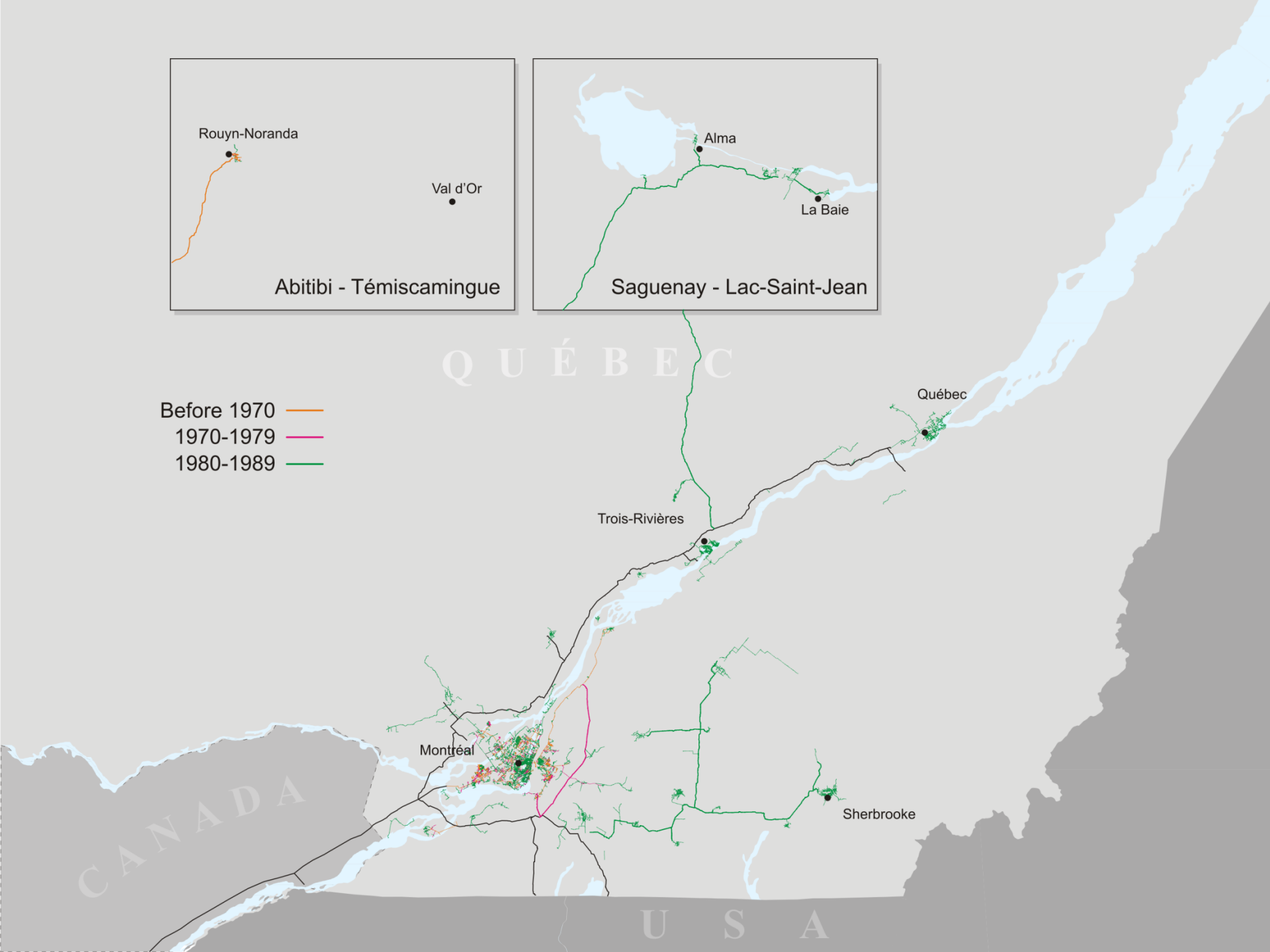
Q U É B E C

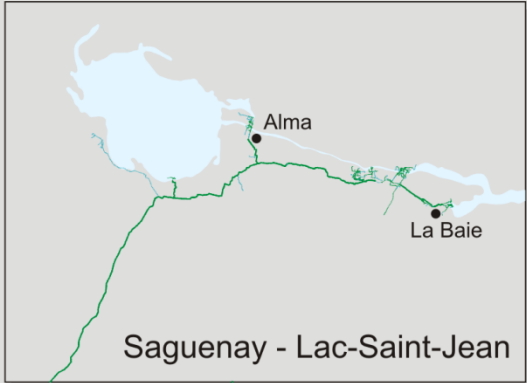
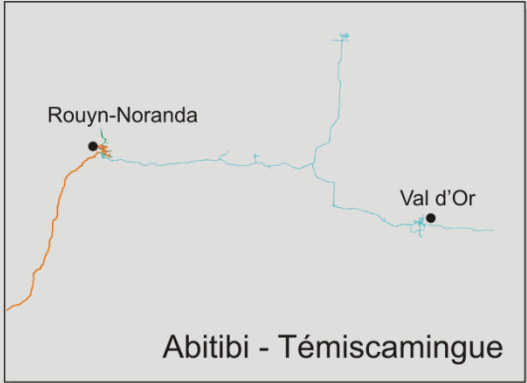
Before 1970 — orange line
1970-1979 — pink line



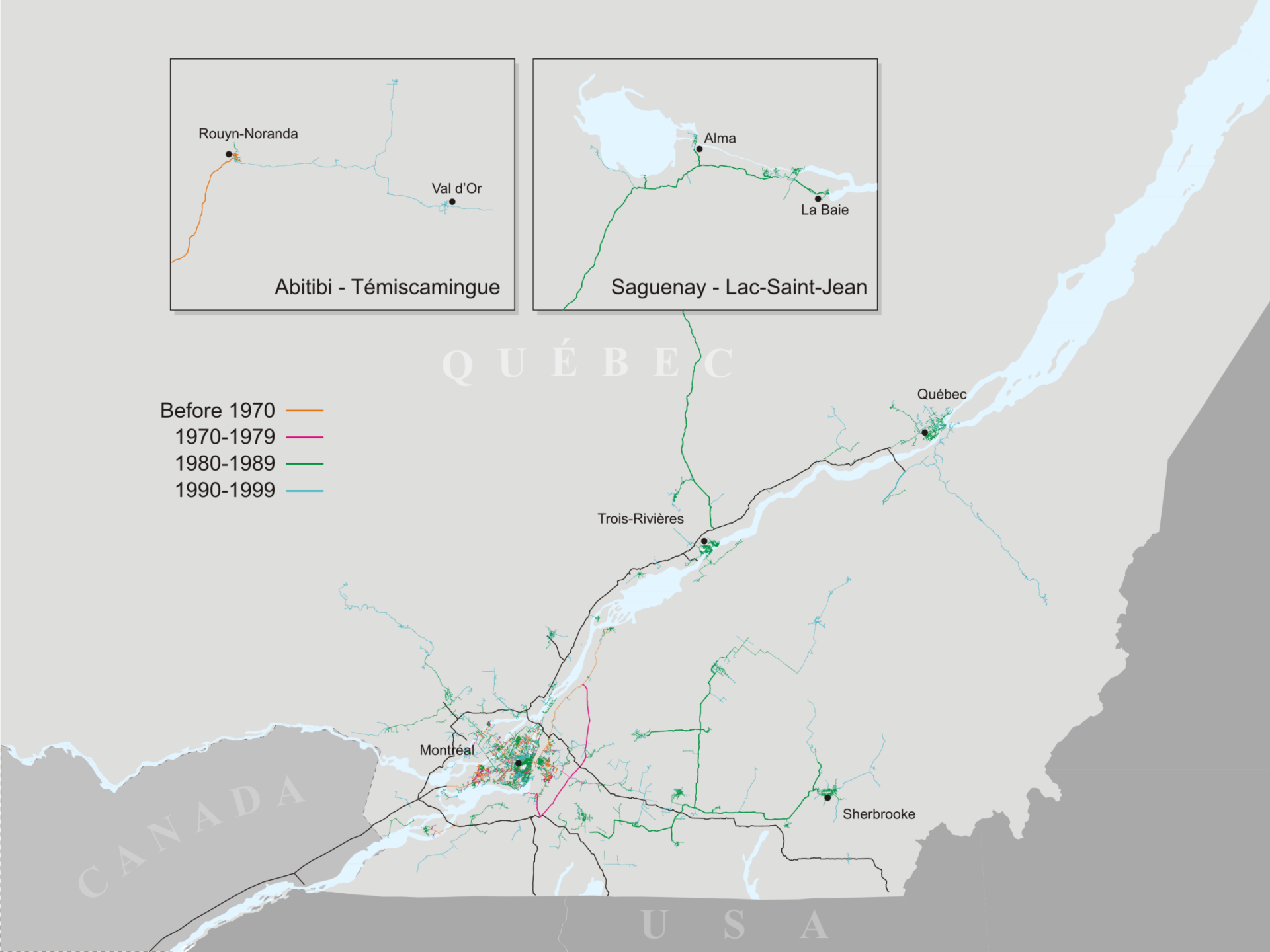


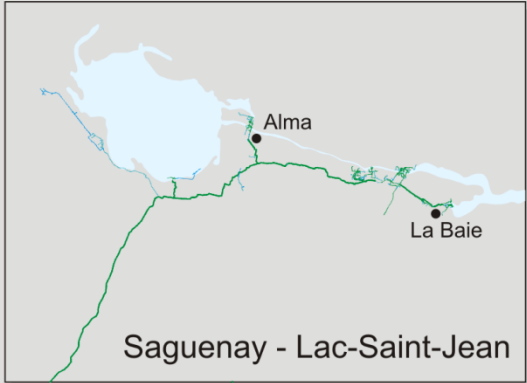
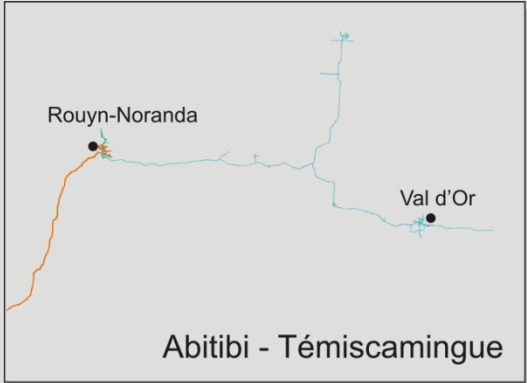
- Before 1970 — orange line
- 1970-1979 — pink line
- 1980-1989 — green line



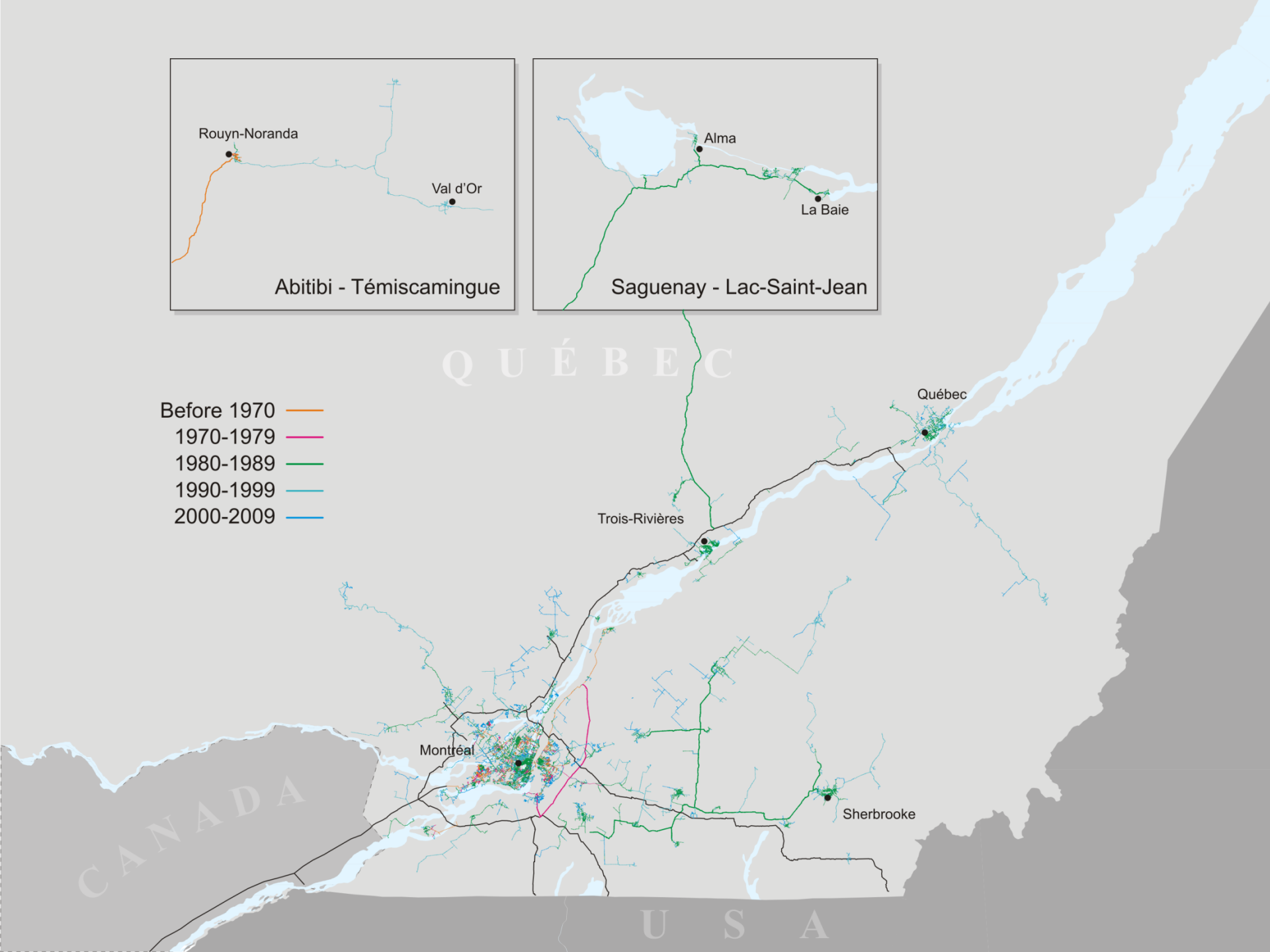


- Before 1970 —
- 1970-1979 —
- 1980-1989 —
- 1990-1999 —





- Before 1970 —
- 1970-1979 —
- 1980-1989 —
- 1990-1999 —
- 2000-2009 —



Gaz Métro Supplies

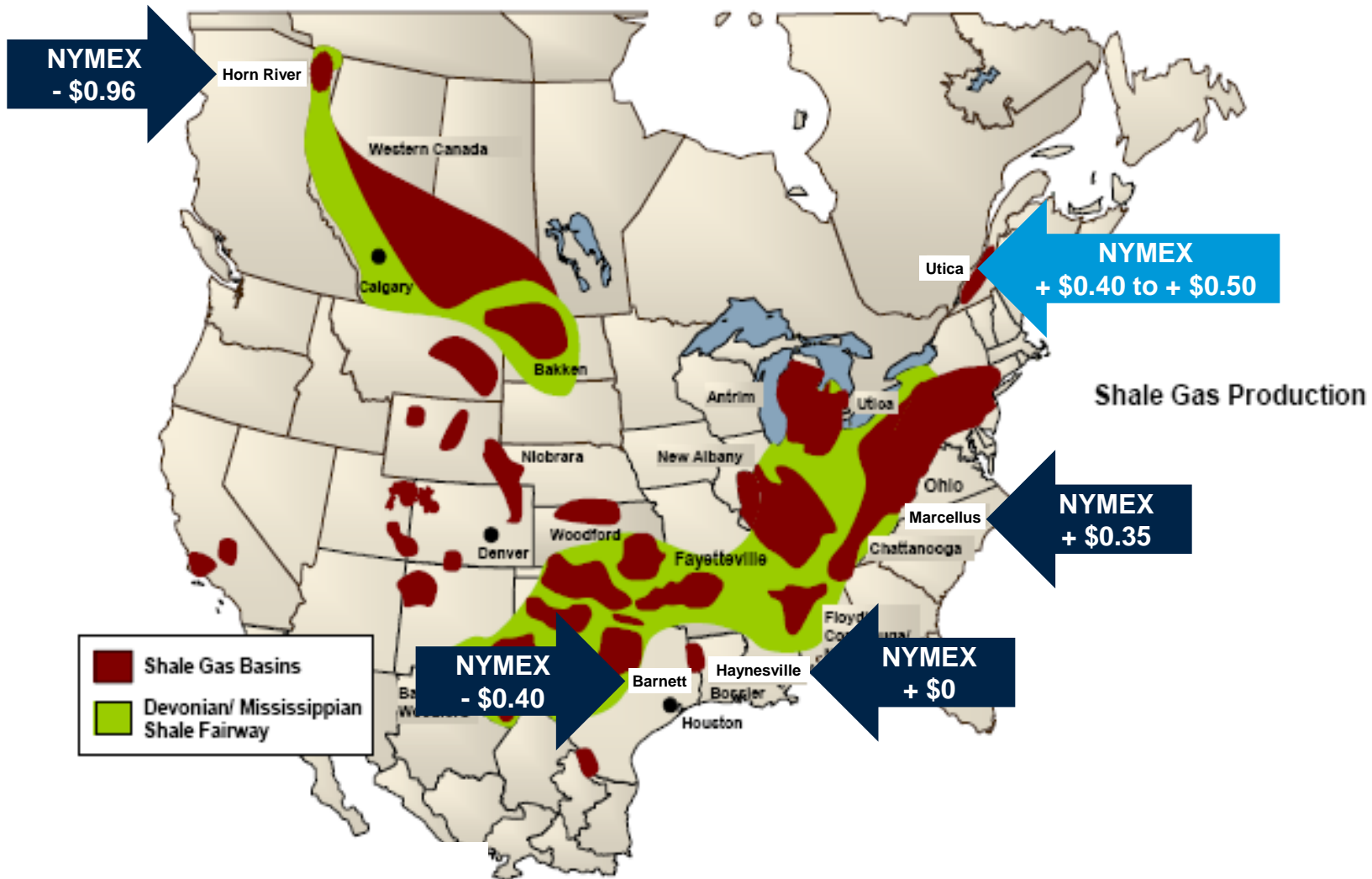


- Gaz Métro delivers 200 Bcf yearly
 - 45% is system gas

- Historical value of the market of NYMEX + \$0.40 to \$0.50

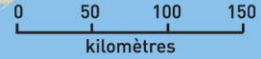
- Comparison with other shale gas production areas:
 - Marcellus basin: NYMEX +\$0.35
 - Haynesville basin: NYMEX + \$0
 - Barnett basin: NYMEX - \$0.40
 - Horn River basin: NYMEX - \$0.96

Shale Gas Bassins



Source : Ziff Energy Group

Gaz Métro is captive of one supply zone and one interprovincial transportation system



Cartographie : Groupe Colpron - Révisé le 7 février 2008

Légende

- TC (Alberta)
- Union Gas
- SCGM
- VGS
- Iroquois
- TC
- TQM
- PNGTS
- North Country Pipeline

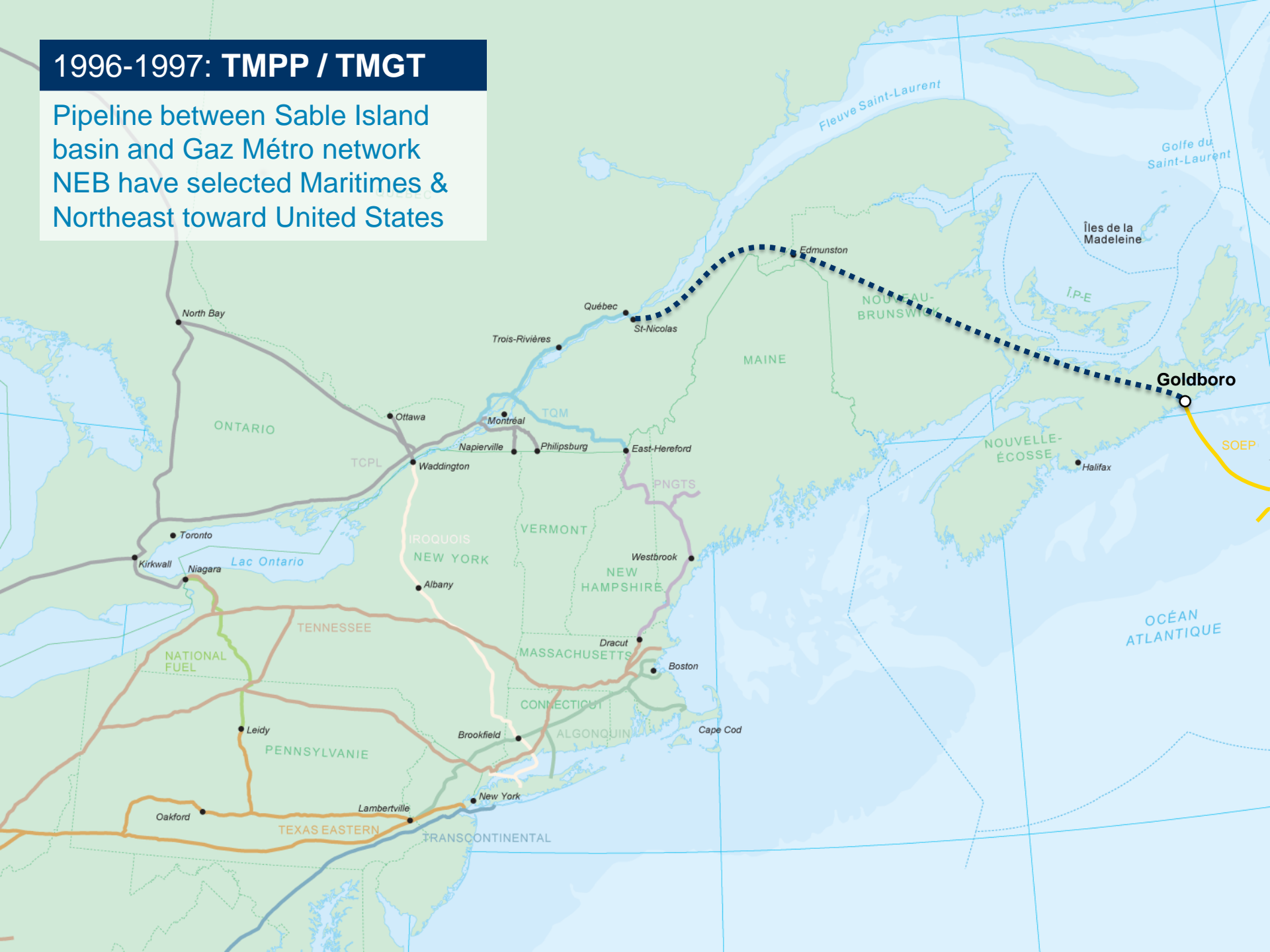




Diversification historic

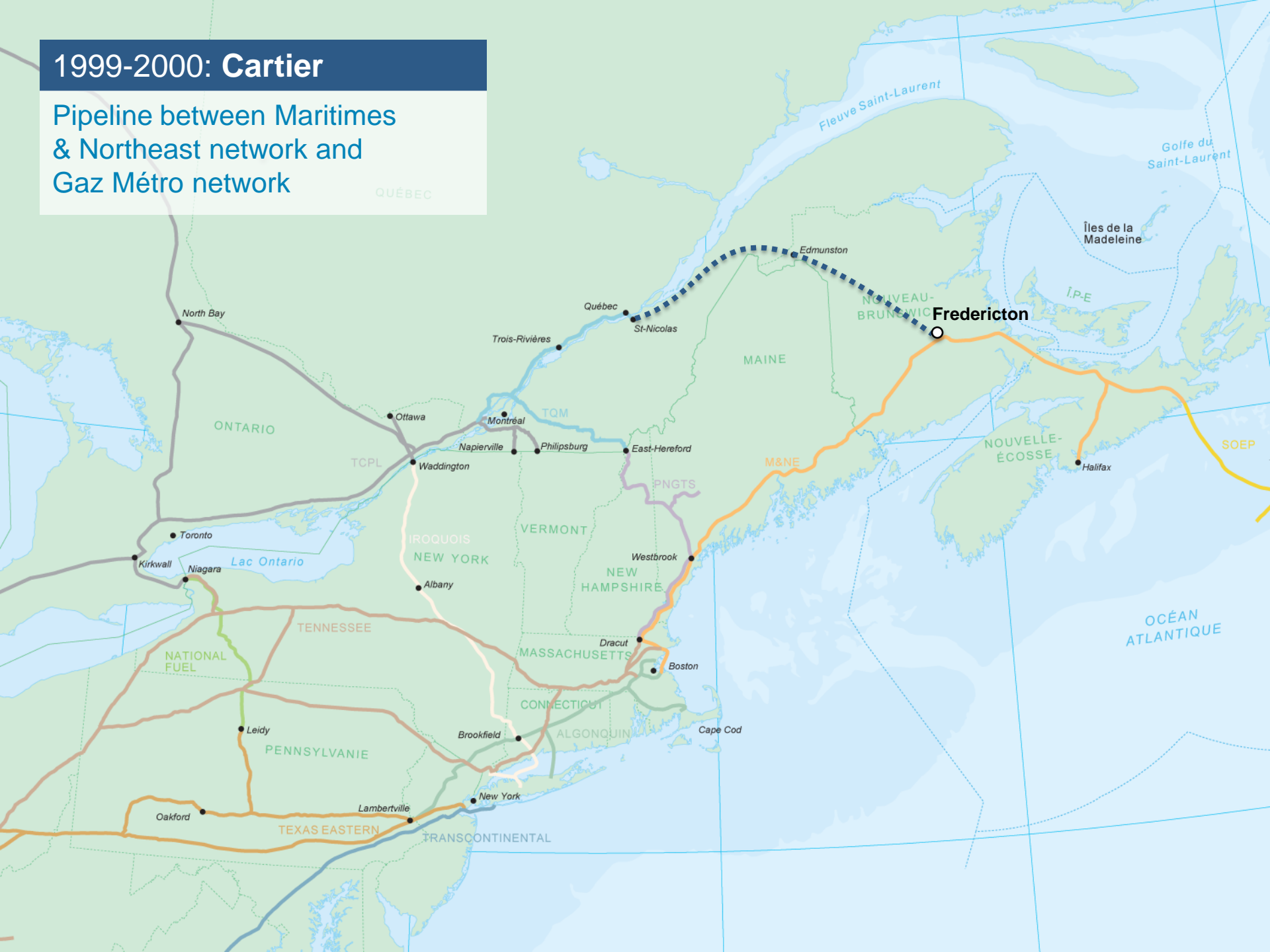
1996-1997: TMPP / TMGT

Pipeline between Sable Island basin and Gaz Métro network
NEB have selected Maritimes &
Northeast toward United States



1999-2000: Cartier

Pipeline between Maritimes & Northeast network and Gaz Métro network



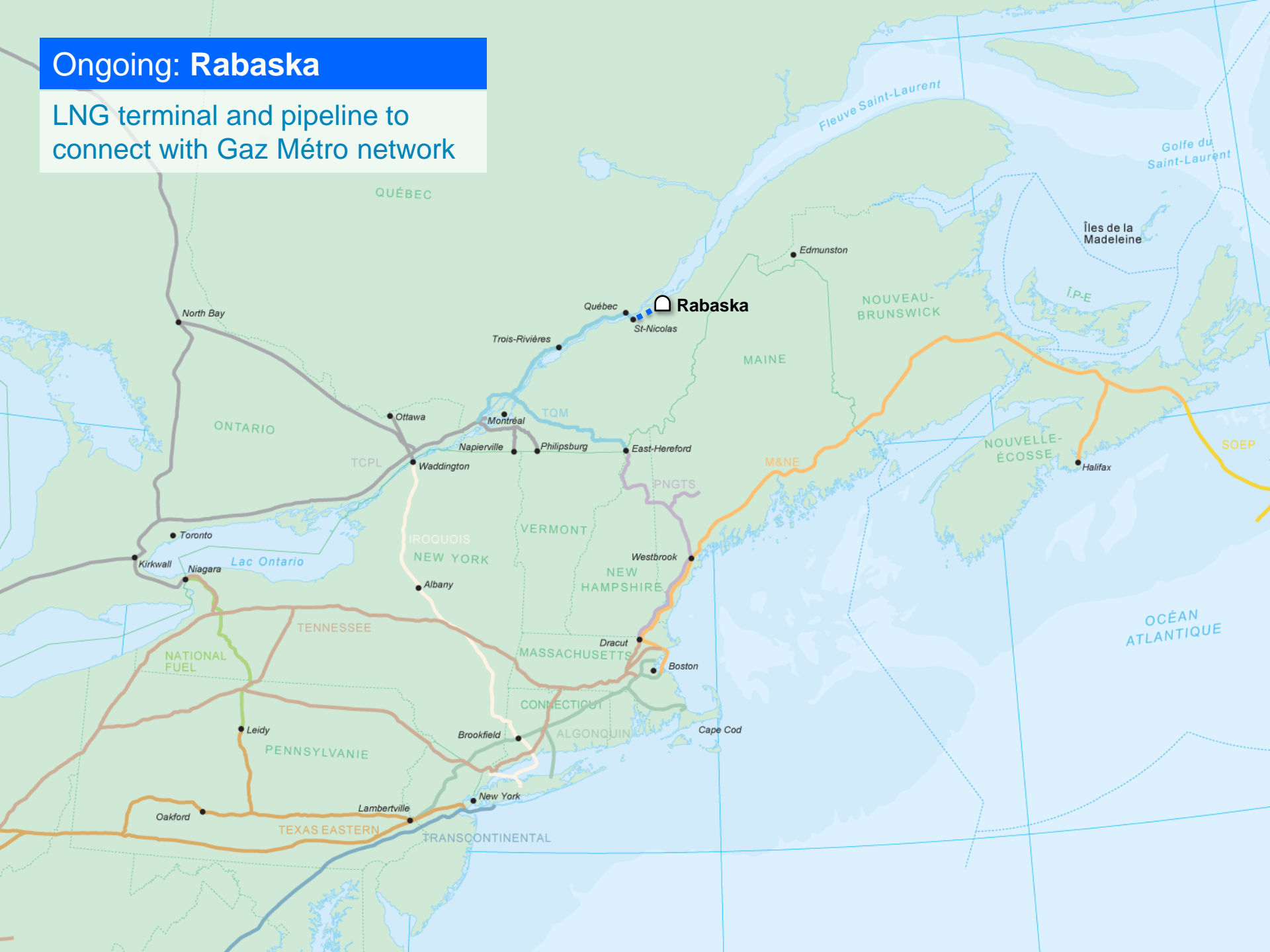
2007-2008: Eastern Access

Pipeline between Cacouna LNG terminal and Gaz Métro network



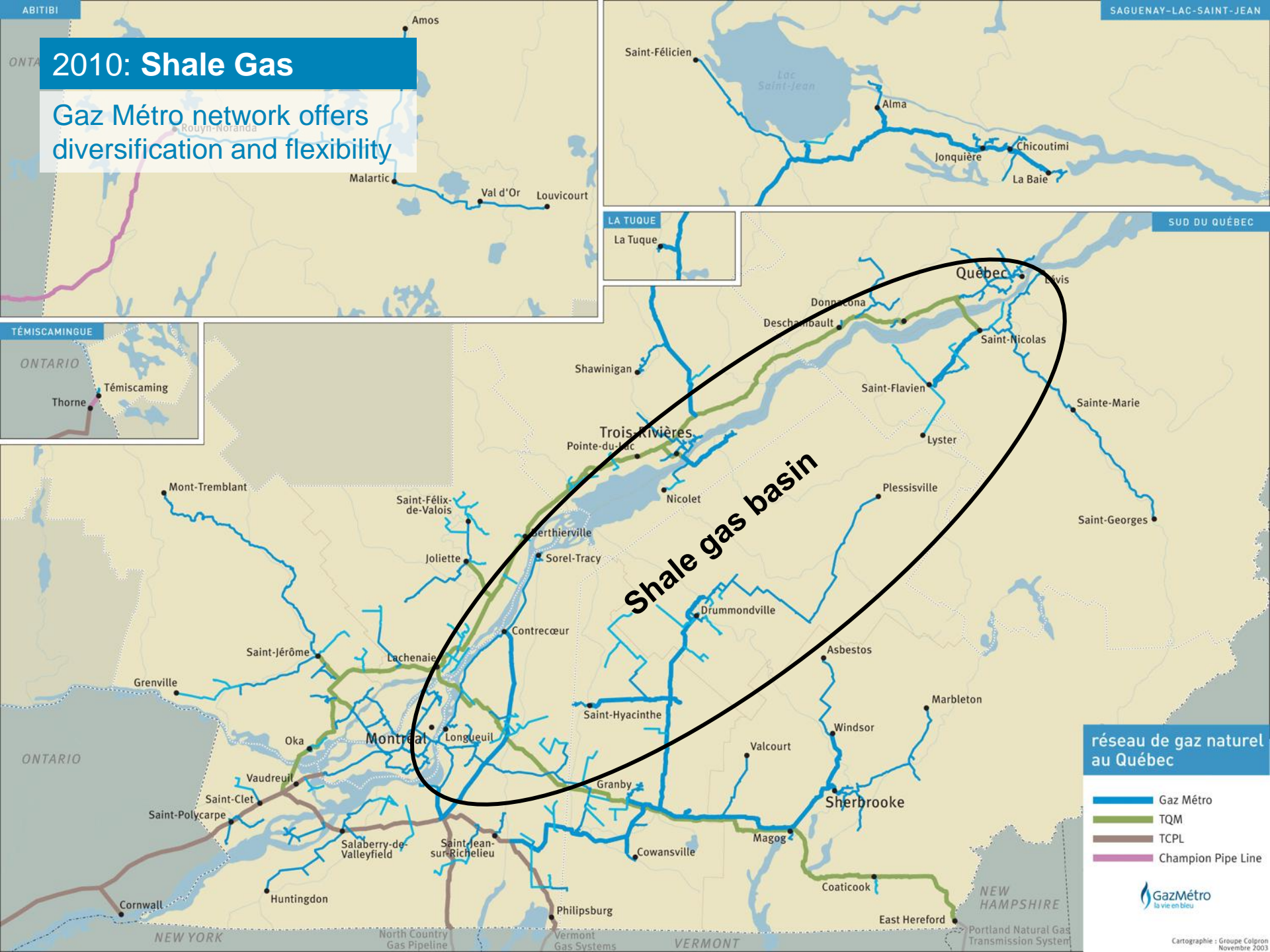
Ongoing: Rabaska

LNG terminal and pipeline to connect with Gaz Métro network



2010: Shale Gas

Gaz Métro network offers diversification and flexibility



TÉMISCAMINGUE

ONTARIO

Thorne

Témiscaming

LA TUQUE

La Tuque

SUD DU QUÉBEC

réseau de gaz naturel au Québec

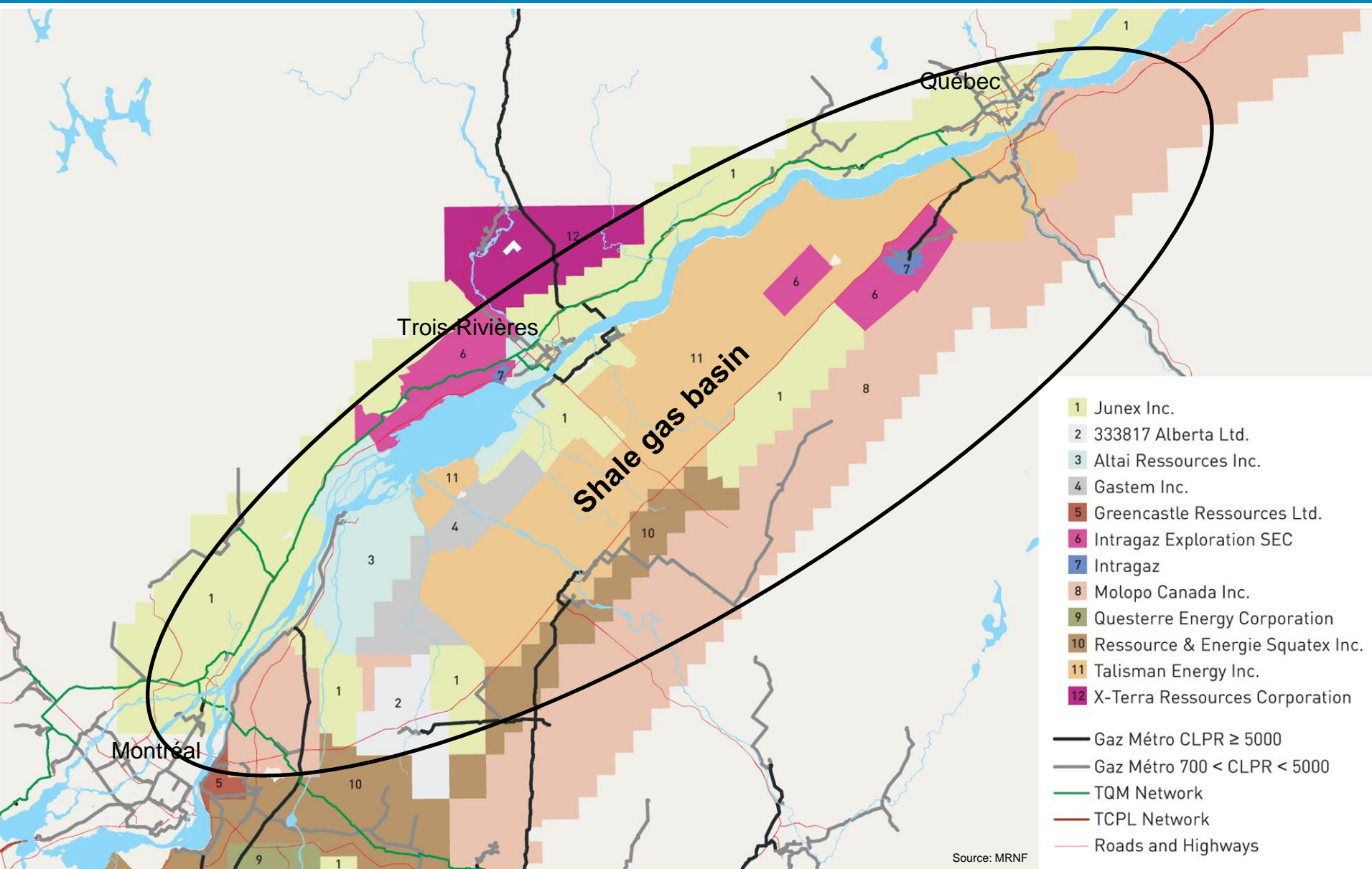
- Gaz Métro
- TQM
- TCPL
- Champion Pipe Line



Exploration Licences



Gaz Métro network offers diversification and flexibility



Source: MRNF

Providing Options to Producers



→ Volumes still uncertain but Gaz Métro provides options

- Depending on producers' desired locations, timing, anticipated increase in volumes, etc.
 - Gaz Métro can provide options for **small** and **large** volumes:
 - Can opt for cheaper options, with eventual constraints
- or
- Can elect to contract for more options even at this stage

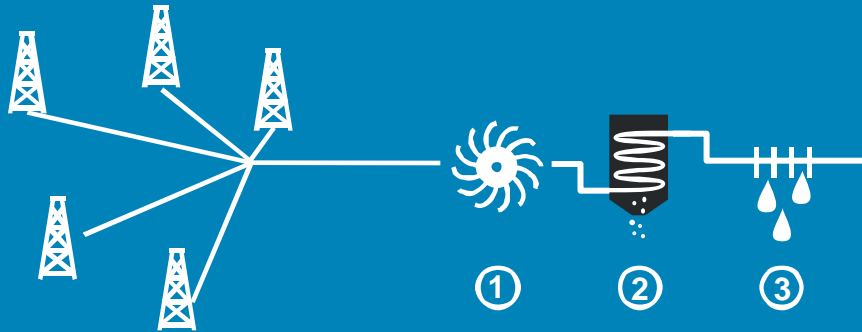
→ 3 service options (in accordance with volumes/pressure)

1. Volumes connected to and consumed in regional system only
2. Volumes connected to Gaz Métro transportation system and transiting on TCPL/TQM to re-enter Gaz Métro's franchise
3. Volumes connected to Gaz Métro transportation system and transiting ex-Quebec via TCPL/TQM

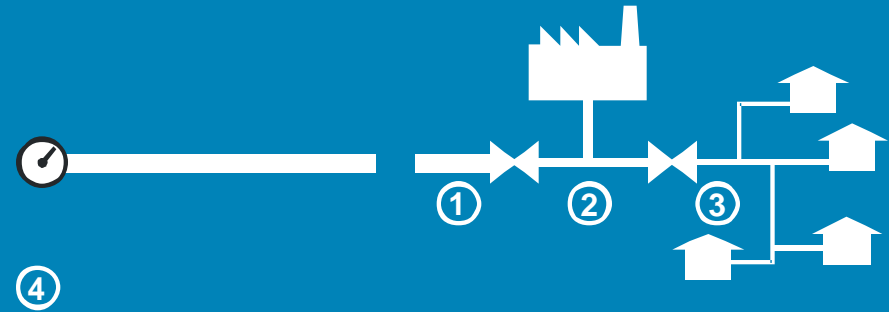
Roles



Producers



Gaz Métro



Section A Gathering network

Section B Stations

Section C New network

Section D Existing network

Wells and gathering network

1. Compression
2. Cleaning
3. Drying

4. Measurement
New interconnecting network

1. Transportation network
CL-5000 and + (kPa)
2. High pressure distribution network
CL-1000 to CL-2900 (kPa)
3. Distribution network
CL-700 and - (kPa)

Gaz Métro's Services in a Nutshell



1. Injection service

- Applicable in all cases
- New lines built to access existing network
- Injection into Gaz Métro's system
- Allows access to producers to all potential buyers in Gaz Métro's franchise, including Gaz Métro itself

2. Transport service

- Applicable in two cases:
 - a) Deliveries **from and to points inside Gaz Métro's** franchise but requiring capacity on TCPL/TQM network to move gas
 - b) Deliveries **outside Gaz Métro's franchise** via Gaz Métro's transportation network **and** TCPL/TQM network

1. Injection Service



- Tolls to be based on costs incurred for shale gas
 - Applicable in all cases
 - Cost allocated for new facilities
- Minimum and maximum contracted pressure
- Postage stamp rate
- 20 years depreciation
- Mainly fixed structure

2. Transport Service



→ Applicable in 2 cases:






a) Deliveries **from and to points inside** Gaz Métro's franchise but requiring capacity on TCPL/TQM network

- TCPL/TQM toll only if additional capacity is required by Gaz Métro to physically move gas



b) Deliveries **outside the franchise** via Gaz Métro's transportation network **and** TCPL/TQM network

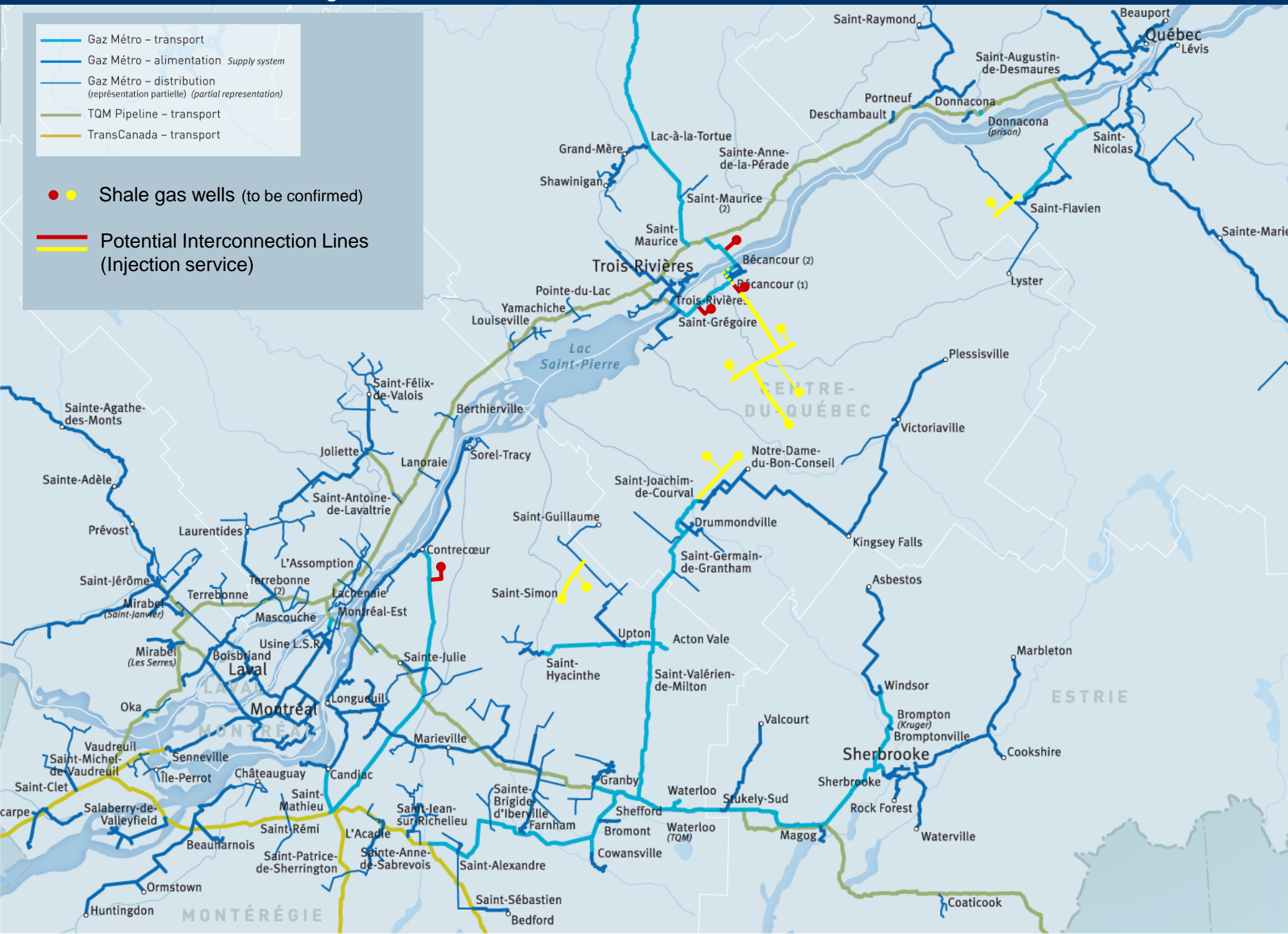
- Toll for the use of Gaz Metro's existing system
 - Costs allocated between existing customers and producers
- TCPL/TQM toll for deliveries outside its franchise
 - capacity contracted by producers for deliveries outside Gaz Métro's franchise

Potential scenario – Shale gas

-  Gaz Métro – transport
-  Gaz Métro – alimentation *Supply system*
-  Gaz Métro – distribution *(représentation partielle) (partial representation)*
-  TQM Pipeline – transport
-  TransCanada – transport

  Shale gas wells (to be confirmed)

  Potential Interconnection Lines
(Injection service)



Common Points to be Addressed



→ Any energy project raises questions and issues

→ All stakeholders have a key role:

- Producers
 - Communicate relevant information about production issues and benefits
 - Contribute actively to the social debate in Quebec
- Government
 - Obtain information and continue to implement rigorous environmental regulations
 - Oversee producers to ensure respect of all established norms
- Gaz Métro
 - Support government and producers' efforts
 - Share its expertise and knowledge in gas transportation and distribution in Quebec
 - Provide a path from production to markets

Gaz Métro's Contribution



- For a rare occasion, infrastructures are already in place to bring volumes from a new production zone to the market
 - Gaz Métro provides transportation and distribution options

- Gaz Métro's key elements of success:
 - Financial and administrative discipline
 - Efficiency
 - Transparency
 - Communication
 - Social responsibility in project management and implementation

- Experience and expertise to manage successfully the required system between the gathering systems and any existing networks

In Conclusion



- Natural gas in Quebec will contribute to the diversification of natural gas supplies for Quebec customers
- Which could help reduce the bill for customers in Quebec
- Balance point between:
 - Return on investment for producers
 - Low price of the commodity for clients in Quebec
 - Help the competitive position of natural gas and therefore the province's environmental footprint

When producers are ready, Gaz Métro will be ready