APPENDIX 1.2

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PRESS RELEASE

Thursday, August 18, 2005

Terasen Inc.

Places Under Review with Negative Implications

Date of Release: August 2, 2005

Please click on the Issuer name below to see all research for that Issuer.

Issuer	Debt Rated	Rating Action	Rating	Trend	Notes	Latest Event
Terasen Inc.	Commercial Paper	Under Review - Negative	R-1 (low)	--	UR-neg. 2005-08-02	Aug 2, 2005
Terasen Inc.	Medium-Term Note Debentures	Under Review - Negative	A (low)	--	UR-neg. 2005-08-02	Aug 2, 2005
Terasen Inc.	Unsecured Subordinated Debentures	Under Review - Negative	BBB (high)y	--	UR-neg. 2005-08-02	Aug 2, 2005

Dominion Bond Rating Service (“DBRS”) has today placed the ratings of Terasen Inc. (“Terasen” or the “Company”) “Under Review with Negative Implications”.

The rating actions follow the announcement that Kinder Morgan Inc. (“KMI”) will acquire Terasen for approximately US$3.1 billion (to be financed on a 65% cash/35% common stock basis), plus assumption of approximately US$2.5 billion of assumed debt, resulting in an energy company with a pro forma enterprise value of approximately US$19.2 billion. The acquisition must be approved by 75 percent of Terasen shareholders who will attend a special meeting held before October 31, 2005 (see concurrent DBRS press releases on Terasen’s subsidiaries and KMI).

DBRS’s review of the merger transaction will focus on a number of issues, including the following:

(1) Impact of the transaction on Terasen’s non-consolidated capital structure going forward is an important issue for the current ratings. Currently, DBRS expects that Terasen would support the funding of the potentially large capital projects at Terasen’s subsidiaries with a significant equity component to be raised by Terasen. The proposed transaction creates uncertainties with respect to the potential financial policies of Terasen, which could potentially have negative implications for its future financial profile. At the same time, DBRS recognizes that ownership by KMI provides substantially improved access to capital markets for Terasen, particularly in the U.S.

(2) Ownership by a lower-rated entity (KMI was rated BBB by DBRS prior to being placed “Under Review with Negative Implications”) could expose Terasen to increased dividend payments to support KMI’s higher debt load as a result of this transaction. DBRS will also review the implications of the Terasen acquisition on KMI’s credit profile.

DBRS’s review of the proposed transaction will also focus on a number of other issues, including the impact on the business and financial risk profile of the combined entity, as well as the tax, legal, and regulatory issues of the cross border transaction.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at: info@dbrs.com.

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Issuers in This Press Release

Terasen Inc.

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PRESS RELEASE

Thursday, August 18, 2005

Terasen Gas Inc.

Confirms at A & R-1 (low)

Date of Release: August 2, 2005

Please click on the Issuer name below to see all research for that Issuer.

Issuer	Debt Rated	Rating Action	Rating	Trend	Notes	Latest Event
Terasen Gas Inc.	Commercial Paper	Confirmed	R-1 (low)	Stb	last rpt. 2005-06-22	Aug 2, 2005
Terasen Gas Inc.	Purchase Money Mortgages	Confirmed	A	Stb	last rpt. 2005-06-22	Aug 2, 2005
Terasen Gas Inc.	MTNs & Unsecured Debentures	Confirmed	A	Stb	last rpt. 2005-06-22	Aug 2, 2005

Dominion Bond Rating Service (“DBRS”) has today confirmed the ratings of Terasen Gas Inc. (“Terasen Gas” or the “Company”) as indicated above. The trends are Stable.

The rating actions follow the announcement that Kinder Morgan Inc. (“KMI”) will acquire Terasen Inc. (“Terasen”) for approximately US$3.1 billion (to be financed on a 65% cash/35% common stock basis), plus assumption of approximately US$2.5 billion of assumed debt, resulting in an energy company with a pro forma enterprise value of approximately US$19.2 billion. The acquisition must be approved by 75% of Terasen shareholders who will attend a special meeting held before October 31, 2005 (see concurrent DBRS press releases on Terasen and KMI). Terasen owns 100% of Terasen Gas.

In view of the stand-alone nature of these operations, DBRS believes that the business and financial risk profile of the above-noted issuer would not be changed by completion of the proposed transaction between KMI and Terasen. Consequently, DBRS is confirming its ratings as noted above.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at: info@dbrs.com.

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Issuers in This Press Release

Terasen Gas Inc.

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Terasen Gas Inc.

Report Date: June 22, 2005
Press Released: June 22, 2005
Previous Report: June 21, 2004

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper
A	Stable	Confirmed	Purchase Money Mortgages
A	Stable	Confirmed	MTNs & Unsecured Debentures

(All figures in Canadian dollars, unless otherwise noted.)

Rating History

	Current	2004	2003	2002	2001	2000	1999
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Purchase Money Mortgages	A	A	A	A	A	A	A
MTNs & Unsecured Debentures	A	A	A	A	A	A	A

Rating Update

Terasen Gas Inc.'s ("Terasen Gas" or the "Company") overall performance has remained stable, in spite of the lower approved return on equity (ROE) during the past two years. The Company benefits from a supportive regulatory regime, which provides for various deferral accounts that allow for the recovery from, or remittance to, customers of variances from forecasts in: (1) prudently incurred gas costs, (2) residential and commercial customer use, and (3) interest rate fluctuations. In addition, deferral accounts are also used for funding both pension costs and insurance premiums. As a result, the Company is only exposed to variances from forecast with regard to industrial and transportation service customers, which is mitigated by the small proportion of net revenues – roughly 10% – that these customers account for.

Given Terasen Gas' business characteristics, the medium-term outlook for its financial profile remains stable. However, the Company's financial results will continue to be influenced by the performance-based regulatory (PBR) regime under which it operates. More specifically, cash flows would be negatively impacted if it is unable to achieve productivity improvements and efficiencies, particularly in light of the higher productivity factor in the final two years of the PBR period (until 2007). However, DBRS notes that Terasen Gas has been successful in achieving the efficiencies necessary to maintain a stable financial profile, recently evidenced by the $4.1 million in earnings contribution from operational efficiencies achieved through the integration of Terasen Gas Vancouver Island ("TGVI") into the Company's operations.

Terasen Gas will continue to have the capacity to internally fund annual capital expenditures averaging about $100 million; however, when combined with dividend payments to its parent the Company will require external financing to fund these combined expenses. As a result, the Company will continue to incur free cash flow deficits, funding these through dividend management and debt issuances, such that the deemed capital structure of 33% equity/67% debt is maintained. Key financial ratios are expected to continue to fluctuate within a narrow band in line with changes in working capital requirements, however, this does not pose any credit implications. Overall, the outlook remains stable.

Rating Considerations

Strengths:

- Operations are regulated, providing longer term earnings and balance sheet stability
- Existence of various deferral accounts, which provide additional financial stability
- Southern Crossing Pipeline provides access to alternative sources of gas supply
- Diversified customer base and strong franchise area

Challenges:

- Cash flow from operations insufficient to fund both capital expenditures and common dividends
- Low allowed ROEs versus Canadian peers
- Earnings are sensitive to the economic cycle and interest rates (through allowed ROEs)
- Competitive pressures from dual energy industrial users, low electricity rates
- Tax methodology results in unrecorded tax liabilities, weakens interest coverage

Financial Information

	12 mos. ended	For the year ended December 31				
	March 31, 2005	2004	2003	2002	2001	2000
Fixed-charges coverage (times)	1.97	1.99	1.97	1.98	1.82	1.77
% debt in capital structure (1)	66.1%	65.8%	68.4%	67.9%	68.4%	67.3%
Cash flow/total debt (times) (1)	9.2%	9.7%	8.9%	9.3%	8.6%	7.7%
Cash flow/capital expenditures (times)	1.44	1.61	1.27	1.34	0.98	0.25
Allowed ROE (2)	9.03%	9.15%	9.42%	9.13%	9.25%	9.50%
Net income before extraordinary items ($ millions)	71.8	70.8	70.4	67.1	67.2	61.9
Operating cash flow ($ millions)	152.7	151.5	147.9	149.1	142.4	120.1
Total throughput volumes (bcf)	190.3	191.6	190.4	206.8	225.1	235.2

(1) All preferred shares (prior to 2000) were treated as debt equivalents. (2) 9.03% is for 2005.

The Company

Terasen Gas is the largest natural gas distributor in British Columbia, serving approximately 783,000 customers, or 90% of the province's natural gas users. The Company is wholly owned by Terasen Inc., however, the rating assigned to Terasen Gas is a stand-alone commercial rating.

Authorized Paper Amount Limited to $500 million

Regulation

- Terasen Gas is regulated by the British Columbia Utilities Commission ("BCUC"). The regulatory environment in British Columbia remains among the more progressive in Canada, although the approved ROEs for Terasen Gas are the lowest among the gas distribution companies in Canada.
  - British Columbia-based utilities were among the first utilities in Canada to operate under incentive-based regulation.
- Terasen Gas' allowed ROE is set annually according to the following formula:
  - 350 basis points above forecast long-term Government of Canada bond when yields are 6% or lower.
  - The formula also provides for annual adjustments capturing 80% of the change in yields when forecast yields are higher than 6%.
- Deemed equity has been set at 33% of total capital, which is below that of its Canadian peers.
- Terasen Gas has the following deferral accounts, which reduce short-term earnings fluctuations/risks:
  - The Gas Cost Reconciliation Account (GCRA): The Company is permitted to periodically, subject to BCUC approval, recover from, or remit to, customers any variances in gas prices from forecast. Historically, variances are amortized and recovered over a two-year to three-year period with price adjustments normally made on a semi-annual basis.
  - The GCRA was split into two new deferral accounts effective April 2004 to accommodate commodity unbundling: the Commodity Cost Reconciliation Account (CCRA) and the Midstream Cost Reconciliation Account (MCRA), which work the same way in terms of the refund/recovery mechanism, as for the GCRA.
  - Rate Stabilization Adjustment Mechanism (RSAM): Terasen Gas is permitted to accumulate the variances from forecast in use per customer for residential and commercial customers. The amounts are amortized and recovered over a two-year period. Terasen Gas is, however, still exposed to the economic cyclicality of non-RSAM customers, principally large-volume, industrial and transportation service customers, who account for roughly 10% of gas revenues.
  - Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.
- Recovery of the deferral account balances in rates charged to customers led to a decline in the regulatory deferral accounts during the year.
  - During 2004, the net balances of the CCRA/MCRA, and RSAM accounts declined to $14.1 million from $38.5 million in 2003.
- In July 2003, the BCUC approved a negotiated settlement of a performance-based rate plan covering the 2004-2007 period.
  - Under the new plan, operating and maintenance costs and base capital expenditures are subject to an incentive formula reflecting increasing costs as a result of customer growth and inflation less a productivity factor equal to 50% of inflation during the first two years of the plan and 66% of inflation during the last two years of the plan.
  - The 50/50 sharing of earnings with customers above or below the allowed ROE that existed under the previous plan continues under this plan.
  - The new plan also includes ten service quality measures designed to ensure the maintenance of service levels, as well as setting out the requirements for an annual review process.
  - As part of the negotiated settlement, new deferral accounts were established for insurance premiums and pension costs incurred by Terasen Gas, providing additional stability to earnings and cash flows over the medium term.
- Over the past several years, work has been underway on gas commodity unbundling, which allows customers to purchase gas from the supplier of choice.
  - Effective May 1, 2004, Terasen Gas' commercial customers were able to purchase gas from a different gas supplier beginning November 1, 2004.
  - Terasen Gas still provides delivery of the natural gas.
  - Of the 78,000 commercial customers eligible to participate in commodity unbundling, 2,067 had participated by December 2004.
  - Since gas costs are strictly a flow-through item (i.e. Terasen Gas does not make any profit on the sale of the commodity), unbundling is earnings-neutral and, therefore, has no impact on credit ratings

Rating Considerations

Strengths: (1) The regulatory environment within which the Company operates provides a relatively high degree of financial stability. Since 1996, the regulatory environment has consisted of formula-based ROEs and incentive-based regulation, which minimize regulatory lag, streamline the regulatory process, and encourage utilities to improve operating efficiencies. The framework within which Terasen Gas operates allows for the recovery from, or remittance to, customers of variances from forecast, through deferral accounts, for a large number of items. This helps to smooth earnings and reduce business and operating risks. All of these deferral accounts are amortized and recovered

in future rates. However, these can artificially inflate interest coverage ratios due to timing factors (i.e. during periods of warmer-than-normal temperatures), but the impact is reversed as deferral balances are recovered.
(2) The Southern Crossing Pipeline project ("SouthernX"), which became operational in November 2000, provides the Company with access to lower cost alternative sources of gas supply from Alberta. This is especially favourable during periods of high natural gas prices. Terasen Gas is also exploring opportunities to cost-effectively expand the pipeline through such initiatives as the Inland Pacific Connector project – a proposal to extend the SouthernX pipeline from Oliver to the regional natural gas trading hub of Sumas, near Vancouver.
(3) The Company has a diversified customer base and has limited exposure to a single customer, which reduces earnings volatility. Residential customers account for over 60% of gas revenues, commercial customers for just over 30% of gas revenues, and industrial customers about 10% of gas revenues. In addition, Terasen Gas serves a strong franchise area (Vancouver), which is densely populated.

<u>Challenges:</u> (1) The Company has consistently generated insufficient cash flow from operations to internally fund both its capital expenditures and dividend payments. This has not resulted in a deterioration of the Company's credit quality and Terasen Gas is able to manage its dividend payment to its parent in order to maintain its capital structure. In the event that the Company requires significant equity contributions, it relies on its parent for support. However, Terasen Gas is rated on a stand-alone basis, and its financial strength and business profile is not impacted by activities at its parent company, Terasen Inc., currently rated A (low), R-1 (low).
(2) Terasen Gas has historically had the lowest allowed ROEs relative to all other gas distribution utilities in Canada. This has resulted in generally weaker financial ratios relative to its Canadian peers.
(3) The Company's earnings and cash flows are mildly sensitive to the economic cycle, and to changes in interest rates through allowed ROEs. Industrial customers, who account for just over 10% of gas revenues, are sensitive to the economic cycle. In terms of interest rates, a 25 basis point change in allowed ROEs would impact net earnings by about $1.9 million. The allowed ROE for 2005 is set at 9.03%, compared to 9.15% for 2004 and the impact on net earnings from this reduction in ROE would be about $1 million, resulting in relatively flat year-over-year earnings.
(4) In times of high natural gas prices, the Company faces reduced gas throughputs on the industrial side. In addition, the Company faces ongoing competitive pressures on the residential side from the low electricity rates in British Columbia due to the dominance of low-cost, hydro-based generation. In addition, the trend in housing starts, while remaining strong, has shifted from single-family dwellings to multi-family dwellings, for which natural gas has a lower penetration rate. However, with rising electricity prices in B.C., the competitive pressures have become much lower, with gas actually having a 10%-15% price advantage over electricity. In addition, in October 2004, the BCUC approved a rate increase for BC Hydro effective April 1, 2004 – the first rate increase since 1993.
(5) The use of the taxes payable method of taxation (typical of rate-regulated utilities) has resulted in an unrecorded future income tax liability of $215.8 million as at December 2004. The recovery of this liability in future rates depends on regulation. In addition, this method results in lower revenue collections, thereby reducing operating income and weakening coverage ratios, as the Company collects taxes as paid.

EARNINGS AND OUTLOOK

	12 mos. ended	For the year ended December 31				
($ millions)	March 31, 2005	2004	2003	2002	2001	2000
Net revenues	498.2	498.2	500.4	497.0	489.2	420.9
EBITDA	293.6	294.2	298.1	303.0	307.5	261.8
EBIT	212.6	212.6	221.4	225.2	231.9	194.8
Gross interest expense	107.8	106.9	112.5	113.5	127.7	102.8
Net interest expense	107.2	106.4	111.9	112.5	124.4	91.1
Pre-tax income	105.4	106.2	109.5	112.7	107.5	103.7
Income taxes	33.6	35.4	39.1	45.6	40.3	41.8
Net income (before extras., after prefs.)	71.8	70.8	70.4	67.1	67.2	57.9
Net income	70.8	70.8	70.4	67.1	67.2	57.9
Return on avg. common equity (bef. extras.)	8.9%	9.0%	9.2%	8.8%	8.8%	8.4%

Summary:

- For the 12 months ended March 31, 2005, EBIT fell slightly due to lower overall consumption compared with the year ended December 31, 2003.
  - The lower approved ROE for 2004 of 9.15%, compared with 9.42% for the previous year, also contributed to lower results.
- Net income remained relatively flat during this period due to lower interest expense and lower taxes.

Outlook:

- Earnings are expected to remain relatively stable, with some modest growth potential.
- Terasen Gas faces the challenge of having to achieve continued productivity improvements and efficiencies over the next four years under the new performance-based rate plan.

- 2005 will be especially challenging given the significant decline in the allowed ROE to 9.03%, which is currently the lowest among all regulated gas distribution companies in Canada.
- The 50/50 sharing mechanism with customers on earnings above, or below, the permitted ROE minimizes the upside potential, but more important, minimizes downside risk.

- Over the longer term, Terasen Gas should benefit from the rising electricity prices in British Columbia, which will further improve the price competitiveness of gas versus electricity.
- As well, the Company continues to pursue operational efficiencies from the integration of TGVI, particularly with regard to the installation of a liquefied natural gas (LNG) storage facility on the island.
  - This would provide additional transportation earnings for Terasen Gas.
- The completion of the 252 MW Duke Point power plant on Vancouver Island, expected in May 2007, will also provide Terasen Gas with additional earnings growth potential from greater throughput volumes.
  - Ongoing developments with the resort Municipality of Whistler to develop a sustainable energy strategy should provide further earnings growth for Terasen Gas.
  - This project includes the construction of a natural gas pipeline from Squamish to Whistler, providing additional transportation earnings for the Company.

FINANCIAL RISK PROFILE AND OUTLOOK

	12 mos. ended	For year ended Dec. 31				
($ millions)	March 31, 2005	2004	2003	2002	2001	2000
EBITDA	293.6	294.2	298.1	303.0	307.5	261.8
Net income before extraordinary items	71.4	70.8	70.4	67.1	67.2	57.9
Depreciaton & amortization	76.1	81.6	76.7	77.8	75.6	67.0
Other non-cash adjustments	5.2	(0.9)	0.8	4.2	(0.4)	(4.8)
Cash Flow From Operations	152.7	151.5	147.9	149.1	142.4	120.1
Capital expenditures	(105.9)	(93.9)	(116.2)	(111.1)	(146.0)	(472.5)
Common dividends	(65.0)	(60.0)	(80.0)	(80.0)	(60.0)	(56.1)
Free Cash Flow Before W/C Changes	(18.2)	(2.4)	(48.3)	(42.0)	(63.6)	(408.5)
Working capital changes	(0.3)	15.5	(40.5)	(20.8)	(109.3)	119.6
Changes in rate stabilization account	37.1	24.4	38.2	71.0	2.4	(117.3)
Net Free Cash Flow	18.6	37.5	(50.6)	8.2	(170.5)	(406.2)
Acquisitions/divestitures	4.4	67.7	(3.7)	52.7	45.4	(10.9)
Other	0.0	(2.4)	0.0	0.0	0.0	0.0
Cash flow before financing	23	103	(54.3)	60.9	(125.1)	(417.1)
Net change in debt financing	(35.1)	(96.8)	52.1	(59.5)	94.4	376.3
Net change in pref. share financing	0.0	0.0	0.0	0.0	0.0	(75.0)
Net change in equity financing	0.0	0.0	0.0	0.0	0.0	141.1
Net Change in Cash	(12.1)	6.0	(2.2)	1.4	(30.7)	25.3
Cash flow/capital expenditures (times)	1.44	1.61	1.27	1.34	0.98	0.25
Cash flow/total debt (times)	9.2%	9.7%	8.9%	9.3%	8.6%	7.7%
% debt in the capital structure	66.1%	65.8%	68.4%	67.9%	68.4%	67.3%
Fixed-charges coverage (times)	1.97	1.99	1.97	1.98	1.82	1.77

Summary:

- Terasen Gas' financial profile has experienced a modest improvement over the past five years, despite the low allowed ROEs.
  - Fixed-charges coverage has improved to almost 2.0 times, and
  - Cash flow/debt has been has improved to over 9.0%.
- Although key financial ratios are low relative to Canadian peers, they are acceptable for the rating given the existence of the various deferral accounts and the high degree of stability of the ratios.
- Cash flow from operations remains insufficient to fully fund both capital expenditures and dividend payments to its parent.
  - However, the Company can manage its dividend payouts in order to maintain its capital structure, typically within BCUC-approved levels.
- Terasen Gas's capital structure has remained relatively stable, around the deemed capital structure of 33% common equity/67% debt.

Outlook:

- Terasen Gas' financial profile is expected to remain relatively stable over the medium term.
  - Operating cash flows and key financial ratios will continue to be pressured by the low permitted ROE in 2005 and could come under additional pressure if the Company is unable to achieve the productivity improvements and efficiencies required under the new performance-based rate plan.
- Cash flow from operations will continue to be insufficient to fund both annual capital expenditures and dividend payments under current dividend payout.
- However, free cash flow deficits are manageable.

Long-Term Debt Maturities and Bank Lines

Long-Term Debt Maturity Schedule – as at March 31, 2005
($ millions)

	2005	2006	2007	2008	2009 and beyond
Long-term debt	397.2	122.2	102.2	190.2	62.1
% of total	33.1%	10.2%	8.5%	15.8%	5.2%

Summary:

- The Company has 364-day revolving committed lines of credit totalling $500 million, which are used to support its $500 million commercial paper program, as well as for general corporate purposes.
- As of December 31, 2004, Terasen Gas had $132 million of commercial paper and banker's acceptances outstanding.
  - Consequently, it had $368 million available on its committed lines of credit.
- In February 2005, the Company issued $150 million of 30-year medium-term notes (MTN) at an interest rate of 5.90%.
  - In April 2004, Terasen Gas issued $150 million of medium-term note debentures at an interest rate of 6.50%.
  - Proceeds were used repay some existing MTNs and for general corporate purposes.

Outlook:

- Maturities are reasonably well staggered over the next few years.
- The Company anticipates issuing another $250 million in fixed income during 2005.
  - In addition, the Company plans on issuing $250 million in long-term debt at sister company TGVI in order to refinance an existing $215 million credit facility maturing in January 2006, as well as to repay some intercompany debt from Terasen Inc. to TGVI.
  - The Company also plans on negotiating a new credit facility at TGVI to provide financing for LNG capital expenditures.
- While there is some refinancing risk in 2005, DBRS expects that the Company will have little difficulty refinancing, or securing additional financing for its operations.

Terasen Gas Inc.

Balance Sheet

($ millions)	As at	As at December 31			As at	As at December 31	
Assets	March 31, 2005	2004	2003	**Liabilities & Equity**	March 31, 2005	2004	2003
Cash	122.3	1.7	0.0	Short-term debt	102.5	107.0	357.2
Accounts receivable	296.4	252.9	318.0	A/P + accrueds	310.0	301.4	316.6
Inventories	96.1	151.5	113.6	L.t.d. due in one year	357.2	397.2	2.2
Prepaids + other	4.9	5.7	5.8	**Current Liabilities**	769.7	805.6	676.0
Rate stabilization accts	10.8	13.8	6.3	Deferred taxes	0.5	0.5	0.5
Current Assets	530.5	425.6	443.7	Deferred gain	80.7	80.2	51.9
Net fixed assets	2,311.5	2,260.0	2,285.8	Long-term debt	1,201.2	1,051.4	1,297.3
Rate stabilization accts	28.5	27.9	32.2	Debt equiv. pref.	0.0	0.0	0.0
Deferred charges	25.2	25.5	23.9	Preferred equity	0.0	0.0	0.0
Long-term rec. + investments	8.0	8.2	5.1	Shareholders' equity	851.6	809.5	765.0
Total	2,903.7	2,747.2	2,790.7	**Total**	2,903.7	2,747.2	2,790.7

Ratio Analysis	12 mos. ended	For the year ended December 31					
Liquidity Ratios	March 31, 2005	2004	2003	2002	2001	2000	1999
Current ratio	0.69	0.53	0.66	0.53	0.61	0.69	0.51
Accumulated depreciation/gross fixed assets	20.2%	21.0%	20.1%	18.8%	17.5%	16.7%	18.7%
Cash flow/total debt (1)	9.2%	9.7%	8.9%	9.3%	8.6%	7.7%	9.0%
Cash flow/capital expenditure	1.44	1.61	1.27	1.34	0.98	0.25	0.85
Cash flow-dividends/capital expenditures	0.83	0.97	0.58	0.62	0.56	0.14	0.37
% debt in capital structure (1)	66.1%	65.8%	68.4%	67.9%	68.4%	67.3%	67.2%
Average coupon on long-term debt	7.23%	7.23%	7.29%	7.81%	7.76%	7.86%	8.40%
Deemed common equity	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	104.5%	84.7%	113.6%	119.2%	89.3%	96.9%	126.5%
Coverage Ratios							
EBIT interest coverage	1.97	1.99	1.97	1.98	1.82	1.90	2.27
EBITDA interest coverage	2.72	2.75	2.65	2.67	2.41	2.55	3.01
Fixed-charges coverage	1.97	1.99	1.97	1.98	1.82	1.77	1.90
Earnings Quality/Operating Efficiency and Statistics							
EBIT margin, excluding cost of natural gas	42.7%	42.7%	44.2%	45.3%	47.4%	46.3%	47.6%
Net margin (excluding preferred dividends)	14.4%	14.2%	14.1%	13.5%	13.7%	13.7%	12.7%
Return on avg. common equity (bef. extras.)	8.9%	9.0%	9.2%	8.8%	8.8%	8.4%	8.3%
Allowed ROE (3)	9.03%	9.15%	9.42%	9.13%	9.25%	9.50%	9.25%
Degree days – % normal (interior)	-	97.6%	97.6%	103.0%	94.6%	99.9%	94.7%
Degree days – % normal (coastal)	-	95.3%	95.3%	102.6%	102.3%	103.1%	101.6%
Customers/employees	-	670	626	574	594	521	515
Customer growth	1.1%	1.5%	0.8%	0.9%	0.7%	0.9%	1.9%
Operating costs/avg. customer ($) (2)	316	313	306	302	282	253	238
Rate base ($ millions)	-	2,258	2,259	2,234	2,208	1,690	1,637
Rate base growth	-	0.0%	1.1%	1.2%	30.7%	3.2%	5.0%
Kilometres of pipelines	-	43,776	43,777	43,196	37,430	37,197	36,581
Rate base/km of pipeline ($ thousands)	-	51.6	51.6	51.7	59.0	45.4	44.8
Rate base/throughput volumes ($ millions per bcf)	-	11.8	11.9	10.8	9.8	7.2	7.4

(1) All preferred shares (prior to 2000) treated as debt equivalents. (2) Operating costs exclude municipal and property taxes. (3) 9.03% for 2005.

		12 mos. ended	For year ended December 31					
Throughput Volumes		March 31, 2005	2004	2003	2002	2001	2000	1999
Residential		62.272	60.050	62.126	67.906	62.849	69.531	70.344
Commercial		34.758	34.585	35.217	38.378	38.107	42.170	43.705
Small industrial		4.938	4.425	5.057	5.870	7.585	9.301	7.314
Large industrial		0.186	0.361	0.271	1.084	0.632	1.445	1.896
Total Natural Gas Sales Volumes		102.155	99.420	102.671	113.236	109.173	122.447	123.260
Transportation service		56.858	56.708	56.257	60.230	53.006	55.535	58.334
Throughput under fixed-price contracts		31.266	35.488	31.424	33.321	62.939	57.250	38.468
Total Throughputs (billions of cubic feet)		190.279	191.617	190.352	206.787	225.118	235.232	220.061
Customers								
Residential	90%	703,800	712,304	701,335	694,787	687,375	682,401	676,513
Commercial	10%	77,100	77,624	77,013	77,894	78,756	78,948	78,249
Small industrial	0%	500	416	470	488	515	602	619
Large industrial	0%	100	45	50	61	61	66	74
Transportation	0%	1,500	1,741	1,512	1,328	1,141	856	630
Total (thousands)	100%	783,000	792,130	780,380	774,558	767,848	762,873	756,085

Terasen Inc.

Report Date: June 21, 2004
Press Released: June 18, 2004
Previous Report: August 19, 2003

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper
A (low)	Stable	Confirmed	Medium-Term Note Debentures
BBB (high)y	Stable	Confirmed	Unsecured Subordinated Debentures

y: denotes hybrid security

Rating History

	Current	2003	2002	2001	2000	1999	1998
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Medium-Term Note Debentures	A (low)	A (low)	A (low)	A (low)	NR	NR	NR
Unsecured Subordinated Debentures	BBB (high)y	BBB (high)y	BBB (high)y	BBB (high)y	BBB (high)y	NR	NR

Rating Update

The financial performance of Terasen Inc. ("Terasen" or the "Company") over the past year was generally in line with expectations, with strong growth in consolidated earnings and cash flows in 2003 and Q1 2004 coming from the acquisition of a one-third interest in Express system in January 2003 and the start of the commercial operation of Corridor pipeline in May 2003, but also from the higher throughput volumes at Terasen Pipelines (Trans Mountain) Inc. ("TPTM"). On a non-consolidated basis, Terasen's earnings and cash flows in 2003 were sharply higher due to a significant increase in dividend payments from TPTM to get TPTM's capital structure back to its target structure.

The medium-term outlook for Terasen remains relatively stable given the increased asset diversification providing greater stability to earnings and operating cash flows. In 2004, Terasen's consolidated results will benefit from continued strong throughput volumes at TPTM, and a full-year earnings contribution from Corridor pipeline. The projected growth in earnings from Express will likely be offset by the negative earnings impact of Terasen Gas' low allowed return on equity (ROE) (9.15% compared with 9.42% in 2003). Terasen's non-consolidated results are expected to be weaker in 2004 relative to 2003 as dividend income from TPTM returns to a more normal, sustainable level. Terasen's target capital structure on a consolidated basis is 67% debt/33% equity, an average of the approved capital structures for its existing regulated businesses. As such, Terasen's key financial ratios should remain relatively stable. On a non-consolidated basis, Terasen's level of debt is expected to rise in 2004 and remain higher due to the decision to cancel TPTM's commercial paper program and to conduct all of TPTM's short-term financing requirements at the Terasen level. Terasen's non-consolidated cash flow and coverage ratios, however, are expected to remain reasonable for the current business risk profile. The key risks to Terasen's credit ratings are related to the outcome of the large-scale projects, primarily pipeline projects, currently under active development. As the importance of Terasen's pipeline and non-regulated businesses continues to grow, Terasen will require a higher equity base to maintain the current ratings.

Rating Considerations

Strengths:

- Non-consolidated balance sheet and key financial ratios remain reasonable
- Increased diversification provides greater stability to dividend income and operating cash flows
- Majority of assets are rate regulated

Challenges:

- Gas distribution operations sensitive to changes in interest rates through allowed ROE
- Re-negotiation of TPTM toll agreement in 2005
- Potentially heavy financing requirements and increased business risk profile over medium term

Financial Information

	12 mos. ended	For the year ended December 31				
Consolidated Basis	Mar. 2004	2003	2002	2001	2000	1999
Fixed-charges coverage (times)	2.06	1.89	1.79	1.69	1.93	1.90
Cash flow/total adj. debt (1)	10.6%	9.7%	8.6%	7.6%	8.4%	10.9%
% adj. debt in capital structure (1)	65.8%	67.6%	66.8%	75.3%	72.3%	71.9%
Net income before extra. items/prefs. ($ millions) (2)	148.3	141.2	116.6	91.0	82.7	78.2
Operating cash flow ($ millions) (2)	299.5	285.2	232.4	188.5	172.5	174.4
Gas distribution throughputs (bcf) (3)	177.6	174.6	187.3	164.7	180.3	179.4
Oil pipeline throughputs (thousands bbl/day) (4)	254.8	216.1	201.2	209.3	204.6	207.5
Non-Consolidated Basis						
Fixed-charges coverage (times)	n/a	5.78	3.83	5.03	6.43	8.58
Cash flow/total adj. debt (times) (1)	n/a	28.7%	29.3%	33.6%	39.0%	52.8%
% adj. debt in capital structure (1)	n/a	28.1%	17.9%	24.0%	20.0%	19.8%
Dividend income from subs. ($ millions)	n/a	176.1	92.7	101.2	80.6	79.7

(1) The $125 million capital securities are given 80% equity treatment by DBRS. (2) DBRS-adjusted.
(3) Throughputs include sales volumes and transportation volumes only. (4) Throughputs for Trans Mountain pipeline only.

The Company

Terasen Inc. is a holding company that owns 100% of Terasen Gas Inc. and 100% of Terasen Gas (Vancouver Island) Inc. (both natural gas distributors), 100% of Terasen Pipelines (Trans Mountain) Inc. (an oil pipeline that ships from Alberta into B.C. and the U.S. north-west), and 100% of Terasen Pipelines (Corridor) Inc. (pipeline in northern Alberta to transport diluted bitumen). Terasen also owns or has interests in a variety of smaller non-regulated businesses, as well as having a one-third interest in Express/Platte Pipeline System. See separate reports for detailed analysis of these companies.

Authorized Paper Amount Limited to Cdn$300 million.

RATING APPROACH

The rating of Terasen is based on the following considerations:

- The strength of the non-consolidated balance sheet and cash flows;
- The creditworthiness of the following wholly owned operating subsidiaries:
  - Terasen Gas Inc. [A/R-1 (low)],
  - Terasen Pipelines (Trans Mountain) Inc. ("TPTM") [A (low)],
  - Terasen Pipelines (Corridor) Inc. [R-1 (low)], and
  - Terasen Gas (Vancouver Island) Inc. ("TGVI") [not rated separately];
- The creditworthiness and characteristics of its other investments; and
- The benefits of business (gas distribution and oil pipeline), product (oil and gas), and geographic diversification (B.C., Alberta, and the western U.S.).

For a more detailed analysis on the rated wholly operating subsidiaries, see separate DBRS reports on Terasen Gas Inc., Terasen Pipelines (Trans Mountain) Inc., and Terasen Pipelines (Corridor) Inc.

RATING CONSIDERATIONS

Strengths: (1) Terasen's non-consolidated financial profile remains reasonable for the current ratings, given its current business risk profile and the increased diversification in its sources of dividend income. Its non-consolidated adjusted debt in the capital structure is just below 30%, while its cash flow/total adjusted debt is 28% and its fixed-charges coverage is 5.8 times.

(2) The various acquisitions and investments made by Terasen over the past two years have significantly increased the diversification of its asset base and earnings, thus increasing the stability in its dividend income and operating cash flows. While Terasen Gas has always been a significant and stable contributor of dividends, the dividend income flow from TPTM, Terasen's second largest subsidiary, has sometimes been significant, but has been much more volatile. The increased sources of dividend income will provide Terasen with a more stable operating cash flow profile.

(3) About 90% of Terasen's asset base is rate regulated, which provides a high degree of long-term stability to Terasen's consolidated balance sheet, earnings, and operating cash flows.

Challenges: (1) The earnings and cash flows of the Company's gas distribution operations are sensitive to changes in long-term interest rates through allowed ROEs. The low interest rate environment over the past six years has resulted in low allowed ROEs, which has had a dampening impact on earnings and on key cash flow and coverage ratios. The very low allowed ROE for 2004 for Terasen Gas (9.15% compared with 9.42% in 2003) will negatively impact Terasen Gas' earnings by about $2 million. However, interest rates rising and should benefit the Company in 2005.

(2) TPTM's current incentive toll settlement expires at the end of 2005. A challenge facing TPTM and Terasen's dividend income outlook is the outcome of the re-negotiation of the incentive agreement. Given the current high level of throughputs and a reduction in some of business risks that existed at the time of the last negotiation, it is possible that the re-negotiation will result in lower tolls.

(3) There are currently a number of large-scale projects, primarily pipeline projects, currently under active development that will require significant amounts of external financing. The key risks associated with these projects are construction risk, namely cost overruns and time delays.

EARNINGS AND OUTLOOK

Income Statement (Consolidated) ($ millions)	12 mos. ended Mar. 2004	For the year ended December 31 2003	2002	2001	2000	1999
Net revenues	910.3	883.3	807.5	663.1	590.2	598.4
EBITDA	515.3	499.8	452.1	390.3	342.8	339.0
Depreciation and amortization	137.6	131.2	110.7	95.1	86.2	83.1
EBIT	377.7	368.6	341.4	295.2	256.6	255.9
Gross interest expense	183.2	184.6	179.7	163.7	126.0	118.6
Net interest expense	179.3	176.0	160.8	148.3	117.5	117.6
Pre-tax income	198.4	192.6	180.6	146.9	139.1	138.3
Net income (before extras. and pfd.)	148.3	141.2	116.6	91.0	82.7	78.2
Net income (available to common)	139.9	132.7	105.8	84.6	108.8	81.2
Return on average common equity (bef. extras.)	10.8%	10.6%	11.2%	12.1%	12.0%	12.2%

Segmented Earnings (Consolidated) ($ millions)	%	For the year ended December 31 2003	2002	2001	2000	1999
EBIT						
Gas distribution	75%	277.7	276.7	231.9	194.8	190.8
Petroleum transportation	25%	92.0	56.4	60.3	49.8	48.0
Other/corporate	0%	(1.1)	8.3	3.1	11.9	17.1
Total EBIT	100%	368.6	341.4	295.2	256.6	255.9
Net Income						
Gas distribution	68%	95.4	92.4	67.8	58.7	51.7
Petroleum transportation	40%	56.2	29.3	27.3	22.3	19.5
Other/corporate	-7%	(10.4)	(5.1)	(4.1)	1.7	7.0
Net income (before extras.)	100%	141.2	116.6	91.0	82.7	78.2
Extraordinary/unusual items		(1.8)	(4.1)	-	30.0	7.0
Preferred dividends/capital sec. dist'n		6.7	6.7	6.4	3.9	4.0
Net income (available to common)		132.7	105.8	84.6	108.8	81.2

Income Statement (Non-consolidated) ($ millions)	For the year ended December 31 2003	2002	2001	2000	1999
Dividend income	176.1	92.7	101.2	80.6	79.7
EBIT	168.6	99.3	98.8	84.8	65.1
Gross interest expense	19.8	15.6	8.9	6.2	7.6
Net interest expense	12.9	13.6	8.8	6.1	7.5
Pre-tax income (before non-recurring/prefs.)	165.9	87.6	95.3	80.7	65.5
Net income (available to common)	157.0	76.0	69.6	76.8	65.5

Summary:

Consolidated Basis:

- EBIT and net income continued to increase in 2003 and for the 12 months ended March 31, 2004.
- Growth was largely due to:
  - Higher throughput volumes at TPTM, especially in Q1 2004; and
  - Earnings contributions from the acquisition of a one-third interest in Express system in January 2003 and the start of the commercial operation of the Corridor pipeline in May 2003.
- Growth in Terasen Gas earnings in 2003 provided an additional modest boost, while earnings were flat in Q1 2004 relative to previous year.

Non-consolidated Basis:

- EBIT was up sharply in 2003 due to significant dividend payment from TPTM ($91.2 million compared with $9.2 million in 2002), which was largely to get TPTM's capital structure back to 55% debt/45% equity.
- Gross interest expense was up again due to higher average debt levels, but much of the increase was offset by higher interest income from subsidiaries.
  - Most of the higher debt level at Terasen relates to borrowing done on behalf of subsidiaries.

Outlook:

Consolidated Basis:

- Earnings in 2004 should increase, benefiting from:
  - Continued strong throughput volumes at TPTM; and
  - Full-year earnings contribution from Corridor pipeline.
- Projected growth in Express earnings will likely be offset by the negative earnings impact of Terasen Gas' low allowed ROE (9.15% vs. 9.42% in 2003).
- Over the medium term, earnings should remain relatively stable given the increased diversification.
- Modest earnings growth will come from:

- Already announced/underway pipeline expansion projects to accommodate increasing throughput volumes;
- Customer additions and higher allowed ROEs from rising interest rates, at both gas distribution companies; and
- Improved performance from non-regulated/water and utility businesses.
- Key risks to Terasen's medium-term outlook include:
  - Re-negotiation of TPTM's toll agreement;
  - The inability of non-regulated/water and utility businesses to generate positive returns;
  - Inability of Terasen Gas to achieve productivity improvements and efficiencies under the new rate plan; and
  - Construction risks associated with the proposed large-scale expansion projects to TPTM, if undertaken.

Non-consolidated basis:

- Net income should be lower in 2004 as TPTM's dividend payments return to a more normal, sustainable level.
  - Corridor started making dividend payments in 2004, which will offset some of the drop from TPTM.
- Beyond 2004, net income should become increasingly stable given Terasen's more diversified sources of dividend income.
  - TPTM will likely remain more volatile, but dividend income from Corridor, modest distributions from Express, and dividends over time from its other/non-regulated portfolio should help stabilize earnings.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

Consolidated Basis	12 mos. ended	For the year ended Dec. 31		
($ millions)	Mar. 2004	2003	2002	2001
EBITDA	515.3	499.8	452.1	390.3
Net income (bef. extras., after prefs.)	141.7	134.5	109.9	84.6
Depreciation & amortization	137.6	131.2	110.7	95.1
Non-cash adjustments	20.2	19.5	11.8	8.8
Operating Cash Flow	299.5	285.2	232.4	188.5
Capital expenditures	(208.3)	(222.9)	(395.7)	(469.8)
Common dividends	(81.1)	(79.4)	(59.8)	(49.8)
Gross Free Cash Flow	10.1	(17.1)	(223.1)	(331.1)
Changes in working capital & rate stabilization acct.	17.2	(22.5)	74.1	(135.1)
Free Cash Flow	27.3	(39.6)	(149.0)	(466.2)
Net investments	(4.5)	(209.0)	(315.2)	14.9
Net debt financing	(25.9)	234.5	(11.9)	435.2
Net capital securities financing	0.0	0.0	0.0	0.0
Net equity financing/other	15.5	10.1	474.2	(4.2)
Net change in cash	12.4	(4.0)	(1.9)	(20.3)
Cash flow/total adj. debt (times) (1)	10.56%	9.73%	8.62%	7.60%
% adj. debt in capital structure (1)	65.8%	67.6%	66.8%	75.3%
Fixed-charges coverage (times)	2.06	1.89	1.79	1.69

(1) Subordinated debt (capital securities) given 80% equity treatment.

Summary:

- Terasen's key financial ratios have continued to improve, with the completion of the Corridor pipeline project in 2003 resulting in significantly lower capital expenditures and higher operating cash flows.
  - The higher throughput volumes at TPTM and the Express acquisition also contributed to the increase in operating cash flows, particularly in Q1 2004.
- Given the above factors, Terasen recorded a much smaller free cash flow deficit in 2003 and, for the 12 months ended March 31, 2004, recorded a surplus.

Outlook:

- Terasen's operating cash flows should remain generally stable given the increased diversification, and be able to fund annual capital expenditures of $200 million and a 60% dividend payout.
- The Express system is expected to pay modest dividends over the medium term, providing a small boost to Terasen's cash flows.
- Absent any large-scale projects, Terasen's financial profile should remain relatively stable.

Non-consolidated Basis	For the year ended Dec. 31			Senstivity Analysis		
($ millions)	2003	2002	2001	Year 1	Year 2	Year 3
EBIT	168.6	99.3	98.8	130.9	130.9	130.9
Net income (bef. extras, after prefs.)	159.2	80.9	89.0	102.5	100.2	100.9
Non-cash adjustments	(7.8)	0.3	(5.4)	0.0	0.0	0.0
Operating Cash Flow	151.4	81.2	83.6	102.5	100.2	100.9
Common dividends paid out	(86.4)	(66.3)	(55.8)	(61.5)	(60.1)	(60.6)
Gross Free Cash Flow	65.0	14.9	27.8	41.0	40.1	40.4
Change in working capital	25.9	10.5	1.2	0.0	0.0	0.0
Free Cash Flow	90.9	25.4	29.0	41.0	40.1	40.4
Investments	(349.6)	(498.7)	(84.5)	(75.0)	(30.0)	(30.0)
Free Cash Flow Before Financing	(258.7)	(473.3)	(55.5)	(34.0)	10.1	10.4
Net debt financing	243.0	(4.0)	61.0	34.0	(10.1)	(10.4)
Net capital securities financing	0.0	0.0	0.0	0.0	0.0	0.0
Net equity financing	10.1	475.0	(0.8)	0.0	0.0	0.0
Net change in cash	(5.6)	(2.3)	4.7	(0.0)	0.0	0.0
Cash flow/total adj. debt (times) (1)	28.7%	29.3%	33.6%	18.3%	18.2%	18.7%
% adj. debt in capital structure (1)	28.1%	17.9%	24.0%	28.8%	27.8%	26.9%
Fixed-charges coverage (times)	5.78	3.83	5.03	3.13	2.97	3.02

(1) Subordinated debt (capital securities) given 80% equity treatment.

Summary:

- Sharply higher dividend income from TPTM provided a significant boost to Terasen's operating cash flow and free cash flow surplus.
- External financing was required to fund the significant level of investments in 2003, which included advances to subsidiaries including TPTM and TGVI.
  – Debt in the capital structure increased in 2003, but cash flow and coverage ratios were not negatively impacted.

Outlook:

- Operating cash flow will be lower in 2004 as TPTM's dividend payments return to more normal levels, but should remain sufficient to fund common dividend payments and annual investments of about $30 million.
- Terasen's level of debt is expected to increase somewhat and remain higher over the medium term given the decision earlier in the year to cancel TPTM's commercial paper program and have Terasen directly fund TPTM's short-term financing needs.
  – While leverage will increase, Terasen's key cash flow and coverage ratios should not be negatively impacted.
- The key risks to Terasen's credit ratings are related to the outcome of the large-scale projects, primarily pipeline projects, currently under active development.
  – These projects will require significant amounts of external financing and will face construction risks.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations that DBRS has concerning the future performance of the Company.

Assumptions:

- EBIT declines 20% in Year 1 and stays flat thereafter.
- Dividend payments are projected at 60% of net income.
- Investments in Year 1 include the Fairbanks acquisition (US$30 million) plus $30 million of additional investments; $30 million per year assumed in Year 2 and Year 3.
- Free cash flow deficits are 100% debt financed.

Outcomes:

- Leverage would remain relatively unchanged, but key cash flow and coverage ratios would be negatively impacted.
  – However, it would continue to record fee cash flow surpluses.
- DBRS expects the Company would take steps to reduce its leverage by either reducing its dividend or adding equity.

LONG-TERM DEBT MATURITIES AND BANK LINES

Debt and Commitments ($ millions)	As at Mar. 31		As at Mar. 31
Terasen's direct debt	2004	**Consolidated**	2004
Short-term debt	182	Short-term notes	928
Long-term debt (adj.) (1)	357	Current portion of long-term debt	91
Contingent liabilities (2)	495	Long-term debt	1,792
Total	1,034	Total debt	2,811

(1) The $125 million capital securities are given 80% equity treatment by DBRS; also includes deferred payment related to the Centra Gas acquisition.

(2) As at Mar. 31, 2004, Terasen Inc. guaranteed the commercial paper issued by Terasen Pipelines (Corridor) for the Corridor Project.
Effective April 6, 2004, Terasen Inc. no longer guaranteed the commercial paper issued by Terasen Pipelines (Corridor) .

Summary:

- As at March 31, 2004, the Company's direct long-term debt consisted of:
  - A $100 million Medium-Term Notes maturing May 8, 2006; and
  - A $200 million Medium-Term Notes maturing December 1, 2008.
- In addition, it also had $182 million outstanding under its commercial paper program.
- As at March 31, 2004, Terasen Inc. guaranteed the commercial paper issued by Terasen Pipelines (Corridor) Inc., which stood at $495 million.
  - The guarantee was removed effective April 6, 2004.
- As at March 31, 2004, Terasen's per cent adjusted debt in the capital structure (non-consolidated) was about 30% excluding the Corridor guarantee.
- The Company currently has committed 364-day revolving credit facilities totalling $300 million. The credit facilities support its $300 million commercial paper program.
  - The limit on Terasen's commercial paper program was increased to $300 million in February 2004 in order to meet TPTM's short-term financing requirements following the cancellation of TPTM's commercial paper program.
- For detailed information on long-term debt maturities and bank lines of operating subsidiaries, please see separate DBRS reports.

Outlook:

- Terasen (non-consolidated) has only two maturities over the next four years, which is manageable from a refinancing perspective.
- However, its direct short-term debt is expected to remain at a higher level given that it has assumed responsibility for TPTM's short-term financing requirements.
  - This should not pose any problems.

DESCRIPTION OF OPERATIONS

Terasen Inc. is a holding company whose principal operating subsidiaries are involved in regulated natural gas distribution and regulated oil pipeline businesses. The Company's operating businesses consist of the following:

Terasen Gas Inc. (wholly owned by Terasen Inc.)

- The largest natural gas distributor in British Columbia, serving approximately 783,000 customers or 90% of the province's natural gas users.
- It is regulated by the British Columbia Utilities Commission (BCUC) and operates under performance-based regulation.
- A new performance-based rate plan was reached with stakeholders and approved in July 2003 by the BCUC for the period 2004-2007.
- Key components of the new plan include the following:
  - Operating and maintenance costs and base capital expenditures are subject to an incentive formula reflecting increasing costs as a result of customer growth and inflation less a productivity factor equal to 50% of inflation during the first two years of the plan and 66% of inflation during the last two years of the plan.
  - The 50/50 sharing with customers of earnings above or below the allowed ROE that existed under the previous plan continues under this plan.
  - The new plan also includes ten service quality measures designed to ensure the maintenance of service levels, as well as setting out the requirements for an annual review process.
  - As part of the negotiated settlement, new deferral accounts were established for insurance premiums and pension costs incurred by Terasen Gas Inc., further increasing the longer-term stability of earnings and cash flows.
- Terasen Gas Inc.'s allowed ROE is set annually according to the following formula:
  - 350 basis points above forecast long-term Government of Canada bond yields 6% or lower.
  - The formula also provides for annual adjustments capturing 80% of the change in yields when forecast yields are higher than 6%.
- Deemed equity is 33% of total capital.

Terasen Gas (Vancouver Island) Inc. (wholly owned by Terasen Inc.)

- A natural gas distribution utility serving Vancouver Island and the Sunshine Coast of British Columbia.
- It is regulated by the BCUC.
- In 1995, an agreement was entered into by the utility with the Province of British Columbia and the Government of Canada that included a special direction issued to the BCUC.
- The agreement expires no earlier than 2011 and includes the following key terms:
  - Rates charged to customers from 1995 to 2002 were lower than those required to recover full cost of service, with deficiency in revenues accumulated in a revenue deficiency deferral account ("RDDA"). Preferential rates ended at the end of 2002. Terasen Inc. is committed to funding this account until it has been collected from ratepayers.
  - The BCUC was directed to set rates starting in 2003 to recover this deferral account over the shortest period reasonably possible, taking into account Terasen's competitive position against alternative energy sources.
  - TGVI receives from the Province (for the benefit of customers), until 2011, quarterly payments based on deemed volumes of natural gas transported through the Vancouver Island Pipeline.
  - Variances in the achieved ROE compared to allowed ROE (other than variances arising from operating and maintenance costs) are deferred and recorded in the RDDA and subject to the BCUC's approval, are recovered/remitted from/to customers through rates.
- A new incentive-based settlement was negotiated with stakeholders in 2002 and was approved in January 2003 by the BCUC. The new settlement is for three years and was effective January 1, 2003.
- Key components of the settlement include:
  - The continuation of operating and maintenance cost incentive arrangements, with Terasen keeping 100% of any over-earnings arising from lower-than-forecast operating and maintenance costs, except for insurance and pension costs. Any differences in forecasts for these two items are recorded in a deferral account and then recovered/remitted from/to customers.
  - Deemed equity in the capital structure set at 35%; allowed ROE set at 50 basis points higher than Terasen Gas' allowed ROE.

Terasen Pipelines (Trans Mountain) Inc. ("TPTM") (wholly owned by Terasen Inc. and has a 10.5% ownership interest in its parent)

- Oil pipeline system (currently 1,260 kilometres with a sustainable capacity of 291,450 barrels/day) transporting crude oil and refined products from Alberta and north-eastern British Columbia to the West Coast, servicing refineries in Vancouver and Washington state.
  - It also owns and operates Westridge Marine Terminal in Vancouver harbour, where crude oil is loaded aboard ocean-going vessels and aviation fuel is landed and stored.
- It has another pipeline (41 kilometres) that transports aviation fuel from the Westridge Marine Terminal and refineries and distribution terminals in the Burnaby area to the Vancouver International Airport.
- It is regulated by three separate regulatory bodies: (1) the Canadian portion of the crude oil and refined product pipeline system by the National Energy Board; (2) the U.S. portion of the pipeline by Federal Energy Regulatory Commission on a complaint basis; and (3) The aviation turbine fuel pipeline by the BCUC.
- The Canadian portion of the pipeline system currently operates under a renewal incentive toll settlement until the end of 2005 (settlement covers 2001-2005).
  - TPTM's tolls are fixed for throughputs between 179,265 bbl/d and 201,280 bbl/d (28,500 and 32,000 cubic metres/day) and are not adjusted for inflation unless the Canadian inflation rate rises above 3.5%.
  - Shippers are responsible for revenue shortfall if average annual throughputs fall below 179,254 bbl/d; there is 50/50 sharing with shippers if average annual throughputs above 201,280 bbl/d.
  - TPTM benefits 100% from operating and efficiency improvements.
- TPTM is currently undertaking a small expansion to its system ($16 million loop and re-powering of some pumping, which will increase capacity by 27,000 bbl/d).
- TPTM is also pursuing additional significant expansions to its pipeline system related to the continued growth in the Alberta oil sands.

Terasen Pipelines (Corridor) Inc. ("TPC") (wholly owned by Terasen Inc.)

- TPC owns a 493-kilometre pipeline linking two facilities that are part of the Athabasca Oil Sands Project, jointly owned by Shell Canada Limited (60%), Chevron Canada Resources Limited (20%), and Western Oil Sands Inc. (20%).
- The pipeline began commercial operations in May 2003 and transports diluted bitumen from the Muskeg River Mine in Fort McMurray, Alberta, to an upgrader adjacent to Shell Canada's Scotford refinery in Fort Saskatchewan, Alberta.
  - Corridor also connects the upgrader to refineries and pipeline terminals in the Edmonton area (including the Trans Mountain Pipeline), as well as providing storage facilities.
- Operation of the Corridor pipeline is backed by a long-term ship-or-pay contract with Shell Canada-Chevron Canada-Western Oil Sands.
- The pipeline is operated by TPTM.

- Revenue requirements are governed by contractual arrangements with the above three shippers and are subject to regulation by the Alberta Energy and Utilities Board.

Other investments

- Terasen has a one-third interest in the Express/Platte Pipeline System.
  - The Express system consists of the Express Pipeline and the Platte Pipeline, transporting crude oil from Hardisty, Alberta to the Wood River, Illinois area.
  - The Express system is regulated by three separate regulatory bodies: (1) The Canadian segment of the Express Pipeline is regulated by the National Energy Board, with tolls regulated on a complaint basis only; (2) The Platte Pipeline and the U.S. segment of the Express Pipeline are regulated by the Federal Energy Regulatory Commission (FERC), with tolls also regulated on a complaint basis; and (3) Petroleum transportation on the Platte Pipeline within the state of Wyoming is regulated by the Wyoming Public Service Commission, with tolls regulated on a similar basis to those of the National Energy Board and the Federal Energy Regulatory Commission.
  - A US$110 million, 108,000 bbl/day expansion is currently in the design phase, with construction expected to start in summer 2004 and be completed by April 2005.
- Terasen has interests in a number of smaller, non-regulated energy and utility services businesses including:
  - Terasen Waterworks (Supply) Inc.,
  - Terasen International Inc.;
  - A 30% interest in CustomerWorks;
  - A 44% interest in Clean Energy, an alternative fuel re-fuelling company; and
  - Recent announcement to acquire a 50% interest in Fairbanks Sewer and Water Inc.

Terasen Inc.

(Consolidated)

Balance Sheet

($ millions)

Assets	As at Mar. 2004	As at December 31 2003	2002	Liabilities & Equity	As at Mar. 2004	As at December 31 2003	2002
Cash	33	2	5	Short-term debt	928	1,018	927
Accounts receivable	386	404	299	A/P + accrueds	357	408	330
Inventories	75	142	98	L.t.d. due in one year	91	52	109
Prepaids + other	24	29	80	**Current Liabilities**	1,376	1,478	1,366
Current Assets	517	577	483	Long-term debt	1,792	1,837	1,636
Net fixed assets	3,870	3,882	3,779	Def'd income taxes	70	68	58
Long-term rec. + investments	223	216	22	Other long-term liab.	108	103	96
Goodwill + def'd charges	233	239	239	Capital securities	125	125	125
Total	4,844	4,915	4,522	Shareholders' equity	1,373	1,305	1,241
				Total	4,844	4,915	4,522

Ratio Analysis	12 mos. ended	For the year ended December 31						
Liquidity Ratios	Mar. 2004	2003	2002	2001	2000	1999	1998	1997
Current ratio	37.6%	39.0%	35.4%	39.9%	51.6%	38.0%	26.2%	27.1%
Accumulated depr./gross fixed assets	19.0%	19.0%	17.8%	19.6%	20.4%	23.2%	21.9%	20.9%
Cash flow/total debt	10.7%	9.8%	8.7%	7.7%	8.5%	10.9%	9.4%	9.4%
Cash flow/total adj.debt (1)	10.6%	9.7%	8.6%	7.6%	8.4%	10.9%	9.4%	9.4%
Adj. debt/EBITDA	5.50	5.87	5.97	6.36	5.97	4.74	4.80	4.79
Cash flow/capital expenditures	1.44	1.28	0.59	0.40	0.28	1.07	1.21	1.11
Cash flow/capex (Terasen Gas)	1.31	1.27	1.34	0.98	0.25	0.85	0.99	0.90
Cash flow/capex (Trans Mountain)	-	2.34	2.54	3.16	2.23	1.68	1.68	1.68
Cash flow-dividends/capex	1.05	0.92	0.44	0.30	0.20	0.79	0.89	0.81
% debt in capital structure	65.2%	67.0%	66.2%	74.5%	71.4%	71.9%	73.7%	72.4%
% adj. debt in capital structure (1)	65.8%	67.6%	66.8%	75.3%	72.3%	71.9%	73.7%	72.4%
Average coupon on long-term debt	6.20%	6.20%	5.90%	6.22%	8.14%	8.63%	9.23%	9.50%
Common dividend payout (before extras.) (2)	57.2%	59.0%	54.4%	58.9%	59.5%	60.1%	59.0%	59.4%
Coverage Ratios								
EBIT interest coverage	2.06	2.00	1.90	1.80	2.04	2.16	2.22	2.21
EBITDA interest coverage	2.81	2.71	2.52	2.38	2.72	2.86	2.93	2.92
Fixed-charges coverage	2.06	1.89	1.79	1.69	1.93	1.90	1.92	1.90
EBIT interest coverage (non-consolidated)	n/a	8.86	6.49	11.10	13.69	8.58	17.60	10.82
Fixed-charges coverage (non-consolidated)	n/a	5.78	3.83	5.03	6.43	8.58	17.60	10.82
Profitability Ratios								
EBIT margin	24.2%	24.6%	24.3%	20.8%	23.6%	30.3%	35.1%	32.8%
EBIT margin, excludes cost of natural gas	41.5%	41.7%	42.3%	44.5%	43.5%	42.8%	44.4%	43.7%
Net margin (before extraordinary items)	16.3%	16.0%	14.4%	13.7%	14.0%	13.1%	13.0%	12.7%
Return on average common equity	10.8%	10.6%	11.2%	12.1%	12.0%	12.2%	12.1%	10.8%
Operating Efficiency and Statistics								
Throughputs – gas distribution (bcf) (3)	177.6	174.6	187.3	164.7	180.3	179.4	169.2	175.0
- Oil pipeline (thousands bbl/day) (4)	254.8	216.1	201.2	209.3	204.6	207.5	252.6	229.7
- U.S. deliveries (incl. in oil pipeline) (thousands bbl/day) (4)	98.0	54.6	47.8	73.4	65.2	61.9	101.4	94.4
- Jet fuel (thousands bbl/day)	17.9	16.5	18.5	19.3	19.8	20.1	20.5	20.6
Approved ROE (Terasen Gas Inc.)	9.15%	9.42%	9.13%	9.25%	9.50%	9.25%	10.00%	10.25%
- Oil pipeline (Cdn. Mainline)	#	#	#	#	#	#	#	#

(1) The $125 million capital securities are given 80% equity treatment by DBRS.

(2) For 1998, excludes $20 million deemed dividend exchanged for convertible debt; for 1996, excludes $55 million deemed dividend exchanged for convertible debt.

(3) Throughputs include sales volumes and transportation volumes only.

(4) Throughputs for TransMountain pipeline only.

#: negotiated settlement

Terasen Gas Inc.

Report Date: June 21, 2004
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Previous Report: July 21, 2003

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper
“A”	Stable	Confirmed	Purchase Money Mortgages
“A”	Stable	Confirmed	MTNs & Unsecured Debentures

Rating History

	Current	2003	2002	2001	2000	1999	1998
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Purchase Money Mortgages	“A”	“A”	“A”	“A”	“A”	“A”	“A”
MTNs & Unsecured Debentures	“A”	“A”	“A”	“A”	“A”	“A”	“A”

Rating Update

The financial performance of Terasen Gas Inc. (“Terasen Gas” or the “Company”) was in line with expectations over the past 12 months, with earnings and operating cash flows remaining generally stable in 2003 and for the 12 months ending March 31, 2004. The stability of Terasen Gas’ financial profile is strongly supported by the regulatory framework in which it operates, in particular the existence of various deferral accounts that allow for the recovery (and/or remittance to customers) of variances from forecasts in: (1) prudently incurred gas costs, (2) use per customer for residential and commercial customers, and (3) interest rate fluctuations. Terasen Gas is exposed to variances from forecast only in respect of industrial and transportation service customers, but these customers account for only about 10% of net revenues.

Given Terasen Gas’ business characteristics, the medium-term outlook for its financial profile remains stable. Earnings and operating cash flows will be impacted in 2004 by the low allowed return on equity (ROE) (9.15%), but this should be reversed in 2005 given the higher long-term interest rates relative to when the 2004 allowed ROE was set (allowed ROE based off forecast long-term Government of Canada bonds). The Company’s financial results could be influenced in the medium term if it is unable to achieve the productivity improvements and efficiencies required under the new performance-based rate plan covering the 2004-2007 period. It should be noted, however, that under the new plan, Terasen Gas is protected from rising insurance premiums and pension costs through the establishment of new deferral accounts. Furthermore, Terasen Gas has historically been able to achieve the efficiencies necessary to maintain a stable financial profile under previous performance-based rate plans, where the productivity factor was higher.

Terasen Gas will continue to have the capacity to internally fund annual capital expenditures of about $110 million, but will require external financing to fund dividend payments to its parent, which have historically averaged 100% of net income. Free cash flow deficits will continue to be financed through a mix of debt and equity injections from its parent in order to maintain the deemed capital structure of 33% equity/67% debt. Key financial ratios are expected to continue to fluctuate within a narrow band in line with changes in working capital requirements.

Rating Considerations

Strengths:

- Operations are regulated, providing longer term earnings and balance sheet stability
- Existence of Rate Stabilization Adjustment Mechanism and Interest Rate Deferral Account provides additional financial stability
- Southern Crossing provides access to alternative sources of gas supply
- Diversified customer base; strong franchise area

Challenges:

- Operating cash flows are insufficient to fund both capital expenditures and common dividends
- Low allowed ROEs compared with Canadian peers
- Earnings are sensitive to the economic cycle and interest rates (through allowed ROEs)
- Competitive pressures from dual energy industrial users, low electricity rates
- Tax methodology results in unrecorded tax liabilities, weakens interest coverage

Financial Information

	12 mos. ending	For the year ended December 31				
	Mar. 2004	2003	2002	2001	2000	1999
Fixed-charges coverage (times)	1.95	1.97	1.98	1.82	1.77	1.90
% debt in capital structure (1)	65.4%	68.4%	67.9%	68.4%	67.3%	67.2%
Cash flow/total debt (times) (1)	9.7%	8.9%	9.3%	8.6%	7.7%	9.0%
Cash flow/capital expenditures (times)	1.31	1.27	1.34	0.98	0.25	0.85
Allowed ROE	9.15%	9.42%	9.13%	9.25%	9.50%	9.25%
Net income before extraordinary items ($ millions)	70.3	70.4	67.1	67.2	61.9	59.5
Operating cash flow ($ millions)	150.0	147.9	149.1	142.4	120.1	113.3
Total throughput volumes (bcf)	195.8	190.4	206.8	225.1	235.2	220.1

(1) All preferred shares (prior to 2000) were treated as debt equivalents.

The Company

Terasen Gas Inc. is the largest natural gas distributor in British Columbia, serving approximately 783,000 customers or 90% of the province’s natural gas users. The Company is wholly owned by Terasen Inc.

Authorized Paper Amount Limited to Cdn$500 million.

Regulation

- Terasen Gas is regulated by the British Columbia Utilities Commission (BCUC). The regulatory environment in British Columbia remains among the more progressive in Canada, although the approved ROEs for Terasen Gas are the lowest amongst the gas distribution companies in Canada.
  - British Columbia-based utilities were among the first utilities in Canada to operate under incentive-based regulation.
- Terasen Gas' allowed ROE is set annually according to the following formula:
  - 350 basis points above forecast long-term Government of Canada bond yields 6% or lower.
  - The formula also provides for annual adjustments capturing 80% of the change in yields when forecast yields are higher than 6%.
- Deemed equity has been set at 33% of total capital, which is below that of its Canadian peers.
- Terasen Gas has the following deferral accounts, which reduce short-term earnings fluctuations/risks:
  - Gas Cost Reconciliation Account (GCRA): The Company is permitted to periodically, subject to BCUC approval, recover from (or remit to) customers any variances in gas prices from forecast. Historically, variances are amortized and recovered over a two-year to three-year period with price adjustments normally made on a semi-annual basis.
  - Rate Stabilization Adjustment Mechanism (RSAM): Terasen Gas is permitted to accumulate the variances from forecast in use per customer for residential and commercial customers. The amounts are amortized and recovered over a two-year period. Terasen Gas is, however, still exposed to the economic cyclicality of non-RSAM customers, principally industrial and transportation service customers, who account for roughly 10% of gas revenues.
  - Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.
- In July 2003, the BCUC approved a negotiated settlement of a performance-based rate plan covering the 2004-2007 period.
  - Under the new plan, operating and maintenance costs and base capital expenditures are subject to an incentive formula reflecting increasing costs as a result of customer growth and inflation less a productivity factor equal to 50% of inflation during the first two years of the plan and 66% of inflation during the last two years of the plan.
  - The 50/50 sharing of earnings with customers above or below the allowed ROE that existed under the previous plan continues under this plan.
  - The new plan also includes ten service quality measures designed to ensure the maintenance of service levels, as well as setting out the requirements for an annual review process.
  - As part of the negotiated settlement, new deferral accounts were established for insurance premiums and pension costs incurred by Terasen Gas, providing additional stability to earnings and cash flows over the medium term.
- Over the past several years, work has been underway on gas commodity unbundling, which allows customers to purchase gas from the supplier of choice.
  - On May 1, 2004, Terasen Gas' commercial customers will be able to purchase gas from a gas supplier starting on November 1, 2004.
  - Since gas costs are strictly a flow-through item (i.e. Terasen Gas does not make any profit on the sale of the commodity), unbundling should be earnings neutral and, therefore, have no impact on credit ratings.

Rating Considerations

Strengths: (1) The regulatory environment the Company operates within provides a relatively high degree of financial stability. Since 1996, the regulatory environment has consisted of formula-based ROEs and incentive-based regulation, which minimize regulatory lag, streamline the regulatory process, and encourage utilities to improve operating efficiencies. The framework within which Terasen Gas operates allows for the recovery (and/or remittance to customers) of variances from forecast, through deferral accounts, for a large number of items. This helps to smooth earnings and reduce business and operating risks. All of these deferral accounts are amortized and recovered in future rates. However, these deferral accounts do not impact cash flows and can artificially inflate interest coverage ratios over the short term (i.e. during periods of warmer-than-normal temperatures), but the impact is reversed as deferral balances are recovered.

(2) The Southern Crossing Pipeline project, which became operational in November 2000, provides the Company with access to lower-cost alternative sources of gas supply from Alberta. This is especially favourable during periods of high natural gas prices.
(3) The Company has a diversified customer base and has limited exposure to a single customer, which reduces earnings volatility. Residential customers account for about 60% of gas revenues, commercial customers just over 30% of gas revenues, and industrial customers about 10% of gas revenues. In addition, Terasen Gas serves a strong franchise area (Vancouver), which is densely populated.

Challenges: (1) The Company has consistently generated insufficient operating cash flows to internally fund both its capital expenditures and dividend payments. This has not resulted in a deterioration of the Company's credit quality, but it results in Terasen Gas being dependent on periodic

equity injections by its parent to maintain its capital structure. Gross free cash flow deficits have generally been around $40 million, which is manageable.
(2) Terasen Gas has historically had the lowest allowed ROEs relative to all other gas distribution utilities in Canada. This has resulted in generally weaker financial ratios relative to its Canadian peers.
(3) The Company's earnings and cash flows are mildly sensitive to the economic cycle, and to changes in interest rates through allowed ROEs. Industrial customers, who account for about 10% of gas revenues, are sensitive to the economic cycle. In terms of interest rates, a 25 basis point change in allowed ROEs would impact net earnings by about $1.9 million. The allowed ROE for 2004 was set at 9.15%, compared to 9.42% for 2003, thus reducing net earnings by about $2 million.
(4) In times of high natural gas prices, the Company faces reduced gas throughputs on the industrial side. In addition, the Company faces ongoing competitive pressures on the residential side, primarily multi-residential, from the low electricity rates in British Columbia due to the dominance of low cost hydro-based generation. However, with rising electricity prices in B.C., the competitive pressures will be much lower in the future.
(5) The use of the taxes payable method of taxation (typical of rate-regulated utilities) has resulted in an unrecorded future income tax liability of $246.5 million as at December 2003. The recovery of this liability in future rates depends on regulation. In addition, the taxes payable method of taxation, whereby the Company collects taxes as paid, results in lower revenue collections, thereby reducing operating income and weakening coverage ratios.

EARNINGS AND OUTLOOK

	12 mos. ending	For the year ended December 31				
($ millions)	Mar. 2004	2003	2002	2001	2000	1999
Net revenues	500.5	500.4	497.0	489.2	420.9	401.1
EBITDA	297.8	298.1	303.0	307.5	261.8	253.2
EBIT	219.5	221.4	225.2	231.9	194.8	190.8
Gross interest expense	112.3	112.5	113.5	127.7	102.8	84.2
Net interest expense	111.7	111.9	112.5	124.4	91.1	82.6
Pre-tax income	107.8	109.5	112.7	107.5	103.7	108.2
Income taxes	37.5	39.1	45.6	40.3	41.8	48.7
Net income (before extras., after prefs.)	70.3	70.4	67.1	67.2	57.9	50.8
Net income	70.3	70.4	67.1	67.2	57.9	50.8
Return on avg. common equity (bef. extras.)	8.9%	9.2%	8.8%	8.8%	8.4%	8.3%

Revenue breakdown	12 mos. ended	For the year ended December 31				
($ millions)	Mar. 2004	2003	2002	2001	2000	1999
Residential	807.7	769.6	731.0	813.6	627.8	493.2
Commercial	414.3	392.6	372.0	442.2	336.3	262.2
Small industrial	48.9	48.2	49.6	73.6	52.3	26.7
Large industrial	3.7	3.0	3.3	6.8	7.7	8.8
Gross gas revenues	1,274.6	1,213.4	1,155.9	1,336.2	1,024.1	790.9
Cost of gas	866.6	805.2	749.4	932.3	658.8	442.6
Net gas revenues	408.0	408.2	406.5	403.9	365.3	348.3
Transportation service	63.8	62.3	62.0	56.0	40.9	38.2
Total gas revenues	471.8	470.5	468.5	459.9	406.2	386.5
Other revenues	28.7	29.9	28.5	29.3	14.7	14.6
Total revenues, net of gas costs	500.5	500.4	497.0	489.2	420.9	401.1

Customers						
Residential	703,800	701,335	694,787	687,375	682,401	676,513
Commercial	77,100	77,013	77,894	78,756	78,948	78,249
Small industrial	500	470	488	515	602	619
Large industrial	100	50	61	61	66	74
Transportation	1,500	1,512	1,328	1,141	856	630
Total (thousands)	783,000	780,380	774,558	767,848	762,873	756,085

Summary:

- Net income was up about 4% in 2003, but remained relatively stable in Q1 2004 relative to the previous year.
- Growth in 2003 was primarily due to an increase in distribution rates following no change in distribution rates in 2002 relative to 2001.
  – The effective tax rate was higher in 2002 compared with both 2001 and 2003, but higher taxes were not recovered in 2002 rates.

Outlook:

- Earnings are expected to remain relatively stable, with some modest growth potential.

- Terasen Gas faces the challenge of achieving continued productivity improvements and efficiencies over the next four years under the new performance-based rate plan.
  - 2004 will be especially challenging given the significant decline in the allowed ROE (9.15%, currently the lowest amongst all regulated gas distribution companies in Canada, pending the outcome of the generic cost of capital hearing in Alberta).
  - The 50/50 sharing mechanism with customers on earnings above/below allowed ROE minimizes the upside potential, but more importantly, minimizes the downside risk.
- On the positive side, long-term interest rates are rising, which should result in a higher allowed ROE in 2005.
- Over the longer term, Terasen Gas should benefit from the rising electricity prices in British Columbia, which will further improve the price competitiveness of gas compared to electricity.
  - This should benefit customer growth.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

	12 mos. ending	For year ended Dec. 31		Sensitivity Analysis		
($ millions)	Mar. 2004	2003	2002	Year 1	Year 2	Year 3
EBITDA	297.8	298.1	303.0	282.9	282.9	282.9
Net income before extraordinary items	70.3	70.4	67.1	63.1	61.6	60.0
Depreciaton & amortization	78.3	76.7	77.8	77.8	78.9	80.0
Other non-cash adjustments	1.4	0.8	4.2	0.0	0.0	0.0
Operating Cash Flow	150.0	147.9	149.1	140.9	140.5	140.0
Capital expenditures	(114.9)	(116.2)	(111.1)	(110.0)	(110.0)	(110.0)
Common dividends	(75.0)	(80.0)	(80.0)	(60.0)	(60.0)	(60.0)
Cash Flow Before Working Capital Changes	(39.9)	(48.3)	(42.0)	(29.1)	(29.5)	(30.0)
Working capital changes	(28.4)	(40.5)	(20.8)	0.0	0.0	0.0
Changes in rate stabilization account	39.8	38.2	71.0	10.0	10.0	10.0
Free Cash Flow	(28.5)	(50.6)	8.2	(19.1)	(19.5)	(20.0)
Net investments/adjustments	7.6	(3.7)	52.7	0.0	0.0	0.0
Net debt financing	23.6	52.1	(59.5)	19.1	19.5	20.0
Net pref. share financing	0.0	0.0	0.0	0.0	0.0	0.0
Net equity financing	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash	2.7	(2.2)	1.4	(0.0)	0.0	0.0
Cash flow/capital expenditures (times)	1.31	1.27	1.34	1.28	1.28	1.27
Cash flow/total debt (times)	9.7%	8.9%	9.3%	9.0%	8.8%	8.7%
% debt in the capital structure	65.4%	68.4%	67.9%	65.6%	65.8%	66.1%
Fixed-charges coverage (times)	1.95	1.97	1.98	1.93	1.89	1.86

Summary:

- Terasen Gas' financial profile has remained relatively stable since 1996, despite the low allowed ROEs, with key financial ratios fluctuating within a narrow band.
  - Fixed-charges coverage has fluctuated in the 1.80-2.00 times range, while cash flow-to-debt has been within the 8%-10% range.
  - Although key financial ratios are low relative to Canadian peers, they are acceptable for the ratings given the existence of the various deferral accounts and the high degree of stability of the ratios.
- In 2003, and for the 12 months ended March 31, 2004, operating cash flows remained insufficient to fully fund both capital expenditures and dividend payments to its parent.
  - Free cash flow deficits due to high dividend payout.
  - The capital structure has remained relatively stable, around the deemed capital structure of 33% common equity/67% debt.

Outlook:

- Terasen Gas' financial profile is expected to remain relatively stable over the medium term.
  - Operating cash flows and key financial ratios will be pressured by the low allowed ROE in 2004 and could come under additional pressure if the Company is unable to achieve the productivity improvements and efficiencies required under the new performance-based rate plan.
  - The rising long-term interest rates, however, should be positive for operating cash flows in 2005 through the allowed ROE formula.
- Operating cash flows will remain insufficient to fund both annual capital expenditures and dividend payments under current dividend payout.
- However, free cash flow deficits are manageable and are within the Company's funding capacity.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations that DBRS has concerning the future performance of the Company.

Assumptions:

- EBITDA declines 5% in Year 1 and stays flat thereafter;
- Annual capital expenditures at $110 million;
- Annual common dividend payments at $60 million (based on reduced payout starting in 2004); and
- Free cash flow deficits are 100% debt financed.

Outcomes:

- Operating cash flow would continue to be insufficient to fund capital expenditures and common dividends.
  - The high dividend payout could be reduced.
- However, key financial ratios would generally remain adequate to support the current ratings given the regulatory framework and the stability it provides.

LONG-TERM DEBT MATURITIES AND BANK LINES

Long-Term Debt Maturity Schedule – as at March 31, 2004

($ millions)	2004	2005	2006	2007	2008	2009 and beyond
Long-term debt	2.2	397.2	122.2	102.2	190.2	484.8
% of total	0.2%	30.6%	9.4%	7.9%	14.6%	37.3%

Summary:

- The Company has 364-day revolving committed lines of credit totalling Cdn$500 million, which are used to support its Cdn$500 million commercial paper program, as well as for general corporate purposes.
- As of April 30, 2004, Terasen Gas had $155 million of commercial paper outstanding. Consequently, it had $345 million available on its committed lines of credit.
- In April 2004, Terasen Gas issued 30-year, $150 million of unsecured, medium-term note debentures to refinance short-term debt and provide liquidity ahead of the large maturities in 2005.

Outlook:

- Maturities are reasonably well staggered over the next five years, except for 2005 when there are two maturities (one in July and one in September).
- While there is some refinancing risk in 2005, DBRS expects the Company will have little difficulty refinancing the above amounts.

Terasen Gas Inc.

Balance Sheet
($ millions)

Assets	As at Mar. 2004	As at December 31 2003	2002
Cash	4.7	0.0	0.0
Accounts receivable	297.5	318.0	230.0
Inventories	49.1	113.6	74.2
Prepaids + other	4.7	5.8	4.9
Rate stabilization accts	3.6	6.3	62.4
Current Assets	359.6	443.7	371.5
Net fixed assets	2,274.2	2,285.8	2,245.0
Rate stabilization accts	28.3	32.2	14.3
Deferred charges	21.3	23.9	20.6
Long-term rec. + investments	5.7	5.1	6.9
Total	2,689.1	2,790.7	2,658.3

Liabilities & Equity	As at Mar. 2004	As at December 31 2003	2002
Short-term debt	250.5	357.2	352.1
A/P + accrueds	270.8	316.6	245.8
L.t.d. due in one year	42.2	2.2	102.3
Current Liabilities	563.5	676.0	700.2
Deferred taxes	0.5	0.5	0.5
Deferred gain	49.6	51.9	52.0
Long-term debt	1,256.6	1,297.3	1,148.0
Debt equiv. pref.	0.0	0.0	0.0
Preferred equity	0.0	0.0	0.0
Shareholders' equity	818.9	765.0	757.6
Total	2,689.1	2,790.7	2,658.3

Ratio Analysis	12 mos. ending	For the year ended December 31					
Liquidity Ratios	Mar. 2004	2003	2002	2001	2000	1999	1998
Current ratio	0.64	0.66	0.53	0.61	0.69	0.51	0.34
Accumulated depreciation/gross fixed assets	20.2%	20.1%	18.8%	17.5%	16.7%	18.7%	17.1%
Cash flow/total debt (1)	9.7%	8.9%	9.3%	8.6%	7.7%	9.0%	9.3%
Cash flow/capital expenditure	1.31	1.27	1.34	0.98	0.25	0.85	0.99
Cash flow-dividends/capital expenditures	0.65	0.58	0.62	0.56	0.14	0.37	0.61
% debt in capital structure (1)	65.4%	68.4%	67.9%	68.4%	67.3%	67.2%	65.9%
Average coupon on long-term debt	7.29%	7.29%	7.81%	7.76%	7.86%	8.40%	8.75%
Deemed common equity	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	106.7%	113.6%	119.2%	89.3%	96.9%	126.5%	85.6%
Coverage Ratios							
EBIT interest coverage	1.95	1.97	1.98	1.82	1.90	2.27	2.30
EBITDA interest coverage	2.65	2.65	2.67	2.41	2.55	3.01	3.04
Fixed-charges coverage	1.95	1.97	1.98	1.82	1.77	1.90	1.88
Earnings Quality/Operating Efficiency and Statistics							
EBIT margin, excluding cost of natural gas	43.9%	44.2%	45.3%	47.4%	46.3%	47.6%	47.0%
Net margin (excluding preferred dividends)	14.0%	14.1%	13.5%	13.7%	13.7%	12.7%	12.3%
Return on avg. common equity (bef. extras.)	8.9%	9.2%	8.8%	8.8%	8.4%	8.3%	8.6%
Allowed ROE	9.15%	9.42%	9.13%	9.25%	9.50%	9.25%	10.00%
Degree days - % normal (interior)	-	97.6%	103.0%	94.6%	99.9%	94.7%	89.7%
Degree days - % normal (coastal)	-	95.3%	102.6%	102.3%	103.1%	101.6%	91.3%
Customers/employees	-	626	574	594	521	515	482
Customer growth	1.1%	0.8%	0.9%	0.7%	0.9%	1.9%	1.4%
Operating costs/avg. customer ($) (2)	308	306	302	282	253	238	247
Rate base ($ millions)	-	2,259	2,234	2,208	1,690	1,637	1,559
Rate base growth	-	1.1%	1.2%	30.7%	3.2%	5.0%	2.8%
Kilometres of pipelines	-	43,777	43,196	37,430	37,197	36,581	36,473
Rate base/km of pipeline ($ thousands)	-	51.6	51.7	59.0	45.4	44.8	42.7
Rate base/throughput volumes ($ millions per bcf)	-	11.9	10.8	9.8	7.2	7.4	7.2

(1) All preferred shares (prior to 2000) treated as debt equivalents.

(2) Operating costs excludes municipal + property taxes.

Terasen Pipelines (Corridor) Inc.

Report Date: March 23, 2004
Press Released: March 22, 2004
Previous Report: August 22, 2003

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RATING

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper

RATING HISTORY

	Current	2003	2002	2001	2000	1999	1998
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	NR	NR

RATING UPDATE

The Commercial Paper (CP) rating of Terasen Pipelines (Corridor) Inc. ("Corridor" or the "Company") is confirmed at R-1 (low) with a Stable trend. As of the date of this Report, the rating is based on the guarantee of Terasen Inc., its parent, and guarantor for the construction phase of the project. Following project completion, Terasen Inc. injected equity capital into Corridor. Upon release of the guarantee on April 6, 2004, Corridor will issue CP on a stand-alone basis (i.e. without the guarantee). CP issued by Corridor prior to this date will continue to be guaranteed by Terasen Inc. until maturity. The rating will continue to be R-1 (low) on a stand-alone basis.

The Corridor Pipeline System provides a vital link for the transportation of bitumen and diluent between two major components of the Athabasca Oil Sands Project (AOSP): the Muskeg River Mine, north of Fort McMurray, Alberta and the upgrader adjacent to Shell Canada Limited's Scotford Refinery near Edmonton, Alberta. Corridor is supported by long-term ship-or-pay contracts (an initial 25-year term with options to extend) with quality shippers, which are also sponsors for the oil sands project. These contracts ensure recovery of all operating costs, depreciation, taxes and financing costs, plus a return on equity, resulting in stability of earnings. Approximately 60% of the commitments come from Shell Canada Limited ("Shell Canada") (rated AA (low)) and 20% from Chevron Canada Resources Limited ("Chevron Canada") (guaranteed by its parent, ChevronTexaco Corporation - rated AA). The remaining 20% of AOSP is owned by Western Oil Sands Inc. ("Western") (not rated by DBRS), a publicly-traded company formed in June 1999 by key former mining executives of BHP of Australia to participate in AOSP. Western is not considered to be an investment-grade credit by DBRS. If Western were to default under its obligation to pay Corridor's tolls, its financial profile could be significantly weakened. The R-1 (low) rating reflects DBRS's expectation that the importance of AOSP to the other sponsors, and the importance of Corridor to the success of AOSP, would compel the other sponsors to cure a potential default by Western. In the event of an uncured Western default, Shell Canada and Chevron Canada would have the option to purchase Western's joint venture interests for 80% of fair market value.

The shippers' large commitment to the Cdn$6.2 billion AOSP ensures the shippers have a strong incentive to make sure that Corridor is full once AOSP reaches its design capacity on a sustainable basis during 2004. Additionally, the pipeline will benefit from the experience of its operator, Terasen Pipelines Inc., which is also 100% owned by Terasen Inc., and has many years of experience operating the Trans Mountain liquids pipeline (see separate DBRS report) from Alberta to northeast British Columbia and Washington State.

The Cdn$700 million Corridor construction project was completed on time and on budget, with both Corridor and AOSP becoming fully operational in June 2003. While the strong oil and gas industry experience of the AOSP sponsors combined with the experience of the pipeline operator are positive factors, a track record must be established in order to judge Corridor's success. Corridor faces refinancing risk, given the short-term nature of the current CP financing and the three-year term of the backup credit facilities. Its ability to term out the debt over time should be supported by the long-term ship-or-pay contracts in place with the shippers.

RATING CONSIDERATIONS

Strengths:

- Shippers' large commitment to AOSP assures support for the pipeline
- Long-term ship-or-pay contracts with strong credits
- Ample long-term bitumen reserves support pipeline
- Experienced pipeline operator (Trans Mountain)

Challenges:

- Little operating history for pipeline or oil sands project
- Western Oil Sands, a 20% non-investment-grade shipper
- Refinancing risk, given short-term debt financing
- Earnings sensitivity to interest rates via approved return on equity (ROE)

THE COMPANY

Terasen Pipelines (Corridor) Inc. owns the Corridor Pipeline System, a 493-kilometre (307-mile) diluted bitumen dual pipeline system that links two major components of the AOSP: the Muskeg River Mine, north of Fort McMurray, and the Scotford Upgrader in Fort Saskatchewan, Alberta, near Edmonton. Corridor also connects the upgrader to existing marketing terminals in Sherwood Park, Alberta, near Edmonton. Terasen Pipelines (Corridor) Inc. is wholly owned by Terasen Inc. The Pipeline is supported by long-term ship-or-pay contracts with Shell Canada (60%), Chevron Canada (20%), and Western (20%).

GUARANTOR

As of the date of this report, CP issued by Corridor is unconditionally guaranteed by Terasen Inc. However, beginning on April 6, 2004, Corridor will issue CP on a stand-alone basis (i.e. without a guarantee). CP issued by Corridor prior to this date will continue to be guaranteed by Terasen Inc. until maturity.

AUTHORIZED PAPER AMOUNT Limited to Cdn$525 million.

Rating Considerations

Strengths: (1) The shippers' large commitment to the Cdn$6.2 billion AOSP assures support for Corridor. Corridor is an integral part of AOSP, providing a vital link between the Muskeg River Mine and the Scotford Upgrader. This ensures the shippers have a strong incentive to make sure that Corridor is full once AOSP reaches its design capacity on a sustainable basis during 2004.

(2) Corridor is backed by long-term ship-or-pay contracts (an initial 25-year term with options to extend), with 80% of the commitments from strong credits: Shell Canada (60%) and Chevron Canada (guaranteed by its parent, ChevronTexaco Corporation) (20%), rated AA (low) and AA respectively by DBRS. Western Oil Sands (remaining 20% AOSP owner, not rated by DBRS) is a publicly traded company formed in June 1999 by key former mining executives of BHP of Australia to participate in AOSP. The contracts provide for recovery of all operating costs, depreciation, taxes, and financing costs, plus a return on equity.

(3) Ample recoverable bitumen reserves support the pipeline. AOSP has access to an estimated 6 billion - 7 billion barrels of proven and probable bitumen reserves that are well defined and readily accessible. Upgrading results in high-quality synthetic crude oil, which typically sells close to par with the West Texas Intermediate ("WTI") benchmark price.

(4) Corridor Pipeline is operated by Terasen Pipelines Inc., which has many years of experience operating the Trans Mountain liquids pipeline from Alberta to northeast British Columbia and Washington State.

Challenges: (1) Both Corridor and the AOSP have been fully operational only since June 2003. The strong oil and gas industry experience of the AOSP sponsors, combined with the expertise of the pipeline operator, are positive indicators. However, a track record must be established over time in order to judge Corridor's success.

(2) Western, a 20% shipper on Corridor, is not considered to be an investment-grade credit by DBRS. If Western were to default under its obligation to pay Corridor's tolls, Corridor's financial profile could be significantly weakened. However, DBRS expects the importance of AOSP to the other sponsors, and the importance of Corridor to the success of AOSP, would compel the other sponsors to take actions to cure a potential default by Western. In the event of an uncured Western default, Shell Canada and Chevron Canada would have the option to purchase Western's joint venture interests for 80% of fair market value.

(3) Corridor faces ongoing refinancing risk, given the short-term nature of the current CP financing and the three-year term of the backup facilities. Following construction, Terasen Inc. has injected equity capital into Corridor (amount not disclosed) and will maintain a fixed debt/equity capital structure (ratio not disclosed). The ability to term out the debt over time should be supported by the long-term ship-or-pay contracts in place with the shippers.

(4) Given the current low interest rate environment, Corridor's allowed ROE is relatively low, in line with other similarly regulated utilities in Canada.

Earnings and Outlook

- Firm Service Agreements (FSAs) in place with the three shippers cover 100% of the pipeline capacity, with tolls based on a "cost of service" methodology.
- All shipper obligations are several, with each entity responsible only for its own costs.
- The FSAs provide for long-term ship-or-pay contracts resulting in recovery of all operating costs, depreciation, taxes and financing costs, plus a return on equity.
- Revenue and toll rates have provided stable earnings from the inception of commercial operations on May 1, 2003.
- For the eight months ended December 31, 2003, Corridor generated $10.7 million of earnings for Terasen Inc., equating to approximately $16 million of annualized earnings during 2003.
- Longer term earnings should rise following an expansion of the pipeline later in this decade.

Financial Profile

- During construction, the Cdn$700 million project was financed entirely by CP issued by Corridor (and guaranteed by Terasen Inc.) and fully backstopped by committed bank lines.
- Following completion, Terasen Inc. injected equity capital into Corridor (amount not publicly disclosed).
- Corridor will maintain a fixed debt/equity capital structure consistent with other recently constructed pipelines in Canada (ratio not publicly disclosed).
- Over time, a portion of the remaining commercial paper will likely be refinanced with long-term debt.
- No major capital spending is planned in the near term.
- An expansion of Corridor is possible later in the decade, coinciding with a potential expansion of AOSP.
- A stable financial profile with reasonable interest and debt service coverage ratios is expected to be maintained, supported by the long-term FSAs.

Regulation

- Regulated by the Alberta Energy and Utilities Board for compliance with the FSAs.

BANK LINES

- Revolving Reducing Term Loan of up to $525 million (backup for CP program) committed until November 2006.
- Secured by a first floating charge over all of Borrower's interests.

CONSTRUCTION/COMMISSIONING TIMELINE

Construction of Corridor was completed in early 2002 and commissioning was completed in several stages:

- April 2002 - Corridor receives first delivery of diluent.
- May 2002 - First fill of diluent pipeline and first deliveries of diluent to Muskeg River Mine tanks.
- April 2003 - First diluted bitumen (dilbit) delivery to Scotford Refinery.
- June 2003 - All AOSP facilities become fully operational.
- Q3 2003 - AOSP production averaged 115,000 b/d of bitumen, up from 60,000 b/d in Q2 2003.
- Q4 2003 - AOSP production averaged 130,000 b/d, 84% of design production rate (155,000 b/d).
- AOSP expects to increase the design production rate on a sustainable basis in 2004 and to further increase production through de-bottlenecking initiatives.

CORRIDOR PIPELINE SYSTEM

The Corridor System consists of the following components:

(1) <u>Dilbit System</u>:

- 450 kilometre (280 mile) 24-inch pipeline transports 220,600 b/d of diluted bitumen from Muskeg River Mine to Shell Canada's Scotford Upgrader.
- Parallel 12-inch pipeline transports 71,200 b/d of diluent from the Scotford Upgrader to the Muskeg River Mine.
- Two terminals (with pumping facilities) and three intermediate pumping stations (combined 40,500 HP capacity).

(2) <u>Upgrader Delivery System</u>:

- 43 kilometre (27 mile) 20-inch pipeline transports 125,500 b/d of synthetic crude oil from the Scotford Upgrader to marketing terminals in Edmonton area.
- Connects to Terasen Pipelines (Trans Mountain) and Enbridge Pipelines in Edmonton.
- Parallel 16-inch pipeline transports 40,600 b/d of diluent from Edmonton terminals to the Scotford Upgrader.
- Two terminals (with pumping facilities) (combined 11,250 HP capacity).

(3) <u>Tankage</u>:

- Five diluted bitumen tanks (1.5 million barrel capacity).
- Two diluent tanks (560,000 barrel capacity).

Terasen Inc.

(formerly BC Gas Inc.)

Report Date: August 19, 2003
Press Released: August 18, 2003
Previous Report: July 9, 2002

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper
A (low)	Stable	Confirmed	Medium-Term Note Debentures
BBB (high)y	Stable	Confirmed	Unsecured Subordinated Debentures

y: denotes hybrid security

Rating History

	Current	2002	2001	2000	1999	1998	1997
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Medium Term Note Debentures	A (low)	A (low)	A (low)	NR	NR	NR	NR
Unsecured Subordinated Debentures	BBB (high)y	BBB (high)y	BBB (high)y	BBB (high)y	NR	NR	NR

Rating Update

The ratings for Terasen Inc. ("Terasen" or the "Company") are being confirmed as listed above. On a consolidated basis, Terasen's financial profile improved in 2002 and during the first half of 2003 due to: (1) the two equity issues in 2002 that strengthened the balance sheet; and (2) the acquisition of Terasen Gas (Vancouver Island) Inc. (previously Centra Gas BC) in early 2002 and improved results at Terasen Pipelines (Trans Mountain) ("TPTM"), which improved cash flow and coverage ratios. On a non-consolidated basis, Terasen's key cash flow and coverage ratios deteriorated in 2002 due to lower dividend income from subsidiaries and higher interest expense. Its financial profile, however, remains reasonable for an A (low)-rated holding company of primarily regulated businesses. The medium-term outlook for Terasen remains stable, largely due to increased earnings and cash flow diversification from the Company's acquisitions and continued investments in primarily regulated businesses. In early 2003, Terasen acquired a one-third interest in the Express Pipeline System ("Express"), which was immediately accretive to earnings, but might not pay dividends and contribute to cash flows for about five years for tax reasons. However, the completion of the Corridor Pipeline in May 2003 should begin providing substantial earnings and cash flows in 2004. Over the near term, little improvement is expected in key financial ratios due to higher debt levels (up about $255 million during the first half of 2003 on a non-consolidated basis) and the lack of dividend payments from Terasen Pipelines (Corridor) Inc. ("Corridor") in 2003. However, once Corridor starts paying dividends in 2004, the higher operating cash flows combined with reduced projected capital investments should result in a modest improvement in key cash flow and coverage ratios. One of the key risks to Terasen's financial profile over the medium term remains a continued low interest rate environment, which would continue to negatively impact earnings and cash flows through the approved ROE. The new performance-based regulation frameworks for both gas distribution subsidiaries offer the potential to offset the negative impact of continued low interest rates.

Rating Considerations

Strengths:

- Relatively stable dividend income from regulated subsidiaries
- Increasing diversification from acquisitions and completion of Corridor Pipeline
- Non-consolidated balance sheet and key financial ratios remain reasonable

Challenges:

- Gas distribution operations sensitive to interest rates
- Business risks faced by TPTM related to competitive pressures and the incentive toll settlement
- Potentially heavy financing needs over medium term

Financial Information

	12 mos. ended	For the year ended December 31				
Consolidated Basis	June 2003	2002	2001	2000	1999	1998
Fixed-charges coverage (times)	1.87	1.79	1.69	1.93	1.90	1.92
Cash flow/total adj. debt (1)	9.0%	8.8%	7.6%	8.4%	10.9%	9.4%
% adj. debt in capital structure (1)	67.3%	66.8%	75.3%	72.3%	71.9%	73.7%
Net income before extra. items/prefs. ($ millions) (2)	129	117	91	83	78	77
Operating cash flow ($ millions) (2)	258	237	189	173	174	156
Gas distribution throughputs (bcf) (3)	180.5	187.3	164.7	180.3	179.4	169.2
Oil pipeline throughputs (thousands bbl/day) (4)	216.2	201.2	209.3	204.6	207.5	252.6
Non-Consolidated Basis						
Fixed-charges coverage (times)	n/a	3.36	4.97	5.90	10.21	16.00
Cash flow/total adj. debt (times) (1)	n/a	29.3%	33.6%	39.0%	52.8%	40.6%
% adj. debt in capital structure (1)	n/a	17.9%	24.0%	20.0%	19.8%	23.7%
Dividend income from subs. ($ millions)	n/a	92.7	101.2	80.6	79.7	79.6

(1) The $125 million capital securities are given 80% equity treatment by DBRS. (2) DBRS-adjusted.
(3) Throughputs include sales volumes and transportation volumes only. (4) Throughputs for TransMountain pipeline only.

The Company Terasen Inc. (formerly BC Gas Inc.) is a holding company that owns 100% of Terasen Gas Inc. and 100% of Terasen Gas (Vancouver Island) Inc. (both natural gas distributors), 100% of Terasen Pipelines (Trans Mountain) Inc. (an oil pipeline that ships from Alberta into B.C. and the U.S. north-west), and 100% of Terasen Pipelines (Corridor) Inc. (a recently completed pipeline in northern Alberta to transport diluted bitumen). Terasen also owns or has interests in a variety of small non-regulated businesses, as well as having a one-third interest in Express/Platte Pipeline System (acquired in January 2003). See separate reports for detailed analysis of these companies.

Authorized Paper Amount Limited Cdn$200 million

RATING PHILOSOPHY

The rating of Terasen is based on the following considerations:

(1) the strength of the non-consolidated balance sheet and cash flows;

(2) the credit worthiness of the following wholly owned operating subsidiaries;
   (a) Terasen Gas Inc. [A / R-1 (low)],
   (b) Terasen Pipelines (Trans Mountain) Inc. [A (low)/ R-1 (low)],
   (c) Terasen Pipelines (Corridor) Inc. [R-1 (low)], and
   (d) Terasen Gas (Vancouver Island) Inc. [not rated separately];

(3) the credit worthiness and characteristics of its other investments; and

(4) the benefits of business (pipeline gas distribution), product (oil and gas), and geographic diversification (B.C.-Alberta, and the western U.S.).

For a more detailed analysis on the rated wholly operating subsidiaries, see separate DBRS reports on Terasen Gas Inc., Terasen Pipelines (Trans Mountain) Inc., and Terasen Pipelines (Corridor) Inc.

RATING CONSIDERATIONS

Strengths: (1) The Company's earnings and cash flows are generated primarily from dividend payments from wholly owned regulated utility operations, whose earnings tend to be relatively stable. The majority of Terasen's income continues to come from the gas distribution businesses, with just under 90% of its dividend income in 2002 coming from Terasen Gas Inc., both directly and indirectly (through a subsidiary that owns only shares in Terasen Gas Inc.), and from Terasen Gas (Vancouver Island). TPTM, a profitable oil pipeline, has also been an important contributor to dividend income in the past. It is expected that the stability of Terasen's dividend income will increase further once Corridor begins making dividend payments in 2004. Given Terasen's focus on regulated businesses, its earnings and cash flows are expected to remain relatively stable over the longer term.

(2) The acquisition of Terasen Gas (Vancouver Island) Inc. (previously Centra Gas (BC) and Centra Gas (Whistler)) in 2002, the acquisition of the one-third interest in the Express system in January 2003 and the start of commercial operations of the Corridor pipeline in May 2003 has improved the Company's earnings diversification, providing increased stability to its income and cash flows.

(3) Despite the recent deterioration, Terasen's key financial ratios remain reasonable for the current rating. The Company's non-consolidated balance sheet and key financial ratios have deteriorated somewhat over the past two years as a result of the acquisitions and large capital investments, combined with the delay in receiving dividend payments from these investments.

Challenges: (1) The earnings and cash flows of the Company's gas distribution operations are sensitive to long-term interest rates through approved ROEs. The low interest rate environment over the past five years has resulted in lower approved ROEs, which has had a negative impact on earnings and on key cash flow and coverage ratios, especially in 2000 and 2001.

(2) TPTM faces a variety of business risks, which increase the volatility of its earnings and cash flows. (a) Crude oil producers in the western Canadian sedimentary basin ("WCSB") have consistently received higher netbacks by shipping to PADD II/Chicago via Enbridge Pipelines Inc.'s system. Long-term supply/demand trends favour the growing importance of WCSB crude oil shipments into the PADD II market. The West Coast market served by TPTM and the Express/Platte pipeline system through the U.S. Rocky Mountain region, into Chicago, are alternative routes for WSCB producers. This makes TPTM a swing pipeline for WCSB producers, used mainly when market conditions warrant. (b) The U.S. operation of TPTM (about one quarter of TPTM's EBIT comes from its U.S. operation) is exposed to market risks as they affect throughputs, given that tolls have been set indefinitely, without any complaints. (c) Under the incentive toll settlement (for 2001-2005) covering the Canadian operation of TPTM, TPTM's tolls are fixed for throughputs between 28,500 and 32,000 cubic metres/day (throughputs have averaged about 32,500 cubic metres/day since 1999) and will not be inflation-adjusted unless the Canadian inflation rate rises above 3.5%.

(3) The proposed $800 million Bison Pipeline (oil pipeline) and $495 million Inland Pacific Connector (gas pipeline), expected to be undertaken over the next three years, could require significant capital from the Company, depending on how the projects are financed. Furthermore, they would face the risk of construction cost overruns.

EARNINGS AND OUTLOOK

Income Statement (Consolidated)	12 mos. ended	For the year ended December 31				
($ millions)	June 2003	2002	2001	2000	1999	1998
Net revenues	935.2	900.0	734.5	647.2	598.4	586.8
EBITDA	478.2	457.0	390.3	342.8	339.0	345.1
Depreciation and amortization	120.7	115.6	95.1	86.2	83.1	84.6
EBIT	357.5	341.4	295.2	256.6	255.9	260.5
Gross interest expense	180.5	179.7	163.7	126.0	118.6	117.6
Net interest expense	161.5	160.8	148.3	117.5	117.6	116.5
Pre-tax income	196.0	180.6	146.9	139.1	138.3	144.0
Net income (before extras. and pfd.)	129.4	116.6	91.0	82.7	78.2	76.5
Net income (available to common)	118.5	105.8	84.6	108.8	81.2	71.2
Return on average common equity (bef. extras.)	9.7%	11.2%	12.1%	12.0%	12.2%	12.1%

Segmented Earnings (Consolidated)		For the year ended December 31				
($ millions)	%	2002	2001	2000	1999	1998
Gas distribution	81%	276.7	231.9	194.8	190.8	189.4
Petroleum transportation	17%	56.4	60.3	49.8	48.0	51.5
Other/corporate	2%	8.3	3.1	11.9	17.1	19.6
EBIT	100%	341.4	295.2	256.6	255.9	260.5
Gas distribution	82%	92.4	67.8	58.7	51.7	51.8
Petroleum transportation	26%	29.3	27.3	22.3	19.5	22.9
Other/corporate	-8%	(9.2)	(4.1)	1.7	7.0	1.8
Net income (before extras.)	100%	112.5	91.0	82.7	78.2	76.5
Extraordinary/unusual items		(4.1)	-	30.0	7.0	-
Preferred dividends/capital sec. dist'n		6.7	6.4	3.9	4.0	5.3
Net income (available to common)		101.7	84.6	108.8	81.2	71.2

Income Statement (Non-consolidated)	For the year ended December 31				
($ millions)	2002	2001	2000	1999	1998
Dividend income	92.7	101.2	80.6	79.7	79.6
EBIT	88.7	97.6	77.9	77.6	76.8
Gross interest expense	15.6	8.9	6.2	7.6	4.8
Net interest expense	13.6	8.8	6.1	7.5	(2.9)
Pre-tax income (before non-recurring/prefs.)	87.6	95.3	80.7	65.5	79.7
Net income (available to common)	76.0	69.6	76.8	65.5	79.7

Summary:

Consolidated basis:

- Both EBIT and net income are up for the 12 months ended June 30, 2003, relative to 2002.
  - Primarily due to higher throughput volumes at TPTM.
  - Acquisition of one-third interest in Express system in January 2003, as well as the start of commercial operation of Corridor pipeline in May 2003 also contributed to stronger results.
  - Gas distribution operations were essentially flat.
- In 2002, increase in EBIT and net income came from acquisition of Terasen Gas (Vancouver Island).
  - Non-regulated businesses recorded improved results, but was offset by a $4.1 million after-tax write-down on an investment.

Non-consolidated basis:

- EBIT was down in 2002 due to sharply lower dividend payments from TPTM ($9.2 million compared to $39.2 million in 2001).
- Interest expense was up significantly due to the full-year interest expense impact of $200 million debt issue in late 2001 and accrued interest on deferred payment associated with the acquisition of Terasen Gas (Vancouver Island).

Outlook:

Consolidated basis:

- EBIT and net income should improve during the remainder of 2003 and in 2004 from:
  - Full-year earnings contribution from Corridor pipeline;
  - Full-year impact of the higher rates at Terasen Gas (Vancouver Island) due to the higher ROE and the start of the recovery of its deferred revenue deficiency deferral account; and
  - Projected earnings growth from the Express system.
- Beyond 2004, EBIT and earnings are expected to remain relatively stable with incremental earnings growth coming from:
  - Improving results from the non-regulated businesses; and
  - Customer additions at the gas distribution businesses.

- Risks over the medium term include:
  - A continued low interest environment, which would continue to negatively impact the ROEs and earnings of the gas distribution businesses;
  - Ability of TPTM to control its costs as fixed tolls do not escalate with inflation unless the CPI inflation rate is above 3.5%; and
  - Throughput volume risk for TPTM's U.S. operation, and for its Canadian operation but only within a defined throughput range.

Non-consolidated basis:

- Assuming stable dividend payments from Terasen's subsidiaries, recurring net income is expected to be somewhat weaker in 2003:
  - Interest expense will be higher due to the debt issue in May 2003, which partly funded the equity capital injection into Corridor pipeline.
  - No dividends are expected from Corridor pipeline in 2003.
- Corridor is expected to start paying dividends in 2004, which will provide a boost to dividend income.
- No dividend payments are expected from the Express investment over the medium term.
- Given that the majority of Terasen's dividend income comes from regulated businesses, which have relatively stable income profiles, it is expected that Terasen's net income will remain stable over the medium to longer term.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

Consolidated basis	12 mos. ended	For the year ended Dec. 31		Sensitivity Analysis		
($ millions)	June 2003	2002	2001	Year 1	Year 2	Year 3
EBITDA	478.2	457.0	390.3	454.3	454.3	454.3
Net income (bef. extras, after prefs.)	122.6	109.9	84.6	73.3	69.4	65.5
Depreciation & amortization	120.7	115.6	95.1	118.6	121.1	123.5
Non-cash adjustments	15.0	11.8	8.8	0.0	0.0	0.0
Operating Cash Flow	258.3	237.3	188.5	191.9	190.4	189.0
Capital expenditures	(295.1)	(395.7)	(469.8)	(200.0)	(200.0)	(200.0)
Common dividends	(70.2)	(59.8)	(49.8)	(44.0)	(41.6)	(39.3)
Gross Free Cash Flow	(107.0)	(218.2)	(331.1)	(52.1)	(51.2)	(50.3)
Changes in working capital & rate stabilization acct.	(58.6)	74.1	(135.1)	0.0	0.0	0.0
Free Cash Flow	(165.6)	(144.1)	(466.2)	(52.1)	(51.2)	(50.3)
Net investments	(211.2)	(315.2)	14.9	0.0	0.0	0.0
Net debt financing	34.3	(11.9)	435.2	52.1	51.2	50.3
Net capital securities financing	0.0	0.0	0.0	0.0	0.0	0.0
Net equity financing/other	296.7	474.2	(4.2)	0.0	0.0	0.0
Net change in cash	(45.8)	3.0	(20.3)	0.0	0.0	(0.0)
Cash flow/total adj. debt (times) (1)	9.02%	8.80%	7.60%	6.58%	6.42%	6.27%
% adj. debt in capital structure (1)	67.3%	66.8%	75.3%	67.3%	67.2%	67.2%
Fixed-charges coverage (times)	1.87	1.79	1.69	1.52	1.49	1.45

(1) Subordinated debt (capital securities) given 80% equity treatment.

Summary:

- Terasen's financial profile has improved noticeably since 2001, with key cash flow and coverage ratios for the twelve months ended June 30, 2003, back to historical averages and those consistent with the current rating.
- Key drivers of the improvement include:
  - Increases in operating cash flows and declines in capital expenditures, resulting in reduced gross free cash flow deficits; and
  - Two equity issues in 2002, which funded a significant portion of the free cash flow deficits and acquisitions in 2002 and 2003.
- As a result of the equity issuance, the Company's capital structure improved from 75% adjusted debt/capital to 67% adjusted debt/capital.

Outlook:

- Terasen's operating cash flows should increase during the rest of 2003 and in 2004 due to the start of Corridor pipeline's commercial operations in May 2003.
  - The Express System is not expected to pay dividends over the medium term and, therefore, will not provide an additional boost to Terasen's cash flows.
- Higher operating cash flows combined with projected lower capital expenditures (under $200 million annually), will result in a much lower free cash flow deficit.
  - Only minimal external financing is expected to be required.
  - Significant external financing may be required if Bison Pipeline and/or Inland Pacific Connector go ahead, depending on how the projects are financed.
- Terasen's financial profile should remain relatively stable over the medium term, with key cash flow and coverage ratios remaining in line with current levels.
  - The primary risk to these ratios is a continued low interest environment, which would continue to negatively impact the ROEs, earnings, and cash flows of the gas distribution businesses.

Non-consolidated basis	For the year ended December 31			Senstivity Analysis		
($ millions)	2002	2001	2000	2003	Year 2	Year 3
EBIT	88.7	97.6	77.9	84.0	84.0	84.0
Net income (bef. extras, after prefs.)	80.9	89.0	76.8	69.8	56.4	55.3
Non-cash adjustments	0.3	(5.4)	(2.1)	0.0	0.0	0.0
Operating Cash Flow	81.2	83.6	74.7	69.8	56.4	55.3
Common dividends pd. out	(66.3)	(55.8)	(52.6)	(55.8)	(45.1)	(44.3)
Gross Free Cash Flow	14.9	27.8	22.1	14.0	11.3	11.1
Change in working capital	10.5	1.2	0.0	0.0	0.0	0.0
Free Cash Flow	25.4	29.0	22.1	14.0	11.3	11.1
Investments	(498.7)	(84.5)	(168.4)	(400.0)	(30.0)	(30.0)
Free Cash Flow Before Financing	(473.3)	(55.5)	(146.3)	(386.0)	(18.7)	(18.9)
Net debt financing	(4.0)	61.0	6.1	386.0	18.7	18.9
Net capital securities financing	0.0	0.0	122.3	0.0	0.0	0.0
Net equity financing	475.0	(0.8)	(0.1)	0.0	0.0	0.0
Net change in cash	(2.3)	4.7	(18.0)	0.0	0.0	0.0
Cash flow/total adj. debt (times) (1)	29.3%	33.6%	39.0%	11.0%	8.6%	8.2%
% adj. debt in capital structure (1)	17.9%	24.0%	20.0%	33.1%	33.6%	34.0%
Fixed-charges coverage (times)	3.43	4.97	5.91	2.85	1.97	1.93

(1) Subordinated debt (capital securities) given 80% equity treatment.

Summary:

- Terasen's financial profile weakened further in 2002, but remains acceptable for an A (low)-rated holding company of primarily regulated businesses.
- The Company's two equity issues in 2002 were sufficient to fully finance its acquisition of Terasen Gas (Vancouver Island), as well as its investments in existing subsidiaries.
  - Equity issuance reduced per cent debt in the capital structure to 18% at the end of 2002 from 24% the previous year.
- Reduced dividend income and higher interest expense, however, resulted in a noticeable deterioration in fixed-charges coverage and a reduction in cash flow/debt in 2002.

Outlook:

- Assuming no change in dividend payments from subsidiaries, operating cash flow expected to be down somewhat in 2003 due to higher interest payments and lack of dividend payment from Corridor.
  - Higher interest payments due to issuance of a $100 million Medium-Term Note in May 2003, and higher short-term debt.
  - Debt issuance partly funded the equity capital injection into Corridor pipeline.
  - Corridor expected to begin making dividend payments in 2004.
- Per cent debt in capital structure will be higher in 2003 (closer to 25%), while key cash flow and interest coverage ratios expected to deteriorate slightly.
- In 2004, operating cash flows should increase and subsequently, grow alongside growth in net income of subsidiaries over the medium term.
  - Do not expect dividend income from Express system over the medium term.
  - Cash flows are expected to remain more than sufficient to cover dividend payments and annual investments of about $30 million.
  - Key cash flow and interest coverage ratios expected to remain acceptable for the current rating.
- External financing expected to be required only if significant projects are undertaken (i.e., Bison Pipeline and/or Inland Pacific Connector) or for additional acquisitions.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations that DBRS has concerning the future performance of the Company.

Key Assumptions:

- EBIT declines 5% in 2003, and remains flat thereafter. No dividend payments from Corridor or the Express system are projected during this period.
- Dividend payments projected at 80% of net income. Investments in 2003 include interest in the Express system, equity injection into Corridor, and a modest amount of other investments in subsidiaries. Investments beyond 2003 projected at $30 million per year.
- Free cash flow deficits are 100% debt financed.

Outcomes, under this scenario:

- Per cent debt in the capital structure would increase, but not dramatically.
- Key cash flow and coverage ratios would deteriorate significantly, and would no longer be acceptable for an A (low)-rated holding company structure.
- DBRS would expect the Company to either significantly reduce its dividends or access the equity market in order to maintain the rating.

LONG-TERM DEBT MATURITIES AND BANK LINES

Debt and Commitments	As at June 30		As at Dec. 31
($ millions) **(Consolidated)**	2003	**(Non-Consolidated)**	2002
Short-term notes	999	Short-term debt	22
Current portion of long-term debt	109	Contingent liabilities (1)	487
Long-term debt	1,730	Long-term debt (adj.) (2)	255
Total debt	2,838	Total	764

(1) Terasen Inc. guarantees the commercial paper issued by Terasen Pipelines (Corridor) for the Corridor Project.

(2) The $125 million capital securities are given 80% equity treatment by DBRS; also includes deferred payment related to Centra Gas acquisition.

Summary:

- As at June 30, 2003, the Company's direct long-term debt consisted of:
  - A $100 million Medium-Term Notes maturing May 8, 2006; and
  - A $200 million Medium-Term Notes maturing December 1, 2008.
- In addition, it also had $155 million outstanding under its commercial paper program.
- It continues to guarantee the commercial paper issued by Terasen Pipelines (Corridor) Inc., which stood at $511 million at June 30, 2003.
  - However, it is the Company's intention to remove the guarantee on the commercial paper in the near future.
- As at June 30, 2003, Terasen's per cent adjusted debt in the capital structure (non-consolidated) was about 28% excluding the Corridor guarantee.
- The Company currently has a 364-day $200 million operating line of credit, which can be converted into a three-year term facility. The bank lines support its $200 million commercial paper program.
- For detailed information on long-term debt maturities and bank lines of operating subsidiaries, please see separate DBRS reports.

Outlook:

- Terasen is currently renegotiating its credit facility.
- Terasen's per cent debt in the capital structure on a non-consolidated basis is expected to stay in the 20%-25% range, assuming no further acquisitions.
  - On a consolidated basis, it is expected to remain close to the Company's target of 67% debt.

DESCRIPTION OF OPERATIONS

Terasen Inc. is a holding company whose principal operating subsidiaries are involved in regulated natural gas distribution and regulated oil pipeline businesses. The Company's primary operating businesses consist of the following:

- Terasen Gas Inc. is the largest natural gas distributor in British Columbia, serving approximately 90% of the province's natural gas users.
  - It is regulated by the British Columbia Utilities Commission ("BCUC") and operates under a performance-based settlement.
  - A new settlement was reached with stakeholders and approved in July 2003 by the BCUC for the period 2004-2007.
  - Terasen Gas Inc. is wholly owned by Terasen Inc.
- Terasen Gas (Vancouver Island) Inc. is a natural gas distribution utility serving Vancouver Island and the Sunshine Coast of British Columbia.
  - It is regulated by the BCUC. A new settlement was negotiated with stakeholders in 2002 and was approved in January 2003 by the BCUC. The new settlement is for three years and was effective January 1, 2003.

  - Terasen Gas (Vancouver Island) Inc. is wholly owned by Terasen Inc.
- TPTM operates an oil pipeline system (1,260 kilometres with a capacity of 281,000 barrels/day) transporting crude oil and refined products from Alberta and north-eastern British Columbia to the West Coast, servicing refineries in Vancouver and Washington state.
  - It also owns and operates Westridge Marine Terminal in Vancouver harbour, where crude oil is loaded aboard ocean-going vessels and aviation fuel is landed and stored.
  - It has another pipeline (41 kilometres) that transport aviation fuel from the Westridge Marine Terminal and refineries and distribution terminals in the Burnaby area to the Vancouver International Airport.
  - It is regulated by three separate regulatory bodies: (1) Canadian portion of the crude oil and refined product pipeline system by the National Energy Board; (2) U.S. portion of the pipeline by Federal Energy Regulatory Commission on a complaint basis; and (3) Aviation turbine fuel pipeline by the BCUC.
  - TPTM is wholly owned by Terasen Inc. and has a 10.5% ownership in its parent.
- Corridor owns a 493-kilometre pipeline linking two facilities that are part of the $5.7 billion Athabasca Oil Sands Project, jointly owned by Shell Canada Limited (60%), Chevron Canada Resources Limited (20%), and Western Oil Sands Inc. (20%).
  - The pipeline began commercial operations in May 2003 and transports diluted bitumen from the Muskeg River Mine in Fort McMurray, Alberta, to an upgrader adjacent to Shell Canada's Scotford refinery in Fort Saskatchewan, Alberta.
  - Corridor also connects the upgrader to refineries and pipeline terminals in the Edmonton area (including the Trans Mountain Pipeline), as well as providing storage facilities.
  - Operation of the Corridor pipeline is backed by a long-term ship-or-pay contract with Shell Canada-Chevron Canada-Western Oil Sands.
  - The pipeline is operated by TPTM
  - Revenue requirements are governed by contractual arrangements with the above three shippers and are subject to regulation by the Alberta Energy and Utilities Board.
  - Terasen Pipelines (Corridor) Inc. is wholly owned by Terasen Inc.
- Terasen Inc. has a one-third interest in the Express/Platte Pipeline System.
  - The Express System consists of the Express Pipeline and the Platte Pipeline, transporting crude oil from Hardisty, Alberta to the Wood River, Illinois area.
  - The Express System is regulated by three separate regulatory bodies: (1) The Canadian segment of the Express Pipeline is regulated by the National Energy Board, with tolls regulated on a complaint basis only; (2) The Platte Pipeline and the U.S. segment of the Express Pipeline are regulated by the Federal Energy Regulatory Commission, with tolls also regulated on a complaint basis; and (3) Petroleum transportation on the Platte Pipeline within the state of Wyoming is regulated by the Wyoming Public Service Commission, with tolls regulated on a similar basis to those of the National Energy Board and the Federal Energy Regulatory Commission.
- Terasen Inc. has interests in a number of smaller, non-regulated energy and utility services businesses including:
  - Terasen Waterworks (Supply) Inc.,
  - Terasen International Inc.;
  - A 30% interest in CustomerWorks; and
  - A 44% interest in ENRG, an alternative fuel re-fuelling company.

Terasen Inc.

(Consolidated)

Balance Sheet

($ millions)

Assets	As at June 2003	As at December 31 2002	2001	**Liabilities & Equity**	As at June 2003	As at December 31 2002	2001
Cash	2	5	2	Short-term debt	999	927	709
Accounts receivable	279	299	271	A/P + accrueds	323	330	329
Inventories	122	98	117	L.t.d. due in one year	109	109	224
Prepaids + other	50	80	114	Current liabilities	1,430	1,366	1,262
Current assets	453	483	504	Long-term debt	1,730	1,636	1,524
Net fixed assets	3,823	3,779	3,080	Def'd income taxes	63	58	57
Long-term rec + investments	221	22	20	Other long-term liab.	100	96	23
Goodwill + def'd charges	241	239	102	Capital securities	125	125	125
Total	4,738	4,522	3,706	Shareholders' equity	1,289	1,241	715
				Total	4,738	4,522	3,706

Ratio Analysis	12 mos. ended	For year ended December 31						
Liquidity Ratios	June 2003	2002	2001	2000	1999	1998	1997	1996
Current ratio	0.32	0.35	0.40	0.52	0.38	0.26	0.27	0.47
Accumulated depr./gross fixed assets	21%	18%	20%	20%	23%	22%	21%	19%
Cash flow/total debt	9.10%	8.88%	7.67%	8.53%	10.86%	9.42%	9.39%	10.03%
Cash flow/total adj.debt (1)	9.02%	8.80%	7.60%	8.43%	10.86%	9.42%	9.39%	10.03%
Adj. debt/EBITDA	5.99	5.90	6.36	5.97	4.74	4.80	4.79	4.83
Cash flow/capital expenditures	0.88	0.60	0.40	0.28	1.07	1.21	1.11	1.17
Cash flow/capex (Terasen Gas)	-	1.34	0.98	0.25	0.85	0.99	0.90	0.98
Cash flow/capex (Trans Mountain)	-	2.54	3.16	2.81	1.68	1.68	1.68	1.68
Cash flow-dividends/capex	0.64	0.45	0.30	0.20	0.79	0.89	0.81	0.88
% debt in capital structure	66.7%	66.2%	74.5%	71.4%	71.9%	73.7%	72.4%	70.3%
% adj. debt in capital structure (1)	67.3%	66.8%	75.3%	72.3%	71.9%	73.7%	72.4%	70.3%
Average coupon on long-term debt	6.41%	5.90%	6.22%	8.14%	8.63%	9.23%	9.50%	n/a
Common dividend payout (before extras.) (2)	49.1%	54.4%	58.9%	59.5%	60.1%	59.0%	59.4%	46.0%
Coverage Ratios								
EBIT interest coverage	1.98	1.90	1.80	2.04	2.16	2.22	2.21	1.90
EBITDA interest coverage	2.65	2.54	2.38	2.72	2.86	2.93	2.92	2.54
Fixed-charges coverage	1.87	1.79	1.69	1.93	1.90	1.92	1.90	1.65
EBIT interest coverage (non-consolidated)	n/a	5.68	10.95	12.56	10.21	16.00	12.78	10.14
Fixed-charges coverage (non-consolidated)	n/a	3.36	4.97	5.90	10.21	16.00	12.78	10.14
Profitability Ratios								
EBIT margin	25.6%	24.3%	20.8%	23.6%	30.3%	35.1%	32.8%	32.8%
EBIT margin, excludes cost of natural gas	38.2%	37.9%	40.2%	39.6%	42.8%	44.4%	43.7%	43.0%
Net margin (before extraordinary items)	13.8%	13.0%	12.4%	12.8%	13.1%	13.0%	12.7%	16.2%
Return on average common equity	9.7%	11.2%	12.1%	12.0%	12.2%	12.1%	10.8%	13.6%
Operating Efficiency and Statistics								
Throughputs – Gas distribution (bcf) (3)	180.5	187.3	164.7	180.3	179.4	169.2	175.0	182.5
- Oil pipeline (thousands bbl/day) (4)	216.2	201.2	209.3	204.6	207.5	252.6	229.7	249.6
- U.S. deliveries (incl. in oil pipeline) (thousands bbl/day)	53.8	47.8	73.4	65.2	61.9	101.4	94.4	102.5
- Jet fuel (thousands bbl/day)	16.0	18.5	19.3	19.8	20.1	20.5	20.6	21.1
Approved ROE – Gas utility (Terasen Gas Inc. only)	9.42%	9.13%	9.25%	9.50%	9.25%	10.00%	10.25%	11.00%
- Oil pipeline (Cdn. Mainline)	#	#	#	#	#	#	#	#

(1) The $125 million capital securities are given 80% equity treatment by DBRS.

(2) For 1998, excludes $20 million deemed dividend exchanged for convertible debt; for 1996, excludes $55 million deemed dividend exchanged for convertible debt.

(3) Throughputs include sales volumes and transportation volumes only. (4) Throughputs for TransMountain pipeline only.

#: negotiated settlement

Terasen Pipelines (Corridor) Inc.

(formerly Corridor Pipeline Limited)

Report Date: August 22, 2003
Press Released: August 21, 2003
Previous Report: August 28, 2002

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper

Rating History	Current	2002	2001	2000	1999	1998	1997
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	NR	NR	NR

Rating Update

The Commercial Paper rating of Terasen Pipelines (Corridor) Inc. ("Corridor" or the "Company") is confirmed at R-1 (low) with a Stable trend. Currently, the rating is based on the guarantee of BC Gas Inc. (now Terasen Inc.), its parent and guarantor for the construction phase of the project. Following completion, Terasen Inc. injected equity capital into Corridor. Upon release of the guarantee in the near future, issuance of new Commercial Paper by Corridor will be on a stand-alone basis. Notwithstanding unforeseen developments, the rating will continue to be R-1 (low) on a stand-alone basis.

The Corridor Pipeline System provides a vital link for the transportation of bitumen and diluent between two major components of the Athabasca Oil Sands Project ("AOSP"): the Muskeg River Mine, north of Fort McMurray, Alberta and the upgrader adjacent to Shell Canada's Scotford Refinery near Edmonton, Alberta. Corridor is supported by long-term ship-or-pay contracts (an initial 25-year term with options to extend) with quality shippers, which are also sponsors for the oil sands project. These contracts (which have been reviewed by DBRS) ensure the recovery of all operating costs, depreciation, taxes, and financing costs, plus a return on equity, resulting in stability of earnings. Approximately 60% of the commitments come from Shell Canada Limited ("Shell") (currently rated at AA (low) by DBRS) and 20% from Chevron Canada Resources Limited ("Chevron") (guaranteed by its parent, ChevronTexaco Corporation, which is rated AA by DBRS). The remaining 20% of AOSP is owned by Western Oil Sands Inc. ("Western") (not rated by DBRS), a publicly-traded company formed in June 1999 by key former mining executives of BHP of Australia to participate in AOSP. Western is not considered to be an investment-grade credit by DBRS. If Western were to default under its obligation to pay Corridor's tolls, its financial profile could be significantly weakened. The R-1 (low) rating reflects DBRS's expectation that the importance of AOSP to the other sponsors, and the importance of Corridor to the success of AOSP, would compel the other sponsors to cure a potential default by Western. In the event of an uncured Western default, Shell and Chevron would have the option to purchase Western's joint venture interests for 80% of fair market value.

The shippers' large commitment to the Cdn$6.2 billion AOSP ensures that the shippers have a strong incentive to make sure that Corridor is full once AOSP reaches its design capacity in Q3 2003. Additionally, the pipeline will benefit from the experience of its operator, Terasen Pipelines (Trans Mountain) Inc. (see separate DBRS report), which is also 100% owned by Terasen Inc. Trans Mountain has many years of experience operating a liquids pipeline from Alberta to northeast British Columbia and Washington state.

The Cdn$700 million Corridor construction project was on time and on budget, with both Corridor and AOSP becoming fully operational in June 2003. While the strong oil and gas industry experience of the AOSP sponsors, combined with the experience of the pipeline operator are positive factors, a track record must be established in order to judge Corridor's success. Corridor faces re-financing risks, given the short-term nature of the current Commercial Paper financing and the three-year term of the back-up credit facilities. Its ability to term out the debt over time should be supported by the long-term ship-or-pay contracts in place with the shippers.

Rating Considerations

Strengths:

- Shippers' large commitment to Athabasca Oil Sands Project assures support for the pipeline
- Long-term ship-or-pay contracts with strong credits
- Ample long-term bitumen reserves support pipeline
- Experienced pipeline operator (Trans Mountain)

Challenges:

- Little operating history for pipeline or oil sands project
- Western Oil Sands, a 20% non-investment-grade shipper
- Refinancing risk, given short-term debt financing
- Earnings sensitivity to changes in interest rates

The Company

Terasen Pipelines (Corridor) Inc. owns the Corridor Pipeline System, a 493-kilometre (307-mile) diluted bitumen dual pipeline system that links two major components of the Athabasca Oil Sands Project: the Muskeg River Mine, north of Fort McMurray, and the Scotford Upgrader in Fort Saskatchewan, Alberta, near Edmonton. Corridor also connects the upgrader to existing marketing terminals in Sherwood Park, Alberta, near Edmonton. Terasen Pipelines (Corridor) Inc. is wholly owned by Terasen Inc. The Pipeline is supported by long-term ship-or-pay contracts with Shell Canada (60%), Chevron Canada (20%), and Western Oil Sands (20%).

Guarantor

Currently, Commercial Paper issued by Corridor is unconditionally guaranteed by Terasen Inc. However, there will be no guarantor in the future.

Authorized Paper Amount Limited to Cdn$525 million (reduced from Cdn$700 million).

RATING CONSIDERATIONS

Strengths: (1) The shippers' large commitment to the Cdn$6.2 billion Athabasca Oil Sands Project ("AOSP") assures support for Corridor. Corridor is an integral part of AOSP, providing a vital link between the Muskeg River Mine and the Scotford Upgrader. This ensures that the shippers have a strong incentive to make sure that Corridor is full once AOSP reaches its design capacity in Q3 2003.
(2) Corridor is backed by long-term ship-or-pay contracts (initial 25-year term with options to extend), with 80% of the commitments from strong credits: Shell Canada (60%) and Chevron Canada (guaranteed by its parent, ChevronTexaco Corporation) (20%), which are currently rated AA (low) and AA, respectively, by DBRS. Western Oil Sands (the owner of the 20% remaining AOSP shares, and not rated by DBRS) is a publicly-traded company formed in June 1999 by key former mining executives of BHP of Australia to participate in AOSP. The contracts provide for recovery of all operating costs, depreciation, taxes, and financing costs, plus a return on equity.
(3) Ample recoverable bitumen reserves support the pipeline. AOSP has access to an estimated 7.1 billion barrels of proven and probable bitumen reserves that are well-defined and readily accessible. Upgrading results is high-quality synthetic crude oil, which typically sells close to par with the West Texas Intermediate ("WTI") benchmark price.
(4) Corridor Pipeline will be operated by Terasen Pipelines (Trans Mountain) Inc., which has many years of experience operating a liquids pipeline from Alberta to northeast British Columbia and Washington state.

Challenges: (1) Both Corridor and the AOSP have only been fully operational since June 2003. The strong oil and gas industry experience of the AOSP sponsors, combined with the expertise of the pipeline operator, are positive indicators. However, a track record must be established over time in order to accurately judge Corridor's success.
(2) Western Oil Sands, a 20% shipper on Corridor, is not considered to be an investment-grade credit by DBRS. If Western were to default under its obligation to pay Corridor's tolls, Corridor's financial profile could be significantly weakened. However, DBRS expects that the importance of AOSP to the other sponsors, and the importance of Corridor to the success of AOSP, would compel the other sponsors to take actions to cure a potential default by Western. In the event of an uncured Western default, Shell and Chevron would have the option to purchase Western's joint venture interests for 80% of fair market value.
(3) Corridor faces ongoing re-financing risk, given the short-term nature of the current Commercial Paper financing. Following construction, Terasen Inc. has injected equity capital into Corridor (amount undisclosed) and will maintain a fixed debt/equity capital structure (ratio undisclosed). The ability to term out the debt over time should be supported by the long-term ship-or-pay contracts in place with the shippers.
(4) Given the current low interest rate environment, Corridor's allowed ROE is relatively low, and is in line with other similarly regulated utilities in Canada.

EARNINGS

- Firm Service Agreements ("FSAs") in place with the three shippers cover 100% of the pipeline capacity, with tolls based on a "cost of service" methodology.
- All shipper obligations are several, with each entity responsible only for its own costs.
- The FSAs provide for long-term ship-or-pay contracts resulting in recovery of all operating costs, depreciation, taxes, and financing costs, plus a return on equity.
- Revenue and toll rates should be relatively stable from the inception of commercial operations in May 2003.

FINANCIAL PROFILE

- During construction, the Cdn$700 million project was financed entirely by Commercial Paper issued by Corridor (and guaranteed by BC Gas Inc., now Terasen Inc.) and fully backstopped by committed bank lines.
- Following completion, Terasen injected equity capital into Corridor (amount not publicly disclosed).
- Corridor will maintain a fixed debt/equity capital structure consistent with other recently constructed pipelines in Canada (ratio not publicly disclosed).
- Over time, a portion of the remaining Commercial Paper will likely be re-financed with long-term debt.
- No major capital spending is planned in the near term.
- Expansion of Corridor is possible later in the decade, coinciding with potential expansion of AOSP.
- Stable financial profile with reasonable interest and debt service coverage ratios is expected, supported by the long-term take-or-pay contracts.

REGULATION

- Regulated by the Alberta Energy and Utilities Board for compliance with the FSAs.

BANK LINES

- Revolving Reducing Term Loan of up to $525 million (backup for Commercial Paper program) committed until June 2006.
- Secured by a first floating charge over all of Borrower's interests.

CONSTRUCTION/COMMISSIONING TIMELINE

Construction of Corridor was completed in early 2002 and commissioning was completed in several stages:

- April 2002 - Corridor receives first delivery of diluent.
- May 2002 - First fill of diluent pipeline and first deliveries of diluent to Muskeg River Mine tanks.
- April 2003 - First dilbit delivery to Scotford Refinery.
- June 2003 - All AOSP facilities become fully operational.
- Q3 2003 – AOSP to ramp up to design production rate (155,000 b/d of bitumen) by end of quarter.

CORRIDOR PIPELINE SYSTEM

The Corridor System consists of the following components:

(1) Dilbit System:

- A 450 kilometre (280 mile), 24-inch pipeline transports 220,600 b/d of diluted bitumen from Muskeg River Mine to Shell Canada's Scotford Upgrader.
- A parallel 12-inch pipeline transports 71,200 b/d of diluent from the Scotford Upgrader to the Muskeg River Mine.
- Two terminals (with pumping facilities) and three intermediate pumping stations (combined 40,500 HP capacity).

(2) Upgrader Delivery System:

- A 43 kilometre (27 mile), 20-inch pipeline transports 125,500 b/d of synthetic crude oil from the Scotford Upgrader to marketing terminals in Edmonton area.
- Connects to Terasen Pipelines (Trans Mountain) and Enbridge Pipelines in Edmonton.
- A parallel 16-inch pipeline transports 40,600 b/d of diluent from Edmonton terminals to the Scotford Upgrader.
- Two terminals (with pumping facilities) (combined 11,250 HP capacity).

(3) Tankage:

- Five diluted bitumen tanks (1.5 million barrel capacity).
- Two diluent tanks (560,000 barrel capacity).

APPENDIX - A COMPARISON OF THE MAJOR NEW CANADIAN PIPELINES

Description	Alliance Pipeline	Maritimes & Northeast	Corridor Pipeline
Type of Pipeline	Natural gas	Natural gas	Diluted bitumen
Distance	3,100 km from northeast B.C. and northwest Alberta, to the Chicago area.	1,066 km from Goldboro, N.S. to Boston area with three laterals.	493 km between Fort McMurray and Edmonton
Current Capacity	1.5 Bcf/d of gas	0.580 Bcf/d of gas	155,000 b/d of bitumen
Pipeline Rating	A (low) influenced by composite rating of 35 shippers and good operating performance since its inception.	"A" based on four levels of support provided to bondholders, and high credit quality of shipper group.	R-1 (low) based on guarantee of Terasen Inc. (formerly BC Gas Inc.) during construction. After completion, long-term ship-or-pay contracts with Shell Canada, Chevron Canada and Western Oil Sands prevail.
Main Shippers and their Ratings	35 shippers, rated investment-grade on average	85% investment-grade shippers required (currently 95% based on Exxon Mobil Canada (AAA) backup arrangement	60% - Shell Canada Limited (AA (low)), 20% - Chevron Canada Resources Limited (AA based on parent guarantee), and 20% - Western Oil Sands Inc. (N/R).
Sponsor/Owners	Fort Chicago 50.0% Enbridge Inc. 50.0%* *Canadian portion owned by Enbridge Income Fund	Duke Energy 75.0% Emera Inc. 12.5% Exxon Mobil Corporation 12.5%	Terasen Inc. (formerly BC Gas Inc.) 100%, through a direct subsidiary
Percent of Shipments by Owners/Sponsors of Pipeline	Approximately 12% (Enbridge Inc. related parties)	46% - Exxon Mobil, 12.5% owner (currently 31% due to assignment to investment-grade shippers). 18% - Emera Inc., 12.5% owner.	Athabasca Oil Sands Project owners/sponsors of pipeline: 60% - Shell Canada 20% - Chevron Canada 20% - Western Oil Sands
Reserves	Remaining reserves (including undiscovered) in the WCSB estimated to exceed 200 trillion cubic feet (Tcf) of natural gas (actual annual production 6 Tcf).	Scotian Shelf potential recoverable natural gas reserves estimated at 18.5 Tcf (3.7 Tcf needed to meet M&NP's contract commitments for 20 years.)	AOSP has access to an estimated 7.1 billion barrels of proved and probable bitumen reserves.
Pipeline Expansion	Expansion expected over medium term. Can raise capacity to 2.0 Bcf/d by adding low-cost compression.	Canada - on hold pending EnCana's decision whether to proceed with Deep Panuke development. U.S. - Phase III expected in service in fall 2003; Phase IV subject to regulatory approvals	AOSP expected to reach designed production rate of 155,000 bbl/d of bitumen by end of Q3 2003. Future expansion is likely later this decade.
Commencement of Commercial Operations	December 2000	December 1999	May 2003

Description	**Alliance Pipeline**	**Maritimes & Northeast**	**Corridor Pipeline**
Credit Enhancements	Ship-or-pay contracts with 35 shippers for original 15-year terms. One-year letter of credit, or alternative security, can be required from shippers with declining credit quality. Notice of non-renewal is required at Year 10, providing Alliance with a five-year window to find alternate shippers.	(1) Firm ship-or-pay contracts from Mobil (20 years) Shell (15 years), Nova Scotia Power (ten years), Nova Scotia Resources (ten years), and others. (2) Producers required to ship or pay if gas is produced. (3) Mobil Backup initially up to 84% of original contract capacity. Potential reduction to 30% range (31% currently) by assigning to other investment-grade credits. (4) Adequate natural gas reserves confirmation required by November 30, 2007.	Guaranteed by Terasen Inc. (formerly BC Gas Inc) during construction. After completion, long-term ship-or-pay contracts (initial 25-year term with options to extend) with Shell Canada, Chevron Canada, and Western Oil Sands. In the event of an uncured Western default, Shell and Chevron would have the option to purchase Western's joint venture interests for 80% of fair market value.
Cost Overruns	Final cost overruns of about Cdn$1.0 billion (23%) of original Cdn$4.285 billion cost estimate.	Original cost in Canada (Cdn$863 million) increased by 11.7% to Cdn$964 million; Original cost in U.S. (US$632 million) rose by 7.6% to US$680 million.	Cdn$700 million estimated cost, on time and on budget.
Equity Base	Cdn$820 million (Canada) and US$664 million (U.S.) at December 31, 2002. Reduces with debt repayments to maintain required 70% debt/30% equity ratio.	Cdn$233 million (Canada) and US$326 million (U.S.) at December 31, 2002. Reduces with debt repayments to maintain required 75% debt/25% equity ratio.	100% funded by commercial paper during construction. Terasen Inc. injected equity (amount not disclosed) upon project completion.
Allowed Return on Equity	Canadian portion - 11.3% U.S. portion - 10.7%	Canadian portion - 13% thru 2004 U.S. portion - not available	Undisclosed.
Debt Service Coverage Ratio	Must exceed 1.25 times before cash distribution can be paid (test met).	Must exceed 1.3 times before cash distributions can be paid (test met).	Undisclosed.

Terasen Gas Inc.

(formerly BC Gas Utility Ltd.)

Report Date: July 21, 2003
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Previous Report: April 16, 2002

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Rating

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper
"A"	Stable	Confirmed	Purchase Money Mortgages
"A"	Stable	Confirmed	MTNs & Unsecured Debentures

Rating History

	Current	2002	2001	2000	1999	1998	1997
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Long-Term Debt	"A"	"A"	"A"	"A"	"A"	"A"	"A"

Rating Update

Terasen Gas Inc.'s ("Terasen Gas" or the "Company") earnings were unchanged in 2002 compared to 2001, and remained relatively stable for the 12 months ending March 31, 2003 at $68 million, despite increased natural gas sales volumes in 2002. The positive earnings impact of higher natural gas sales volumes was offset by a 10% increase in operating and maintenance (O&M) costs as a result of the outsourcing of certain functions and a sale and leaseback transaction. The resulting lower interest costs from the outsourcing of certain functions and the sale and leaseback transaction was not sufficient to offset the higher O&M costs. While operating cash flows were up in 2002 (and remained flat for the 12 months ending March 31, 2003), they remained insufficient to internally fund capital expenditures and dividends. Recovery of a significant portion of the Rate Stabilization Adjustment Mechanism and Gas Cost Reconciliation Account balances in 2002 provided sufficient cash to offset the cash flow deficit. As a result, key financial ratios improved to levels not seen in the last five years.

The outlook for Terasen Gas Inc. remains stable. The Company has filed a proposal with the regulator for a new incentive-based regulatory settlement covering 2004-2008. Over the medium term, the Company should benefit from the new settlement. Over the near term, the Company's earnings are expected to remain stable. The key short-term risks to earnings and cash flow include: (1) the degree to which high natural gas prices impact gas sales to dual-energy industrial users; and (2) a further decline in interest rates, which would result in lower approved ROEs. Free cash flow deficits are expected to continue over the next two to three years, although the capital structure is expected to remain in line with that deemed by the regulator. Key financial ratios are expected to continue to fluctuate within a narrow band in line with changes in working capital requirements.

Rating Considerations

Strengths:

- Operations are regulated, providing longer term earnings and balance sheet stability
- Existence of Rate Stabilization Adjustment Mechanism and Interest Rate Deferral Account provides additional financial stability
- Southern Crossing provides access to alternative sources of gas supply
- Diversified customer base

Challenges:

- Operating cash flows insufficient to fund capital expenditures and common dividends
- Earnings sensitive to economic cycle and interest rates
- Competitive pressures from dual energy industrial users, low electricity rates
- Forecast risk (customer additions)
- Tax methodology results in unrecorded (potentially unrecoverable) tax liabilities, weakens interest coverage

Financial Information

	12 mos. ending	For the year ending December 31				
	Mar. 2003	2002	2001	2000	1999	1998
Fixed-charges coverage (times)	2.00	1.98	1.82	1.77	1.90	1.88
% debt in capital structure (1)	65.6%	67.9%	68.4%	67.3%	67.2%	65.9%
Cash flow/total debt (times) (1)	0.10	0.09	0.09	0.08	0.09	0.09
Cash flow/capital expenditures (times)	1.33	1.34	0.98	0.25	0.85	0.99
Approved ROE (2)	9.42%	n/a	9.25%	9.50%	9.25%	10.00%
Net income before extraordinary items ($ millions)	68.0	67.1	67.2	61.9	59.5	59.3
Operating cash flow ($ millions)	150.7	149.1	142.4	120.1	113.3	109.8
Total throughput volumes (bcf)	192.1	206.8	225.1	235.2	220.1	217.6
Average coupon on long-term debt	7.81%	7.81%	7.76%	7.86%	8.40%	8.75%

(1) All preferred shares (prior to 2000) were treated as debt equivalents.

(2) An ROE was not set in 2002 due to Terasen Gas Inc.'s withdrawal of its 2002 Revenue Requirement Application.

The Company

Terasen Gas Inc. (formerly BC Gas Utility Ltd.) is the largest natural gas distributor in British Columbia, serving approximately 90% of the province's natural gas users. The Company is wholly owned by Terasen Inc. (formerly BC Gas Inc.).

Authorized Paper Amount Limited to Cdn$500 million

Regulation

Terasen Gas is regulated by the British Columbia Utilities Commission ("BCUC"). The regulatory environment in British Columbia remains among the more progressive in Canada. British Columbia-based utilities were among the first utilities in Canada to operate under incentive-based regulation. Terasen Gas operated under an incentive regulatory settlement during the 1998-2001 period. The Company had filed a 2002 Revenue Requirement Application, but withdrew the application due to Terasen Inc.'s acquisition of Terasen Gas (Vancouver Island) (formerly Centra Gas B.C.) and the new provincial energy policy. As a result of the withdrawal, Terasen Gas' distribution rates for 2002 remained at their 2001 levels, while the ROE reset mechanism and interest deferral accounts were suspended for the year. In June 2002, the Company filed a 2003 Revenue Requirement Application, with the BCUC issuing its decision in February 2003. The decision issued was generally an extension of the previous incentive-based agreement. The approved ROE for 2003 was set at 9.42%, based on the following formula: 350 basis points above forecast long Canada bond yields 6% or lower. The formula also provides for annual adjustments capturing 80% of the change in yields when forecast yields are higher than 6% and 100% of the change when forecast yields are lower than 6%. Deemed equity remains at 33% for 2003. Terasen Gas has filed a proposal with the BCUC for a new incentive regulatory settlement covering 2004-2008.

Terasen Gas has the following deferral accounts, which reduce short-term earnings fluctuations/risks: (1) Gas Cost Reconciliation Account (GCRA): The Company is permitted to periodically, subject to BCUC approval, recover from (or remit to) customers any variances in gas prices from forecast. Historically, variances are amortized and recovered over a two-year to three-year period with price adjustments normally made on a semi-annual basis. (2) Rate Stabilization Adjustment Mechanism (RSAM): Terasen Gas is permitted to accumulate the variances from forecast in use per customer for residential and commercial customers. The amounts are amortized and recovered over a two-year period. Terasen Gas is, however, still exposed to the economic cyclicality of non-RSAM customers, principally industrial and transportation service customers, who account for roughly 40% of total volume throughputs or 13% of margins. (3) Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.

Another issue that remains under consideration is retail unbundling, which would allow customers to purchase gas from the supplier of choice. Since gas costs are strictly a flow-through item (i.e., Terasen Gas does not make any profit on the sale of the commodity), unbundling would be earnings neutral and would therefore have no impact on credit ratings.

Rating Considerations

Strengths: (1) The regulatory environment within which the Company operates provides a high degree of financial stability. Since 1996, the regulatory environment has consisted of formula-based ROEs and incentive-based regulation, which minimize regulatory lag, streamline the regulatory process, and encourage utilities to improve operating efficiencies. The framework within which Terasen Gas operates allows for the recovery (and/or remittance to customers) of variances from forecasts in prudently incurred gas costs. In addition, the Company is allowed to utilize several deferral accounts that help smooth earnings and reduce business and operating risks: (a) variances from forecast in use per customer for residential and commercial customers; and (b) interest rate fluctuations, both of which are amortized and recovered in future rates. However, these deferral accounts do not impact cash flows and can artificially inflate interest coverage ratios over the short term (i.e. during periods of warmer-than-normal temperatures), but the impact is reversed as deferral balances are recovered.
(2) The Southern Crossing Pipeline project, which became operational in November 2000, provides the Company with access to lower-cost alternative sources of gas supply from Alberta. This is especially favourable during periods of high natural gas prices.
(3) The Company has a diversified customer base and has limited exposure to a single customer, which reduces earnings volatility. Residential customers account for about 40% of volume throughputs, commercial customers just over 20% and industrial customers about 40% of throughputs.

Challenges: (1) The Company has consistently generated insufficient operating cash flows to internally fund its capital expenditures and dividend payments. While this has not yet resulted in a deterioration in the Company's credit quality, largely due to periodic equity injections by its parent, growing debt levels combined with further declines in approved ROEs if interest rates continue to fall, could result in a weaker financial profile.
(2) The Company's earnings and cash flows are sensitive to the economic cycle, and to interest rates through approved ROEs. Industrial customers, who account for about 40% of gas volumes or 13% of margins, are sensitive to the economic cycle. In terms of interest rates, a 25 basis point change in approved ROEs would impact net earnings by about \$1.9 million. While the approved ROE was set at 9.42% for 2003, slightly above the average over the 1999-2001 period (approved ROE not set for 2002 due to the Company's withdrawal of its 2002 rate application), the sensitivity to interest rates remains a challenge over the longer term, especially in periods of low and falling interest rates as we have seen over the past four years.
(3) In times of high natural gas prices, the Company faces not only reduced gas throughputs on the industrial side, but also competitive pressures from those customers having dual fuel switching capabilities. In addition, the Company faces ongoing competitive pressures on the residential side,

primarily multi-residential, from the low electricity rates in British Columbia due to the dominance of hydro-based generation.

(4) The Company faces forecast risk related to customer additions. Earnings are negatively impacted if actual customer additions are significantly below the Company's forecast.

(5) The use of the taxes payable method of taxation has resulted in an unrecorded future income tax liability of $246.5 million as at December 2002. The taxes payable method of taxation, whereby the Company collects taxes as paid, results in lower revenue collections, thereby reducing operating income and weakening coverage ratios. The recovery of this liability in future rates is not assured.

EARNINGS AND OUTLOOK

	12 mos. ending	For year ended December 31				
($ millions)	Mar. 2003	2002	2001	2000	1999	1998
Net revenues	496.6	497.0	489.2	420.9	401.1	402.8
EBITDA	301.2	303.0	307.5	261.8	253.2	250.7
EBIT	223.7	225.2	231.9	194.8	190.8	189.4
Gross interest expense	111.6	113.5	127.7	102.8	84.2	82.4
Net interest expense	110.7	112.5	124.4	91.1	82.6	80.6
Net income (before extras., after prefs.)	68.0	67.1	67.2	57.9	50.8	49.4
Net income	68.0	67.1	67.2	57.9	50.8	49.4

	12 mos. ended	For year ended December 31				
Throughput Volumes	Mar. 2003	2002	2001	2000	1999	1998
Residential	60.055	67.906	62.849	69.531	70.344	65.016
Commercial	33.581	38.378	38.107	42.170	43.705	40.996
Small industrial	5.376	5.870	7.585	9.301	7.314	5.328
Large industrial	1.074	1.084	0.632	1.445	1.896	5.870
Total Natural Gas Sales Volumes	100.085	113.236	109.173	122.447	123.260	117.209
Transportation service	58.966	60.230	53.006	55.535	58.334	52.103
Throughput under fixed-price contracts	33.050	33.321	62.939	57.250	38.468	48.311
Total Throughputs (billions of cubic feet)	192.100	206.787	225.118	235.232	220.061	217.623
Customers						
Residential	695,842	694,787	687,375	682,401	676,513	664,584
Commercial	77,354	77,894	78,756	78,948	78,249	76,547
Small industrial	498	488	515	602	619	411
Large industrial	55	61	61	66	74	84
Transportation	1,338	1,328	1,141	856	630	668
Total (thousands)	775,087	774,558	767,848	762,873	756,085	742,294

Summary:

- Net income was flat in 2002 and remained essentially unchanged for the 12 months ended March 2003.
  - Increase in O&M expenses largely offset by decline in interest costs.
  - Outsourcing of certain functions and a sale and leaseback transaction were primary reasons for higher O&M costs and lower interest costs.
- Natural gas sales volumes up in 2002.
  - Driven by residential customer additions and increased use per residential customer due to improved economics of natural gas in 2002.

Outlook:

- EBIT and net income expected to remain relatively stable over the medium term.
- Upside potential from:
  - A new multi-year incentive agreement, which could provide opportunity for incremental earnings; and
  - Cost efficiencies from the integration of certain operations with Terasen Gas (Vancouver Island).
- Current risk factors:
  - Impact of high natural gas prices on the competitiveness of gas versus other fuel sources for industrial customers; and
  - Impact of the low interest rate environment on approved ROEs.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

	12 mos. ending	For year ended Dec. 31		Sensitivity Analysis		
($ millions)	Mar. 2003	2002	2001	Year 1	Year 2	Year 3
EBITDA	301.2	303.0	307.5	286.1	286.1	286.1
Net income before extraordinary items	68.0	67.1	67.2	61.5	58.5	55.4
Depreciaton	77.5	77.8	75.6	76.8	77.9	79.0
Other non-cash adjustments	5.2	4.2	(0.4)	0.0	0.0	0.0
Operating Cash Flow	150.7	149.1	142.4	138.3	136.4	134.4
Capital expenditures	(113.7)	(111.1)	(146.0)	(110.0)	(110.0)	(110.0)
Common dividends	(80.0)	(80.0)	(60.0)	(80.0)	(80.0)	(80.0)
Cash flow before working capital changes	(43.0)	(42.0)	(63.6)	(51.7)	(53.6)	(55.6)
Working capital changes	43.5	50.2	(106.9)	0.0	0.0	0.0
Free Cash Flow	0.5	8.2	(170.5)	(51.7)	(53.6)	(55.6)
Net investments/adjustments	56.8	52.7	45.4	0.0	0.0	0.0
Net debt financing	(49.0)	(59.5)	94.4	51.7	53.6	55.6
Net pref. share financing	0.0	0.0	0.0	0.0	0.0	0.0
Net equity financing	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash	8.3	1.4	(30.7)	0.0	0.0	0.0
Cash flow/capital expenditures (times)	1.33	1.34	0.98	1.26	1.24	1.22
Cash flow/total debt (times)	0.10	0.09	0.09	0.09	0.08	0.08
% debt in the capital structure	65.6%	67.9%	68.4%	66.9%	68.3%	69.7%
Fixed-charges coverage (times)	2.00	1.98	1.82	1.88	1.80	1.74

Summary:

- Terasen Gas' key financial ratios (per cent debt in capital structure, fixed-charges coverage, and cash flow/debt) have gradually improved since 2000 despite low approved ROEs.
  - Improvement due to earnings contribution of Southern Crossing in 2001, and improved gas sales per customer and lower capital expenditures in 2002.
- Reduced working capital requirements in 2002 provided additional boost to some of Terasen Gas' key ratios.
  - Recovery of large part of rate stabilization accounts ($71 million) was sufficient to offset free cash flow deficit before changes in working capital.

Outlook:

- Barring any significant changes to the current regulatory environment, it is expected that Terasen Gas' financial profile will remain relatively stable.
  - Annual capital expenditures are projected to remain close to current level over next two to three years.
  - Operating cash flows are expected to remain insufficient to fund capital expenditures and dividend payments.
  - Key ratios should continue to fluctuate within a narrow range in response to changes in natural gas prices and consequently, working capital requirements.
- If interest rates continue to decline, resulting in progressively lower approved ROEs, Terasen Gas' financial and credit profile could be adversely impacted.
- Over medium term, Terasen Gas could face large capital requirements if Inland Pacific Connector Project (about $500 million) is undertaken.
  - The Company's credit profile could be impacted depending on the characteristics, including regulation, of the proposed pipeline.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations that DBRS has concerning the future performance of the Company.

Key Assumptions:

- EBITDA declines 5% in Year 1 and stays flat thereafter;
- Annual capital expenditures remain at $110 million;
- Annual common dividend payments remain at $80 million; and
- Free cash flow deficits are 100% debt financed.

Under This Scenario:

- Operating cash flow would continue to be insufficient to fund capital expenditures and common dividends.
- Per cent debt in the capital structure would rise modestly, but other key financial ratios would remain adequate to support the current rating.

LONG-TERM DEBT MATURITIES AND BANK LINES

Long-Term Debt Maturity Schedule – as at June 30, 2003

($ millions)	2003	2004	2005	2006	2007	2008 and beyond
Long-term debt	102.3	2.3	247.3	122.3	102.3	673.8
% of total	8.2%	0.2%	19.8%	9.8%	8.2%	53.9%

Summary:

- The Company has 364-day revolving committed lines of credit totalling Cdn$500 million, which are used to support its Cdn$500 million commercial paper program, as well as for general corporate purposes.
- As of June 30, 2003, Terasen Gas had $275 million of commercial paper outstanding. Consequently, it had $225 million available on its committed lines of credit.

Outlook:

- Maturities are reasonably well staggered over the next five years, except for 2005 when there is a larger maturity.
- While there is some refinancing risk, DBRS expects the Company will have little difficulty refinancing the above amounts.

Terasen Gas Inc.

Income Statement	12 mos. ended	3 mos. ended		For years ended December 31			
($ millions)	Mar. 2003	Mar. 2003	Mar. 2002	2002	2001	2000	1999
Residential	696.6	268.5	302.9	731.0	813.6	627.8	493.2
Commercial	356.3	121.2	136.9	372.0	442.2	336.3	262.2
Small industrial	47.2	13.8	16.2	49.6	73.6	52.3	26.7
Large industrial	3.4	0.8	0.7	3.3	6.8	7.7	8.8
Gross gas revenues	1,103.5	404.3	456.7	1,155.9	1,336.2	1,024.1	790.9
Cost of gas	694.8	257.6	312.2	749.4	932.3	658.8	442.6
Net gas revenues	408.7	146.7	144.5	406.5	403.9	365.3	348.3
Transportation service	60.4	17.2	18.8	62.0	56.0	40.9	38.2
Total gas revenues	469.1	163.9	163.3	468.5	459.9	406.2	386.5
Other revenues	27.5	6.7	7.7	28.5	29.3	14.7	14.6
Total revenues, net of gas costs	496.6	170.6	171.0	497.0	489.2	420.9	401.1
Expenses							
Operating + maintenance	155.9	39.3	38.4	155.0	140.0	125.5	116.0
Property + other taxes	39.5	10.5	10.0	39.0	41.7	33.6	31.9
Depreciation + amortization	77.5	18.9	19.2	77.8	75.6	67.0	62.4
Total operating expenses	272.9	68.7	67.6	271.8	257.3	226.1	210.3
Operating income (EBIT)	223.7	101.9	103.4	225.2	231.9	194.8	190.8
Interest expense	111.6	27.4	29.3	113.5	127.7	102.8	84.2
Non-cash financial charges	(0.9)	(0.1)	(0.2)	(1.0)	(3.3)	(11.7)	(1.6)
Net interest expense	110.7	27.3	29.1	112.5	124.4	91.1	82.6
Pre-tax income	113.0	74.6	74.3	112.7	107.5	103.7	108.2
Income taxes	45.0	13.8	14.4	45.6	40.3	41.8	48.7
Income before extraordinary items	68.0	60.8	59.9	67.1	67.2	61.9	59.5
Unusual items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	68.0	60.8	59.9	67.1	67.2	61.9	59.5
Retractable preferred dividends	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Preferred div. net of tax recovery	0.0	0.0	0.0	0.0	0.0	4.0	4.7
Net income available to common shldrs.	68.0	60.8	59.9	67.1	67.2	57.9	50.8

Terasen Gas Inc.

Balance Sheet

($ millions)	As at	As at December 31			As at	As at December 31	
Assets	Mar. 2003	2002	2001	**Liabilities & Equity**	Mar. 2003	2002	2001
Cash	2	0	0	Short-term debt	276	352	237
Accounts receivable	333	230	222	A/P + accrueds	331	246	302
Inventories	27	74	101	L.t.d. due in one year	102	102	177
Prepaids + other	5	5	4	Current liabilities	709	700	716
PVGA	44	62	106	Deferred taxes	1	1	1
Current assets	410	372	434	Deferred gain	53	52	23
Net fixed assets	2,245	2,245	2,261	Long-term debt	1,147	1,148	1,249
PVGA	28	14	42	Debt equiv. pref.	0	0	0
Deferred charges	20	21	16	Preferred equity	0	0	0
Long-term rec. + investments	5	7	4	Shareholders' equity	798	758	768
Total	2,708	2,658	2,757	**Total**	2,708	2,658	2,757

Ratio Analysis	12 mos. ending	For year ending December 31					
Liquidity Ratios	Mar. 2003	2002	2001	2000	1999	1998	1997
Current ratio	0.58	0.53	0.61	0.69	0.51	0.34	0.32
Accumulated depreciation/gross fixed assets	19.7%	18.8%	17.5%	16.7%	18.7%	17.1%	16.3%
Cash flow/total debt (1)	0.10	0.09	0.09	0.08	0.09	0.09	0.08
Cash flow/capital expenditure	1.33	1.34	0.98	0.25	0.85	0.99	0.90
Cash flow-dividends/capital expenditures	0.62	0.62	0.56	0.14	0.37	0.61	0.51
% debt in capital structure (1)	65.6%	67.9%	68.4%	67.3%	67.2%	65.9%	67.6%
Average coupon on long-term debt	7.81%	7.81%	7.76%	7.86%	8.40%	8.75%	9.07%
Deemed common equity	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	117.6%	119.2%	89.3%	96.9%	126.5%	85.6%	86.3%
Coverage Ratios							
EBIT interest coverage	2.00	1.98	1.82	1.90	2.27	2.30	2.26
EBITDA interest coverage	2.70	2.67	2.41	2.55	3.01	3.04	2.96
Fixed-charges coverage	2.00	1.98	1.82	1.77	1.90	1.88	1.84
Earnings Quality/Operating Efficiency and Statistics							
EBIT margin, excluding cost of natural gas	45.0%	45.3%	47.4%	46.3%	47.6%	47.0%	46.0%
Net margin (excluding preferred dividends)	13.7%	13.5%	13.7%	13.7%	12.7%	12.3%	12.4%
Return on avg. common equity (bef. extras.)	8.7%	8.8%	8.8%	8.4%	8.3%	8.6%	9.0%
Approved ROE (2)	9.42%	n/a	9.25%	9.50%	9.25%	10.00%	10.25%
Degree day deficiency - % normal (interior)	94.5%	103.0%	94.6%	99.9%	94.7%	89.7%	98.5%
Degree day deficiency - % normal (coastal)	92.0%	102.6%	102.3%	103.1%	101.6%	91.3%	94.1%
Customers/employees	n/a	574	594	521	515	482	432
Customer growth	0.1%	0.9%	0.7%	0.9%	1.9%	1.4%	2.2%
Operating costs/avg. customer (3) ($)	301	302	282	253	238	247	248
Rate base ($ millions)	n/a	2,234	2,208	1,690	1,637	1,559	1,517
Rate base growth	n/a	1.2%	30.7%	3.2%	5.0%	2.8%	5.3%
Kilometres of pipelines	n/a	43,196	37,430	37,197	36,581	36,473	35,971
Rate base/km of pipeline ($ thousands)	n/a	51.7	59.0	45.4	44.8	42.7	42.2
Rate base/throughput volumes ($ millions per bcf)	n/a	10.8	9.8	7.2	7.4	7.2	8.7

(1) All preferred shares (prior to 2000) treated as debt equivalents.

(2) An ROE was not set in 2002 due to Terasen Gas Inc.'s withdrawal of its 2002 Revenue Requirement Application.

(3) Operating costs excludes municipal + property taxes.

Corridor Pipeline Limited

(The rating is based on the unconditional guarantee of its parent, BC Gas Inc.)

Current Report: August 30, 2002
Previous Report: September 6, 2001
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RATING

Rating	Trend	Rating Action	Debt Rated
R-1 (low)	Stable	Confirmed	Commercial Paper

RATING HISTORY	Current	2001	2000	1999
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	NR

RATING UPDATE

The commercial paper rating of Corridor Pipeline Limited ("Corridor" or "the Company") is confirmed at R-1 (low) with a Stable trend. The confirmation is based on the rating of BC Gas Inc. ("BC Gas," see separate DBRS report), its parent, and guarantor for the construction phase of the project, which is currently 100%-funded by commercial paper. Upon commissioning, the guarantee will cease; however, capital injections are required from BC Gas to help with refinancing. Additionally, the Corridor pipeline will be supported by long-term, ship-or-pay contracts with quality shippers, which are also sponsors for the Athabasca Oil Sands Project ("AOSP"). These contracts ensure stability of earnings based on cost of service plus a return on equity. Eighty percent of the commitments come from AA (low)/AA-rated companies, comprising a 60%/20% split between Shell Canada Limited and Chevron Canada Resources Limited (guaranteed by its parent, Chevron Texaco Corporation). The remaining 20% shipper, Western Oil Sands Inc. is a publicly traded start-up formed by ex-BHP executives. It is not rated by DBRS and is not of investment grade. The shippers' huge investments ($6.2 billion) in the AOSP will provide incentive for the completion and full utilization of the bitumen pipeline. It connects the AOSP's two key components: the Muskeg River Mine and the upgrader adjacent to Shell Canada's Scotford Refinery, currently being constructed. Further, Corridor will benefit from the experience of its operator, Trans Mountain Pipe Line Company Ltd. ("TMPL," see separate DBRS report), also 100%-owned by BC Gas. TMPL operates a profitable liquids pipeline from Alberta into British Columbia and the U.S. northwest.

There are several challenges to the overall AOSP project, primarily potential cost overruns due to massive oil sands expansion activity in Fort McMurray area, and refinancing risk upon construction completion. However, the Corridor pipeline is 93% complete as of June 30, 2002, with commercial operation scheduled for March 2003 as planned. Construction is on budget (estimated costs of $690 million) with initial pipeline testing commenced in April 2002. Further, Corridor is well placed to term out its debt, given capital investments required from BC Gas together with the ship-or-pay contracts. The real challenge is the lack of operating track record of Corridor and the AOSP. For the pipeline to operate at full capacity, the AOSP must be successfully commissioned. While being a very complex and expensive undertaking with significant cost overruns, the oil sands project is on course, over 90% complete, with bitumen production targeted for late 2002 or early 2003 prior to the pipeline in-service date.

RATING CONSIDERATIONS

Strengths:

- Shippers' large commitment to Athabasca Oil Sands Project assures support for the pipeline
- Long-term, ship-or-pay contracts with strong credits
- Debt guaranteed by BC Gas through construction stage
- Ample long-term bitumen reserves support pipeline

Challenges:

- Potential for construction cost overruns given oil sands expansion activity in Fort McMurray area
- Re-financing risk upon construction completion given current short-term debt financing
- No operating history for pipeline or oil sands project

THE COMPANY

Corridor Pipeline Limited owns the Corridor Pipeline Project, a 450 km/270 miles bitumen pipeline presently under construction within Alberta. The dual pipeline will link the two major components of the Athabasca Oil Sands Project currently under construction: the Muskeg River Mine, north of Fort McMurray, and the upgrader to be built adjacent to Shell Canada's Scotford Refinery near Edmonton. Two additional pipelines (43 km/25.8 miles each) will connect the upgrader to existing marketing terminals of Trans Mountain and Enbridge Gas in the Edmonton area. Pipeline construction started in August 2000, with operations scheduled to begin in March 2003. Corridor Pipeline Limited is wholly owned by BC Gas Inc.

GUARANTOR

During the Project's construction phase, commercial paper issued by Corridor will be unconditionally guaranteed by BC Gas Inc.

AUTHORIZED PAPER AMOUNT Limited to Cdn$700 million.

Rating Considerations

Strengths: (1) The shippers' large commitment to the $6.2 billion Athabasca Oil Sands Project assures support for the pipeline. Corridor is an integral part of the AOSP, providing an essential link between the Muskeg River Mine and the Scotford Upgrader.

(2) Long-term, ship-or-pay contracts with strong credits, which are also sponsors for the AOSP, ensure earnings stability. It provides for recovery of all operating costs, depreciation, taxes, and financing costs, plus a return on equity. The contract commitments are proportionate to the shippers' percentage ownership in the AOSP. Shell Canada Limited (AA (low)-rated) provides 60% of the commitments, with 20% from Chevron Canada Resources Limited, guaranteed by its parent, Chevron Texaco Corporation (AA-rated). The remaining 20% owner, Western Oil Sands Inc., is not rated by DBRS. It is a publicly traded start-up formed by key former mining executives of BHP of Australia.

(3) Commercial paper issued by Corridor is unconditionally guaranteed by its parent, BC Gas Inc., an A (low)-rated company through the construction phase. BC Gas Inc. is a holding company that also owns 100% of BC Gas Utility Ltd. (a gas distributor), and 100% of Trans Mountain Pipe Line Company Ltd. (see separate DBRS reports). The latter is the operator for the Corridor system.

(4) Ample recoverable bitumen reserves, estimated at 250 billion barrels, support the pipeline (initial capacity of 220,000 barrels a day (b/d). The reserves are well defined and readily accessible, and upgrading results in high-quality synthetic crude oil, which typically sells close to par with the West Texas Intermediate ("WTI") benchmark price.

Challenges: (1) Potential for construction cost overruns exists, in view of high construction activities in the oil sands projects in the Fort McMurray area. The expansions of Suncor Energy Inc. and Syncrude Canada Limited in addition to the AOSP have pushed up costs and affected productivity. While the AOSP has significant cost overruns (55%) from the original estimates, Corridor is 93% complete with the project on time and on budget ($566 million or 82% spent) as of June 30, 2002.

(2) Re-financing risk exists upon construction completion, given the short-term nature of the current commercial paper financing. The ability to term out the debt should be supported by the long-term, ship-or-pay contracts, helped by capital injections (amount not disclosed) required from BC Gas, the present guarantor.

(3) Both the Corridor Pipeline and the AOSP have no operating track record. The AOSP is a very complex and expensive undertaking, and must be successfully commissioned before the pipeline can operate at full capacity. The strong AOSP sponsors experienced in the oil and gas industry combined with the expertise of the pipeline operator are positive features. The AOSP is over 90% complete with bitumen production planned in late 2002, or early 2003, before the pipeline commencing operation.

The Corridor Pipeline System

Consists of the following components:

1. Dilbit System:
   - 450 km 24-inch pipeline for transporting approximately 220,000 ("b/d") of diluted bitumen
   - Linking Muskeg River Mine (Fort McMurray) with the Upgrader adjacent to Shell Canada's Scotford Refinery (near Fort Saskatchewan)
2. A parallel 12-inch return pipeline back to the Extraction Plant near Fort McMurray
   - Transporting approximately 71,000 b/d of diluent (mixed with the bitumen to assist transportation, and later removed during upgrading)
3. Two 20-inch pipelines (43 km each) will ship 103,000 b/d of the synthetic crude oil through the Upgrader to marketing terminals in Sherwood Park (Edmonton)
4. A 16-inch return pipeline will transport additional feedstock from the marketing terminals for processing at the Scotford Upgrader
5. Seven pump stations (54,000 hp capacity) will be situated along the pipeline system
6. Seven storage tanks will be constructed: three at the Muskeg River Mine and four at the Scotford Upgrader

Earnings

- Revenue and toll rates should be relatively stable from inception of commercial operations
- Firm Service Agreements (FSA) covering 100% of the pipeline capacity are in place with three shippers as mentioned above
- All shipper obligations are several, with each entity responsible only for its own costs
- FSA provides for long-term, ship-or-pay contracts resulting in recovery of all operating costs, depreciation, taxes, and financing costs, plus a return of equity

Financial Profile

- Stable financial profile with interest coverage over 2 times is expected, given long-term, take-or-pay contracts
- On project completion expected in spring 2003, the commercial paper program backed by bank lines ($700 million) will be refinanced by long-term debt
- A fixed-debt/equity capital structure is anticipated as BC Gas, the current guarantor, is required to inject equity (amount not disclosed), after completion
- After completion, no major capex planned near term
- Potential for expansion by adding pumping capacity, especially if Shell increases its mine output expected later in the decade

CONSTRUCTION RISK

- Mainly involves exposure to BC Gas and the Shippers
- BC Gas is at risk for the facilities and the pipeline, estimated at $460 million (66% of total project costs) on a fixed price contract
- The Shippers are at risk for other costs, including line/tank fill, tankage, and interest costs, estimated at $230 million (33% of total costs)

REGULATION

- Regulated by the National Energy Board and Alberta Energy and Utilities Board (“EUB”) on a compliance basis only

APPENDIX

A Comparison of The Major New Canadian Pipelines

Description	Alliance Pipeline	Maritimes & Northeast	Corridor Pipeline
Type of pipeline	Natural gas	Natural gas	Bitumen
Distance	3,100 km from N.E. B.C. and N.W. Alberta, to Chicago area	1,066 km from Goldboro, N.S. to Boston area with 3 laterals	450 km between Fort McMurray and Edmonton
Initial Volume	1.325 Bcf/d of gas (1.5 Bcf/d in 2001)	0.510 Bcf per day of gas	150,000 b/d of bitumen
Pipeline Rating	A (low) influenced by composite rating of 35 shippers	“A” based on four levels of support provided to bondholders, and high credit quality of initial shipper group	R-1 (low) based on BC Gas Inc. guarantee during construction. Rating based on long-term ship-or-pay contracts thereafter
Main Shippers and their Ratings	35 shippers, rated BBB (high) on average	85% investment-grade shippers required (currently 95% based on Exxon Mobil Canada (AAA) backup arrangement	60%/20% - Shell Canada Limited (AA (low)), Chevron Canada Resources Limited (AA on parent guarantee). 20%- Western Oil Sands Inc. (N/R)
Sponsor/Owners	Fort Chicago 26.0% Westcoast Energy 23.6% Enbridge Inc. 21.4% Williams Companies 14.6% El Paso Corporation 14.4%	Duke Energy 75.0% (via Westcoast Energy & Duke Capital, 37.5% each) Nova Scotia Power 12.5% Exxon Mobil Corporation 12.5%	BC Gas Inc. 100%, through a direct subsidiary
Per Cent of Shipments by Owners/Sponsors of Pipeline	Approximately 40%	46%-Exxon Mobil, 12.5% owner (currently 27% commitment due to assignment to investment grade shippers) 20%- Nova Scotia Power, 12.5% owner	Athabasca Oil Sands Project owners/sponsors of pipeline: 60%-Shell Canada 20%-Chevron Canada Resources 20%-Western Oil Sands
Reserves	Remaining reserves (including undiscovered) in the WCSB estimated to exceed 200 trillion cubic feet (Tcf) of natural gas (actual annual production 6 Tcf)	Scotian Shelf potential recoverable reserves estimated at 20 Tcf of natural gas (3 Tcf required to meet M&NP’s contract commitments for 20 years)	Total recoverable bitumen reserves in Alberta estimated at 250 billion barrels
Pipeline Expansion	Expansion expected within three years. Can add compression cheaply to raise capacity to 2.0 Bcf/day from 1.325 Bcf/day	Major expansion likely in 2004/early 2005 to meet demand under PanCanadian ten-year contract to transport 400 mmcf/d by 2005	Initial throughput of 220,000 bbl/d requires completion of Athabasca Oil Sands Project. Future growth possible later in the decade
Operation Commencement	December 2000	January 2000	Under construction with commercial in-service expected in spring 2003

Description	Alliance Pipeline	Maritimes & Northeast	Corridor Pipeline
Credit Enhancements	Ship-or-pay contracts with 35 shippers for 15 years. Notice of non-renewal is required at year 10, if renewal is not made for beyond 15 years	(1) Firm, ship-or-pay contracts from Mobil (20 years) Shell (15 years), Nova Scotia Power (ten years), Nova Scotia Resources (ten years) and others (2) Producers required to ship or pay, if gas is produced (3) Mobil Backup for up to 84% of initial contract capacity. Potential reduction to 30% range (27% currently) by re-assigning to other investment-grade credits (4) Adequate natural gas reserves confirmation required by November 30, 2007	Unconditional guarantee by BC Gas during construction. After completion, long-term, ship-or-pay contracts with Shell, Chevron Canada Resources and Western Oil Sands
Cost Over-runs	Final cost overruns of about Cdn$1.0 billion (23%) of original $4.285 billion cost estimate	Original cost in Canada (Cdn$863 million) increased by 11.7% to Cdn$964 million; Original cost in the U.S. (US$632 million) rose by 7.6% to US$680 million	$690 million estimated cost, currently on budget. 67% on fixed-price contract by BC Gas
Equity Base	Cdn$1.6 billion (Canada and U.S. combined) at December 31, 2001 Paid down to maintain constant 70/30 debt/equity ratio	Cdn$905 million equity base at December 31, 2001. 25%/75% equity/debt to be maintained.	100% funded by commercial paper during construction. BC Gas Inc. to inject equity (amount not disclosed) on project completion
Allowed Return on Equity	Canadian portion - 11.3% U.S. portion - 10.7%	13% for first five years to end of 2004	Regulated on compliance basis only
Debt Service Coverage Ratio	Must exceed 1.25 times before cash distribution can be paid (1.91 times in 2001)	Must exceed 1.30 times before cash distributions can be paid (1.78 times in 2001)	Not applicable

BC Gas Inc.

Current Report: July 9, 2002
Previous Report: November 29, 2001

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RATING

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Confirmed	Medium Term Note Debentures
BBB (high)y	Stable	Confirmed	Subordinated Unsecured Debentures
R-1 (low)	Stable	Confirmed	Commercial Paper

RATING HISTORY

	Current	2001	2000	1999	1998	1997
Medium Term Note Debentures	A (low)	A (low)	NR	NR	NR	NR
Subordinated Unsecured Debentures	BBB (high)y	BBB (high)y	BBB (high)y	NR	NR	NR
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

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RATING UPDATE

Following a deterioration in its financial profile in 2001, BC Gas Inc. ("BC Gas" or "the Company") registered a modest improvement for the 12 months ended March 31, 2002. On a consolidated basis, leverage (DBRS-adjusted) fell back down to its 2000 level as a result of the equity issue in Q1 2002, which was partly used to finance the Centra BC acquisition, and fixed-charges coverage rebounded somewhat from its dip down in 2001. Earnings and cash flows were up relative to 2001, largely as a result of the earnings contribution from the recently acquired Centra BC, but also due to better results from Trans Mountain Pipe Line Company Ltd. ("TMPL"). Despite the growth in earnings and operating cash flows, the Company continued to record a free cash flow deficit due to the significant amount of capital expenditures, largely related to the Corridor Pipeline project.

The medium-term outlook for BC Gas remains stable, despite the low interest rate environment and the negative impact it has on the regulated earnings of its gas distribution operations. The Company's earnings and cash flows should improve in 2003 when the Corridor Pipeline becomes fully operational. The performance of the non-regulated portfolio should also improve as a result of the sale of the wholesale water supply business and the Company's participation in two new low-risk, non-regulated entities. TMPL is expected to remain an important contributor to BC Gas's earnings and cash flows, although its business risk profile is now higher as a result of the new incentive toll settlement for 2001-2005. One of the more significant challenges the Company faces over the next three years, which could cause a deterioration in its credit profile, is the potentially heavy financing needs and the risk of cost over-runs related to two proposed projects (Bison Pipeline and the Inland Pacific Connector), where total needs are currently estimated at $1.3 billion.

RATING CONSIDERATIONS

Strengths:

- Regulated subsidiaries a stable source of income and cash flow
- New operations will enhance future earnings and cash flow
- Non-consolidated balance sheet and key debt ratios expected to remain relatively favourable

Challenges:

- Gas distribution operations sensitive to interest rates
- Business risks TMPL faces related to competitive pressures and the new incentive toll settlement
- Construction cost risk on Corridor project
- Potentially heavy financing needs over medium term

FINANCIAL INFORMATION

Highlights

	12 mos. ending	For years ending December 31				
Consolidated Basis	March, 2002	2001	2000	1999	1998	1997
Fixed-charges coverage (times)	1.76	1.69	1.93	2.16	2.22	2.21
Cash flow/total adj. debt (times) (1)	0.07	0.08	0.08	0.11	0.09	0.09
% adj. debt in capital structure (1)	72.3%	75.3%	72.3%	71.9%	73.7%	72.4%
Net income before extra items ($ millions) (2)	98	91	83	78	77	71
Operating cash flow ($ millions) (2)	198	189	173	174	156	145
Gas distribution throughputs (bcf)	n/a	164.7	180.3	179.4	169.2	175.0
Oil pipeline throughputs (thousands bbl/day)	n/a	209.3	204.6	207.5	252.6	229.7
Non-Consolidated Basis						
Fixed-charges coverage (times)	n/a	4.89	5.90	10.21	16.00	12.78
Cash flow/total adj. debt (times) (1)	n/a	0.33	0.39	0.53	0.41	0.23
% adj. debt in capital structure (1)	n/a	24.0%	20.0%	19.8%	23.7%	18.1%
Dividend income from subs. ($ millions)	n/a	99.2	80.3	79.4	79.4	47.4

THE COMPANY

BC Gas Inc. is a holding company that owns 100% of BC Gas Utility Ltd. (a natural gas distributor), 100% of the recently acquired Centra BC (a natural gas distributor comprised of Centra Gas B.C. Inc. and Centra Gas Whistler Inc.), and 100% of Trans Mountain Pipe Line Company Ltd. (an oil pipeline that ships from Alberta into B.C. and the U.S. north west). BC Gas Inc. also has interests in a variety of small non-regulated businesses and owns 100% of Corridor Pipeline Ltd., which is currently constructing a pipeline in Northern Alberta to transport diluted bitumen. See separate reports for detailed analysis of BC Gas Utility Ltd., Trans Mountain Pipe Line Company Ltd., and Corridor Pipeline Ltd.

AUTHORIZED PAPER AMOUNT Limited to $200 million.

RATING PHILOSOPHY

The rating of BC Gas Inc. is based on the following considerations: (1) the strength of the non-consolidated balance sheet and cash flows; (2) the credit worthiness of the wholly owned operating subsidiaries: BC Gas Utility Ltd. ("A" / R-1 (low)), Trans Mountain Pipe Line Company Ltd. (A (low) / R-1 (low)), Corridor Pipeline Ltd. (pipeline still under construction – currently guaranteed by BC Gas Inc.), and Centra BC (not rated separately); and (3) the benefits of business (pipeline-gas distribution), product (oil-gas), and geography (B.C.-Alberta and U.S. pacific northwest) diversification. For a more detailed analysis on the rated operating subsidiaries, see separate DBRS reports on BC Gas Utility, Trans Mountain Pipe Line and Corridor Pipeline.

RATING CONSIDERATIONS

Strengths: (1) The Company's earnings and cash flows are generated primarily from dividend payments from wholly owned regulated utility operations. Approximately 60% of non-consolidated income in 2001 came from BC Gas Utility, while the remainder came from TMPL, a profitable oil pipeline. The earnings contributions from regulated activities are expected to increase with the acquisition of Centra BC and the completion of the Corridor Pipeline project in late 2002, and will continue to dominate the Company's earnings as its focus remains on regulated businesses.

(2) The completion of the Southern Crossing Pipeline Project (began full operations in November 2000 and added about $410 million to BC Gas Utility's rate base), the acquisition of Centra BC, and the upcoming completion of the Corridor Pipeline project will all increase the Company's earnings, cash flows, and earnings diversification.

(3) The Company's non-consolidated balance sheet and key financial ratios remain relatively strong. Even with the significant capital expenditures/investments undertaken by the Company over the past two years, leverage has remained reasonable and the key financial ratios have remained strong.

Challenges: (1) The earnings and cash flows of the Company's gas distribution operations (BC Gas Utility and the recently acquired Centra BC) are sensitive to long-term interest rates through approved ROEs. The low interest rate environment in recent years has resulted in lower approved ROEs, which has had a negative impact on earnings.

(2) TMPL faces a variety of business risks, increasing the volatility of its earnings and cash flows. (a) Crude oil producers in the western Canadian sedimentary basin (WCSB) have consistently received higher netbacks by shipping to PADD II/Chicago via the Enbridge system. Long-term supply/demand trends favour the growing importance of WCSB crude oil shipments into the PADD II market. The west coast market served by TMPL and the Express/Platte pipeline system through the U.S. Rocky Mountain region, into Chicago, are alternative routes for WSCB producers. This makes TMPL a swing pipeline for WCSB producers, used mainly when market conditions warrant. (b) The U.S. operation of TMPL (about 35% of TMPL's EBIT comes from its U.S. operation) is exposed to market risks as they affect throughputs, given that tolls have been fixed for 15 years (without any complaints). (c) Under the new incentive toll settlement (for 2001-2005) covering the Canadian operation of TMPL, TMPL's tolls are fixed for throughputs between 28,500 and 32,000 cubic metres/day (throughputs have averaged 35,000 cubic metres/day over the last five years) and will not be inflation-adjusted unless the Canadian inflation rate rises above 3.5%.

(3) Although a significant portion of the Corridor Pipeline project has already been completed (about $570 million of the total projected cost of $690 million), the Company (indirectly) bears the risk of any remaining potential cost over-runs in specified amounts for the project, excluding the impact of certain agreed-upon escalators. Furthermore, the Company guarantees the commercial paper issued by Corridor Pipeline Ltd. to finance the Corridor Pipeline project. Once it is completed, BC Gas is required to inject equity into the standalone operation.

(4) The proposed $800 million Bison Pipeline (oil pipeline) and $495 million Inland Pacific Connector (gas pipeline), expected to be undertaken over the next three years, could require significant capital from the Company, depending on how the projects are financed. Furthermore, they would face the risk of construction cost over-runs.

EARNINGS AND OUTLOOK

Earnings Section

Income Statement (Consolidated) ($ millions)	12 mos. ending March 2002	2001	2000	1999	1998	1997	1996
Net revenues	763.9	734.5	647.2	598.4	586.8	558.7	538.4
EBITDA	404.4	390.3	342.8	339.0	345.1	321.9	309.7
Depreciation and amortization	99.6	95.1	86.2	83.1	84.6	77.9	78.4
EBIT	304.8	295.2	256.6	255.9	260.5	244.0	231.3
Net interest costs	166.6	163.7	126.0	118.6	117.6	110.3	122.0
Pre-tax income	153.6	146.9	139.1	138.3	144.0	134.6	110.1
Net income (before extras. and pfd)	97.9	91.0	82.7	78.2	76.5	71.1	87.0
Net income (available to common)	91.4	84.6	108.8	81.2	71.2	50.8	105.6

(For years ended December 31)

Segmented Earnings (Consolidated) ($ millions)	%	2001	2000	1999	1998	1997	1996
Gas distribution	79%	231.9	194.8	190.8	189.4	178.9	163.0
Petroleum transportation	20%	60.3	49.8	48.0	51.5	48.4	51.1
Other/corporate	1%	3.1	11.9	17.1	19.6	16.7	17.2
EBIT	100%	295.2	256.6	255.9	260.5	244.0	231.3
Gas distribution	75%	67.8	58.7	51.7	51.8	45.1	59.6
Petroleum transportation	30%	27.3	22.3	19.5	22.9	20.4	20.5
Other/corporate	-5%	(4.1)	1.7	7.0	1.5	6.0	6.9
Net income (before extras.)	100%	91.0	82.7	78.2	76.2	71.5	87.0
Extraordinary/unusual items		-	30.0	7.0	-	(15.0)	23.9
Preferred dividends/capital sec. dist'n		6.4	3.9	4.0	5.3	5.3	5.3

(For years ended December 31)

Non-consolidated basis earnings table

Income Statement (Non-consolidated) ($ millions)	2001	2000	1999	1998	1997	1996
Dividend income	99.6	80.6	79.7	79.6	47.9	93.0
EBIT	96.0	77.9	77.6	76.8	44.4	91.3
Net interest costs	8.9	6.1	7.5	(2.9)	(2.7)	4.5
Pre-tax income (before prefs.)	74.3	80.7	65.5	79.7	37.8	137.6

(For years ended December 31)

Consolidated basis:

- Acquisition of Centra BC the primary driver of increase in net income for the 12 months ending March 31, 2002
- Net income (before extraordinary items) up in 2001 due to: (1) full-year earnings contribution from the Southern Crossing Pipeline (included in rate base of BC Gas Utility), (2) higher throughput volumes and incentives under TMPL's new incentive toll agreement, and (3) lower interest costs at TMPL
- Weak performance from non-regulated activities due to: (1) high financing costs of new capital investments; and, and (2) weaker economic conditions for water services business

Non-consolidated basis:

- EBIT and pre-tax income up, largely due to increased dividends from TMPL
- Increased EBIT offset somewhat by higher net interest expense due to $200 million MTN issue

Outlook:

- Earnings should generally grow alongside economic growth and the competitiveness of natural gas and oil

Gas Distribution:

- Earnings contribution from gas distribution will be influenced by: (1) economic growth (impact on customer additions and volume throughputs), and (2) new performance-based regulatory framework approved by the BCUC
- Gas distribution earnings should remain stable
- Weaker financial profile of Centra BC relative to BC Gas Utility should have little negative impact
- Centra BC's financial profile should improve beginning in 2003: rate structure changes and it begins recovering its deferred revenue deficiency deferral account

Petroleum transportation:

- Earnings contribution from petroleum transportation will get a boost in 2003 from Corridor Pipeline
- TMPL's earnings highly dependent on its ability to control costs due to new incentive toll agreement. (1) Fixed tolls do not escalate with inflation unless the CPI inflation rate is above 3.5%
- TMPL faces volume risk for U.S. operation, and for Canadian operation, but only within a defined throughput range

Non-regulated:

- Earnings profile of non-regulated portfolio should improve over longer term due to two new low-risk, non-regulated entities and sale of the wholesale water supply business

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS (Non-consolidated)

Financial Profile & Stress Test

Non-consolidated basis	For the year ending December 31			Stress Testing		
($ millions)	2001	2000	1999	Year 1	Year 2	Year 3
EBIT	96.0	77.9	77.6	94.6	94.6	94.6
Net income (after prefs.)	68.0	76.8	65.5	44.3	39.8	35.6
Non-cash adjustments	14.0	(2.1)	16.8	0.0	0.0	0.0
Operating cash flow	82.0	74.7	82.3	44.3	39.8	35.6
Common dividends pd. out	(55.8)	(52.6)	(49.9)	(26.6)	(23.9)	(21.4)
Free cash flow	26.2	22.1	32.4	17.7	15.9	14.2
Investments	(96.5)	(168.4)	30.7	(370.0)	(175.0)	0.0
Free cash flow before financing	(70.3)	(146.3)	63.1	(352.3)	(159.1)	14.2
Net debt financing	61.0	6.1	(23.0)	172.3	159.1	(14.2)
Net capital securities financing	0.0	122.3	0.0	0.0	0.0	0.0
Net equity financing	(0.8)	(0.1)	(10.8)	180.0	0.0	0.0
Net change in cash	(10.1)	(18.0)	29.3	0.0	0.0	0.0
Cash flow/total adj. debt (times) (1)	0.33	0.39	0.53	0.11	0.07	0.06
% adj. debt in capital structure (1)	24.0%	20.0%	19.8%	29.9%	36.6%	35.7%
Fixed-charges coverage (times)	4.89	5.90	10.21	4.54	3.32	2.66

(1) Subordinated debt (capital securities) given 80% equity treatment.
Assumptions: Year 1 EBIT falls 5% and stays flat thereafter. Year 1 also includes the acquisiton and financing of Centra BC. After Year 1, all free cash flow deficits after investments are projected to

Financial Profile:

- Free cash flow deficit remained in 2001 due to high investments in subsidiaries
- A $200 million MTN issue (the Company's only long-term debt outstanding) financed the deficit
- Leverage increased to 24% (DBRS-adjusted basis), and key coverage ratios deteriorated slightly due to debt issue
- Financial profile remains reasonable for a holding company structure

Outlook:

- Operating cash flow expected to grow over next two years due to increased dividend payments: acquisition of Centra BC and completion of Corridor Pipeline
- Free cash flow deficit after investments in 2002 due to acquisition of Centra BC
- Centra BC acquisition was financed 44% debt / 56% equity
- Interest coverage and cash flow ratios should improve modestly over next two years
- Free cash flow deficit expected to continue in 2003 due to: (1) required equity contribution to Corridor Pipeline (expected to be fully operational in early 2003 – equity contribution could occur in late 2002), and (2) potential investment in Bison Pipeline
- If Bison Pipeline goes ahead, free cash flow deficits could continue on a non-consolidated basis until 2005, depending on how the project is financed
- Any free cash flow deficits expected to be financed with debt and equity such that target consolidated capital structure of 70% debt / 30% equity is maintained
- If no further acquisitions/major investments undertaken, Company should generate free cash flow surpluses

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various adverse scenarios.
Assumptions: BC Gas Inc.'s EBITDA declines 5% in Year 1 and remains flat thereafter; investments/acquisitions are $370 million in Year 1 (Centra BC & Corridor Pipeline), $175 million in Year 2, and zero in Year 3; common dividend payout projected at 60% of net income; and free cash flow deficits debt financed.

- Under the above assumptions, free cash flow deficits will result due to the size of the projected investments
- Very little of the projected investments could be financed internally
- Under assumptions, leverage would rise sharply and key financial ratios would deteriorate significantly
- Highly likely that Company would issue new equity to maintain capital structure

LONG-TERM DEBT MATURITIES AND BANK LINES

Debt and Commitments ($ millions)	As at March 31		As at Dec. 31
(consolidated)	2002	**(non-consolidated)**	2001
Short-term notes	800	Short-term debt	24.0
Current portion of long-term debt	184	Contingent liabilities *	404.0
Long-term debt	1,742	Long-term debt	200.0
Total debt	2,727	Total	628.0

The Company's direct long-term debt currently consists of only a $200 million, six-year MTN. However, the Company guarantees the commercial paper issued by Corridor Pipeline, which stood at $570 million at June 30, 2002.

The Company has a 364-day $200 million operating line of credit that can be converted into a three-year term facility. The bank lines support its $200 million commercial paper program.

CAPITAL PROJECTS

Corridor Pipeline: The $690 million, 493 km Corridor Pipeline Project is owned by Corridor Pipeline Limited, a wholly owned subsidiary of BC Gas Inc. The pipeline will be operated by another wholly owned subsidiary of BC Gas Inc., Trans Mountain Pipe Line Company Ltd. TMPLC has many years of experience operating a liquids pipeline from Alberta to northeast B.C. and Washington State. The Corridor pipeline system will link two facilities that are part of the $5.7 billion Athabasca Oil Sands Project, jointly owned by Shell Canada Limited (60%), Chevron Canada Resources Limited (20%), and Western Oil Sands Inc (20%). Corridor will transport diluted bitumen from the Muskeg River Mine in Fort McMurray, Alberta (currently under construction), to an upgrader that is being built adjacent to Shell Canada's Scotford refinery in Fort Saskatchewan, Alberta. Corridor will also connect the upgrader to refineries and pipeline terminals in the Edmonton area (including TMPL), as well as provide storage facilities. Operation of the Corridor pipeline will be backed by a long-term ship-or-pay contract with Shell Canada-Chevron Canada-Western Oil Sands. The project is being financed entirely with commercial paper issued by Corridor Pipeline Limited (100% guaranteed by BC Gas Inc.).

As at June 30, 2002, about $570 million had been spent on the project. The project remains on schedule and within budget, with initial start-up of the pipeline system scheduled for mid-2002, and revenues under the firm service agreement with the shippers expected to start in early 2003 (see separate DBRS report on Corridor Pipeline Limited for further details on the project).

Bison Pipeline: The Bison Pipeline is a proposed $800 million, 516 km pipeline to transport bitumen from the Athabasca oil sands to the Edmonton area. The Bison Pipeline project is owned by Bison Pipeline Limited, a wholly owned subsidiary of BC Gas Inc. Bison Pipeline is currently involved in joint engineering and technical studies with potential shippers. It is planning to file an application with the Alberta Energy Utilities Board in the summer of 2002.

Inland Pacific Connector: The Inland Pacific Connector is a proposed $495 million, 246 km gas pipeline that would extend the Southern Crossing Pipeline (owned by BC Gas Utility) to the market hub at Sumas. The Company is currently firming up expressed shipper interest.

BC Gas Inc.

Balance Sheet (Consolidated)
($ millions)

Assets	March 2002	2001	2000
		As at December 31	
Cash	0	2	22
Accounts receivable	296	271	460
Inventories	55	117	97
Prepaids + other	72	114	52
Current assets	422	504	631
Net fixed assets	3,577	3,080	2,728
Long-term rec + investments	63	20	11
Goodwill + def'd charges	198	102	143
Total	4,260	3,706	3,513

Liabilities & Equity	March 2002	2001	2000
		As at December 31	
Short-term debt	800	709	515
A/P + accrueds	311	329	635
L.t.d. due in 1 year	184	224	73
Current liabilities	1,296	1,262	1,222
Long-term debt	1,742	1,524	1,434
Def'd income taxes	52	57	47
Other long-term liab.	93	23	0
Capital securities	125	125	125
Shareholders' equity	952	715	685
Total	4,260	3,706	3,513

Ratio Analysis	12 mos. ending	For years ending December 31						
Liquidity Ratios	March 2002	2001	2000	1999	1998	1997	1996	1995
Current ratio	0.33	0.40	0.52	0.38	0.26	0.27	0.47	0.35
Accumulated depr./gross fixed assets	-	20%	20%	23%	22%	21%	19%	18%
Cash flow/total debt	0.07	0.08	0.09	0.11	0.09	0.09	0.10	0.08
Cash flow/adj. total debt (1)	0.07	0.08	0.08	0.11	0.09	0.09	0.10	0.08
Cash flow/capital expenditures	2.69	0.40	0.28	1.07	1.21	1.11	1.17	0.72
Cash flow/capex (BC Gas Utility)	-	0.98	0.25	0.85	0.99	0.90	0.98	0.64
Cash flow/capex (Trans Mountain)	-	3.16	2.81	1.68	1.68	1.68	1.68	1.68
Cash flow-dividends/capex	0.30	0.30	0.20	0.79	0.89	0.81	0.88	0.49
% debt in capital structure	71.7%	74.5%	71.4%	71.9%	73.7%	72.4%	70.3%	73.2%
% adj. debt in capital structure (1)	72.3%	75.3%	72.3%	71.9%	73.7%	72.4%	70.3%	73.2%
Common dividend payout (before extras.) (2)	55.4%	58.9%	59.5%	60.1%	59.0%	59.4%	46.0%	77.5%
Coverage Ratios								
EBITDA interest coverage	2.43	2.38	2.72	2.86	2.93	2.92	2.54	2.21
EBIT interest coverage	1.83	1.80	2.04	2.16	2.22	2.21	1.90	1.62
Fixed-charges coverage	1.76	1.69	1.93	1.90	1.92	1.90	1.65	1.45
EBIT interest coverage (non-consolidated)	n/a	10.77	12.56	10.21	16.00	12.78	10.14	5.01
Fixed-charges coverage (non-consolidated)	n/a	4.89	5.90	10.21	16.00	12.78	10.14	5.01
Profitability Ratios								
EBIT margin	21.8%	20.8%	23.6%	30.3%	35.1%	32.8%	32.8%	28.1%
EBIT margin, excludes cost of natural gas	39.9%	40.2%	39.6%	42.8%	44.4%	43.7%	43.0%	40.8%
Net margin (before extraordinary items)	12.8%	12.4%	12.8%	13.1%	13.0%	12.7%	16.2%	10.7%
Return on common equity	11.0%	12.1%	12.0%	12.2%	12.1%	10.8%	13.6%	16.7%
Operating Efficiency and Statistics								
Throughputs – Gas distribution (bcf)	n/a	164.7	180.3	179.4	169.2	175.0	182.5	170.2
- Oil pipeline (000s bbl/day)	n/a	209.3	204.6	207.5	252.6	229.7	249.6	223.6
- U.S. deliveries (incl. in oil pipeline) (thousands bbl/day)	n/a	73.4	65.2	61.9	101.4	94.4	102.5	83.6
- Jet fuel (000s bbl/day)	n/a	19.3	19.8	20.1	20.5	20.6	21.1	17.9
Approved ROE – Gas utility		9.25%	9.50%	9.25%	10.00%	10.25%	11.00%	12.00%
- Oil pipeline (Cdn. Mainline)		#	#	#	#	#	#	12.25%

(1) The $125 million capital securities are given 80% equity treatment by DBRS.
(2) For 1998, excludes $20 million deemed dividend exchanged for convertible debt; for 1996, excludes $55 million deemed dividend exchanged for convertible debt.
#: negotiated settlement

BC Gas Inc.

Non-consolidated Balance Sheet

($ millions)	As at December 31				As at December 31		
Assets	2001	2000	1999	**Liabilities & Equity**	2001	2000	1999
BC Gas Utility investment (at cost)	643.0	599.6	581.4	Current liabilities	7.3	5.4	2.3
TMPL investment (at cost)	178.9	167.5	163.6	Short-term debt	24.0	166.5	156.0
Other investments (at cost)	192.7	178.3	29.1	Long-term debt	200.0	-	-
Other assets	31.8	17.1	17.5	Preferred securities	125.0	125.0	-
Total	1,046.4	962.5	791.6	Common equity	690.5	665.6	633.3
				Total	1,046.8	962.5	791.6

Non-consolidated income

($ millions)	2001	2000	1999	1998	1997	1996	1995	1994
	For years ended December 31							
Dividends from BC Gas Utility	60.0	56.1	64.3	42.3	41.6	41.6	41.1	37.4
Net dividends from TMPL*	39.2	24.2	15.1	37.1	5.8	50.9	9.2	6.5
Other dividend income	0.4	0.3	0.3	0.2	0.5	0.5	0.5	0.7
Total dividend income	99.6	80.6	79.7	79.6	47.9	93.0	50.7	44.6
Operating expenses	3.6	2.7	2.1	2.8	3.5	1.7	1.3	0.7
EBIT	96.0	77.9	77.6	76.8	44.4	91.3	49.4	43.9
Interest expense	8.9	6.2	7.6	4.8	3.5	9.0	9.9	3.2
Interest income	0.0	0.1	0.1	7.7	6.2	4.5	2.62	
Other income	(18.1)	6.9	(12.5)	0.0	(13.0)	51.8	n/a	
Income before taxes	69.0	78.7	57.6	79.7	34.1	138.6	42.2	40.8
Income taxes	(5.4)	(2.0)	(7.9)	-	(3.7)	1.0	n/a	-
Net income	74.3	80.7	65.5	79.7	37.8	137.6	42.2	40.8
Preferred secur. distn	6.4	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Net income (avail. to common)	68.0	76.8	65.5	79.7	37.8	137.6	42.2	40.8

*Gross dividends from TMPL for 1998 and 1996 were $62.1 and $62.7 million, respectively. Net dividends are net of BC Gas investment.

BC Gas Utility Ltd.

Current Report: April 16, 2002
Previous Report: January 17, 2001

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RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Purchase Money Mortgages / MTNs & Unsecured Debentures
R-1 (low)	Stable	Confirmed	Commercial Paper

RATING HISTORY	Current	2001	2000	1999	1998	1997	1996
Long-Term Debt	"A"	"A"	"A"	"A"	"A"	"A"	"A"
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

RATING UPDATE

BC Gas Utility Ltd.'s ("the Company") earnings were up sharply in 2001 to $67.2 million (16% or $9.3 million increase over 2000) due to the full-year earnings contribution from the Southern Crossing Pipeline, although some of the positive earnings impact was offset by the reduction in the approved ROE to 9.25% from 9.50% in 2000 and the reduced sales due to energy efficiency measures and fuel switching by industrial customers who have dual-fuel capability. Operating cash flows increased due to the sharp increase in the rate base (from Southern Crossing), but remained insufficient to internally fund capital expenditures and dividends. As a result, external financing was required and was met through debt issuance, although leverage was little impacted. However, coverage ratios deteriorated slightly due to the reduction in the corporate income tax rate and the use of the flow-through method of taxation.

Despite the negative impact going forward on coverage ratios as a result of the lower corporate income tax rate, the outlook for BC Gas Utility remains reasonably favourable. The Company is currently developing an enhanced, multi-year incentive regulatory framework with its stakeholders to take effect in 2003 that encompasses both it and Centra Gas B.C., recently acquired by its parent, BC Gas Inc. Over the longer term, the Company should benefit from the new settlement provided the framework is at least as favourable as the previous agreement that expired at the end of 2001. Over the near term (2002), the Company's earnings are expected to grow in line with customer growth as its distribution rates have been kept unchanged from 2001. Customer growth is expected to improve in 2002 relative to 2001 due to the improved economic environment in British Columbia and the lower gas prices, which had a dampening effect on demand in 2001. The Company is expected to continue to generate free cash flow deficits over the next few years if it maintains its dividend payout at $60 million. Debt issuance and equity injections from its parent will be required to maintain its target capital structure of 67/33 debt/equity. Over the medium and longer term, the Company should begin to generate free cash flow surpluses. The Company's earnings and cash flows will continue to be sensitive to changes in interest rates through approved ROEs, and it will continue to face a certain degree of competition in the multi-residential customer class from electricity due to the low electricity rates in British Columbia.

RATING CONSIDERATIONS

Strengths:
- Regulation contributes to relative financial stability
- Southern Crossing enhances earnings and cash flows, provides access to alternative sources of supply
- Competitive advantages of gas versus alternative fuels
- Diversified customer base

Challenges:
- Operating cash flows insufficient to fund capital expenditures and common dividends; declining ROEs
- Earnings sensitive to economic cycle and interest rates
- Competitive pressures from low electricity rates
- Forecast risk (customer additions)
- Tax methodology results in unrecorded (potentially unrecoverable) tax liabilities, weakens interest coverage

FINANCIAL INFORMATION

	For the year ending December 31					
	2001	2000	1999	1998	1997	1996
Fixed-charges coverage (times)	1.82	1.77	1.90	1.88	1.84	1.68
% debt in capital structure	68.4%	67.3%	67.2%	65.9%	67.6%	68.3%
Cash flow/total debt (times)	0.09	0.08	0.09	0.09	0.08	0.10
Cash flow/capital expenditures (times)	0.98	0.25	0.85	0.99	0.90	0.98
Approved ROE	9.25%	9.50%	9.25%	10.00%	10.25%	11.00%
Net income before extra items ($ millions)	67.2	61.9	59.5	59.3	58.2	56.4
Operating cash flow ($ millions)	142.4	120.1	113.3	109.8	95.0	110.5
Throughput volumes (bcf)	162.2	178.0	182.5	169.3	175.0	184.5

THE COMPANY

BC Gas Utility Ltd., the largest natural gas distributor in British Columbia, services approximately 90% of the province's natural gas users. The Company is wholly owned by BC Gas Inc. (see separate report).

AUTHORIZED PAPER AMOUNT Limited to $500 million.

REGULATION

BC Gas Utility Ltd. is regulated by the British Columbia Utilities Commission ("BCUC"). The regulatory environment is among the more progressive in Canada. British Columbia-based utilities were among the first utilities in Canada to operate under an incentive-based regulation. BC Gas Utility operated under an incentive regulatory settlement during the 1998-2001 period. The Company had filed a 2002 Revenue Requirement Application, but withdrew the application due to BC Gas Inc.'s acquisition of Centra Gas B.C. and the new provincial energy policy. The Company is currently developing an enhanced, multi-year regulatory framework with its stakeholders to take effect in 2003 that encompasses both distribution utilities. The new settlement may be margin-based rather than cost-based. As a result of the withdrawal of its 2002 rate application, the Company's distribution rates for 2002 will remain at their 2001 levels. In addition, the ROE reset mechanism and interest deferral accounts will not apply during 2002. The approved ROE is typically formula-based, using a 350 basis point risk premium above forecast long Canada bond yields 6% or lower. Annual adjustments capture 80% of the change in yields when forecast yields are higher than 6% and 100% of the change when forecast yields are lower than 6%. Deemed equity remains at 33% for 2002.

BC Gas Utility has the following deferral accounts, which reduce short-term earnings fluctuations/risks. (1) Gas Cost Reconciliation Account (GCRA). The Company is permitted to periodically, subject to BCUC approval, recover from (or remit to) customers any variances in gas prices from forecast. Historically, variances are amortized and recovered over a two to three-year period with price adjustments normally made on a semi-annual basis. (2) Rate Stabilization Adjustment Mechanism (RSAM). Weather-induced revenue fluctuations for residential and commercial customers are amortized and recovered over a two-year period. BC Gas is, however, still exposed to the economic cyclicality of non-RSAM customers, principally industrial and transportation service customers, who account for roughly 35% of total volume throughputs. (3) Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.
Another issue that remains under consideration is retail unbundling, which would allow customers to purchase gas from the supplier of choice. Since gas costs are strictly a flow-through item (i.e., BC Gas Utility does not make any profit on the sale of the commodity), unbundling would be earnings neutral and would therefore have no impact on credit ratings.

RATING CONSIDERATIONS

Strengths: (1) The regulatory environment in which the Company operates provides a high degree of financial stability. Formula-based ROEs and performance-based regulation (the Company is currently developing a new incentive regulatory framework to begin in 2003) minimize regulatory lag, streamline the regulatory process, and encourage utilities to improve operating efficiencies. Regulation also allows for the recovery (and/or remittance to customers) of variances from forecasts in prudently incurred gas costs. In addition, the Company is allowed to utilize several deferral accounts that help smooth earnings and reduce business and operating risks: (a) weather-induced revenue fluctuations for residential and commercial customers; and (b) interest rate fluctuations, both of which are amortized and recovered in future rates. These deferral accounts do not impact cash flows and artificially inflate interest coverage ratios over the short term (i.e., during periods of warmer than normal temperatures), but the impact is reversed as deferral balances are recovered.
(2) The Southern Crossing Pipeline project became operational in November 2000, and added about $410 million to rate base in 2001. In addition to providing a significant boost to earnings and cash flows in 2001 and providing an ongoing contribution to earnings over the longer term as the costs are recovered in delivery margin rates across almost all customer classes, the new line provides the Company with access to lower-cost alternate sources of gas supply from Alberta.
(3) Despite the volatility experienced in gas prices last year, natural gas remains one of the most economical fuel sources for home heating and is a more environmentally friendly fuel source for electricity generation than oil and nuclear. As gas costs are transportation sensitive, the Company's close proximity to sources of supplies helps it maintain competitive rates relative to other sources of energy.
(4) The Company has a diversified customer base and has limited exposure to a single customer, which reduces earnings volatility. Residential customers account for about 40% of volume throughputs, commercial customers just over 20% and industrial customers about 40% of throughputs.

Challenges: (1) The Company has consistently generated insufficient operating cash flows to internally fund its capital expenditures and dividend payments. While the Company's parent has provided the necessary equity injections to maintain a stable capital structure, the combination of rising debt levels and declining ROEs have resulted in a deterioration in coverage ratios since 1998.
(2) The Company's earnings and cash flows are sensitive to the economic cycle and to interest rates through approved ROEs. About 35% of gas volumes are delivered to industrial customers, who are sensitive to economic cycles. In terms of interest rates, a 25 basis point change in approved ROEs would impact net earnings by about $1.8 million. While an approved ROE was not set for 2002 due to the Company's withdrawal of its 2002 rate application, this remains a challenge over the longer term, especially in periods of falling interest rates as we have seen over the past few years.
(3) While natural gas is one of the lowest-cost fuel sources for home heating, the Company faces competitive pressures

from the low electricity rates in British Columbia due to the dominance of hydro-based generation. The competitive pressures are largely on the multi-residential side.
(4) The Company faces forecast risk related to customer additions. Earnings are negatively impacted if actual customer additions are significantly below the Company's forecast.

(5) The use of the flow-through method of taxation has resulted in an unrecorded deferred income tax liability of $216.5 million as at December 2001. The flow-through method of taxation, whereby the Company collects taxes as paid, results in lower revenue collections, thereby reducing operating income and weakening coverage ratios. The recovery of this liability in future rates is not assured.

EARNINGS AND OUTLOOK

Consolidated results	For years ended December 31					
($ millions)	2001	2000	1999	1998R	1997	1996
Net revenues	489.2	420.9	401.1	402.8	389.3	359.8
EBITDA	307.5	261.8	253.2	250.7	234.2	219.0
EBIT	231.9	194.8	190.8	189.4	178.9	163.0
Net interest expense	124.4	91.1	82.6	80.6	77.9	81.6
Net income	67.2	57.9	50.8	49.4	43.1	59.2

	For years ended December 31					
Throughput Volumes	2001	2000	1999	1998	1997	1996
Residential	62.849	69.531	70.344	65.016	66.280	72.433
Commercial	38.107	42.170	43.705	40.996	45.602	49.819
Small Industrial	7.585	9.301	7.314	5.328	4.605	3.906
Large Industrial	0.632	1.445	1.896	5.870	6.592	4.316
Transportation Service	53.006	55.535	58.334	52.103	51.923	53.995
Total (billions of cubic feet)	162.179	177.981	181.593	169.313	175.001	184.470
Growth in volume throughputs	(8.9%)	(2.0%)	7.3%	(3.3%)	(5.1%)	9.7%
Customers						
Residential	687,375	682,401	676,513	664,584	655,517	641,364
Commercial	78,756	78,948	78,249	76,547	75,714	74,443
Small Industrial	515	602	619	411	340	233
Large Industrial	61	66	74	84	129	131
Transportation	1,141	856	630	668	602	230
Total (thousands)	767,848	762,873	756,085	742,294	732,302	716,401
Growth in customer base	0.7%	0.9%	1.9%	1.4%	2.2%	2.5%

The Company's net income was up 16% or $9.3 million in 2001 to $67.2 million due to the full-year earnings contribution from the Southern Crossing Pipeline, although some of the positive impact was offset by the reduction in the approved ROE to 9.25% from 9.50% in 2000 and the sharp reduction in volume throughputs due to energy efficiency measures and fuel switching by industrial customers that have dual-fuel capability. Net interest expense increased sharply in 2001 to $124.4 million from $91.1 million the previous year as a result of: (a) higher long-term debt associated with the increase in the rate base from the Southern Crossing Pipeline, (b) the refinancing of $75 million in preferred shares with long-term debt, and (c) the higher level of short-term debt during much of the year to finance the higher accounts receivable and inventories as a result of the high gas prices during the first half of the year. However, the higher interest costs had little impact on the Company's net earnings as these costs are largely recovered in rates.

Outlook: Net income is expected to be up marginally in 2002 driven by new customer additions and the resulting increase in volume throughputs. While the Company's Revenue Requirement Settlement expired at the end of 2001, the Company chose to withdraw its 2002 Revenue Requirement Application due to a number of factors. Instead, it is currently developing an enhanced regulatory framework with its stakeholders to take effect in 2003 to reflect its parent's acquisition of Centra Gas B.C. and the new provincial energy policy. As a result, its distribution rates for 2002 will remain at 2001 levels. Over the medium term, the Company's earnings will be driven by economic growth and the resulting impact on customer and volume growth. Earnings will also be influenced by the new performance-based regulatory framework that is ultimately approved by the BCUC, as well as the impact of the new provincial energy policy on the competitiveness of gas versus electricity in British Columbia.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

				Stress Testing		
($ millions)	2001	2000	1999	Year 1	Year 2	Year 3
EBITDA	307.5	261.8	253.2	292.1	292.1	292.1
Net income before extraordinary items	67.2	57.9	50.8	47.2	43.0	40.6
Depreciaton	75.6	67.0	62.4	74.6	76.1	76.8
Other non-cash adjustments	(0.4)	(4.8)	0.1	0.0	0.0	0.0
Operating cash flow	142.4	120.1	113.3	121.9	119.2	117.4
Capital expenditures	(146.0)	(472.5)	(133.8)	(130.0)	(100.0)	(100.0)
Common dividends	(60.0)	(56.1)	(64.3)	(60.0)	(60.0)	(60.0)
Cash flow before working capital changes	(63.6)	(408.5)	(84.8)	(68.1)	(40.8)	(42.6)
Working capital changes	(106.9)	2.3	(28.2)	0.0	0.0	0.0
Free cash flow	(170.5)	(406.2)	(113.0)	(68.1)	(40.8)	(42.6)
Net investments/adjustments	45.4	(10.9)	3.7	0.0	0.0	0.0
Net debt financing	94.4	376.3	100.1	68.1	40.8	42.6
Net pref. share financing	0.0	(75.0)	0.0	0.0	0.0	0.0
Net equity financing	0.0	141.1	21.9	0.0	0.0	0.0
Net change in cash	(30.7)	25.3	12.7	0.0	0.0	0.0
Cash flow/capital expenditures (times)	0.98	0.25	0.85	0.94	1.19	1.17
Cash flow/total debt (times) (1)	0.09	0.08	0.09	0.07	0.07	0.06
% debt in the capital structure (1)	68.4%	67.3%	67.2%	69.6%	70.6%	71.6%
Fixed-charges coverage (times)	1.82	1.77	1.90	1.57	1.50	1.46

(1) All preferred shares treated as debt equivalents.

Financial Profile: Despite the sharp increase in earnings and cash flows and the sharp reduction in capital expenditures due to the completion of Southern Crossing, operating cash flows remained insufficient in 2001 to internally fund capital expenditures and common dividends. Including working capital changes, the Company also continued to generate a free cash flow deficit. As a result, the Company required external financing to fund its cash flow deficiency. This was achieved through debt issuance and the use of the cash proceeds ($47.5 million) from the sale of certain gas pipeline assets. The Company's leverage deteriorated slightly, as did its EBIT and EBITDA coverages due to the reduction in corporate income tax rates and the flow-through method of taxation, whereby tax savings are passed through to customers in the form of lower rates. Despite the deterioration, leverage and coverage ratios remain reasonable for a relatively stable, regulated utility. Note that the Company's fixed-charges coverage improved in 2001 due to the refinancing of preferred shares with lower cost long-term debt.

Outlook: Operating cash flows are expected to remain relatively stable in 2002, but are expected to continue to be insufficient to internally fund the projected $130 million in capital expenditures and assumed common dividends of $60 million. As a result, it is expected that the Company's level of debt will continue to rise and, assuming no equity financing or additional asset dispositions, its leverage will edge higher as well. However, once a new incentive-based regulatory is in place, the Company should see its operating cash flows improve and should reduce its leverage back down to the target 67%. Given that the Company's operations are almost entirely regulated, that the competitiveness of gas versus electricity has improved, and that the economy appears to have rebounded, coverage and cash flow/total debt ratios should gradually strengthen over time.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various adverse scenarios.
Assumptions: BC Gas Utility's EBITDA declines 5% in Year 1 and remains flat thereafter; capital expenditures are $130 million in Year 1 and $100 million in each of the subsequent years, and common dividends remain at $60 million per year.

DBRS stress tests financial results to measure earnings and cash flow sensitivities and their impact on key debt ratios. Under the above scenario, the Company's operating cash flow would remain insufficient to internally fund all of its requirements. Leverage would edge higher, while interest coverage and cash flow/debt would deteriorate. Given that virtually all of the Company's activities are regulated, DBRS expects that the Company would make the necessary adjustments to the common dividend payout, capital expenditures, and/or receive an equity injection from its parent to maintain a stable financial profile.

LONG-TERM DEBT MATURITIES AND BANK LINES

Long-Term Debt Maturity Schedule – as at March 31, 2002

($ millions)	2002	2003	2004	2005	2006	2007 and beyond
Long-term debt	177.4	102.4	2.4	247.4	122.4	774.8
% of total	12.4%	7.2%	0.2%	17.3%	8.6%	54.3%

Maturities are reasonably well staggered over the next five years. While there is some refinancing risk, DBRS expects the Company will have little difficulty refinancing the above amounts.

The Company has 364-day revolving committed lines of credit totalling $500 million, which are used to support its $500 million commercial paper program, as well as for general corporate purposes. As at March 31, 2002, $351 million was unutilized.

BC Gas Utility Ltd.

Balance Sheet

($ millions)	As at December 31				As at December 31		
Assets	2001	2000	1999	**Liabilities & Equity**	2001	2000	1999
Cash	0	27	2	Short-term debt	237	169	220
Accounts receivable	222	416	156	A/P + accrueds	302	584	161
Inventories	101	81	38	L.t.d. due in l year	177	73	77
Prepaids + other	4	3	2	Current liabilities	716	825	458
PVGA	106	45	33	Deferred taxes	1	1	1
Current Assets	434	573	232	Deferred gain	23	0	0
Net fixed assets	2,261	2,215	1,802	Long-term debt	1,249	1,324	892
PVGA	42	105	0	Debt equiv pref	0	0	0
Deferred charges	16	16	9	Preferred equity	0	0	75
Long-term rec + investments	4	2	2	Shareholders' equity	768	761	618
Total	2,757	2,910	2,044	Total	2,757	2,910	2,044

Ratio Analysis	For years ending December 31						
Liquidity Ratios	2001	2000	1999	1998	1997	1996	1995
Current ratio	0.61	0.69	0.51	0.34	0.32	0.48	0.42
Accumulated depreciation/gross fixed assets	17.5%	16.7%	18.7%	17.1%	16.3%	14.8%	13.3%
Cash flow/total debt (1)	0.09	0.08	0.09	0.09	0.08	0.10	0.08
Cash flow/capital expenditure	0.98	0.25	0.85	0.99	0.90	0.98	0.64
Cash flow-dividends/capital expenditures	0.56	0.14	0.37	0.61	0.51	0.61	0.34
% debt in capital structure (1)	68.4%	67.3%	67.2%	65.9%	67.6%	68.3%	68.4%
Deemed common equity	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	89.3%	96.9%	126.5%	85.6%	86.3%	86.0%	93.4%
Coverage Ratios							
EBITDA interest coverage	2.41	2.55	3.01	3.04	2.96	2.65	2.37
EBIT interest coverage	1.82	1.90	2.27	2.30	2.26	1.97	1.77
Fixed charges coverage	1.82	1.77	1.90	1.88	1.84	1.68	1.57
Earnings Quality/Operating Efficiency and Statistics							
EBIT margin, excluding cost of natural gas	47.4%	46.3%	47.6%	47.0%	46.0%	45.3%	44.0%
Net margin (excluding preferred dividends)	13.7%	13.7%	12.7%	12.3%	12.4%	13.5%	13.3%
Return on avg. common equity (bef. extras)	8.8%	8.4%	8.3%	8.6%	9.0%	9.2%	8.8%
Approved ROE	9.25%	9.50%	9.25%	10.00%	10.25%	11.00%	12.00%
Degree day deficiency - % normal (interior)	94.6%	99.9%	94.7%	89.7%	98.5%	116.1%	96.7%
(coastal)	102.3%	103.1%	101.6%	91.3%	94.1%	108.1%	89.9%
Customers/employees	594	521	515	482	432	427	411
Customer growth	0.7%	0.9%	1.9%	1.4%	2.2%	2.5%	2.6%
Operating costs/avg. customer (2)	$282	$253	$238	$247	$248	$238	$228
Rate base ($ millions)	2,208	1,690	1,637	1,559	1,517	1,441	1,333
Rate base growth	30.7%	3.2%	5.0%	2.8%	5.3%	8.1%	#DIV/0!
Kilometres of pipelines	37,430	37,197	36,581	36,473	35,971	35,335	34,401
Rate base/km of pipeline (thousands)	$59.0	$45.4	$44.8	$42.7	$42.2	$40.8	$38.8
Rate base/throughput volumes (millions per bcf)	$13.6	$9.5	$9.0	$9.2	$8.7	$7.8	$7.9

(1) All preferred shares treated as debt equivalents.

(2) Operating costs excludes municipal + property taxes.

BC Gas Inc.

Current Report: August 7, 2001
Previous Report: April 4, 2000

RATING

Rating	*Trend*	*Rating Action*	*Debt Rated*
A (low)	Stable	Confirmed	Corporate Rating*
BBB (high)y	Stable	Confirmed	Subordinated Unsecured Debentures

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RATING HISTORY (as at Dec. 31)

	Current	*2000*	*1999*	*1998*
Corporate Rating *	A (low)	A (low)	NR	NR
Subordinated Unsecured Debentures	BBB (high)y	BBB (high)y	NR	NR

y denotes hybrid security * Highest rating applicable to senior debt securities issued by the Company

RATING UPDATE

DBRS is confirming the rating of BBB (high)y on BC Gas Inc.'s ("BC Gas" or "the Company") subordinated debentures, and the corporate rating of A (low), both with Stable trends. The ratings reflect the following factors. (1) Wholly owned regulated subsidiaries are a relatively stable source of income, particularly BC Gas Utility Ltd. (BC Utility), which benefits from a strong position in the province of British Columbia, and from a favourable regulatory environment. (2) Both Trans Mountain Pipe Line (TMPL) and BC Utility are generating surplus cash flows, which allow for favourable dividend flows to BC Gas. (3) The Southern Crossing Pipeline Project (*Southern Crossing*) was completed and operational in November 2000, providing additional earnings ($12 million in 2001), cash flow, and or alternative supply of natural gas going forward. (4) The Corridor Pipeline Project (*Corridor*), expected to become operational in late 2002, should further enhance the Company's future earnings growth and diversification. The ratings also take into account risks associated with BC Gas's subsidiaries. (1) BC Utility's earnings are sensitive to long-term interest rates through the approved ROE. If interest rates are declining, future approved ROEs could be negatively affected. (2) TMPL's U.S. operation (35% of earnings) is exposed to the market conditions while the Canadian pipeline operates under a new Incentive Toll Settlement (ITS), which shifts all the risk to TMPL if the volume throughput is between 28,500 and 32,000 cubic metres/day. (3) The debt financing of the $690 million *Corridor* project is guaranteed by BC Gas, which will also bear the risk (indirectly) of construction cost overruns above specified amounts. The outlook for BC Gas is stable over the short term with sufficient dividend cash flow from subsidiaries to meet its financial obligations. Over the longer term, the *Southern Crossing* operation could help increase dividend flows from BC Utility and, along with the *Corridor*, contribute to non-consolidated earnings growth.

RATING CONSIDERATIONS

Strengths:
- Regulated subsidiaries a stable source of income
- Subsidiaries generating surplus cash flows
- New operations will enhance future earnings growth
- Non-consolidated balance sheet and key debt ratios expected to remain relatively favourable

Challenges:
- Earnings sensitive to interest rates via approved ROEs
- Oil producers receive lower netbacks on West Coast
- TMPL faces increased business risk under the new ITS
- Risks related to construction cost overruns
- Forecast risk with respect to customer additions

FINANCIAL INFORMATION

For years ended December 31

Non-Consolidated ($ millions)		2000	1999	1998	1997	1996
Fixed charges coverage (times)		13.00	10.49	16.58	13.79	10.33
EBIT gross interest coverage (times)		12.56	10.21	16.00	12.78	10.14
Cash flow/total debt (times)		0.48	0.53	0.41	0.23	1.86
Debt/total capital (%)		17.3%	19.8%	23.7%	18.1%	6.4%
Dividend income from subs		80.3	79.4	79.4	47.4	92.5
Consolidated Data ($ millions)	2001*	2000	1999	1998	1997	1996
EBIT gross interest coverage (times)	1.96	2.07	2.16	2.22	2.21	1.90
Cash flow/total debt (times)	0.08	0.08	0.11	0.10	0.10	0.10
Debt/total capital (%)	74.2%	72.5%	71.9%	73.7%	72.4%	70.3%
Net income before extra items	97	91	78	77	71	87
Cash flow from operations	183	161	171	161	150	155

*12 months to June 30, 2001.

THE COMPANY BC Gas Inc. is a holding company, which owns 100% of BC Gas Utility Ltd. (a gas distributor) and 100% of Trans Mountain Pipe Line Company Ltd. (an oil pipeline that ships from Alberta into B.C. and the U.S. north-west). See separate reports for detailed analysis of the two entities.

RATING PHILOSOPHY

The rating of BC Gas Inc. is based on the following considerations: (1) the strength of the non-consolidated balance sheet and cash flows; (2) the credit worthiness of the wholly-owned operating subsidiaries: (a) BC Gas Utility Ltd. (A / R-1 (low)) and (b) Trans Mountain Pipe Line Company Ltd. (A (low) / R-1 (low)); and (3) the benefits of business (pipeline-gas distribution), product (oil-gas) and geographic (B.C.-Alberta, and U.S. Pacific Northwest) diversification. For a more detailed analysis on these operating subsidiaries see separate DBRS reports on BC Gas Utility and Trans Mountain Pipeline.

RATING CONSIDERATIONS

<u>Strengths</u>: *(1) Stable sources of income from regulated subsidiaries* - The Company's earnings and cash flows are generated primarily from dividend payments from wholly-owned regulated utility operations. Approximately 75% of non-consolidated income in 2000 was from BC Gas Utility, a strong cash flow generator, and about 20% from TMPL, a profitable liquids pipeline operator.

(2) *Operating entities generate surplus cash flows* - Both the gas distribution and pipeline operations are expected to continue to generate surplus cash flows over the foreseeable future. Surpluses will be contributed to the parent (BC Gas) in form of dividends.

(3) *New pipeline operations enhance earnings growth and diversification* - The $396 million, 316-km *Southern Crossing Pipeline Project*, which was operational in November 2000, provides additional earnings ($12 million annually) and diversification. In addition, the $690 million, 493-kilometre Corridor Pipeline Project, which is currently under construction, is expected to become operational by the end of 2002. Investment in the *Corridor Pipeline* (oil pipeline) will also improve the Company's earnings diversification.

(4) *Non-consolidated balance sheet and key debt ratios are comparatively strong* - Even with rising capex for the two major projects, balance sheet leverage is expected to remain reasonable with good financial coverage ratios.

<u>Challenges</u>: (1) *Earnings sensitivity to long-term interest rates* - About 75% of non-consolidated income (i.e., BC Gas Utility) is sensitive to interest rates through approved ROEs, which will be set lower if the interest rates decline.

(2) *WCSB Producers receive lower netbacks on West Coast* - Crude oil producers in the western Canadian sedimentary basin (“WCSB”) have consistently received lower netbacks by shipping to U.S. PADD IV (U.S. Rocky Mountain region) or PADD V (U.S. Pacific Northwest) versus PADD II (Midwest). Long-term supply/demand trends favour the growing importance of WCSB crude oil shipments into the PADD II market. This makes TMPL a swing pipeline for WCSB producers, used mainly when market conditions warrant (e.g., when the Enbridge System experienced capacity constraints in early 1998).

(3) *The U.S. operation is subject to market forces* - About 35% of TMPL's EBIT is from its U.S. operation, which is exposed to market risks while the Canadian pipeline is operating under the new ITS (2001-2005), which exposes TMPL to all the earnings risk if the volume throughput is between 28,500 and 32,000 cubic metres/day.

(4) *Construction cost risks* - BC Gas (indirectly) bears the risk of cost overruns in specified amounts for the *Corridor* project, excluding the impact of certain agreed upon escalators. The Company also guarantees the commercial paper issued by Corridor Pipeline Ltd. to finance the *Corridor* project. Once it is completed, BC Gas is required to inject equity into the stand-alone operation.

(5) *Forecast risk* - Forecast error with respect to the number of customer additions can potentially impact BC Utility's earnings, which in turn could negatively affect cash flow the parent BC Gas Inc.

EARNINGS

Non-consolidated Income	For years ended December 31					
($ millions)	2000	1999	1998	1997	1996	1995
Dividends from BC Gas Utility	56.1	64.3	42.3	41.6	41.6	41.1
Dividends from TMPL*	24.2	15.1	37.1	5.8	50.9	9.2
Other dividend income	0.3	0.3	0.2	0.5	0.5	0.5
Total Dividend Flow	80.6	79.7	79.6	47.9	93.0	50.7
Operating expenses	2.7	2.1	2.8	3.5	1.7	1.3
EBIT	77.9	77.6	76.8	44.4	91.3	49.4
Interest expense	6.2	7.6	4.8	3.5	9.0	9.9
Interest income	0.1	0.1	7.7	6.2	4.5	2.62
Other income	6.9	(12.5)	0.0	(13.0)	51.8	na
Income before taxes	78.7	57.6	79.7	34.1	138.6	42.2
Income taxes	2.0	7.9	-	3.7	(1.0)	na
Net Income	80.7	65.5	79.7	37.8	137.6	42.2

*Total cash flow from TMPL for 1998 and 1996 were $66.4 and $64.2 million, respectively.

Dividend flows from subsidiaries have been individually volatile but stable in aggregate since 1998. Consequently, non-consolidated earnings have been relatively stable over the same period. EBIT growth was flat in 2000 compared to 1999, as an increase in dividends from TMPL was offset by a decline in dividend flow from BC Gas Utility. Interest and operating expenses have been minimal and have not had a significant impact on the Company's non-consolidated net income.

Outlook: Future EBIT growth will likely be from the new Southern Crossing operation (operation commenced in November 2000, adding about $12 million to net income per year), and the Corridor Pipeline Project (operation expected to commence in the second half of 2002). Earnings and cash flow are also expected to continue to be stable as BC Utility will likely continue to enjoy favorable regulation in the foreseeable future and new pipelines will provide diversification.

FINANCIAL PROFILE: NON-CONSOLIDATED

Non-consolidated Cash Flow	2000	1999	1998	1997	1996
Net income	80.7	65.5	79.7	37.8	137.6
Non-cash items	(2.1)	16.8	(0.6)	(5.8)	(51.1)
Cash flow from operations	78.6	82.3	79.1	32.0	86.5
Dividends paid out**	(56.5)	(49.9)	(47.0)	(43.6)	(41.8)
Free cash flow	22.1	32.4	32.1	(11.6)	44.7
Investments	(164.8)	30.7	(88.2)	(26.8)	29.1
Net investment in TMPL			25.0		12
Cash flow before financing	(142.7)	63.1	(31.1)	(38.4)	85.6
Increase (decrease) in short-term note	6.1	(23.0)	59.0	79.0	(79.0)
Capital securities, net of costs	122.3	0.0	-	-	-
Share issuance	0.0	0.2	0.5	0.6	7.6
Share repurchases/transfers	(3.7)	(11.0)	(26.3)	(53.5)	(16.7)
Net change in cash	(18.0)	29.3	2.1	(12.3)	(2.5)
Fixed charges coverage (times)	13.00	10.49	16.58	13.79	10.33
EBIT gross interest coverage (times)	12.56	10.21	16.00	12.78	10.14
Cash flow/total debt (times)	0.48	0.53	0.41	0.23	1.86
Debt/total capital (%)	0.17	0.20	0.24	0.18	0.06

*Total cash flow from TMPL for 1998 and 1996 were $66.4 and $64.2 million, respect

Non-consolidated: Strong dividend flows from subsidiaries have contributed to stable cash flow growth and strong financial coverage. As a result, financial obligations at the corporate level have been well served. In addition, relatively low dividend payout at the corporate level has resulted in surplus free cash flow over the last three years, which was used for investments in subsidiaries and debt reduction. In 2000, the Company advanced $164 million in capital investments to its subsidiaries, substantial amount of which was advanced to the Southern Crossing. The cash amount was partially financed by a $22 million surplus cash flow. The remaining amount was financed the drawdown of cash balances and the issuance of $122 million (net of costs) hybrid securities. Due to the security's equity-like characteristics, DBRS has treated a significant portion (75%) of it as equity in evaluating the capital structure. ***Outlook:*** Both TMPL and BC Utility are expected to continue to generate surplus cash flows, which should allow for favorable dividend flows to the parent BC Gas. The *Corridor* project is expected to be completed on time and within the budget. The Company guarantees the $690 debt-financing of the Corridor project, and is required to inject a certain amount of equity into the operation once the project is completed. Dividend flows are expected to increase as the *Southern Crossing* became operational and began to generate cash flows in November 2000. Consequently, future financial coverage ratios will likely remain strong.

DEBT MATURITY SCHEDULE

Debt and Commitment ($ millions)	As at June 30		As at Dec. 31
(consolidated)	2001	(non-consolidated)	2000
Short-term notes	610	Short-term debt	169
Current portion of long-term debt	49	Contingent liabilities (*)	688
Long-term debt	1,641		
Total debt	2,300		

*BC Gas guarantees the commercial paper issued by Corridor Pipeline for the Corridor Project,

The Company has a 364-day $200 million operating line of credit, which can be converted into a three-year term facility. The bank lines support the $200 commercial paper program. With current cash flow levels and bank lines, BC Gas's liquid resources should be adequate to support debt payments when due.

SENSITIVITY ANALYSIS

The assumptions used in the test below are not based on any specific information provided by the Company, or DBRS expectations. Their use is solely for the purpose of sensitivity analysis. DBRS expects that management would take corrective measures in the event that major negative events were to occur. **Assumptions:** (1) Dividends from subsidiaries assumed to drop by 15% each year for the next three years. (2) Interest expense of $6.6 million each year for the next three years. (3) No taxes, no capital expenditures, and no depreciation for BC Gas Inc., the holding company. (4) All cash surpluses used to pay debt and cash deficits financed by debt. (5) Cash flow from operations equal to net income due to no taxes and no depreciation.

	Actual			**Stress Testing**		
Non-consolidated ($ millions)	**1998**	**1999**	**2000**	**Year 1**	**Year 2**	**Year 3**
Dividends flows from subs	79.6	79.7	80.6	68.5	58.2	49.5
Interest expense	4.8	7.6	6.2	6.6	6.6	6.6
Net income before taxes	74.8	72.1	74.4	61.9	51.6	42.9
Cash flow from operations	79.1	82.3	78.6	61.9	51.6	42.9
Dividends payouts	(47.0)	(49.9)	(56.5)	(56.5)	(56.5)	(56.5)
Free cash flow surplus (deficit)	32.1	32.4	22.1	5.4	(4.9)	(13.6)
Key Ratios						
EBIT interest coverage	16.6	10.5	13.0	10.4	8.8	7.5
Cash flow/Total debt	0.41	0.53	0.48	0.39	0.32	0.24
Debt/Total capital	25%	20%	17%	16%	17%	18%
Debt/EBITDA	2.45	1.96	2.01	2.29	2.78	3.54

Under our assumptions, BC Gas still generates strong cash flow to meet its financial obligations at the corporate level. Even after the Company pays out dividends to shareholders, it would still have cash surpluses in Year 1. Negative free cash flow in Year 2 and Year 3 would have an immaterial impact on debt levels. As a result, financial profile would still remain strong at the end of Year 3 with EBIT interest coverage over 7 times, cash flow to total debt at 0.24 times, and leverage remaining below 20%.

CAPITAL PROJECT

Corridor Pipeline: The $690 million, 493-km *Corridor Pipeline*, wholly owned (indirectly) by BC Gas Inc., will be operated by an affiliated subsidiary, Trans Mountain Pipe Line Company Ltd. The system (Corridor Pipeline Limited) will link two facilities that are part of the $3.5 billion Athabasca Oil Sands Project, jointly owned by Shell Canada Limited (60%), Chevron Canada Resources Limited (20%) and Western Oil Sands Inc (20%). *Corridor* will transport diluted bitumen from the Muskeg River Mine, currently under construction, in Fort McMurray, Alberta, to an upgrader that is being built adjacent to Shell Canada's Scotford refinery in Fort Saskatchewan, Alberta. *Corridor* will also connect the upgrader to refineries and pipeline terminals in the Edmonton area (including the Trans Mountain Pipe Line), as well as provide storage facilities. Operation of the *Corridor Pipeline* will be backed by a long-term ship-or-pay contract with Shell Canada-Chevron Canada-Western Oil Sands. The project is financed entirely with commercial paper issued by Corridor Pipeline (100% guaranteed by the Company) and is scheduled to become operational late in 2002.

BC Gas Inc. (non-consolidated)

Non-consolidated Balance Sheet

($ millions)	As at December 31				As at December 31		
Assets	2000	1999	1998		2000	1999	1998
BC Gas Utility investment (at cost)	581.4	581.4	581.4	**Liabilities & Equity**			
TMPL investment (at cost)	163.6	163.6	163.6	Current liabilities	10	2	2
Other investments (at cost)	185.9	29.1	72.3	Short-term debt	162	156	195
Other assets	17.1	17.5	7.6	Common equity	776	633	629
Total	948	792	825	Total	948	792	825

Non-consolidated Income	For years ended December 31					
($ millions)	2000	1999	1998	1997	1996	1995
Dividends from BC Gas Utility	56.1	64.3	42.3	41.6	41.6	41.1
Dividends from TMPL*	24.2	15.1	37.1	5.8	50.9	9.2
Other dividend income	0.3	0.3	0.2	0.5	0.5	0.5
Total Dividend Flow	80.6	79.7	79.6	47.9	93.0	50.7
Operating expenses	2.7	2.1	2.8	3.5	1.7	1.3
EBIT	77.9	77.6	76.8	44.4	91.3	49.4
Interest expense	6.2	7.6	4.8	3.5	9.0	9.9
Interest income	0.1	0.1	7.7	6.2	4.5	2.62
Other income	6.9	(12.5)	0.0	(13.0)	51.8	na
Income before taxes	78.7	57.6	79.7	34.1	138.6	42.2
Income taxes	2.0	7.9	-	3.7	(1.0)	na
Net Income	80.7	65.5	79.7	37.8	137.6	42.2

Non-consolidated Cash Flow	2000	1999	1998	1997	1996
Net income	80.7	65.5	79.7	37.8	137.6
Non-cash items	(2.1)	16.8	(0.6)	(5.8)	(51.1)
Cash flow from operations	78.6	82.3	79.1	32.0	86.5
Dividends paid out**	(56.5)	(49.9)	(47.0)	(43.6)	(41.8)
Free cash flow	22.1	32.4	32.1	(11.6)	44.7
Investments	(164.8)	30.7	(88.2)	(26.8)	29.1
Net investment in TMPL			25.0		12
Cash flow before financing	(142.7)	63.1	(31.1)	(38.4)	85.6
Increase (decrease) in short-term note	6.1	(23.0)	59.0	79.0	(79.0)
Capital securities, net of costs	122.3	0.0	-	-	-
Share issuance	0.0	0.2	0.5	0.6	7.6
Share repurchases/transfers	(3.7)	(11.0)	(26.3)	(53.5)	(16.7)
Net change in cash	(18.0)	29.3	2.1	(12.3)	(2.5)
Fixed charges coverage (times)	13.00	10.49	16.58	13.79	10.33
EBIT gross interest coverage (times)	12.56	10.21	16.00	12.78	10.14
Cash flow/total debt (times)	0.48	0.53	0.41	0.23	1.86
Debt/total capital (%)	0.17	0.20	0.24	0.18	0.06
Investment at cost/book equity	1.22	1.25	1.31	1.22	1.07

*Total cash flow from TMPL for 1998 and 1996 were $66.4 and $64.2 million, respectively.

**Dividends in 2000 included capital securities distributions of $3.9 million.

BC Gas Inc.

Balance Sheet (Consolidated)

($ millions)

Assets	Jun. 30 2001	As at December 31 2000	1999	**Liabilities & Equity**	Jun. 30 2001	As at December 31 2000	1999
Cash	29	22	6	Short-term debt	610	515	452
Accounts receivable	167	460	179	A/P + accrueds	240	635	183
Inventories	138	97	49	L.t.d. due in 1 year	49	73	77
Prepaids + other	50	52	37	Current liabilities	899	1,222	712
Current assets	383	631	271	Long term debt	1,641	1,434	1,002
Net fixed assets	2,855	2,728	2,185	Def'd income taxes	56	47	65
Long-term rec + investments	58	11	3	Retract pfd + min. int.	0	0	75
Goodwill + def'd charges	142	143	22	Capital securities	125	125	0
Total	3,438	3,513	2,481	Shlders' equity	716	685	626
				Total	3,438	3,513	2,481

Ratio Analysis	12 months to: Jun. 30	For years ending December 31					
Liquidity Ratios	2001	2000	1999	1998	1997	1996	1995
Current ratio	0.43	0.52	0.38	0.26	0.27	0.47	0.35
Cash flow/total debt	0.08	0.08	0.11	0.10	0.10	0.10	0.08
Cash flow/capital expenditures	0.27	0.26	1.05	1.25	1.15	1.21	0.75
Cash flow/capex (BC Gas Utility)	3.04	0.25	0.85	1.10	0.95	0.89	0.64
Cash flow/capex (Trans Mountain)	na	2.81	1.68	1.68	1.68	1.68	1.68
Cash flow-dividends/capex	0.19	0.18	0.78	0.93	0.81	0.88	0.49
% debt in capital structure	74.2%	72.5%	71.9%	73.7%	72.4%	70.3%	73.2%
% adjusted debt in capital structure (1)	73.6%	71.8%	71.9%	73.7%	72.4%	70.3%	73.2%
Common dividend payout (before extras.) (2)	13.0%	53.7%	60.1%	59.0%	59.4%	46.0%	77.5%
Coverage Ratios							
EBITDA interest coverage	2.59	2.77	2.86	2.93	2.92	2.54	2.21
EBIT interest coverage	1.96	2.07	2.16	2.22	2.21	1.90	1.62
Fixed-charges coverage	1.96	1.96	1.90	1.92	1.90	1.65	1.45
EBIT interest coverage (non-consolidated)	na	12.56	10.21	16.00	12.78	10.14	5.01
Fixed-charges coverage (non-consolidated)	na	13.00	10.49	16.58	13.79	10.33	5.14
Profitability Ratios							
EBIT margin	20.1%	23.6%	30.3%	35.1%	32.8%	32.8%	28.1%
EBIT margin, excludes cost of natural gas	40.1%	39.6%	42.8%	44.4%	43.7%	43.0%	40.8%
Net margin (bef. extraordinary items)	14.0%	14.1%	13.1%	13.0%	12.7%	16.2%	10.7%
Return on common equity	13.0%	13.3%	12.2%	12.1%	10.8%	13.6%	8.5%
Income/Cash Flow (Selected Data)							
Revenue	1,392	1,085	845	742	744	705	715
EBITDA	370	343	339	345	322	310	275
EBIT	279	257	256	261	244	231	201
Interest expense	143	124	119	118	110	122	124
Pre-tax income	143	139	138	144	135	110	78
Income before extraordinary items	97	91	78	77	71	87	53
Net income as reported	103	113	85	77	56	111	53
Cash flow from operation	183	161	171	161	150	155	123
Dividends	54	51	45	42	44	43	42
Capex	670	621	164	129	130	128	165
Free cash flow	(776)	(508)	(87)	(85)	25	(1)	(95)

Operating Efficiency & Statistics	For the year ended December 31 2001	2000	1999	1998	1997	1996	1995
Throughputs - Gas utility (bcf)	na	178.0	182.5	212.9	211.0	213.1	226.6
- Oil pipeline (000s bbl/day)	na	204.6	207.5	252.6	229.7	249.6	223.6
- US deliveries (incl in oil pipeline) (000s bbl/day)	na	65.2	61.9	101.4	94.4	102.5	83.6
- Jet fuel (000s bbl/day)	na	19.8	20.1	20.5	20.6	21.1	17.9
Approved ROE - Gas utility	9.25%	9.50%	9.25%	10.00%	10.25%	11.00%	12.00%

(1) 75% of the $125 million capital securities is treated as equity by DBRS.

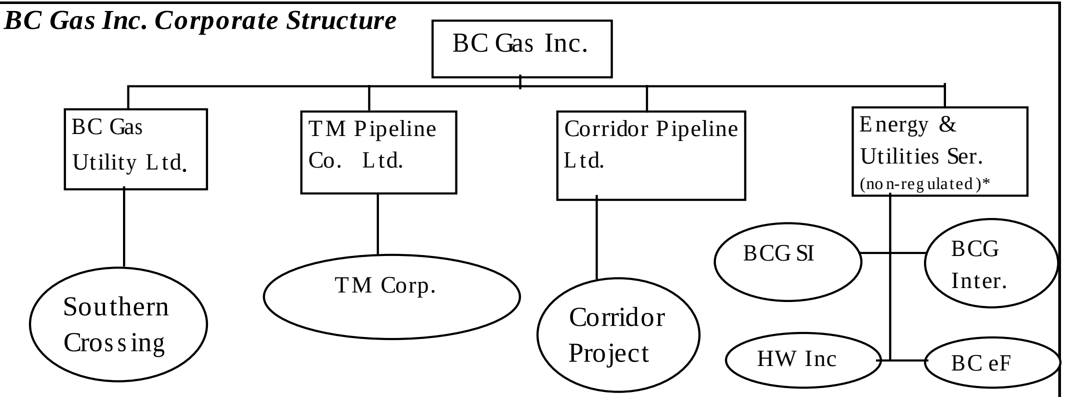
(2) For 1998, excludes $20 million deemed divided exchanged for convertible debt; for 1996: excludes $55 million deemed dividend exchanged for convertible debt.

Appendix 1: Financial Comparisons

2000 DBRS Comparison For Holding Companies For the year ended (or latest trailing 12 months)	BC Gas Inc. * Dec.31/2000	CU Inc Dec.31/2000	EPCOR Utilities Inc. Dec.31/2000	Great Lake Power Inc. Jun.30/2000	TranAlta Corp. Dec.31/2000	Westcoast Energy Inc. Dec.31/2000
Bond ratings (will check)	A (low)	A (high)	A (low)	BBB (high)	A (mid)	A (low)
Short-tem debt ratings	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	Pfd-2 y	R-1 (low)
Financial Ratios						
Fixed-charges coverage (X)	1.96	2.29	1.98	2.09	2.64	1.47
EBIT interest coverage (X)	2.07	2.62	1.98	2.23	3.58	1.73
Cash flow/total debt (X)	0.08	0.19	0.14	0.13	0.23	0.08
Total debt/EBITDA (X)	6.36	3.12	4.68	5.87	3.54	na
Total debt/total capital (%)	70.50	57.70	65.70	66.50	53.90	68.60
Cash flow-dividends/capex (X)	0.18	1.05	1.10	0.24	0.52	0.59
Operating margin (%)	39.60	19.60	19.00	0.62	31.70	9.10
ROE (%)	14.10	11.70	16.80	na	12.65	10.80
Approved ROE (%)	9.25	9.38	9.25	na	9.25	na
Income & Cash Flow Data ($ millions)						
Revenue	1,085	2,248	1,421	298	1,587	2,220
EBIT	257	440	271	186	504	202
Gross interest expense	124	171	136	89	141	117
Income before extraordinary items	91	167	149	98	206	340
Cash flow from operations	161	367	252	112	614	na
Capex	621	242	164	175	795	na
Dividends	51	127	71	65	56	na
Free cash flow	(508)	(128)	(87)	(85)	(830)	na

*BC Gas Inc. is based on consolidated numbers.

BC Gas Inc. Corporate Structure



*BC Gas Inc. owns 100% and directly operates BCG Services Inc. (BCG SC), BCG International, Homeworks (HW) Inc., and BCG eFuels Inc. (BCG eF).

To be filed under "Industry Studies"

Canadian Gas and Electricity Distribution Utilities

- Relative Stability within the Changing World of Energy

Walter Schroeder, CFA
Geneviève Lavallée, CFA

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An Industry Study by
Dominion Bond Rating Service Ltd.

June 2001

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Distribution Utilities included in this study

AltaGas Utilities Inc. (wholly owned by AltaGas Services Inc.)
BC Gas Utility Ltd. (wholly owned by BC Gas Inc.)
Centra Gas British Columbia Inc. (wholly owned by Westcoast Energy Inc.)
Centra Gas Manitoba Inc. (wholly owned by The Manitoba Hydro-Electric Board)
Consumers Gas Company Ltd., The (wholly owned by Enbridge Inc.)
CU Inc. (gas subsidiaries only) (wholly owned by Canadian Utilities Limited)
ENMAX Corporation (wholly owned by the City of Calgary)
Gaz Metropolitain and Company, Limited Partnership
Hydro One Inc. (wholly owned by the Province of Ontario)
Maritimes Electric Company, Limited (wholly owned by Fortis Inc.)
Newfoundland Power Inc. (wholly owned by Fortis Inc.)
Pacific Northern Gas Ltd.
SaskEnergy Incorporated (wholly owned by the Province of Saskatchewan)
Union Gas Limited (wholly owned by Westcoast Energy Inc.)

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DISTRIBUTION UTILITY COMPARISON GRIDS – CURRENT RATINGS AND 2000 RATIOS

DBRS Gas Distribution Utility Comparisons

As at December 31, 2000	BC Gas Utility	Pacific Northern Gas (1)(a)	AltaGas Utilities (1)(b)	ATCO Gas & Pipe (1)(c)	SaskEnergy (1)(d)	Centra Manitoba (1)(e)	Consumers Gas	Union Gas	Gas Industry Composite
Fiscal year end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Mar. 31	Sept. 30	Dec. 31	Dec. 31
Commercial paper rating ^	R-1 (low)	-	-	-	R-1 (low)	-	R-1 (low)	R-1 (low)	-
Long-term debt rating ^	"A"	BB (high)	-	-	A (low)	"A"	"A"	"A"	-
Preferred share rating ^	-	Pfd-4 (high)	-	-	-	-	Pfd-2	Pfd-2	-
Financial Ratios									
Current ratio	0.69	0.68	1.16	1.29	1.09	0.83	1.22	0.93	1.01
Accumulated depreciation/gross fixed assets	16.7%	31.6%	36.1%	36.1%	24.5%	35.2%	29.2%	29.9%	27.9%
Cash flow/adjusted total debt (2)	0.08	0.16	0.16	0.17	0.13	0.10	0.14	0.10	0.13
Cash flow/capital expenditures (2)	0.25	2.31	2.71	1.12	1.97	2.24	1.36	1.14	1.02
Cash flow-dividends/capital expenditures (2)	0.14	2.06	2.24	0.97	1.45	2.24	0.93	0.82	0.69
% adjusted debt in the capital structure	67.3%	62.6%	57.0%	57.7%	70.0%	70.6%	61.6%	67.0%	63.3%
Average coupon on long-term debt	7.77%	8.31%	8.16%	8.30%	9.64%	8.89%	8.40%	9.20%	8.52%
Total hybrids/common equity	0.0%	0.0%	0.0%	17.6%	0.0%	0.0%	22.0%	12.0%	9.8%
Deemed common equity	33.0%	36.0%	41.4%	40.0%	40.0%	39.1%	35.0%	35.0%	-
Common dividend payout (before extras.)	96.9%	30.5%	35.7%	32.1%	54.9%	0.0%	76.2%	60.2%	69.7%
Coverage Ratios (4)									
EBIT interest coverage	1.90	2.26	3.16	2.65	1.57	1.61	2.38	1.95	2.19
EBITDA interest coverage	2.55	3.18	4.43	3.85	2.22	2.50	3.34	2.79	3.10
Fixed charges coverage	1.77	2.13	3.16	2.32	1.57	1.61	2.12	1.86	2.04
Earnings Quality/Operating Efficiency									
Operating margin	46.3%	40.4%	38.2%	31.9%	41.3%	25.1%	44.3%	41.6%	41.3%
Net margin (before extras, after preferred div's.)	13.8%	12.0%	16.9%	11.5%	16.5%	13.7%	16.1%	13.3%	16.4%
Return on average common equity (before extras.)	8.4%	9.8%	13.6%	11.6%	14.9%	12.5%	10.2%	10.9%	11.7%
Approved ROE	9.50%	10.25%	11.75%	9.375% (3)(a)	n/a	9.91%	9.73%	9.95%	-
Customers/employee	521	451	417	450	394	374	862	509	487
Operating costs/average customer ($) (3b)	253.46	714.65	317.35	339.73	459.50	281.07	278.48	376.35	358.26
Rate base/km of pipeline ($ thousands)	45.42	46.88	4.13	33.73	12.94	35.79	97.97	82.45	46.36
Rate base/volume throughputs ($ millions per bcf)	9.49	5.44	3.92	1.50	2.63	3.51	6.49	5.44	4.33

(1) Financial and statistical data reflective of gas/electric operations only. Wholly owned subsidiary of:
(a) Westcoast Energy, (b) AltaGas Services, (c) CU Inc., (d) Province of Saskatchewan, (e) Manitoba Hydro, (f) Gaz Metropolitain & Co. L.P., (g) Fortis.

(2) Based on operating cash flows after all preferred dividends. For AltaGas, capital expenditures includes ongoing maintenance and development expenditures (well tie-ins and capacity expansions) only.

(3) (a) One subsidiary has a 40% allowed equity and a 9.375% allowed ROE. The other is subject to a negotiated settlement.

(3) (b) Operating costs exclude municipal + property taxes. Value for Hydro One reflects distribution operations only.

(4) EBIT includes interest income, interest expense excludes capitalized interest, AFUDC and debt amortizations.

^ Stable trend unless otherwise indicated.

DISTRIBUTION UTILITY COMPARISON GRIDS – CURRENT GRIDS AND 2000 RATIOS (CONT'D...)

DBRS Gas Distribution Utility Comparisons

As at December 31, 2000	BC Gas Utility	Centra B.C. (1)(a)	Pacific Northern Gas (1)(a)	AltaGas Utilities (1)(b)	ATCO Gas & Pipe (1)(c)	SaskEnergy (1)(d)	Centra Manitoba (1)(e)	Consumers Gas	Union Gas	Gaz * Metro (1)(f)	Gas Industry Composite	
Fiscal year-end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Mar. 31	Sept. 30	Dec. 31	Sept. 30	Dec. 31	
Commercial paper rating ^	R-1 (low)	-	-	-	-	R-1 (low)	-	R-1 (low)	R-1 (low)	-	-	
Long-term debt rating ^	"A"	-	BB (high)	-	-	A (low)	"A"	"A"	"A"	-	-	
Preferred share rating ^	-	-	Pfd-4 (high)	-	-	-	-	Pfd-2	Pfd-2	-	-	
Operating Statistics												
Degree day deficiency (% normal)	103.1%		101.6%	106.5%	103.3%	101.0%	96.4%	108.0%	97.7%		-	
Pipelines/distribution lines (kilometres)	37,197		3,669	20,000	41,360	78,651	7,485	28,644	34,772		251,778	@
Rate base ($ millions)	1,689.5	429.0	172.0	82.6	1,394.9	1,018.0	267.9	2,806.2	2,867.0	1,487.0	12,214.1	@
% of Industry *(based on rate base)*	13.8%	3.5%	1.4%	0.7%	11.4%	8.3%	2.2%	23.0%	23.5%	12.1%	99.9%	
Rate base growth	3.2%	7.3%	1.2%	6.3%	7.2%	4.0%	-4.5%	-14.5%	4.9%	5.2%	100.0%	
Customer growth	0.9%	4.7%	1.1%	1.9%	2.1%	0.9%	1.1%	4.0%	1.8%	1.7%	0.0%	
Total assets ($ millions)	2,910.4	551.4	232.3	117.1	2,011.3	1,280.7	556.9	4,351.8	3,998.0	1,876.7	17,886.6	@
Net revenues ($ millions)	420.9	81.3	54.0	29.0	538.2	268.7	118.2	828.0	810.0	418.4	3,566.7	@
Net earnings ($ millions) (after pfd + extras.)	57.9	13.7	6.5	4.9	62.0	44.4	16.2	133.0	108.0	143.7	590.3	@
Gas sales (bcf)	122.4	10.5	10.6	14.3	205.0	62.4	57.4	192.2	527.2	215.0	1,417.0	@
Transportation throughputs (bcf)	55.5	15.5	21.0	6.8	723.1	324.4	18.9	240.2	n/a	0.0	1,405.4	@
Total throughputs (bcf / GWh)	178.0	26.0	31.6	21.1	928.1	386.8	76.3	432.4	527.2	215.0	2,822.4	@
% of Industry *(based on throughputs)*	6.3%	0.9%	1.1%	0.7%	32.9%	13.7%	2.7%	15.3%	18.7%	7.6%	100.0%	
Capital Structure												
Short-term debt	168.9	0.0	24.8	2.8	39.1	0.0	186.8	513.4	509.0	57.0	1,501.8	@
Long-term debt due 1 year	72.5	5.5	3.3	1.0	0.0	50.0	2.5	35.0	12.5	5.9	188.2	@
Long-term debt	1,324.0	227.9	82.2	46.0	785.0	667.5	142.1	1,705.1	1,694.0	867.5	7,541.3	@
Debt equivalent preferreds (cumulative)	0.0	67.1	5.0	0.0	0.0	0.0	.	0.0	5.0	0.0	77.1	@
Preferred securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	189.4	0.0	0.0	189.4	@
Preferred equity (cumulative)	0.0	0.0	0.0	0.0	97.8	0.0	0.0	100.0	123.0	0.0	320.8	@
Common equity	760.5	168.0	69.0	37.5	556.6	307.9	137.7	1,318.2	1,023.0	806.0	5,184.4	@
Total capitalization ($ millions)	2,325.9	468.5	184.3	87.3	1,478.4	1,025.4	469.2	3,861.1	3,366.5	1,736.4	15,003.0	@

(1) Financial and statistical data reflective of gas/electric operations only. Wholly owned sub of:

(a) Westcoast Energy, (b) AltaGas Services, (c) CU Inc., (d) Province of Saskatchewan, (e) Manitoba Hydro, (f) Gaz Metro & Co. L.P.

For Westcoast Energy short-term debt includes $363 million securitized receivable sales, pfd equity $130 million in minority interest, common equity $36 million in minority interest.

For Fortis common equity includes $23.1 million minority interest.

^ Stable trend unless otherwise indicated. * Consolidated as at September 30 @ Industry totals.

DISTRIBUTION UTILITY COMPARISON GRIDS – CURRENT RATINGS AND 2000 RATIOS (CONT'D...)

	DBRS Electricity Distribution Utility Comparisions					Parent Holding Companies				
As at December 31, 2000	ENMAX Corporation	Hydro One Inc.	Maritime Electric (1)	Newfoundland Power	Gas & Electric Composite	Westcoast Energy Inc.	AltaGas Services Inc.	CU Inc.	Gaz Metro* & Co. L.P.	Fortis Inc.
Fiscal year-end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Sept. 30	Dec. 31
Commercial paper rating ^	R-1 (low)	R-1 (low)	-	-	-	R-1 (low)	-	R-1 (low)	R-1 (low)	-
Long-term debt rating ^	A (low)	"A"	-	"A"	-	A (low)	BBB	A (high)	"A"	BBB (high)
Preferred share rating ^	-	-	-	Pfd-2	-	Pfd-2 (low)	-	Pfd-2 (high)	-	Pfd-3 (high)
Financial Ratios										
Current ratio	0.52	0.55	1.43	0.48	0.88	0.92	1.28	1.14	1.09	0.54
Accumulated depreciation/gross fixed assets	43.4%	32.5%	34.3%	40.8%	30.5%	25.6%	15.7%	37.4%	29.7%	34.2%
Cash flow/adjusted total debt (2)	0.14	0.15	0.10	0.18	0.14	0.08	0.18	0.18	0.21	0.10
Cash flow/capital expenditures (2)	1.09	1.58	0.74	1.36	1.17	0.86	1.07	1.52	3.09	0.51
Cash flow-dividends/capital expenditures (2)	0.66	0.70	0.64	0.91	0.69	0.59	0.48	1.05	1.50	0.34
% adjusted debt in the capital structure	60.9%	54.2%	55.7%	55.3%	59.9%	68.6%	48.4%	57.7%	61.1%	62.8%
Average coupon on long-term debt	7.77%	8.13%	9.43%	9.66%	8.39%	-	-	-	7.65%	8.69%
Total hybrids/common equity	0.0%	8.8%	0.0%	0.0%	8.7%	36.0%	0.0%	13.5%	0.0%	12.1%
Deemed common equity	-	35.0%	40.0%	45.0%	-	-	-	-	-	-
Common dividend payout (before extras.)	67.1%	58.7%	116.0%	66.6%	65.6%	53.8%	55.5%	73.8%	95.3%	74.6%
Coverage Ratios (4)										
EBIT interest coverage	2.62	2.50	0.89	2.57	2.30	1.73	2.82	2.62	2.67	2.02
EBITDA interest coverage	4.06	3.42	1.83	3.62	3.23	2.56	4.45	3.75	4.04	2.94
Fixed-charges coverage	2.62	2.17	0.89	2.47	2.11	1.47	2.82	2.29	2.67	1.85
Earnings Quality/Operating Efficiency										
Operating margin	18.5%	43.7%	27.0%	47.3%	41.3%	9.1%	6.9%	19.6%	43.8%	19.4%
Net margin (before extras, after preferred div's.)	17.7%	16.4%	3.7%	19.1%	16.5%	3.7%	3.0%	6.8%	27.2%	5.9%
Return on average common equity (before extras.)	13.4%	11.9%	1.5%	11.6%	9.5%	10.8%	10.2%	11.7%	17.9%	9.1%
Approved ROE	-	9.88%	-	9.59%	-	-	-	-	-	-
Customers/employee	332	399	371	333	454	-	-	-	-	-
Operating costs/average customer (3)	406	983	289	366	428	-	-	-	-	-
Rate base/km of pipeline ($ thousands)	-	-	-	-	-	-	-	-	-	-
Rate base/volume throughputs ($ millions per bcf)	-	-	-	-	-	-	-	-	-	-

(1) Financial and statistical data reflective of gas/electric operations only. Wholly owned sub of Fortis.

(2) Based on operating cash flows after all preferred dividends. For AltaGas, capital expenditures includes ongoing maintenance and development expenditures (well tie-ins and capcity expansions) only.

(3) Operating costs exclude municipal + property taxes. Value for Hydro One reflects distribution operations only.

(4) EBIT includes interest income, interest expense excludes capitalized interest, AFUDC and debt amortizations.

For Westcoast Energy short-term debt includes $363 million securitized receivable sales, preferred equity $130 million in minority interest, common equity $36 million in minority interest.

For Fortis common equity includes $23.1 million minority interest.

^ Stable trend unless otherwise indicated. * Consolidated as at September 30.

DISTRIBUTION UTILITY COMPARISON GRIDS – CURRENT RATINGS AND 2000 RATIOS (CONT'D...)

	DBRS Electricity Distribution Utility Comparisions						Parent Holding Companies				
As at December 31, 2000	ENMAX Corporation	Hydro One Inc.	Maritime Electric (1)	Newfoundland Power	Gas & Electric Composite		Westcoast Energy Inc.	AltaGas Services Inc.	CU Inc.	Gaz Metro * & Co. L.P.	Fortis Inc.
Fiscal year-end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31		Dec. 31	Dec. 31	Dec. 31	Sept. 30	Dec. 31
Commercial paper rating ^	R-1 (low)	R-1 (low)	-	-	-		R-1 (low)	-	R-1 (low)	R-1 (low)	-
Long-term debt rating ^	A (low)	"A"	-	"A"	-		A (low)	BBB	A (high)	"A"	BBB (high)
Preferred share rating ^	-	-	-	Pfd-2	-		Pfd-2 (low)	-	Pfd-2 (high)	-	Pfd-3 (high)
Operating Statistics											
Degree day deficiency (% normal)	-	-	-	-	-		-	-	-	-	-
Pipelines/distribution lines (kilometres)	6,730	113,880	n/a	8,000	-		-	-	-	-	-
Rate base ($ millions) (2)	-	2,445.0	170.1	521.0	-		-	-	-	-	-
% of Industry *(based on rate base)*	-	-	-	-	-		-	-	-	-	-
Rate base growth	-	-0.9%	2.9%	3.0%	-		-	-	-	-	-
Customer growth	4.9%	2.5%	2.0	0.7%	2.4%		-	-	-	-	-
Total assets ($ millions)	1,129.90	9,997.00	205.30	628.30	29,847.1	@	15.1	571.4	4,280.8	2,262.9	1,478.6
Net revenues ($ millions)	251.0	2,129.0	27.1	149.2	6,123.0	@	2,200.0	127.7	1,106.7	528.4	277.2
Net earnings ($ millions) (after pfd + extras)	44.50	360.00	1.0	26.50	1,022.40	@	340.00	17.15	153.10	143.70	36.76
Gas sales (bcf)	-	-	-	-	-		-	-	-	-	-
Transportation throughputs (bcf)	-	-	-	-	-		-	-	-	-	-
Total throughputs (bcf / GWh) (3)	7,499.8	17,600	958	4,555	-		-	-	-	-	-
% of Industry *(based on throughputs)*							-	-	-	-	-
Capital Structure											
Short-term debt (4)	0.0	154.0	0.0	19.2	1,675.1	@	1,197.0	0.0	223.1	76.2	65.5
Long-term debt due 1 year	172.5	474.0	0.0	3.1	837.8	@	209.0	0.0	7.2	3.7	11.9
Long-term debt (4)	357.2	3,972.0	92.0	277.1	12,239.6	@	5,971.0	216.9	1,750.2	1,189.8	694.7
Debt equivalent preferreds (cumulative)	0.0	0.0	0.0	9.9	87.0	@	0.0	0.0	0.0	0.0	8.4
Preferred securities	0.0	0.0	0.0	0.0	189.4	@	0.0	0.0	0.0	0.0	0.0
Preferred equity (cumulative)	0.0	323.0	0.0	0.0	643.8	@	995.0	89.0	256.5	0.0	50.0
Common equity (4)	340.6	3,677.0	73.3	250.3	9,525.5	@	2,800.0	160.4	1,326.5	807.7	435.2
Total capitalization ($ millions)	870.27	8,600.00	165.26	559.60	25,198.13	@	11,172.00	466.27	3,563.50	2,077.45	1,265.68

(1) Financial and statistical data reflective of gas/electric operations only. Wholly owned sub of Fortis.

(2) SaskEnergy, ENMAX and Maritime Electric have no rate base. Value represents net fixed assets. For Hydro One excludes Transmission of $5707 million.

(3) Excludes marketing volumes for SaskEnergy (43B cf), T&S volumes for Union Gas (705 Bcf), transmission throughputs for Hydro One (146,900 GWh) and pipeline throughputs for Gaz Metro L.P. (139 Bcf).

(4) For Fortis short-term debt includes $31 million associated with Fortis Trust and $16.3 million of long-term debt associated with Fortis Trust.

For Westcoast Energy short-term debt includes $363 million securitized receivable sales, pfd equity $130 million in minority interest, common equity $36 million in minority interest.

For Fortis common equity includes $23.1 million minority interest.

^ Stable trend unless otherwise indicated. * Consolidated as at September 30. @ Industry totals.

Canadian Gas and Electricity Distribution Utilities - Executive Summary

The ratings on most of the natural gas and electricity distribution utilities are stable in the BBB (high) to “A” range, supported by: (1) a deemed equity in the 35%-40% range of total capital; (2) a stable rate base, which is growing at about 2% per year; and (3) the ability to pass through to customers the cost of natural gas and electricity.

Earnings have been reduced in recent years due to the following factors: (1) Temperatures have been warmer than normal, which has especially negatively impacted the earnings of The Consumers’ Gas Company Ltd. (Consumers’ Gas) and Union Gas Limited (Union Gas). The years 1998 and, to a lesser degree, 1999, were particularly affected by the unusually warm weather, whereas 1996 was especially colder than normal. (2) The decline in interest rates has reduced the allowed returns on equity (ROE), with ROEs falling to below 10% for most of the distribution utilities.

One of the key determinants of changes in earnings from one year to the next is the weather. However, through a cycle, the changes in temperature should average out to zero, thus providing relatively stable earnings over the long term. Consumers’ Gas and Union Gas have been the exceptions to this, as they have experienced strong growth in their franchise areas, thus minimizing the negative impact on earnings from warmer than normal winter temperatures.

Looking forward, DBRS expects to see more mergers among the electricity distribution utilities in Ontario as a way of achieving cost efficiencies and improving profitability. There are currently about 92 local distribution companies in Ontario, with the 17 largest accounting for approximately 63% of total electricity throughputs in the province and serving 67% of customers. The smaller utilities will need to merge if they are to be competitive in the new operating environment, expected to begin in May 2002 (the current projected date for the opening of the retail market to competition).

RATING CONSIDERATIONS

Strengths:

- Cost of service regulation contributes to relative earnings and especially balance sheet stability
- Strong operating cash flows
- Implementations of performance-based regulation (“PBR”) will enhance operating efficiencies
- Competitive advantages of gas versus alternative fuel

Challenges:

- Earnings sensitivity to temperatures
- Earnings sensitivity to interest rates (approved ROEs)
- Forecast (demand) risk; not all variances recoverable
- Tax methodology weakens interest coverage; recovery of unrecorded deferred tax liabilities not assured

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2000.	Deemed		Fixed-Charges	Cash Flow(2) /	Cash Flow(2) /	Bcf / GWh (3)	Approved
Gas Distribution	Equity	% Adj. Debt (1)	Coverage	Adj. Debt(1)	Cap Expend	Throughputs	ROE - 2001
BC Gas Utility	33.0%	71.3%	1.79 x	0.08 x	0.33 x	178.7	9.25%
Centra Gas B.C.	35.0%	65.7%	1.15 x	0.07 x	0.74 x	26.4	9.09%
Pacific Northern Gas	36.0%	63.2%	2.18 x	0.17 x	2.21 x	36.3	10.00%
AltaGas Utilities	41.4%	57.4%	2.70 x	0.19 x	2.10 x	20.0	11.50%
CU (gas subs only)	-	58.4%	2.10 x	0.17 x	1.14 x	898.2	-
SaskEnergy	40.0%	70.1%	1.41 x	0.11 x	1.68 x	353.4	-
Centra Gas Manitoba	39.1%	69.0%	1.77 x	0.10 x	2.01 x	72.6	9.91%
Consumers' Gas	35.0%	61.2%	1.99 x	0.13 x	1.34 x	421.2	9.62%
Union Gas	35.0%	66.6%	1.75 x	0.10 x	1.09 x	521.1	9.64%
Gaz Metro	38.5%	53.6%	3.33 x	0.26 x	3.36 x	215.0	9.60%
Gas Industry Composite	-	*63.7%*	*1.95 x*	*0.13 x*	*1.09 x*	*2,742.9*	-
Electricity Distribution							
ENMAX	-	59.8%	4.37 x	0.14 x	1.12 x	7,475.0	-
Hydro One	35.0%	53.6%	2.39 x	0.16 x	1.35 x	17,479.0	9.88%
Maritime Electric	40.0%	58.2%	2.27 x	0.15 x	0.94 x	917.5	-
Newfoundland Power	45.0%	54.7%	2.52 x	0.18 x	1.29 x	4,572.0	9.59%
Gas & Electric Industry Composite	-	*59.8%*	*2.14 x*	*0.14 x*	*1.17 x*	-	-

(1) Adjusted for equity treatment of hybrid securities. (2) Operating cash flows after all preferred dividends, before working capital changes, capexp net of contributions.

(3) SaskEnergy - excludes marketing volumes, Union Gas - excludes T&S throughputs, Hydro One - excludes transmission throughputs.

INDUSTRY RATING CONSIDERATIONS

<u>Strengths</u>: (1) *Cost of service/rate of return regulation ensures relative financial stability* - With regulated capital structures, formula-based approved ROEs and deferral accounts that allow for the recovery of certain variances (especially commodity costs) relative to forecasts, regulated utilities experience less earnings and cash flow volatility than other industries. In addition, financial leverage remains very stable and predictable. This has a direct positive impact on credit ratings, and generally allows for a higher credit rating, all things being equal, than would otherwise be the case.

(2) *Favourable operating cash flows* - Most distribution utilities are generating more than sufficient cash flows to fund capital expenditures. All residual earnings not required to maintain a defined capital structure are paid out in dividends.

(3) *Pending implementation of performance based regulation* - The implementation of performance-based regulation (pending in Ontario, in effect in Québec and B.C.) will enhance operating efficiencies over the longer term. Over the shorter term, PBR may result in lower earnings if utilities are required to share "excess" earnings with their customers.

(4) *Competitive advantages of gas versus alternative fuels* - The favourable demand fundamentals of gas (cost advantage and environment-friendly fuel source) versus other energy alternatives contributes to a positive earnings growth outlook over the longer term. The demand outlook for gas and gas utilities' earnings is enhanced by the fact that most new electricity generating plants are fuelled by natural gas. Over the near term, gas utilities face potential competitive pressures in the dual fuel customer segment (largely industrial customers) as a result of the recent sharp increase in natural gas prices versus oil, which has been trending slightly downward since last year. Note that while gas prices are significantly higher this winter versus last year, electricity prices in high demand provinces (Alberta and Ontario) are also rising sharply.

<u>Challenges</u>: (1) *Earnings sensitivity to temperatures* - This exposure is directly related to a utility's customer base and volume distribution profile. The larger the residential and commercial customer segment, the more sensitive a utility is to temperatures. Over the short term, temperature volatility can contribute to meaningful swings in earnings and interest coverage ratios. Over the longer term, the weather forecasting methodology used adjusts for short-term temperature fluctuations so that the earnings impact is moderated over future years. Note that unless they operate in regions (i.e., Maritimes, Québec) where winter heating needs are serviced by electricity, this is not a significant concern for electricity distributors.

(2) *Earnings sensitivity to interest rates via approved ROEs.* Approved ROEs have been trending downward over the last five years, consistent with the trend in interest rates, adversely affecting earnings and interest coverage ratios. This sensitivity increases along with growth in rate base. An economic slowdown and/or recession in Canada could lead to a further decline in interest rates and approved ROEs. Note that certain PBR methodologies (see section on Ontario municipal utilities) virtually eliminate the link between earnings and interest rate trends. Also, strong growth, as has been the case in Alberta and Ontario, may offset the adverse earnings impact from a decline in the approved ROE.

(3) *Forecast (demand) risk* - Accuracy of forecast distribution volumes is a key business risk given the forward test year method of rate setting used in most regulatory jurisdictions. The ability to realize the approved rate of return is dependent on achieving forecast volumes to generate the revenues required to recover the cost of providing the associated services. Achievement of forecast distribution volumes is contingent upon economic conditions and weather. Variances from forecast, with the exception of gas costs, are generally not recoverable. Again, given the volatility of the demand profile, forecast risk is a more significant concern for gas distributors than electricity distributors.

(4) *Tax methodology adversely impacts interest coverage ratios* - The use of the flow-through method of accounting for income taxes, generally prevalent among regulated gas utilities in Canada, results in lower revenue collections, thereby reducing operating income and weakening interest coverage ratios. In addition, the use of this methodology creates off-balance sheet deferred tax liabilities. The recovery of this liability in future rates is not assured.

REGULATION - OVERVIEW

Distribution utilities in Canada are regulated by provincial regulators, largely based on a cost of service/rate of return methodology. With the exception of Alberta-based utilities, the various regulatory jurisdictions use the November (the OEB and the Régie use the August publication) *Consensus Forecast* (Consensus Economics, London) to calculate the applicable ROE. The formulas are essentially a product of: (1) a basis point spread (the "risk premium") between the observed ten-year and 30-year Government of Canada bond yields; (2) that is added to an average of forecast ten-year Government of Canada bond yields to establish an estimate of a forecast 30-year bond yield; (3) which is then adjusted to capture 75%-80% of the year-over-year change in forecast yields. As most regulated utilities use a forward test year in the rate setting process, forecast risk is a key business risk and credit consideration. Key variables in the forecast methodology include: (1) interest rate assumptions; (2) commodity price assumptions; and (3) weather and economic assumptions, which determine distribution volumes ("demand risk"). Only BC Gas Utility Ltd. (BC Gas) and Gaz Métropolitain (Gaz Métro) have a deferral account for variances in short-term interest rates. Distribution utilities have deferral accounts that provide for the recovery (and remittance to customers) of variances in commodity prices versus price assumptions used in forecasts. (*As a result, distribution utilities have no exposure to commodity pricing risks.*) Even with retail competition (pending in B.C., in effect in all other provinces), regulated gas utilities are permitted to flow through (without any profit margin) commodity costs. Gas utilities have been accelerating rate adjustments (with the approval of regulators) to recover the rising cost of natural gas. Retail competition in the electricity sector is far behind that of the gas sector with the exception of Alberta and Ontario, which are in various stages of deregulation (i.e., Alberta became fully deregulated as of January 2001. Ontario is in the process of deregulating its electricity industry). Regulated electricity distribution utilities are also permitted to recover commodity price variances. Exposure to commodity pricing risk is, however, a material negative credit consideration for utility holding companies with energy marketing operations, such as ENMAX Corporation and EPCOR Utilities Inc., as well as the Ontario local distribution companies in the retail electricity market segment, including Hydro One Inc. The variance in distribution volumes (actual versus forecast) is probably the most significant factor affecting earnings in any given year. Note that for regulatory purposes, gas utilities' forecasts are based on normal winter temperatures. Volume variances can occur as a result of: (a) temperature fluctuations, i.e., colder or warmer than long-term (generally five-year) recorded (time-weighted) averages; and (b) faster or slower GDP growth than assumptions used in forecasts. Given the nature of the demand profile (dominated by winter heating needs), gas utilities have a higher exposure to demand risk than electricity utilities.

The use of deferral accounts can distort actual earnings and certain key financial ratios, although their smoothing effect results in a reduction in earnings volatility. The existence of deferral accounts is a positive credit consideration only to the extent that they allow for the recovery of unanticipated costs, thereby reducing certain business risks. Note that cash flows are unaffected by deferral accounts.

Outlook: The next step in deregulation for the gas sector is the implementation of performance-based regulation. Incentive-based regulation is in effect in B.C., Québec, and for Consumers' Gas in Ontario. Only Gaz Métro is currently required to share with customers "excess earnings" over and above that implied by the approved ROE. BC Gas, Union Gas, as well as the electricity distribution sector in Ontario are presently in the process of developing and implementing price/rate cap PBR.

Retail competition in the gas sector (i.e., the unbundling of rates and services) has yet to be implemented in B.C., but would have no impact on earnings or credit ratings since regulated utilities are not permitted to earn a profit margin on the sale of the commodity. Similarly, retail competition in the electricity sector should have no impact on regulated electricity distributors.

DBRS generally views PBR favourably as it encourages utilities to improve operating efficiencies and reduces regulatory risk. *Incentive-based systems* are essentially cost of service regulation with an opportunity to enhance earnings by retaining and/or sharing the difference where actual costs are below specified targets. There is little downside risk as the utility is generally not penalized for failing to achieve specified targets. The focus is on controlling costs (i.e., the cost of service side of the regulation equation), but customer rates still incorporate an allowed rate of return that is adjusted annually in conjunction with the movement in interest rates. Under *revenue or price cap methodologies*, both the cost of service and rate of return side of regulation are addressed and the utility is generally faced with greater upside potential and downside risk. Rate adjustments after the base year, which is based on a cost of service/rate of return methodology, are generally tied to an inflation adjusted benchmark or yardstick productivity factor. The rate of return or approved ROE is not adjusted annually with the movement in interest rates, but is monitored and, therefore, earnings sensitivities to the movement in interest rates are eliminated. Inefficient or high-cost utilities that fail to meet prescribed efficiency targets will experience greater earnings pressures under revenue and price cap PBR (i.e., costs are recovered but rate of return is squeezed). DBRS expects this will be a material challenge for some Ontario electricity LDCs and this issue could affect credit ratings.

APPROVED ROE FORMULAS

Distributor	ROE Mechanism	Adjustment Factor (1)	Forward Test Year	Regulator
BC Gas Utility	formula	80%	yes	British Columbia Utilities Commission
Centra B.C.	formula	80%	yes	Provincial Government (2)
Pacific Northern Gas	formula	80%	yes	British Columbia Utilities Commission
AltaGas Utilities	none	n/a	yes	Alberta Energy and Utilities Board
CU (gas subs)	none (3)	n/a	yes	Alberta Energy and Utilities Board
SaskEnergy	n/a	n/a	n/a	Provincial Government
Centra Manitoba	formula	80%	yes	Manitoba Public Utilities Board
Consumer's Gas	formula	75%	yes	Ontario Energy Board
Union Gas	formula	75%	yes	Ontario Energy Board
Gaz Métropolitain	formula	75%	yes	Régie de l'énergie
ENMAX	n/a	-	-	City of Calgary
Hydro One	(4)	-	-	Ontario Energy Board
Maritime Electric	n/a	-	-	Provincial Government / Legislation
Newfoundland Power	formula	-	yes	Nfld & Lab Public Utilities Board

(1) Risk premium increases by 80% (the adjustment factor) when GOC bond yields rise above 6%. When yields are between 7%-10% the adjustment factor is 100%. (2) BCUC commencing in 2003. (3) CU (gas only) - one subsidiary subject to a negotiated settlement, the other has a 40% allowed equity and a 9.375% ROE for 1998-2000. A regulatory hearing is underway for 2001-2002. (4) Under proposed revenue cap PBR, future rate adjustments will be determined by inflation adjusted productivity targets.

The use of formula-based approved ROEs contributes to earnings predictability and minimizes regulatory risk, but also makes earnings more sensitive to changes in interest rates. In addition, the structured approach virtually eliminates the possibility that regulators may revisit a decision with the benefit of hindsight as is regularly the case in Alberta. Alberta-based utilities are subject to relatively greater regulatory risk in that their approved ROEs are based on the subjective assumptions of the AEUB. The lack of a specific mechanism to determine the approved ROE introduces an element of uncertainty and makes regulatory hearings a more time consuming, expensive and adversarial process. Alberta utilities have attempted to manage this risk by negotiating settlements directly with their customers rather than going through annual regulatory hearings.

EARNINGS SENSITIVITIES

	Approved ROE (%)		Rate Base		Impact of 25bp	
	2000	2001	2000	2001E (millions)	change in ROE (millions)	Temp. (millions**)
Gas Distributor						
Consumers' Gas	9.73	*9.62**	$2,806	$3,083	$2.7	$11.0
Union Gas	9.95	*9.64**	$2,867	$2,965	$2.6	$9.0
SaskEnergy (1)	-	-	-	-	-	$5.0
BC Gas Utility	9.50	9.25	$1,690	$2,194	$1.8	deferral acct
Gaz Métropolitain	9.72	9.60	$1,487	$1,572	$1.5	deferral acct
CU (gas subs) (2)	9.38	*11.50^*	$1,395	$1,444	$1.3	$3.8
Centra Gas BC	9.66	9.09	$429	$444	$0.4	deferral acct
Centra Gas Manitoba (3)	9.91	9.91	$280	n/a	$0.3	$2.7
Pacific Northern Gas	10.00	10.25	$172	$169	$0.2	$0.4
AltaGas Utilities	11.75	*11.50^*	$83	$87	$0.1	$0.4

(1) No approved ROEs. (2) One subsidiary subject to a negotiated settlement, the other to a 40% allowed equity, 9.375% ROE for 1998-2000. Regulatory hearing in progress for 2001-2002. (3) ROE and rate base unchanged since 1998. Regulatory hearing in progress. *Expected ROE based on current methodology. **Impact per 5% change in degree days. ^Proposed.

A. Interest Rates

With formula-based approved ROEs driven off of forecast long Canada bond yields, the earnings sensitivity to interest rates remains a challenge for the gas distribution industry as long as interest rates trend downward. Approved ROEs for 2001 were all reduced, consistent with the trend in interest rates over the period. Based on the recent economic forecasts, ROEs in 2002 may decline further. Note that strong rate base growth, as is the case with Consumers' Gas and CU's regulated gas subsidiaries, may offset the adverse earnings impact of a decline in approved ROEs in a given year.

The larger the rate base, the more sensitive a utility is to changes in interest rates and sensitivity increases along with growth in rate base. Consumers' Gas, Union Gas, BC Gas and Gaz Métro are the most sensitive to changes in approved ROEs in terms of nominal dollars.

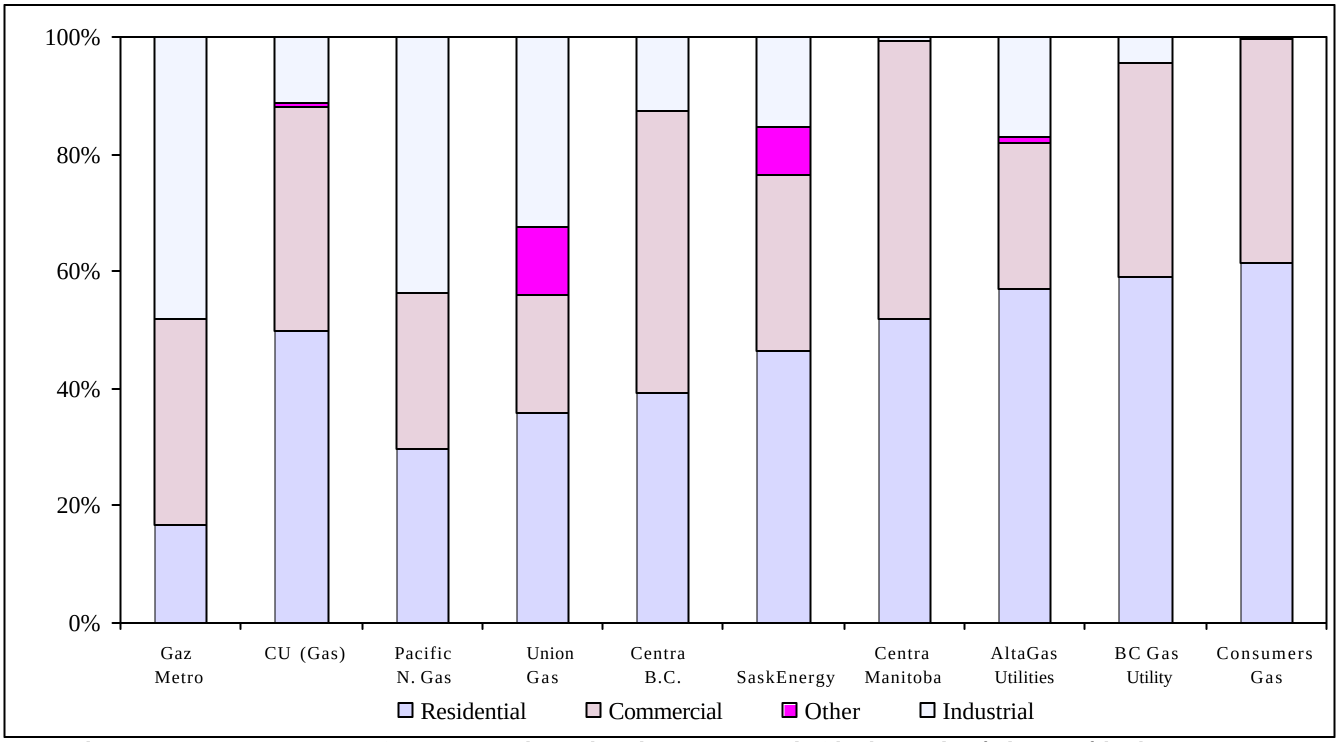
Electricity distributors' earnings, including ENMAX (owned and regulated by the City of Calgary) are not particularly sensitive to interest rates/approved ROEs as they are subject to lighter-handed regulation (see respective reports).

B. Temperatures Gas distribution utility earnings are more sensitive to temperatures than changes in interest rates/approved ROEs in a given year. A utility's sensitivity to temperatures and exposure to economic cycles is reflected in their respective revenue and volume throughput profiles. A high residential component generally contributes to longer-term earnings stability, but usually leaves the utility susceptible to short-term fluctuations in temperatures. The commercial customer segment is also somewhat sensitive to temperatures. For example, winter temperatures during 1998 in many regions of Canada were abnormally warm, and earnings were adversely affected. During 1996, winter temperatures were much colder than normal and earnings were relatively strong.

As indicated in the revenue and throughput profile charts on the following page, (excluding BC Gas, Centra B.C., Gaz Métro, which have deferral accounts that smooth the revenue impact of temperatures), Consumers' Gas, AltaGas Utilities and Centra Manitoba have the largest residential components and are the most sensitive to temperature variances. Note that many provinces experienced significantly warmer than normal winter temperatures during 2000 so the chart below may understate the associated utilities sensitivities to temperatures.

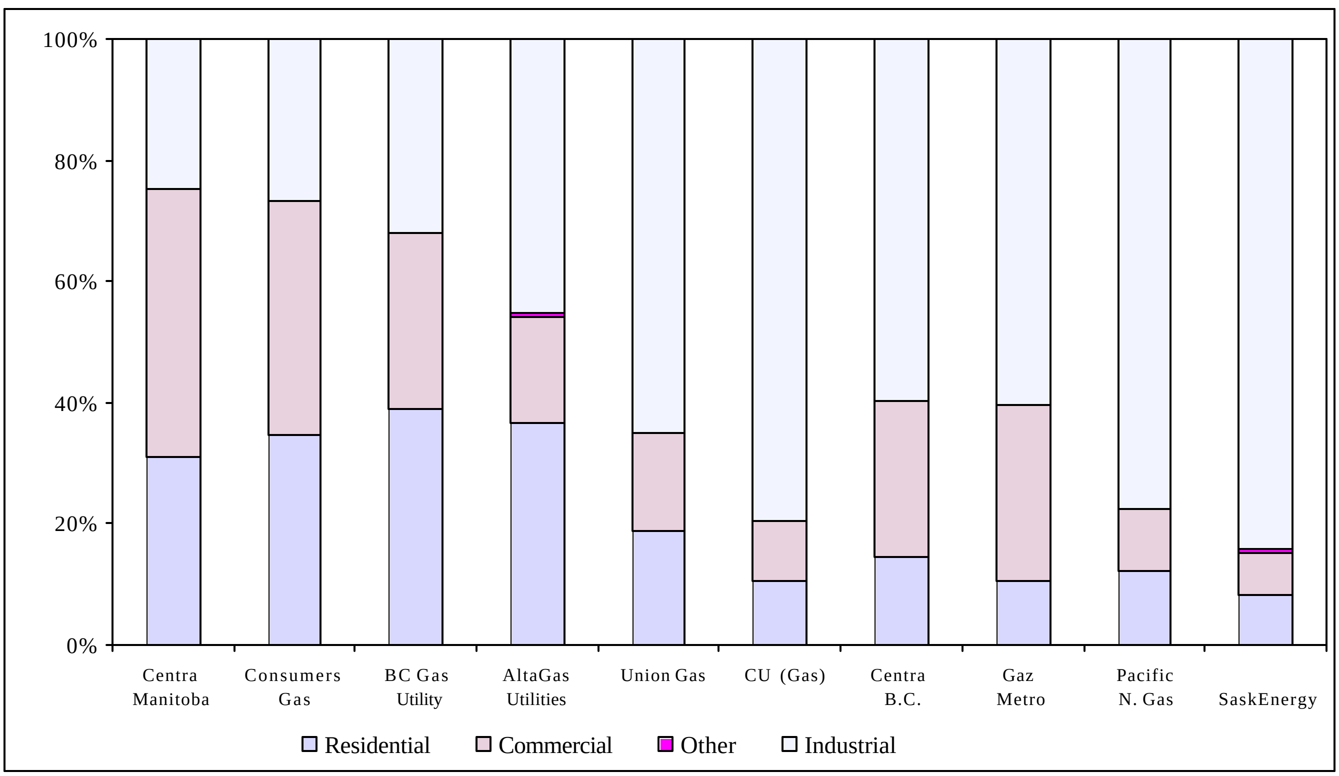
A high industrial component tends to tie a utility's earnings (or earnings growth) closer to the business cycle. SaskEnergy, Pacific Northern Gas, CU (gas subsidiaries), Gaz Métro and Centra B.C. are the most sensitive to the business cycle.

Chart 1 - Gross Revenues: Breakdown by Customer Segment



NOTE: The transportation service category (i.e. customers who purchase their own gas supplies) has been reclassified to one of the above categories.

Chart 2 - Volume Throughputs: Breakdown by Customer Segment



Note: The transportation service category (i.e., customers who purchase their own gas supplies) has been reclassified to one of the above categories.

STATISTICAL DATA - PEER GROUP COMPARISONS

Table 1 - Rate Base / Customer Base

	Expected	Rate Base ($ millions)			Yr / Yr	Customer Base (thousands)		
Gas Distributors	Growth	2001E	2000	1999	Growth	2000	1999	1998
Consumers' Gas	10%	3,083	2,806	3,283	4%	1,525	1,466	1,417
Union Gas	3%	2,965	2,867	2,733	2%	1,123	1,104	1,075
BC Gas Utility	30%	2,194	1,690	1,637	1%	763	756	742
Gaz Metro	6%	1,572	1,487	1,413	2%	151	148	147
CU (Gas)	4%	1,444	1,395	1,301	2%	816	798	780
SaskEnergy	2%	1,038	1,018	997	1%	320	317	314
Centra B.C.	3%	444	429	400	5%	69	66	61
Centra Manitoba	1%	*270*	*268*	*267*	1%	248	245	242
Pacific Northern Gas	-2%	169	172	170	1%	40	39	39
AltaGas Utilities	5%	87	83	78	2%	57	56	55
Sector Total	9%	13,266	12,214	12,280	2%	5,110	4,996	4,873
Electricity Distributors								
Hydro One	16%	2,831	2,445	2,467	3%	957	934	978
Newfoundland Power	1%	526	521	506	1%	215	214	212
ENMAX	13%	500	443	405	5%	342	326	323
Maritime Electric	3%	175	170	165	1%	*65*	64	64
Sector Total		4,032	3,579	3,543		1,580	1,538	1,576

Rate base for SaskEnergy, ENMAX, Centra Manitoba and Maritime Electric reflects net fixed assets.

As might be expected, given the population demographics of Canada, the largest distribution utilities are Ontario-based. However, because of the cost of service nature of the industry, size has historically not been a significant consideration in determining credit ratings. Population density does however affect a utility's cost structure, and relative competitive position vis-à-vis fuel alternatives. A higher density and/or large volume throughput results in comparatively lower unit costs, allowing for competitive delivery costs versus fuel alternatives. In the present "high" gas price environment, gas utilities in low electricity price environments (Québec, Manitoba, B.C.) will have to contend with heightened competitive pressures, particularly in light of the softening in oil prices since their peak during 2000. Under cost of service/rate of return regulation, rate base (roughly equal to net fixed assets of the distribution infrastructure plus a working capital allowance) is the primary earnings determinant. Growth has been generally stronger in the less mature gas sector than the electricity sector, where conversions of home heating and other residential energy systems remain a material source of growth. New home construction is a material driver of rate base growth (residential component), while GDP growth is a good indicator of activity in the industrial and commercial customer segments. In addition, the extension of services into new regions (as is the case with Union Gas and Gaz Métro) or major capital additions (such as BC Gas's expansion of *Southern Crossing*, which was completed in 2000), can enhance a utility's earnings growth outlook.

Table 2 - Growth Outlook: GDP and Housing Starts

	Housing Starts			Real GDP Growth		
	2000	2001F	2002F	2000E	2001F	2002F
British Columbia	-11.6%	7.5%	5.2%	3.4%	2.5%	2.0%
Alberta	3.2%	-0.4%	-1.4%	6.5%	4.1%	3.5%
Saskatchewan	-18.6%	13.4%	5.3%	3.0%	2.3%	2.5%
Manitoba	-18.3%	2.9%	10.1%	3.5%	2.5%	2.8%
Ontario	6.4%	6.3%	-2.6%	5.7%	3.1%	3.3%
Quebec	-4.1%	6.1%	1.1%	4.2%	2.7%	3.0%
New Brunswick	10.9%	-1.4%	-2.0%	3.9%	2.0%	2.5%
Nova Scotia	4.3%	-9.7%	0.0%	2.7%	1.9%	2.1%
Prince Edward Island	15.3%	6.2%	1.6%	4.0%	2.7%	2.5%
Newfoundland	6.4%	-4.9%	-0.7%	5.2%	3.0%	5.0%
Canada	***1.1%***	***4.6%***	***-0.6%***	***4.7%***	***2.7%***	***3.0%***

Source: CMHC Housing Outlook, Second Quarter, 2001

Economic growth (i.e., real GDP forecasts) in every province remains positive, but is expected to slow in 2001 versus 2000. Current forecasts indicate only a slight increase, at best, for 2002. In addition, gas distributors with a high industrial customer segment (Gaz Métro, CU and Pacific Northern Gas, see Chart 2 - page 5) may have to contend with competitive pressures as a result of the recent sharp increase in the cost of natural gas versus oil prices.
Provincial housing forecasts are mixed. Saskatchewan (SaskEnergy), British Columbia. (BC Gas, Centra B.C.), Ontario (Consumers' Gas, Union Gas), Québec (Gaz Métro) and Prince Edward Island (Maritime Electric) are expected to experience favourable growth in the residential customer segment during 2001, although housing starts are currently expected to slow materially in 2002. Manitoba (Centra Manitoba) is the only province where housing starts are expected to continue to improve in each of the next two years. Forecasts for Newfoundland (Newfoundland Power) and Alberta (CU, AltaGas Utilities) indicate material weakness in the residential sector for the next two years. However, this should be at least partially, if not entirely, offset by very strong economic activity (i.e., industrial and commercial sectors). The high cost of gas will likely slow residential conversions over the near term but competitive pressures should be less of a concern in Ontario and Alberta where electricity prices have also risen sharply.
Note that the relative gas distributor's earnings outlook for 2001 versus 2000 will also be favourably affected by a return to more normal winter temperatures in a number of provinces.

Table 3 - Total Volume Throughputs

Gas Distributors (Bcf)	2000	1999	1998	1997	1996	1995
CU (Gas)	928.1	828.8	771.5	669.2	656.8	590.5
Union Gas (1)	527.2	515.5	468.6	511.0	485.1	470.7
SaskEnergy (2)	386.8	365.9	367.5	377.4	404.9	413.1
Consumers' Gas	432.3	407.1	381.5	430.0	426.7	407.0
Gaz Metro	215.0	208.2	209.8	219.3	211.8	201.5
BC Gas Utility	178.0	181.6	169.3	175.0	184.5	168.1
Centra Manitoba	76.3	71.2	75.1	67.1	71.6	66.9
Pacific Northern Gas	31.6	38.7	35.3	38.5	35.2	31.5
Centra B.C.	26.0	25.7	22.9	23.9	25.8	23.1
AltaGas Utilities	21.1	19.2	19.2	18.0	18.3	17.1
Sector Total	2,822.4	2,661.8	2,520.8	2,529.3	2,520.8	2,389.5
Electricity Distributors (GWh)						
Hydro One (3)	17,600	18,100	18,300	18,800	18,600	-
ENMAX	7,500	7,162	6,980	6,867	6,644	-
Newfoundland Power	4,555	4,500	4,440	4,438	4,425	4,382
Maritime Electric	958	918	876	850	823	763
Sector Total	30,612	30,680	30,596	30,955	30,492	5,145

(1) Excludes Storage & Transmission. (2) Excludes marketing. (3) Excludes transmission.

Given the demand profile for gas, throughputs are significantly more volatile for gas distributors than electricity distributors and can materially affect earnings and cash flows in a given year. *This volatility is a key negative credit consideration for the gas distribution industry.* Short-term volatility is strongly influenced by the size of residential customer component where demand is largely a function of winter heating needs. Abnormally warm winters in a number of provinces during 1998 adversely affected throughputs and earnings for utilities with a high exposure to the residential customer segment. Throughputs and earnings were particularly strong during 1996 when temperatures were abnormally cold. Throughputs among electricity distributors are significantly more stable, but growth is also generally materially lower.

Table 4 – 2000 Volume Throughputs: Breakdown by Customer Segment

	BC Gas Utility	Centra Gas BC	Pacific N. Gas	AltaGas Utilities	CU (Gas)	SaskEnergy	Centra Manitoba
Residential	69.5	3.8	3.8	7.7	98.0	31.6	23.7
Commercial	51.5	6.7	3.2	3.7	91.2	27.3	33.7
Large industrial	1.4	0.0	3.5	2.7	14.5	0.6	0.0
Other	0.0	0.0	0.0	0.2	1.3	2.9	0.0
Gas distribution	122.4	10.5	10.6	14.3	205.0	62.4	57.4
Transportation	55.5	15.5	21.0	6.8	723.1	324.4	18.9
Other (1)	0.0	0.0	0.0	0.0	0.0	59.5	0.0
Total	178.0	26.0	31.6	21.1	928.1	446.3	76.3

	Consumers' Gas	Union Gas	Gaz Metro	ENMAX	Hydro One	Martime Electric	Nfld Power
Residential	103.3	99.2	22.8	2,181	9,240	362	2,707
Commercial	66.2	85.7	62.2	373	3,960	596	1,848
Large industrial (2)	22.7	342.2	130.0	4,684	1,760	0	0
Other	0.0	0.0	0.0	263	2,640	0	0
Gas distribution	192.2	527.2	215.0	7,500	17,600	958	4,555
Transportation	240.2	0.0	0.0	0	0	0	0
Other (1)	0.0	735.4	0.0	0	146,900	0	0
Total	432.3	1,262.5	215.0	7,500	164,500	958	4,555

(1) SaskEnergy - marketing volumes. Union Gas - storage & transportation. Hydro One - transmission throughputs.

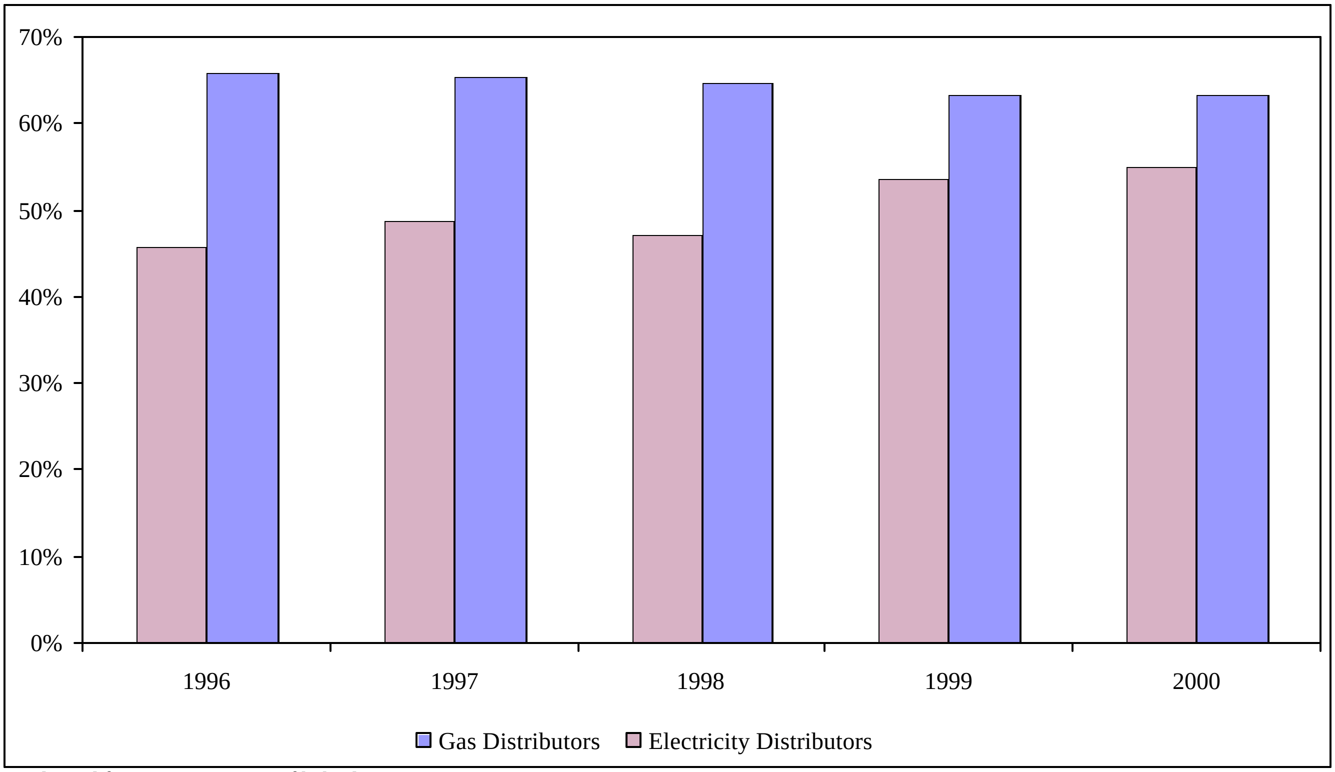
(2) Includes transporation service.

Some level of retail competition in the gas sector has been in effect for several years in all provinces except B.C., where it will likely be implemented over the next one to two years. As a result, transportation throughputs have grown significantly, largely at the expense of other categories as customers began to source their own gas supplies. Alberta introduced retail competition in the electricity sector in 2001 and Ontario expects to implement retail competition in May 2002. Because commodity costs flow through to customers, retail competition does not affect the earnings or cash flows of regulated distribution utilities. Energy marketing activities are conducted by affiliated subsidiaries. Retail competition, therefore, has no impact on the credit ratings of regulated distribution companies, but may adversely affect the ratings of utility holding companies active in the energy marketing segment.

KEY FINANCIAL RATIOS

DBRS's key debt ratios include per cent debt in the capital structure, interest coverage, cash flow/total debt, and to a lesser extent, cash flow/capital expenditures (see Appendix B for formulas).

Chart 3 - Adjusted Debt* in the Capital Structure: Industry Composites



* Adjusted for equity treatment of hybrid securities.

Balance sheets are managed in accordance with regulatory directives that set an allowed common equity component. As a result, balance sheet strength is unusually stable (a material credit consideration) compared to other industries. Revenue shortfalls that adversely impact a utility's capital structure require an equity injection and/or a reduction in common dividends, while earnings that result in an "excess" of common equity are withdrawn via dividend payments. Dividend payout ratios are, as a result, volatile. Given fixed-capital structures, utilities are among the largest debt issuers in the Canadian market. Short-term borrowings are typically used to finance working capital needs, which are highly seasonal for the gas sector. With the sharp increase in natural gas prices over the past year, gas utilities' short-term borrowing requirements (and commercial paper programs) have increased materially even though distribution utilities have been permitted to adjust rates more frequently to recover the higher cost of inventories. To date, most regulators have been reasonable in allowing the necessary rate adjustments and increasing the frequency with which the cost of gas rate component is reviewed. Decisions to defer rate adjustments to provide rate relief to customers, as in Alberta and for the MEUs in Ontario, have been primarily political in nature. *Rate deferrals would negatively impact credit ratings if the recovery of outstanding balances became uncertain*.

Table 5 - Adjusted Debt* in the Capital Structure: Peer Comparisons

	Deemed	2000	Adjusted debt* in the capital structure				
Gas Distributors	Equity	Rate Base (1)	2000	1999	1998	1997	1996
Gaz Metro	38.5%	1,487	53.6%	51.2%	53.5%	51.5%	51.4%
AltaGas Utilities	41.4%	83	57.0%	59.3%	60.5%	58.1%	56.3%
CU (Gas)	40.0%	1,395	57.7%	57.4%	57.2%	57.5%	57.0%
Consumers' Gas	35.0%	2,806	61.6%	62.3%	69.4%	69.4%	68.8%
Pacific Northern Gas	36.0%	172	62.6%	66.2%	64.5%	65.1%	61.1%
Centra BC	35.0%	429	64.1%	65.4%	66.4%	67.2%	67.6%
Union Gas	35.0%	2,867	67.0%	67.4%	64.8%	67.3%	69.5%
BC Gas Utility	33.0%	1,690	67.3%	67.2%	65.9%	67.6%	68.3%
Centra Manitoba	39.1%	268	70.6%	70.1%	64.9%	62.6%	60.5%
SaskEnergy (2)	40.0%	1,018	70.0%	71.8%	72.9%	73.4%	75.3%
Sector Average	36.2%	-	63.3%	63.4%	64.7%	65.4%	65.8%
Electricity Distributors							
Hydro One	35.0%	2,445	54.2%	54.6%	-	-	-
Newfoundland Power	45.0%	521	55.3%	56.3%	56.8%	55.1%	54.5%
Maritime Electric	40.0%	170	55.7%	58.2%	56.8%	59.0%	57.6%
ENMAX (1)	40.2%	443	60.9%	30.5%	33.4%	38.1%	32.4%
Sector Average	37.2%	-	54.9%	53.6%	47.1%	48.7%	45.8%
Group Average	36.4%	-	59.9%	59.3%	63.4%	64.1%	64.2%

(1) See Table 1 for notes. (2) No deemed equity, represents actual. * Adjusted for equity treatment of hybrid securities.

Balance sheet strength among regulated distribution utilities is unusually stable, which is a material positive credit consideration. Smaller utilities, such as AltaGas Utilities and Newfoundland Power are usually allowed a higher equity component, generally reflecting risk factors associated with their relatively small size and low growth business franchises. BC Gas, with the lowest deemed equity is somewhat disadvantaged relative to its peer group, and the higher financial leverage is reflected in comparatively weaker interest coverage ratios. Like most other government-owned utilities, SaskEnergy operates with higher financial leverage than the private sector. SaskEnergy is, however, working towards bringing its capital structure in line with the private sector (i.e., reflective of a 40% deemed equity component). Most utilities in the group are operating companies. Hydro One and ENMAX are holding companies, whose business profile is somewhat riskier given their involvement in energy marketing activities. In addition, the rating profile of these two companies also reflects the potential for increasing leverage given their lack of access to the capital equity markets.

Fixed-Charges Coverage With stable balance sheets, utility credit ratings are somewhat higher than might be the case given the nominal level of interest coverage ratios typical of the industry. Coverage ratios fluctuate among gas distributors over the short term with the impact of temperatures on earnings, but industry composites have been very stable over the longer term (between 2.0 times and 2.3 times over the last eight years). Because Union Gas and Consumers' Gas together account for about half of the Canadian gas distribution industry, industry composites (weighted by size) as indicated in Charts 5-8 are currently somewhat weaker than typical. Current composites have also been somewhat weakened by BC Gas major capital expansion (*South Crossing*), which will not contribute to earnings or cash flows until after the project becomes fully operational in 2001. Note that SaskEnergy compares unfavourably because of the company's comparatively higher financial leverage. SaskEnergy's ratios should continue to improve as debt levels are reduced over the next few years to reflect a 40% deemed equity. Most utilities are generating cash flows in excess of capital expenditure needs (Chart 8), with the exceptions being BC Gas, Centra BC, Maritime Electric.

Chart 4 – Fixed-Charges Coverage: Relative Comparisons and Industry Composite

As at December 2000.

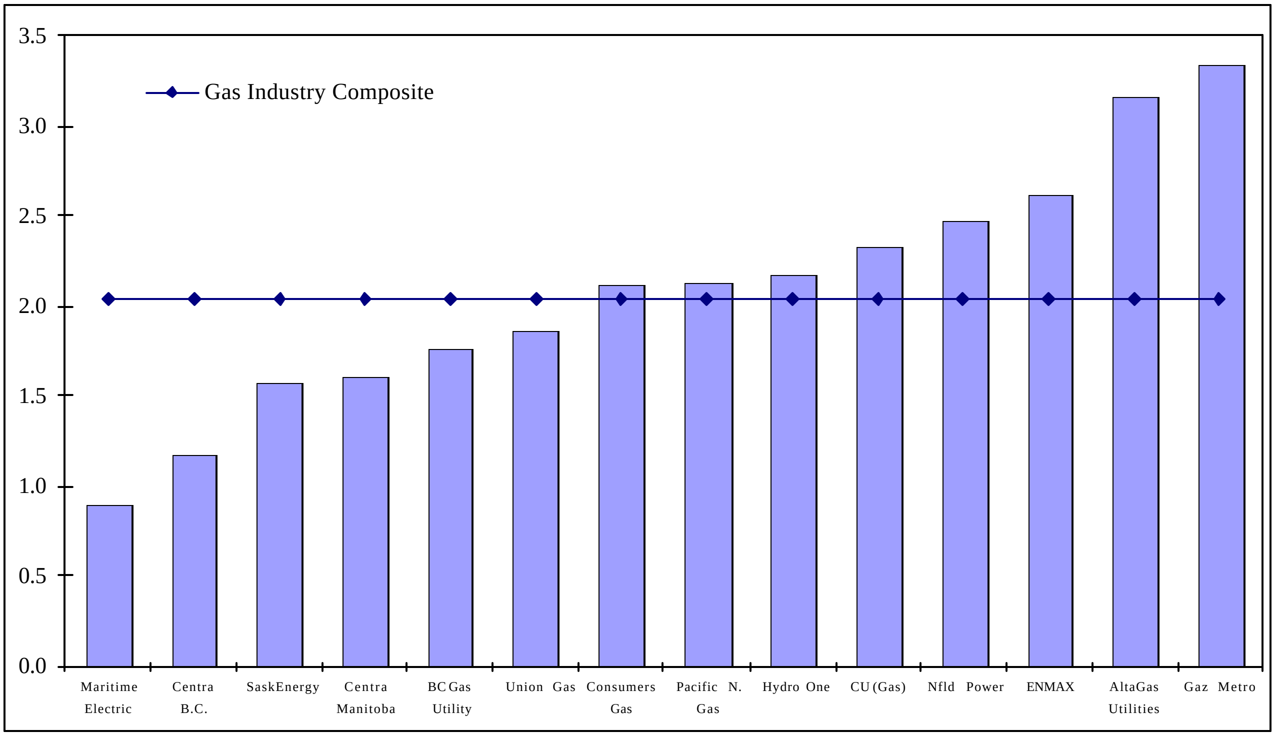


Chart 5 - EBITDA Interest Coverage: Relative Comparisons and Industry Compositie

As at December 2000.

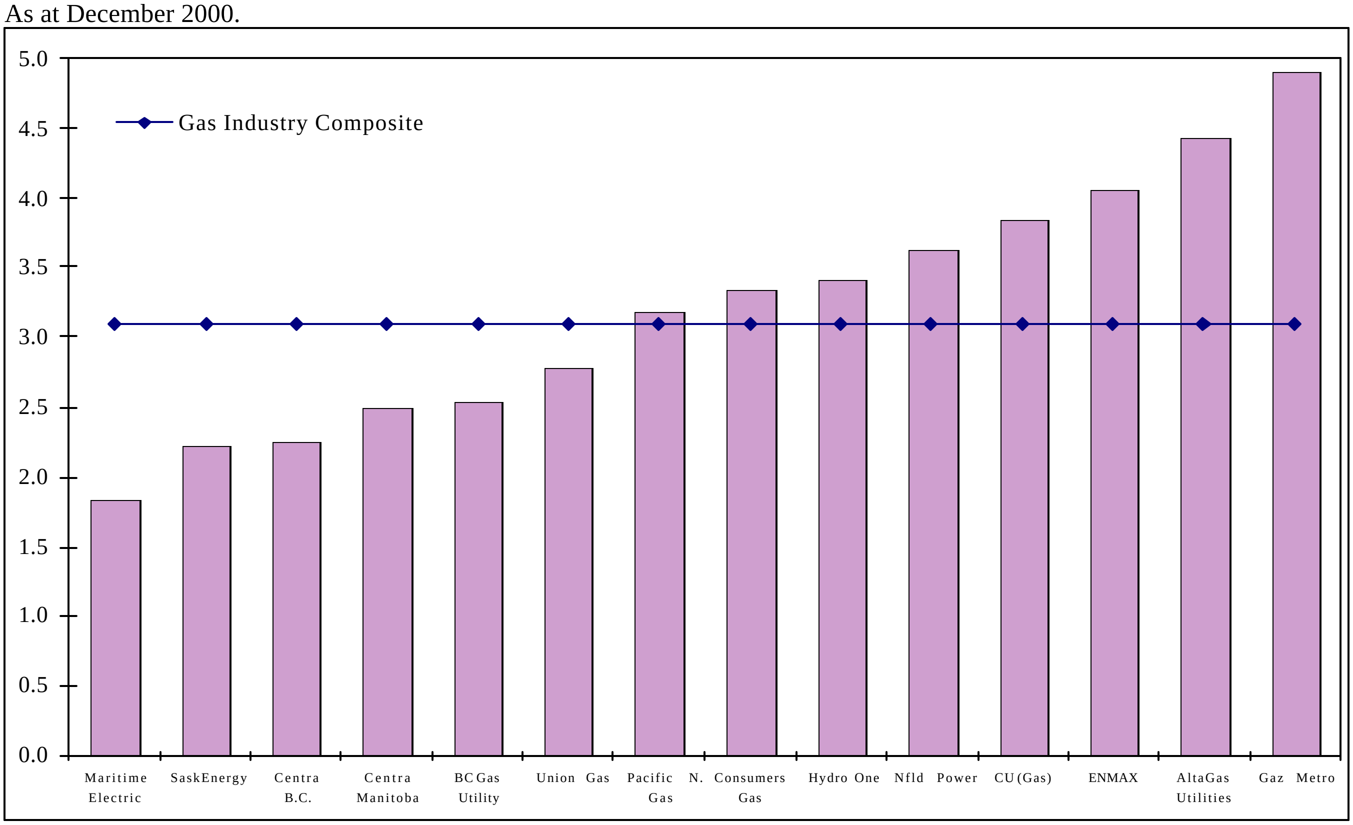
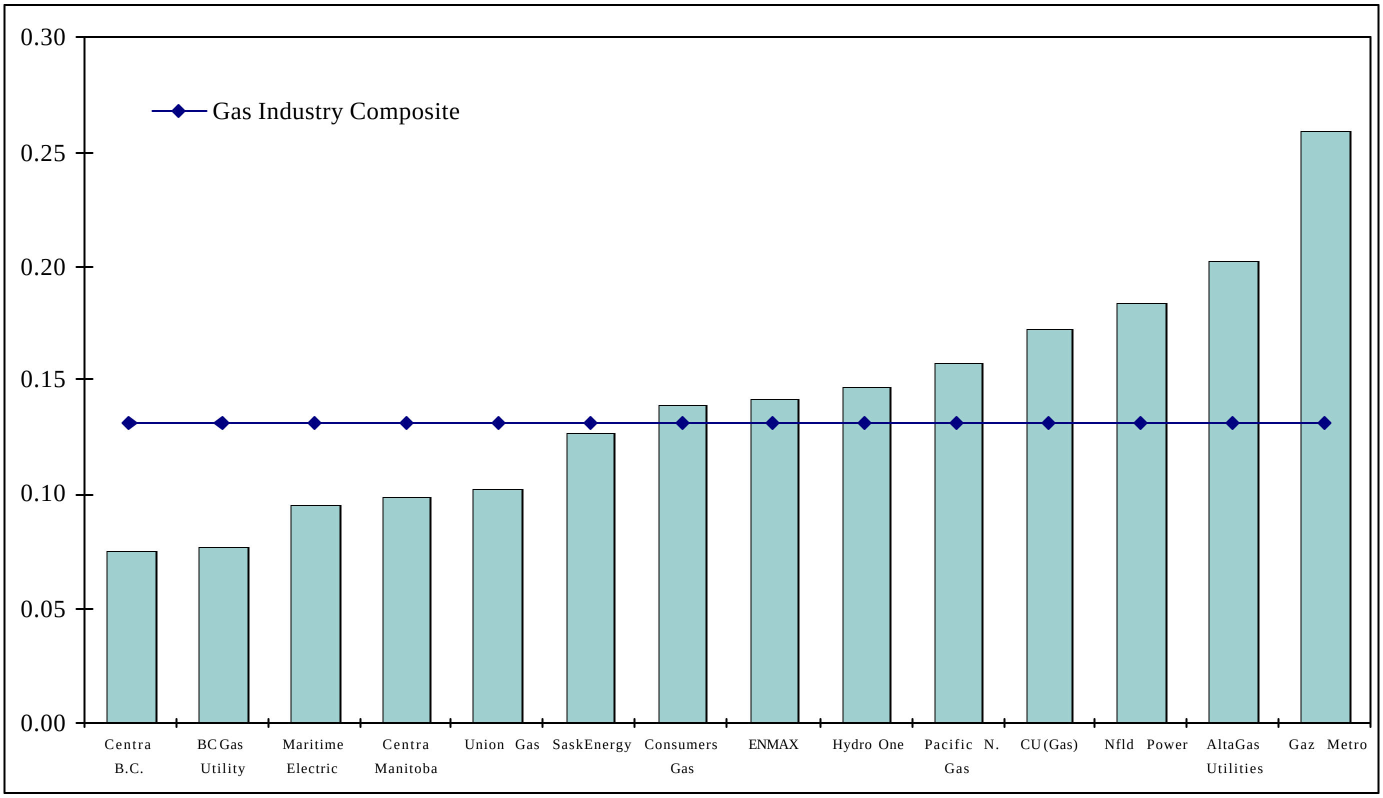


Chart 6 - Cash Flow / Adjusted Total Debt*: Relative Comparisons and Industry Composite

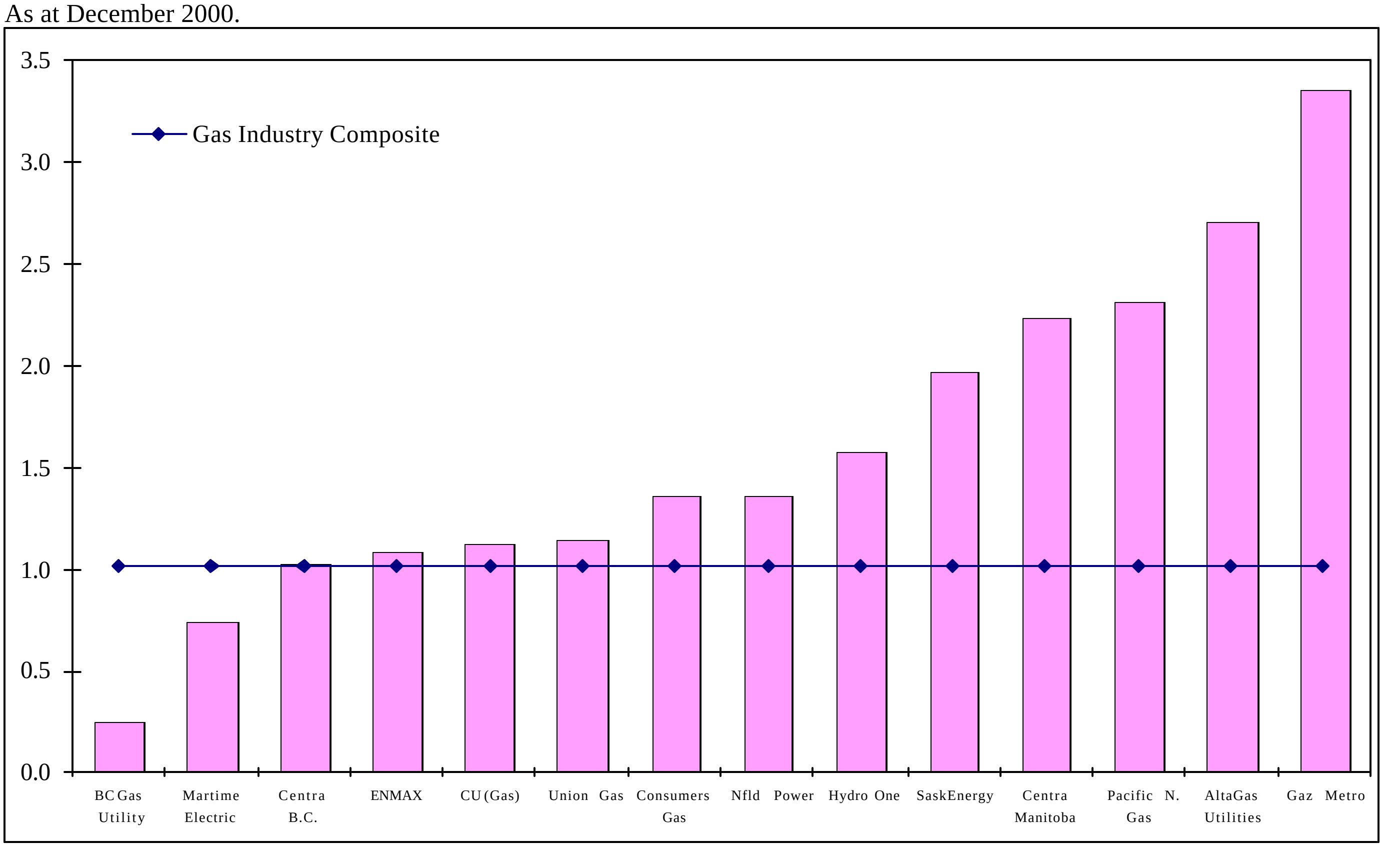
As at December 2000.



* Adjusted for the equity treatment of hybrids.

Chart 7 - Cash Flow / Capital Expenditures: Relative Comparisons and Industry Composite

As at December 2000.



OPERATING EFFICIENCIES - PEER COMPARISONS

Table 6 - EBIT Margins, Customers/Employee, Costs/Avg. Customer

For the year ended December 31, 2000.

Gas Distributors	EBIT Margin	Rank	Customers/ Employee	Rank	Operating Costs/Avg. Customer	Rank
Gaz Metro	46.3%	1	116	10	1,387	10
BC Gas Utility	46.3%	2	521	2	253	1
Consumers' Gas	44.3%	3	862	1	278	2
Centra BC	42.7%	4	284	9	577	8
Union Gas	41.6%	5	509	3	376	6
SaskEnergy	41.3%	6	394	7	460	7
Pacific Northern Gas	40.4%	7	451	4	715	9
AltaGas Utilities	38.2%	8	417	6	317	4
CU (Gas)	31.9%	9	450	5	340	5
Centra Manitoba	25.1%	10	374	8	281	3
Sector Average	41.3%		487		358	
Electricity Distributors						
Newfoundland Power	47%		307		366	
Hydro One	44%		332		983	
Maritime Electric	27%		374		289	
ENMAX	18%		477		406	
Group Average	41%		353		601	

Profitability in the gas sector has generally weakened over the last five years, adversely affected by declining approved ROEs and warmer-than-normal winter temperatures in recent years, factors that do not impact the electricity distributors above. BC Gas Utility has consistently been among the most efficient utilities based on the above measurements, but has also consistently generated a return on average common equity below that of its approved ROE because of amortization expenses (BC Gas acquired the gas distribution business from B.C. Hydro in 1992). Hydro One with its large, high-cost rural customer base and Gaz Métro with its below-average market penetration/small customer base have amongst the weakest efficiency ratios as indicated by the table above. Almost all regulated utilities have been able to consistently generate a return on common equity in excess of approved ROEs. This may indicate that forecasts have been somewhat conservative, but also illustrates that utilities are proficient in managing costs. DBRS expects gas distributors will be able to maintain this level of performance even under rate cap PBR.

Table 7 - Earned Return on Average Common Equity versus Approved ROE

Gas Distributors	Earned 2000	Approved 2000	Earned 1999	Approved 1999	Earned 1998	Approved 1998
BC Gas Utility	8.40%	9.50%	9.10%	9.25%	10.60%	10.00%
Centra B.C.	4.94%	9.66%	8.14%	9.09%	8.79%	10.01%
Pacific Northern Gas	9.75%	10.25%	10.79%	10.00%	10.14%	10.75%
AltaGas Utilities	13.63%	11.75%	11.58%	11.75%	12.11%	11.75%
CU (Gas) (1)	11.58%	9.38%	12.68%	9.38%	13.78%	9.38%
SaskEnergy	14.91%	n/a	13.09%	n/a	13.81%	n/a
Centra Manitoba	12.47%	9.91%	4.24%	9.91%	5.11%	9.91%
Consumers' Gas	10.18%	9.73%	9.65%	9.51%	6.78%	10.30%
Union Gas	10.91%	9.95%	9.45%	9.61%	9.86%	10.53%
Gaz Metro	17.93%	9.72%	17.66%	9.64%	19.11%	10.75%
Electricity Distributors						
ENMAX	13.36%	n/a	13.88%	n/a	21.96%	n/a
Hydro One	11.89%	9.88%	12.66%	9.35%	-	-
Maritime Electric	1.50%	n/a	8.77%	n/a	8.62%	n/a
Newfoundland Power	11.56%	9.59%	9.93%	9.25%	9.44%	9.25%

(1) One subsidiary subject to a negotiated settlement, the other to 40% allowed equity, 9.375% ROE.

ONTARIO MUNICIPAL ELECTRIC UTILITIES

DBRS Ontario Municipal Electric Utilities

As at December 31, 1999	Toronto Hydro	Ottawa Hydro (Pro forma)	Hamilton Hydro (Pro forma)	Enersource	York Region Hydro (Pro forma)	ENWIN Utilities	London Hydro	Brampton Hydro	Veridian Hydro (Pro forma)	Oakville Hydro
Fiscal year-end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
		(Ottawa-Carleton)	(Hamilton-Wentorth)	(Peel)						(Halton)
Municipal long-term debt rating ^	AA (high)	AA (high)	AA (high) (neg)	AAA	-	-	-	-	-	AAA
Commercial paper rating ^	-	-	-	-	-	-	-	-	-	-
Long-term debt rating ^	-	-	-	"A"	-	-	-	-	-	-
Preferred share rating ^	-	-	-	-	-	-	-	-	-	-
Financial Ratios										
Current ratio	1.52	2.44	2.63	2.71	3.38	2.16	2.30	1.83	2.17	2.73
Accumulated depreciation/gross fixed assets	38.9%	45.4%	40.1%	31.9%	37.6%	36.8%	39.5%	35.0%	40.4%	37.9%
Cash flow/total debt	0.12	50.04	3.21	NMF	2.43	0.50	NMF	2.31	0.12	NMF
Cash flow/capital expenditures (1)	0.87	1.17	0.86	1.77	3.06	0.40	1.13	3.74	0.89	1.08
Cash flow-dividend/capital expenditures (1)	0.87	1.17	0.86	1.77	3.06	0.40	1.13	3.74	0.89	1.08
Debt in the capital structure	63.1%	0.1%	2.4%	0.0%	3.0%	17.1%	0.0%	3.7%	63.0%	0.0%
Average coupon on long-term debt	6.80%	-	-	-	-	6.75%	-	9.74%	8.0%	-
Deemed common equity	35%	40%	45%	40%	40%	45%	45%	45%	45%	45%
Common dividend payout (before extras.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (2)										
EBIT interest coverage	6.04	2.39	17.39	NMF	5.68	6.36	28.04	4.33	(0.98)	17.31
EBITDA interest coverage	37.99	24.21	40.51	NMF	12.84	11.82	70.02	7.92	9.17	125.63
Fixed-charges coverage	6.04	2.39	17.39	NMF	5.68	6.36	28.04	4.33	(0.98)	17.31
Earnings Quality										
Operating margin	4.3%	3.8%	13.7%	18.3%	21.6%	27.2%	16.3%	31.2%	-8.7%	-2.5%
Net margin (after pfd. before extras.)	5.4%	2.2%	21.3%	25.2%	23.9%	29.6%	20.2%	27.9%	-7.1%	7.2%
Return on avg. common equity (before extras.)	1.5%	0.5%	2.2%	3.0%	3.1%	4.9%	3.5%	4.6%	-4.3%	0.8%
Approved ROE	-	-	-	-	-	-	-	-	-	-
Operating Efficiencies										
GWh throughputs/employee	278.9	13.2	21.5	23.9	14.5	9.0	2.4	15.2	14.2	18.9
Customers/employee	336	467	527	537	458	348	450	423	631	450
Customers/distribution lines	71	51	85	0	26	30	58	45	178	38
Operating costs/avg. customer ($) (3)	436.8	231.5	152.5	301.9	291.1	236.0	205.4	263.0	352.6	307.0
Unit Revenues & Costs (cents per kWh)										
Average gross revenues	7.41	6.97	6.32	7.02	7.41	6.72	7.37	7.28	6.58	6.77
Power costs	6.31	6.28	5.80	6.35	6.40	6.00	6.45	6.36	5.80	6.14
Average net revenues	1.10	0.69	0.52	0.68	0.32	0.73	0.92	0.92	0.78	0.63
Variable costs (OM&A + income taxes)	0.71	0.52	0.31	0.32	0.47	0.58	0.51	0.40	0.63	0.38
Fixed costs (deprec, interest, government levies)	0.47	0.31	0.20	0.35	0.50	0.04	0.36	0.40	0.35	0.34
Total costs (excl. power costs)	1.19	0.83	0.51	0.67	0.97	0.62	0.87	0.80	0.97	0.72
Net margin (excl. interest income, ancillary revenues)	(0.09)	(0.15)	0.01	0.00	0.04	0.10	0.05	0.12	(0.19)	(0.09)

(1) Operating cash flows before working capital. Capital expenditures are net of customer contributions.
(2) EBIT includes interest income. Interest expense before capitalized interest, AFUDC and debt amortizations.
(3) Operating costs exclude municipal + property taxes.

ONTARIO MUNICIPAL ELECTRIC UTILITIES (CONT'D...)

DBRS Ontario Municipal Electric Utilities

As at December 31, 1999	Toronto Hydro	Pro forma Ottawa Hydro	Pro forma Hamilton Hydro	Enersource	Pro forma York Region Hydro	ENWIN Utilities	London Hydro	Brampton Hydro	Pro forma Veridian Hydro
Fiscal year-end	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
		(Ottawa-Carleton)	(Hamilton-Wentorth)	(Peel)					
Municipal long-term debt rating ^	AA (high)	AA (high)	AA (high) (neg)	AAA	-	-	-	-	-
Commercial paper rating ^	-	-	-	-	-	-	-	-	-
Long-term debt rating ^	-	-	-	"A"	-	-	-	-	-
Preferred share rating ^	-	-	-	-	-	-	-	-	-
Operating Statistics									
Rate base ($ millions)	1,810.1	387.0	247.3	451.4	495.1	165.7	174.0	211.7	150.7
Rank (based on size of rate base)	*2*	*5*	*6*	*4*	*3*	*9*	*8*	*7*	*10*
Total assets ($ millions)	1,942.9	491.0	329.2	568.5	643.7	219.3	224.8	243.1	176.9
Net revenues ($ millions)	310.5	60.2	40.3	55.9	67.9	24.7	31.9	30.3	20.7
Net income ($ millions)	16.7	1.3	8.6	14.1	16.2	6.7	4.4	8.5	(1.5)
Number of customers	657,781	250,012	170,679	153,693	184,587	76,857	128,789	80,883	106,009
Growth in customer base	0.2%	1.6%	3.4%	3.0%	5.1%	1.6%	4.5%	4.4%	-
Ontario Market Share (based on 4.6 million electricity cust.)	*14%*	*5%*	*4%*	*3%*	*4%*	*2%*	*3%*	*2%*	*2%*
Electricity Throughputs									
Residential	5,467	2,108	1,264	1,361	1,717	623	1,006	768	766
Commercial + small industrial	17,236	4,269	2,003	4,611	39,988	1,311	1,779	1,067	1,602
Large users / time of use	2,531	650	3,659	817	103	1,158	284	1,054	0
Street lighting / other	105	34	27	33	34	16	21	18	15
Total (GWh)	25,339	7,061	6,952	6,821	5,851	3,108	3,091	2,908	2,383
Percent of Ontario Demand Load (145,000 GWh)	*17.5%*	*4.9%*	*4.8%*	*4.7%*	*4.0%*	*2.1%*	*2.1%*	*2.0%*	*1.6%*
Capital Structure									
Short-term debt	3.3	0.4	4.5	0.0	6.8	3.3	0.0	2.1	0.0
Long-term debt	980.2	0.0	2.1	0.0	10.3	26.6	0.0	5.7	2.1
Preferred equity (debt equivalents)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	55.9
Preferred equity (common equivalents)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common equity	575.8	406.0	273.6	498.7	555.2	145.3	186.7	203.5	34.1
Total capitalization ($ millions)	1,559.3	406.4	280.2	498.7	572.4	175.1	186.7	211.4	92.2

^ Trend is stable unless otherwise indicated. Pro Forma 1999 (with the exception of Hydro One), assuming OEB approves all mergers and acquisitions filed as of November 7, 2000.

ONTARIO MUNICIPAL ELECTRIC UTILITIES (CONT'D...)

	DBRS Ontario Municipal Electric Utilities										***(excl. MEUs) Gas & Elec.***
As at December 31, 1999	Kitchener Hydro	Burlington Hydro	St. Catharines Hydro	Oshawa Hydro	Thunder Bay Hydro	Sudbury Hydro	Hydro One	ENMAX Corporation	Newfoundland Power	Maritime Electric	Industry Composite
Fiscal year end	Dec. 31	Dec. 31 (Halton)	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	
Municipal long-term debt rating ^	-	AAA	-	-	-	-	-	-	-	-	-
Commercial paper rating ^	-	-	-	-	-	-	R-1 (low)	R-1 (low)	-	-	-
Long-term debt rating ^	-	-	-	-	-	-	"A"	A (low)	"A"	-	-
Preferred share rating ^	-	-	-	-	-	-	-	-	Pfd-2	-	-
Financial Ratios											
Current ratio	3.19	3.03	2.02	2.66	2.23	2.03	0.58	1.59	0.58	0.80	***0.80***
Accumulated depreciation/gross fixed assets	34.4%	42.4%	39.3%	52.2%	42.9%	47.2%	31.5%	43.6%	42.3%	33.6%	***29.8%***
Cash flow/total debt	NMF	2.12	3.24	NMF	21.02	17.26	0.15	0.51	0.16	0.15	***0.14***
Cash flow/capital expenditures (1)	1.30	1.67	0.85	1.43	1.15	1.07	1.34	1.26	1.19	0.94	***1.26***
Cash flow-dividend/capital expenditures (1)	1.30	1.67	0.85	1.43	1.15	1.07	1.34	0.67	0.97	0.60	***0.72***
Debt in the capital structure	0.0%	2.8%	1.7%	0.0%	0.3%	0.5%	54.6%	30.5%	56.3%	58.2%	***59.3%***
Average coupon on long-term debt	-	10.81%	7.50%	-	7.50%	12.25%	7.7%	9.04%	9.66%	9.79%	***8.37%***
Deemed common equity	45%	50%	50%	50%	50%	50%	35%	-	45%	40%	-
Common dividend payout (before extras.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	38.7%	76.3%	40.5%	87.5%	***103.7%***
Coverage Ratios (2)											
EBIT interest coverage	64.28	2.42	2.03	0.29	41.12	21.44	2.45	3.98	2.49	2.27	***2.31***
EBITDA interest coverage	156.08	8.15	16.59	31.50	189.40	107.20	3.29	5.93	3.56	3.22	***3.26***
Fixed-charges coverage	64.28	2.42	2.03	0.29	41.12	21.44	2.32	3.98	2.39	2.27	***2.20***
Earnings Quality											
Operating margin	17.0%	6.1%	0.6%	-3.5%	4.0%	5.0%	45.6%	25.1%	45.5%	48.4%	***41.8%***
Net margin (after pfd. before extras.)	23.7%	9.3%	2.6%	-0.7%	7.0%	7.2%	18.7%	22.3%	15.7%	14.4%	***16.7%***
Return on avg. common equity (before extras.)	2.9%	1.3%	0.3%	-0.1%	1.3%	1.5%	12.7%	13.9%	9.9%	8.8%	***11.6%***
Approved ROE	-	-		-		-	9.35%	-	9.25%	n/a	-
Operating Efficiencies											
GWh throughputs/employee	11.6	13.5	15.5	10.8	7.6	7.6	28.8	10.6	6.5	5.3	-
Customers/employee	438	460	538	448	366	374	166	482	307	374	***398***
Customers/distribution lines	74	40	69	62	38	40	8	49	21	n/a	-
Operating costs/average customer ($) (3)	227.2	279.9	204.2	219.4	272.2	361.7	1,043.0	313.3	385.1	277.0	-
Unit Revenues & Costs (cents per kWh)											
Avg. gross revenues	7.12	7.41	6.92	7.60	7.73	8.12	9.91	6.68	7.55	9.45	-
Power costs	6.16	6.57	6.07	6.79	6.50	6.54	5.19	4.60	4.28	5.45	-
Avg. net revenues (4)	0.95	0.85	0.63	0.81	1.23	1.58	4.72	2.08	3.27	4.00	-
Variable costs (OM&A + income taxes)	0.50	0.57	0.45	0.62	0.95	1.22	0.61	1.02	1.54	1.12	-
Fixed costs (deprec, interest, gov't levies)	0.36	0.44	0.28	0.29	0.35	0.58	0.48	1.14	1.63	1.78	-
Total costs (excl. power costs)	0.85	1.01	0.72	0.91	1.31	1.80	1.09	2.16	3.17	2.90	-
Net margin (excl. interest income, ancillary revs.)(4)	0.10	(0.15)	(0.10)	(0.10)	(0.08)	(0.22)	0.78	0.62	0.10	1.10	-

(1) Operating cash flows before working capital. Capital expenditures are net of customer contributions.

(2) EBIT includes interst income. Interest expense before capitalized interest, AFUDC and debt amortizations.

(3) Operating costs exclude municipal + property taxes

ONTARIO MUNICIPAL ELECTRIC UTILITIES (CONT'D...)

DBRS Ontario Municipal Electric Utilities

As at December 31, 1999	Kitchener Hydro	Burlington Hydro	St. Catharines Hydro	Oshawa Hydro	Thunder Bay Hydro	Sudbury Hydro	Hydro One	ENMAX Corporation	Newfoundland Power	Maritime Electric
Fiscal year-end	Dec. 31	Dec. 31 (Halton)	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Municipal long-term debt rating ^	-	AAA	-	-	-	-	-	-	-	-
Commercial paper rating ^	-	-	-	-	-	-	R-1 (low)	R-1 (low)	-	-
Long-term debt rating ^	-	-	-	-	-	-	"A"	A (low)	"A"	-
Preferred share rating ^	-	-	-	-	-	-	-	-	Pfd-2	-
Operating Statistics										
Rate base (1) ($ millions)	139.9	95.8	64.1	52.1	66.4	71.0	2,467.0	-	506.0	-
Rank (based on size of rate base)	*11*	*13*	*16*	*17*	*15*	*14*	*1*			
Total assets ($ millions)	176.9	126.4	91.9	71.4	84.5	87.0	10,090.0	539.2	613.3	180.2
Net revenues ($ millions)	19.1	15.0	10.4	9.7	13.8	15.3	2,186.0	199.3	149.3	36.7
Net income ($ millions)	4.5	1.4	0.3	(0.1)	1.0	1.1	362.0	44.5	22.9	5.3
No. of customers	70,232	51,055	50,548	45,682	49,085	39,965	933,990	326,101	213,641	64,400
Growth in customer base	1.7%	3.3%	0.1%	2.0%	1.4%	-1.6%	-4.5%	1.0%	0.7%	1.4%
Ontario Market Share (based on 4.6 million electricity cust.)	*2%*	*1%*	*1%*	*1%*	*1%*	*1%*	*20%*	-	-	-
Electricity Throughputs										
Residential	583	488	402	413	344	336	9,412	2,063	2,672	348
Commercial + small industrial	1,079	998	604	686	670	470	3,982	364	1,828	570
Large users / time of use	183		444	0	0	0	2,172	4,575	0	0
Streetlighting / other	14	8	10	8	4	7	2,534	160	0	0
Total (GWh) (2)	1,860	1,494	1,460	1,106	1,018	813	18,100	7,162	4,500	918
Percent of Ontario Demand Load (145,000 GWh)	*1.3%*	*1.0%*	*1.0%*	*0.8%*	*0.7%*	*0.6%*	*12.5%*	-	-	-
Capital Structure										
Short-term debt	0.0	1.0	1.3	0.0	0.2	0.3	1,399.0	15.8	22.7	6.2
Long-term debt	0.0	2.2	0.0	0.0	0.1	0.0	3,446.0	127.5	280.2	77.0
Preferred equity (debt equivalents)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.9	0.0
Preferred equity (common equivalents)	0.0	0.0	0.0	0.0	0.0	0.0	323.0	0.0	0.0	0.0
Common equity	159.7	107.4	78.1	56.4	73.8	76.2	3,701.0	325.9	242.8	59.7
Total capitalization ($ millions)	159.7	110.6	79.4	56.4	74.1	76.6	8,869.0	469.2	555.6	142.9

(1) For Hydro One excludes $5,637.9 million for transmission operations.

(2) Excludes 143 TWh of transmission throughputs for Hydro One.

ONTARIO MUNICIPAL ELECTRIC UTILITIES (CONT'D...)

A. Background

In October 1998, the Ontario government passed the *Energy Competition Act, 1998* ("the Act") to deregulate and enable full competition in the electricity market in Ontario. The Act also gives the Ontario Energy Board (OEB) the authority to set the rates for electricity distribution utilities in Ontario. In addition to setting up the new framework for the Ontario electricity market, the legislation confirmed that Ontario municipalities are the initial owners and sole shareholders of the local municipal electric utilities (MEUs), which own the assets and assume any associated liabilities.

As sole shareholder, the municipalities have the option to sell all or part of their ownership in the MEUs, or amalgamate them with other MEUs. Furthermore, they have the option of deciding whether to adopt a commercial financial structure (operate on a for-profit basis) or whether to continue to operate as not-for-profit entities.

The Act requires that MEUs incorporate under the Ontario Business Corporations Act as local distribution companies (LDCs). In addition, they must separate ("unbundle") the distribution component ("wires") from energy marketing operations (sale of the commodity, which will be open to competition). If the shareholders of the LDCs choose to operate them on a commercial basis, the LDCs will be required to make payments in lieu of income taxes ("PILs"), which will be used by the provincial government to address the stranded debt of the former Ontario Hydro. The legislated deadline for restructuring and incorporation was November 7, 2000. The November 7, 2000, cutoff date for the transfer tax exemption remains, with minor modifications. Sales or merger agreements between MEUs *must be filed* with the OEB by November 7, 2000, to be exempt from the 33% transfer tax on the proceeds from the sale. Under the terms of the Act, sales and mergers require regulatory approval. The OEB expects to rule on all mergers and sales filed by the November 7, 2000, deadline by the fall of 2001.

The original date of market opening was November 2000. However, the provincial government delayed market opening after the Independent Electricity Market Operator and the Municipal Electric Association indicated that the stakeholders would not be ready. A tentative date of May 2002 has been set by the provincial government for the market opening.

As part of the new commercial environment, LDCs will have the option of earning a rate of return for its shareholders. The OEB has set out the guidelines and procedures for establishing distribution rates for all electricity distribution utilities in Ontario, including those MEUs that remain as not-for-profit entities. With respect to the LDCs that choose to operate on a commercial basis, these guidelines and procedures: (1) define the rate base; (2) establish the new capital structure (deemed common equity and debt ratios established by OEB based on the size of the rate base); (3) set the allowed rate of return on common equity for 2001 at 9.88%; and (4) provide the formula for calculating the additional revenue requirement to achieve the target rate of return.

Subsequent to the OEB releasing its Electricity Distribution Rate Handbook, which includes the above mentioned guidelines and procedures, a number of MEUs applied for rate increases that were well above what the Ontario government considered to be acceptable. On June 8, 2000, the Ontario government directed the OEB to make customer protection the top priority when deciding rate applications. In addition, the Ontario government introduced legislation in June 2000 (Bill 100) to "promote efficiency in the municipal electricity sector and to protect consumers from unjustified rate increases". Under the proposed legislation, the OEB would not be allowed to approve rate increases if the distribution rate increase was attributable to assets or financing costs that did not remain in the electricity system. This legislation has not been passed.

In response to the directive made to the OEB on June 8, 2000, on September 29, 2000, the OEB announced that LDCs will still be permitted to earn a market-based rate of return, but will have to phase in their additional revenue requirements evenly over three years.

B. Rating Criteria

With a few key differences, DBRS will use the gas distribution utilities as a model to determine the appropriate credit ratings applicable to the MEUs. Below are a number of key considerations that are unique to the Ontario electricity distribution industry segment.

Credit Considerations

(1) *Debt Structure* - The rating approach for LDCs will largely be dictated by the type of debt issued to bring the capital structure in line with regulatory limits set by the OEB.

For those LDCs that choose to issue debt directly and only to their sole shareholder, which, in most cases would be the municipality, the rating assigned would be a counterparty rating. Assuming that this debt does not rank ahead of any other liabilities, the rating would essentially be a flow-through of the municipality's credit rating as the debt of the LDC would primarily be an accounting entry and the non-payment or deferral of interest payments to the shareholder would not trigger an event of default. The shareholder may choose to defer interest payments in line with the three-year phase-in of rate adjustments that the LDC's will require to generate the target 9.88% rate of return in the base year of the proposed three-year PBR rate cap model.

For those LDC's that issue debt either privately or publicly to entities other than their sole shareholder and that do not receive an explicit guarantee from their parent, the rating will based on DBRS standard credit rating methodology applicable to distribution utilities.

(2) *Corporate Structure* - In many cases, DBRS expects that it will be holding companies rather than the regulated distribution subsidiary that will access the capital markets. A number of factors could affect potential credit ratings. (a) First and foremost is the potential for increasing leverage as a result of acquisitions. The Ontario electricity distribution industry segment presently consists of approximately 92 MEUs. The industry is far too fragmented and DBRS expects that there will be significant rationalization over the next few years. As wholly owned entities of the respective municipalities, the MEUs have no access to the equity markets. Since DBRS does not expect the shareholder to make any equity injections, acquisitions will likely be financed with debt and/or internally generated cash flows. (b) Second, DBRS will have to assess the impact of non-utility subsidiary operations that may affect the holding company's overall risk profile. For example, an energy marketing operation would expose the holding company to commodity pricing risks, and could adversely affect credit ratings. Note that commodity price risk applies only to retail energy marketing operations. The cost of power will be flowed through to "standard supply" customers (i.e., LDCs bear no price risk). Expansion into new business segments such as independent power projects would also likely adversely affect the holding company's financial leverage and could potentially alter the company's business risk profile.

(3) *Regulation* - Under the proposed three-year price cap PBR model for the Ontario LDCs, rate adjustments after the first year, which will be based on the traditional cost of service/rate of return methodology, will be linked to inflation adjusted productivity targets. Productivity targets will be based on the actual 2001 results of a group of LDCs that will comprise a benchmark. LDCs whose costs are lower than the benchmark will generate stronger earnings, while those with comparatively higher costs will be unable to generate a market rate of return and/or may not be able to recover all of their operating costs. Under this proposed PBR methodology, LDCs earnings have greater upside potential, but also greater downside risk compared to cost of service/rate of return regulation. This could adversely affect credit ratings.

(4) *Industry consolidation creates uncertainty* - The shift toward a commercial and competitive market environment will necessitate a significant change in culture for the MEUs. In addition, DBRS expects significant consolidation in the highly fragmented electricity distribution industry segment over the next three to five years. These fundamental changes are contributing to substantial uncertainty and it is not yet clear who the industry leaders will be.

(5) *Political risk* - In the process of deregulating the electricity industry in Ontario, the provincial government has introduced significant new costs (financing expenses as a result of recapitalization, new OM&A costs as a result of unbundling, payments in lieu of taxes) yet has directed the OEB to implement a three-year phase-in of the rate increase the LDCs require to recover these new costs and generate the market rate of return. This will adversely affect the profitability of most LDCs over the period. DBRS believes there is a significant risk of further political interference if industry consolidation is slower than expected.

(6) *Lack of access to equity markets* - DBRS does not expect any of the municipalities to make any equity injections. If internally generated cash flows are insufficient to finance ongoing operations and/or acquisitions, key debt ratios will weaken.

(7) *Shareholder credit strength and commitment to a hands-off approach* - DBRS does not expect the municipalities to guarantee debt issued directly by LDCs and/or the utiltiy holding companies, but like any other investor, the shareholder would likely take reasonable steps to protect its investment, should it become necessary.

C. Industry Overview - Peer Group

The 17 largest LDCs (see Table 8 on the following page) in Ontario delivered about 63% of the province's roughly 145,000 GWh of electricity throughputs and serviced about 67% of the province's 4.6 million electricity customers in 1999. The remaining 75 LDCs delivered roughly 47,850 GWh, servicing almost 1.5 million customers in total. There has been significant rationalization since the provincial government's 1998 decision that initiated deregulation of the electricity industry. At that time there were roughly 350 MEUs. Today, with approximately 92 electric LDCs (on a pro forma basis assuming all mergers and acquisitions filed with the OEB as of November 7, 2000, are approved) the industry segment remains fragmented compared to the province's two gas distributors (Consumers' Gas and Union Gas). DBRS expects the industry profile to change dramatically over the next five years as the segment continues to consolidate.

Growth (based on the number of customers) is largely a reflection of local GDP growth and is strongest amongst the regional hydros (i.e., York Region, Oakville, Brampton) as well as London, while rural based LDCs and Toronto Hydro are growing very slowly. This relative growth profile should remain intact, but DBRS expects the slowing economy to negatively affect the industry segment's growth over the near term, while acquisitions could significantly affect year-over-year growth of individual LDCs.

D. Industry Overview - Comparative Cost Structures

DBRS expects that the proposed rate cap PBR, which will take effect in 2002 (regulation for 2001 is based on a cost of service/rate of return regulatory model), will create material earnings pressures for high cost MEUs. The proposed model will set cost targets based on a representative benchmark group. Those utilities whose costs are lower than the benchmark targets will be able to enhance their earnings potential as they will be permitted to retain the difference. Utilities whose costs are higher than the defined benchmarks will not be able to generate earnings reflective of the allowed market rate of return, and may even find it difficult to recover all the costs of service.

Table 9 illustrates the unit costs of the 17 largest Ontario LDC based on 1999 results. DBRS expects both variable and fixed unit costs in 2000 to increase materially as the various utilities ready themselves for deregulation and integrate acquired/merged entities. The process will involve the installation of the necessary systems that will allow for the unbundling of rates, likely in May 2002, and ensuring that they have the necessary skills to operate in the new market environment. Based on the available data (total unit costs), the Hamilton, Windsor and Mississauga distribution utilities rank as the lowest cost operators. Sudbury, Thunder Bay, Toronto and Hydro One rank among the highest cost operators and will have to focus on improving their overall cost structures.

Table 8 - Peer Group Comparisons: Ranked by Rate Base

Based on 1999 Data

Ontario Electricity Distribution Companies	Deemed Equity	Rate Base ($ millions)	Throughputs (GWh)	Customers	Customer Growth
Hydro One Inc. (1)	35%	2,467.0	18,100	933,990	-4.5%
Toronto Hydro-Electric System Ltd.	35%	1,810.1	25,339	657,781	0.2%
York Region Hydros (2)	40%	495.1	5,851	184,587	5.1%
Hydro Mississauga Corporation	40%	451.4	6,821	153,693	3.0%
Hydro Ottawa Limited	40%	387.0	7,061	250,012	1.6%
Hamilton Hydro Inc.	45%	247.3	6,952	170,679	3.4%
Brampton Hydro Networks Inc. (1)	45%	211.7	2,908	80,883	4.4%
London Hydro Utilities Services Inc.	45%	174.0	3,091	128,789	4.5%
EnWin Powerlines Inc.	45%	165.7	3,108	76,857	1.6%
Veridian Connections Inc.	45%	150.7	2,383	106,009	-
Kitchener-Wilmot Hydro Inc.	45%	139.9	1,860	70,232	1.7%
Oakville Hydro-Electricity Distribution Inc.	45%	112.8	1,909	45,464	4.5%
Burlington Hydro Inc.	50%	95.8	1,494	51,055	3.3%
Sudbury Hydro Inc.	50%	71.0	813	39,965	-1.6%
Thunder Bay Hydro Electricity Distribution Inc.	50%	66.4	1,018	49,085	1.4%
St. Catharines Hydro Electric Utility Services Inc.	50%	64.1	1,460	50,548	0.1%
Oshawa PUC Networks Inc.	50%	52.1	1,106	45,682	2.0%
Group Total		7,162.1	91,274	3,095,311	
% of Ontario Electricity Distribution Market			**63%**	**67%**	

All data pro forma assuming mergers and acquisitions filed with the OEB as of November 2000 are approved.

(1) Does not include MEUs acquired during 2000 including Brampton Hydro.

(2) Amalgamation of Aurora, Markham, Vaughan and Richmond Hill Hydros and subsequent acquisition of Newmarket Hydro.

Table 9 - Peer Group Comparisons: Unit Revenues & Costs - Ranked by Total Unit Costs

Based on 1999 Data (cents per kWh throughputs)

Ontario Electricity Distribution Companies	Net Revenues	Variable Costs	Fixed Costs	Total Costs	Operating Costs/Cust.
Hamilton Hydro Inc.	0.52	0.31	0.20	***0.51***	152.5
EnWin Powerlines Inc.	0.73	0.58	0.04	***0.62***	236.0
Hydro Mississauga Corporation	0.68	0.32	0.35	***0.67***	301.9
Oakville Hydro-Electricity Distribution Inc.	0.63	0.38	0.34	***0.72***	307.0
St. Catharines Hydro Electric Utility Services Inc.	0.63	0.45	0.28	***0.72***	204.2
Brampton Hydro Networks Inc.	0.92	0.40	0.40	***0.80***	263.0
Hydro Ottawa Limited	0.69	0.52	0.31	***0.83***	231.5
Kitchener-Wilmot Hydro Inc.	0.95	0.50	0.36	***0.85***	227.2
London Hydro Utilities Services Inc.	0.92	0.51	0.36	***0.87***	205.4
Oshawa PUC Networks Inc.	0.81	0.62	0.29	***0.91***	219.4
York Region Hydros	0.32	0.47	0.50	***0.97***	291.1
Veridian Connections Inc.	0.78	0.63	0.35	***0.97***	352.6
Burlington Hydro Inc.	0.85	0.57	0.44	***1.01***	279.9
Hydro One Inc.	4.72	0.61	0.48	***1.09***	1,043.0
Toronto Hydro-Electric System Ltd.	1.10	0.71	0.47	***1.19***	436.8
Thunder Bay Hydro Electricity Distribution Inc.	1.23	0.95	0.35	***1.31***	272.2
Sudbury Hydro Inc.	1.58	1.22	0.58	***1.80***	361.7

Appendix A - Company Profiles/Rating Updates

BC Gas Utility Ltd. (Short-term rating: R-1 (low), long-term: A (low)) DBRS confirmed BC Gas Utility Ltd.'s credit ratings in January 2001, with Stable trends, based on the following considerations. The Southern Crossing Pipeline Project was completed on schedule and within budget, and became operational in early November 2000. The addition to rate base (approximately $410 million) will enhance the Company's future earnings and cash flows, and provide an alternative source of supply. BC Gas is in the process of negotiating a new multi-year performance-based incentive agreement that would take effect in 2002. The new settlement may be revenue-based rather than cost-based which would enhance the Company's ability to generate incentive earnings. Performance-based regulation, in effect since 1996, has streamlined the regulatory process, minimized the Company's associated administrative and cost burden and encouraged an improvement in operating efficiencies. Earnings also benefit from the use of a weather-related deferral account that smoothes the impact of temperature variances over a two-year period. The Company's primary challenge over the near term remains an earnings sensitivity to interest rates. Approved ROEs have been declining steadily, consistent with the trend in interest rates, and have declined another 25 basis points to 9.25% for 2001. Rate- base growth from Southern Crossing will offset any adverse earnings and cash flow impact during 2001. Thereafter, the Company's earnings outlook will be influenced by provincial economic growth and particularly the economy's sensitivity to lumber exports to the U.S. A slowdown in economic growth in Canada could lead to a further decline in interest rates, and in approved ROEs, which would adversely affect the earnings growth outlook.

Pacific Northern Gas Ltd. (Long-term rating: BB (high), preferred share rating: Pfd-4 (high))DBRS confirmed Pacific Northern Gas Ltd.'s credit ratings in March 2001, with Stable trends, based on the following considerations. The Company has implemented significant cash conservation initiatives to contend with the potential loss of a major customer (Methanex) which accounts for about 65% of normalized throughputs and 40% of operating earnings. These initiatives include a 40% reduction in staff, a 40% reduction in future, annual capital expenditures and the suspension of common dividends in mid 2000. Together with take-or-pay terms on a major delivery contract, this should allow the Company to maintain relatively stable earnings during the next two years. Internally generated cash flows should be more than sufficient to fund annual capital expenditures in the $5.7 million range, and allow for ongoing debt reduction over the period. The Company's key debt ratios are currently stronger than industry averages and cost control efforts outlined above should allow Pacific Northern Gas to maintain key debt ratios well within range of industry averages in each of the next two years. However, without the renewal of a major delivery contract that expires in October 2002 and/or an adjustment in rates to remaining customers, the Company's long-term outlook is a significant concern. The current credit ratings reflect the uncertainty associated with the resolution of this situation. To date, Pacific Northern Gas has been unable to renegotiate the contract on terms that would support the long-term economic viability of the Company. However, since the credit ratings were confirmed in March 2001, the Company received a rate decision by the B.C. Utilities Commission. The Commission approved the majority of the rates contained in the Company’s application, except for two rates to commercial and industrial customers for restructuring purposes. However, the Commission did not approve the rate increases for Methanex necessary to recover the unrecorded deferred taxes associated with the Methanex contracts and a portion of the undepreciated assets used to service Methanex. It remains to be seen whether the Company can negotiate a new contract with Methanex, or whether it can find a replacement customer for some or all of the excess capacity.

Centra Gas Manitoba Inc. (Long-term rating: “A”)The rating of Centra Gas Manitoba Inc. (“CGM” or “the Utility”) is a flow-through of the rating of the Province of Manitoba, which informally guarantees the Utility's secured debentures. The Manitoba Hydro-Electric Board acquired the gas utility effective July 1999. The merger with Manitoba Hydro is expected to conservatively generate about $12 million in combined annual cost savings between the two utilities. These savings, as well as income tax savings following the change to non-taxable status, will be partially offset by the amortization (non-cash expense) of a $58 million tax charge incurred as a result of the acquisition by Manitoba Hydro. Sustainable EBIT will be reduced over the period, and EBIT interest coverage will subsequently decline to the 1.5 times range, but operating cash flows will be largely unaffected. The merger should help the Utility address one of its former long-term challenges, namely a relatively high-cost structure due to the franchise region's low population density. Over the near term, the Utility must contend with a number of challenges. (1) Earnings and cash flows remain sensitive to weather, with about 75% of distribution volumes delivered to temperature sensitive residential and commercial customers. Significantly warmer than normal temperatures during the past three winters (F1998-F2000) adversely affected earnings and interest coverage ratios over the period. Temperatures have returned to more normal levels, and earnings and cash flows should improve in F2001. (2) Financial leverage is expected to increase somewhat from current levels and key debt ratios will weaken as a result of two factors. (a) A proposed change from cost of service/return on equity regulation to a cost of service/revenue requirement methodology. Like other government utilities, operations in future are expected to be managed in accordance with financial targets and non-financial goals, rather than managing operations to maintain a specific capital structure reflective of an allowed deemed equity. (b) Higher borrowings to finance sharply higher gas prices. Historically, gas price variances from forecast have been recovered within a one-year time period. However if the deferral period is extended, balances would be financed with debt. Despite an expected weakening of key debt ratios, credit ratings will be unaffected given the government guarantee supporting the Utility's secured debentures.

The Consumers' Gas Company Ltd. (Short-term rating: R-1 (low), long-term rating: A, preferred share rating: Pfd-2 (low) DBRS downgraded the long-term and preferred share credit ratings and confirmed the short-term rating of The Consumers' Gas Company Ltd. in January 2001. The preferred share rating was subsequently downgraded again in June 2001 to Pfd-2 (low) based on technical factors (the issuance of higher rating inter-company preferred shares). Earnings volatility from traditional business risks such as weather and economic conditions has increased as a percentage of base earnings following the transfer of ancillary businesses to affiliates during F2000 and due to a decline in approved ROEs over the last five years. The steady decline in approved ROEs, consistent with the trend in long-term interest rates, has adversely affected earnings over the period. These factors, in combination, have resulted in a decline in certain key financial ratios from weather normalized historical highs. A slowdown in the Canadian economy could potentially lead to a further decline in interest rates and approved ROEs. While working capital needs have increased recently due to a very sharp increase in the cost of natural gas inventories that are generally financed with short-term debt, DBRS expects little material change in balance sheet leverage given the nature of the industry. The Utility’s primary challenge is its earnings sensitivity to weather, given that roughly 70%-75% of distribution volumes are delivered to temperature sensitive residential and commercial customers. While the forecasting methodology adjusts for variations so that the earnings impact is moderated over a five-year period, temperature variability can contribute to material short-term earnings volatility and can significantly affect key financial ratios. The Utility’s long-term outlook remains favourable, given one of the most attractive business franchises in Canada characterized by strong economic fundamentals.

Union Gas Limited (Short-term rating: R-1 (low), long-term rating: A, preferred share rating: Pfd-2) DBRS confirmed the credit ratings of Union Gas Limited, with Stable trends, in February 2001 based on the following considerations. Union Gas Limited is waiting for regulatory approval of a proposed price cap performance based rate structure covering the period 2000-2004. Cost of service regulation currently contributes to relative earnings and financial stability. The proposed changes would enhance the Utility's ability to generate incentive earnings and reduce its regulatory burden. Extensive storage facilities are a material source of earnings and contribute to earnings stability during periods of warmer than normal temperatures. Capacity expansion of existing facilities and the proposed unbundling of certain storage and transportation services should enhance the long-term cash flow outlook. In spite of the increase in commodity prices, natural gas remains the most cost competitive source of fuel for home heating. Along with the extension of the distribution franchise network and fuel source conversions, this should enhance the growth of the Utility's customer base. An earnings sensitivity to temperatures (65% of distribution revenues) remains the single most important factor that can affect earnings and certain key debt ratios over the short term. Other challenges the Utility must contend with over the near term include: (1) A sensitivity to interest rates through approved ROEs. Based on the current methodology, the applicable ROE for 2001 is expected to decline by about 31 basis points. An economic slowdown and/or recession in Canada could lead to a further decline in interest rates and approved ROEs in 2002. (2) A pending court appeal and/or regulatory decision over two separate franchise renewals. However, the Utility's financial strength should not be materially affected given the cost of service, nature of regulation and the limited number and size of the franchises with similar agreements.

Gaz Métropolitain, Inc. (Short-term rating: R-1 (low), long-term rating: A) DBRS confirmed the credit ratings of Gaz Métropolitain, Inc., with Stable trends, in January 2001 based on the following considerations. Over the longer term, regulated operations, which account for the majority of consolidated earnings, contribute to relative earnings and financial stability. Earnings over the near term are expected to be adversely affected by slightly lower approved ROEs for both domestic distribution and transmission operations and competitive pressures from alternative sources of energy. These pressures should be partially offset by incentive earnings from a new five-year performance agreement and cost control efforts underway. A slowdown in the Canadian economy could potentially lead to a further decline in interest rates and approved ROEs in F2002. With two major capital projects now complete and annual capital expenditures stabilizing in the $90 million range, the Company is now generating material cash flow surpluses. Over the next year, these surpluses will be partially offset by higher working capital needs related to rising gas prices, but over longer term they represent a material source of cash that can be re-invested in income generating businesses. Gaz Métro must also contend with a number of longer-term challenges, one of which is currently adversely affecting earnings and cash flows. Given material capacity under-utilization, the Company's return on its investment in the PNGTS pipeline is expected to remain negligible until 2002 when it will apply to the regulator (FERC) to adjust tolls so that it will be able to generate earnings reflective of the approved ROE. The Company's other major challenge is to improve the low market penetration of gas use in Québec. Rising gas prices will make this difficult over the near term, but the proposed pipeline lateral from the Sable Island gas fields would significantly shorten the long distances from current sources of supplies and improve the cost advantage of gas relative to competing sources of energy.

ENMAX Corporation (Short-term rating: R-1 (low), long-term rating: A (low)) DBRS confirmed ENMAX Corporation's credit ratings, with Stable trends, in February 2001, based on the following considerations. The Company has hedged its projected demand load for at least the next three years with low-cost, power purchase arrangements (PPAs). Earnings and cash flow should improve substantially in 2001, given the favourable spread between its electricity costs and current market prices, even with the provincial government's one-year 11¢ per kWh rate cap for RRO customers (residential and some commercial customers) and the temporary shutdown of one unit (Wabamun) under a PPA contract to supply power. ENMAX's future earnings outlook remains very favourable as long as electricity prices in Alberta remain near current levels. Retail competition was introduced effective January 1, 2001, but competitive pressures should not be a material concern over the near to mid-term, due to tight supply-demand market conditions. Based on an expectation of strong retained earnings growth and a substantial increase in cash flows, key debt ratios should improve materially over the next year to levels better than current DBRS industry composites. The sustainability of this improvement will be highly dependent on the spread between ENMAX electricity costs as fixed under its PPAs, and market prices beyond 2001. The Company's primary challenge over the near term is a short-term supply-demand imbalance created as a result of the shutdown of the Wabamun unit. ENMAX has made other supply arrangements to meet demand requirements during the period. Although still very favourable compared to historical results, earnings will be adversely affected if the generator's claim of *force majeur* is successful. Longer term, the Company will have to secure a new supply contract to replace the Wabamun PPA that expires in three years.

Hydro One Inc. (Short-term rating: R-1 (low), long-term rating: A) DBRS confirmed Hydro One Inc.'s credit ratings, with Stable trends, in February 2001, based on the following considerations. Recently announced cuts to distribution rates effective with the market opening should be partially offset by an expected improvement in operating efficiencies over the longer term as a result of internal rationalizations and the acquisition of 87 municipal electric utilities (MEUs). Both the Company's commitment to maintaining key debts ratios at levels reflective of current credit ratings and the fact that the bulk of earnings and cash flows will continue to be generated from regulated transmission and distribution assets should contribute to relative financial stability. While the MEU acquisitions will weaken key debt ratios by the end of 2001, ratios are expected to remain at acceptable levels. The earnings growth outlook over the longer term remains favourable as there are still acquisition opportunities, with numerous smaller MEUs within Hydro One's rural network that may be find it difficult to operate on a stand alone basis once the market opens. In addition, earnings should benefit from the development of the Company's fibre-optics network business and expansion into energy marketing. Over the near term, the Company will have to contend with a number of challenges that could adversely affect earnings and cash flows. The negative experience California and Alberta have had with deregulation will likely further delay the market opening while the provincial government ensures that conditions are conducive to a successful implementation. This should have a positive impact on earnings over the short term, but when retail competition is implemented, it will expose the Company's energy marketing business to potential commodity pricing risks and earnings pressures. In addition, DBRS expects the Ontario electricity distribution industry will be faced with some uncertainty over the next few years as the highly fragmented industry continues to consolidate.

Newfoundland Power Inc. (Long-term rating: A, preferred share rating Pfd-2) DBRS confirmed the credit ratings of Newfoundland Power Inc., with Stable trends, in January 2001, based on the following considerations. With a 45%-allowed deemed equity component, the Utility's key financial ratios remain among the strongest in the industry. Newfoundland Power has the highest allowed deemed equity of all Canadian regulated utilities, reflecting risk factors associated with its relatively small size and low growth business franchise. Following cost-control efforts and productivity initiatives (including early retirements) implemented during 1999-2000, profit margins have returned to historical highs. This is in spite of a significant decline in allowed ROEs over the last five years. The improvement in operating efficiencies has contributed to stronger operating cash flows. With ongoing capital expenditures in the $40 million range annually, the Utility should once again generate material cash flow surpluses that will be paid out in dividends. The new return on rate base automatic adjustment formula, effective in 1999, has materially reduced, but not eliminated, the Utility's earnings sensitivity to interest rates. Together with the use of a weather normalization account, Newfoundland Power's earnings are, as a result, less volatile than some other regulated utilities. Nevertheless, an economic slowdown in Canada, could potentially lead to a decline in interest rates, and allowed ROEs after 2001. The Utility's other long-term challenge relates to the possibility of industry restructuring in the province, which could result in the introduction of retail competition. Newfoundland Power is currently permitted to fully recover its power costs. Although its geographic isolation should minimize competitive pressures, retail competition, if introduced, could expose the Utility to commodity price risks.

Appendix B - Comparative Data

Table 10 - Total Net Revenues

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	420.9	406.1	414.1	389.3	359.8	331.1
Centra B.C.	81.3	62.2	57.4	58.0	52.9	48.4
Pacific Northern Gas	54.0	53.0	51.3	50.6	47.8	41.2
AltaGas Utilities	29.0	26.9	26.7	26.2	29.1	27.1
CU (Gas)	538.2	506.0	501.1	514.1	522.5	483.5
SaskEnergy	268.7	252.1	258.7	257.0	294.4	263.0
Centra Manitoba	118.2	110.6	109.4	118.8	126.2	116.6
Consumers' Gas	828.0	923.8	896.8	948.9	903.4	764.6
Union Gas	810.0	754.0	873.4	929.7	909.1	847.4
Gaz Metro	418.4	393.2	392.8	387.2	390.3	380.8
Sector Total	3,566.6	3,487.8	3,581.7	3,679.8	3,635.6	3,303.8
Electricity Distributors						
ENMAX	251.0	199.3	203.9	170.8	142.6	-
Hydro One	2,129.0	2,186.0	-	-	-	-
Maritime Electric	27.1	36.7	34.6	39.8	44.2	42.4
Newfoundland Power	149.247	149.3	144.3	153.1	149.4	147.9
Sector Total	2,556.4	2,571.4	382.8	363.7	336.3	190.3
Group Total	6,123.0	6,059.1	3,964.5	4,043.5	3,971.8	3,494.0

Table 11 - 2000 Revenue Breakdown

	BC Gas Utility	Centra Gas BC	Pacific N. Gas	AltaGas Utilities	CU (Gas)	Sask. Energy	Centra Manitoba
Residential	627.8	42.9	34.6	55.9	666.3	227.5	172.2
Commercial	388.6	52.5	30.5	24.4	506.7	148.2	158.2
Large industrial	7.7	0.0	5.9	15.9	71.7	2.6	0.0
Other	0.0	0.0	14.6	1.2	9.8	22.5	0.0
Gross gas revenues	1,024.1	95.4	85.5	97.3	1,254.4	400.8	330.4
Cost of gas	658.8	51.2	61.8	69.9	920.0	232.2	223.8
Net gas revenues	365.3	44.2	23.8	27.4	334.4	168.6	106.6
Transportation	40.9	13.9	30.2	0.8	78.4	73.5	1.9
Other (1)	14.7	23.1	0.0	0.8	125.4	26.6	2.1
Total net revenues	420.9	81.3	54.0	29.0	538.2	268.7	110.6

	Consumers Gas	Union Gas	Gaz Metro	ENMAX	Hydro One	Martime Electric	Nfld Power
Residential	924.4	566.0	242.4	282.5	1,209.0	-	207.2
Commercial	477.3	320.0	509.2	54.1	477.0	-	138.7
Large industrial	121.7	152.0	684.1	296.9	0.0	-	0.0
Other	0.0	0.0	12.3	55.1	17.0	-	0.0
Gross revenues	1,523.3	1,038.0	1,448.0	688.6	1,703.0	91.4	345.9
Cost of gas/electricity	1,095.5	796.0	1,029.6	497.2	866.0	64.3	199.2
Net revenues	427.8	242.0	418.4	191.4	837.0	27.1	146.7
Transportation	342.5	363.0	0.0	26.7	1,260.0	0.0	0.0
Other (1)	57.7	205.0	0.0	33.0	32.0	0.0	2.5
Total	828.0	810.0	418.4	251.0	2,129.0	27.1	149.2

(1) SaskEnergy - marketing volumes. Union Gas - storage & transportation. Hydro One - transmission throughputs. Consumers' Gas - largely water heater rentals that were transferred to an affiliate during 2000.

Table 12 - Net Earnings Available to Common Shareholders

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	57.9	55.8	60.7	48.2	48.4	44.0
Centra B.C.	8.0	(2.9)	(2.2)	3.2	0.9	(20.4)
Pacific Northern Gas	6.5	6.8	6.1	7.6	7.0	5.9
AltaGas Utilities	4.9	4.0	4.1	4.2	5.3	3.5
CU (Gas)	62.0	65.0	67.7	68.6	72.6	59.8
SaskEnergy	44.4	36.6	36.3	39.4	73.3	57.8
Centra Manitoba	16.2	5.0	6.1	13.7	18.7	15.7
Consumers' Gas	133.0	115.3	72.2	126.5	144.8	114.2
Union Gas	108.0	98.0	108.0	142.7	125.3	107.2
Gaz Metro	143.7	135.8	140.7	138.7	145.8	135.0
Sector Total	584.6	519.4	499.8	592.8	642.2	522.6
Electricity Distributors						
ENMAX	44.5	44.5	65.2	52.1	21.3	0.0
Hydro One	363.0	408.5				
Maritime Electric	1.0	5.3	5.2	7.9	8.0	7.9
Newfoundland Power	28.5	23.4	21.6	28.1	25.1	27.6
Sector Total	437.0	481.7	92.0	88.0	54.5	35.5
Group Total	1,021.6	1,001.1	591.7	680.8	696.6	558.1

Table 13 - Total Assets

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	2,910	2,044	1,944	1,852	1,877	1,778
Centra BC	551	515	467	423	398	352
Pacific Northern Gas	232	219	204	202	178	173
AltaGas Utilities	117	96	98	89	85	84
CU (Gas)	2,011	1,513	1,476	1,359	1,329	1,279
SaskEnergy	1,281	1,189	1,164	1,122	1,132	1,123
Centra Manitoba	557	450	393	396	358	337
Consumers' Gas	4,352	4,267	4,010	3,717	3,361	3,121
Union Gas	3,998	3,770	4,018	3,967	3,884	3,643
Gaz Metro	1,877	1,743	1,680	1,590	1,573	1,588
Sector Total	17,887	15,806	15,455	14,716	14,175	13,477
Electricity Distributors						
ENMAX	1,130	540	545	517	509	
Hydro One	9,997	10,090				
Maritime Electric	205	180	174	184	164	155
Newfoundland Power	628	620	601	582	574	569
Sector Total	11,960	11,430	1,320	1,282	1,246	723
Group Average	29,847	27,236	16,775	15,999	15,422	14,200

Table 14 – Fixed-Charges Coverage

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	1.77	1.95	1.99	1.84	1.68	1.57
Centra B.C.	1.18	0.79	0.84	1.13	1.04	0.41
Pacific Northern Gas	2.13	2.19	2.15	2.40	2.55	1.95
AltaGas Utilities	3.16	2.80	3.13	3.74	3.92	2.59
CU (Gas)	2.32	2.55	2.81	2.85	2.71	2.33
SaskEnergy	1.57	1.48	1.49	1.53	1.95	1.73
Centra Manitoba	1.61	1.53	1.99	2.78	3.45	3.01
Consumers' Gas	2.12	2.04	1.80	2.37	2.53	2.00
Union Gas	1.86	1.76	2.00	2.26	2.11	1.87
Gaz Metro	3.33	3.10	3.28	3.05	2.99	3.09
Sector Average	2.04	2.01	2.06	2.28	2.31	1.99
Electricity Distributors						
ENMAX	2.62	3.98	5.15	4.59	2.40	-
Hydro One	2.17	2.45	-	-	-	-
Maritime Electric	0.89	2.27	2.09	2.48	2.69	2.92
Newfoundland Power	2.47	2.39	2.33	2.72	2.65	2.60
Sector Average	2.21	2.50	3.16	3.23	2.61	2.67
Group Average	2.11	2.20	2.14	2.35	2.33	2.02

Table 15 - Operating Cash Flow/Adjusted Total Debt

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	0.08	0.09	0.09	0.08	0.10	0.08
Centra B.C.	0.08	0.03	0.03	0.05	0.04	(0.03)
Pacific Northern Gas	0.16	0.13	0.17	0.17	0.12	0.12
AltaGas Utilities	0.20	0.17	0.16	0.20	0.22	0.17
CU (Gas)	0.17	0.19	0.19	0.21	0.23	0.19
SaskEnergy	0.13	0.11	0.11	0.11	0.15	0.11
Centra Manitoba	0.10	0.08	0.06	0.14	0.19	0.18
Consumers' Gas (1)	0.14	0.15	0.10	0.13	0.15	0.12
Union Gas	0.10	0.10	0.12	0.13	0.14	0.11
Gaz Metro	0.26	0.25	0.25	0.31	0.33	0.32
Sector Average	0.13	0.13	0.12	0.14	0.16	0.13
Electricity Distributors						
ENMAX	0.14	0.51	0.59	0.45	0.30	-
Hydro One	0.15	0.15	-	-	-	-
Maritime Electric	0.10	0.15	0.15	0.17	0.21	0.23
Newfoundland Power	0.18	0.16	0.16	0.18	0.18	0.21
Sector Average	0.15	0.16	0.29	0.26	0.22	0.22
Group Average	0.14	0.14	0.13	0.15	0.16	0.14

Table 16 - Operating Cash Flow/Capital Expenditures

Gas Distributors	2000	1999	1998	1997	1996	1995
BC Gas Utility	0.25	0.85	0.99	0.90	0.98	0.64
Centra B.C.	1.03	0.25	0.23	0.38	0.33	(0.21)
Pacific Northern Gas	2.31	1.59	1.88	2.22	1.36	0.87
AltaGas Utilities	2.71	1.32	0.62	0.77	1.47	1.27
CU (Gas)	1.12	1.57	1.20	1.14	2.23	1.00
SaskEnergy	1.97	1.63	1.66	2.15	3.25	0.52
Centra Manitoba	2.24	1.08	0.56	1.17	1.47	1.54
Consumers' Gas	1.36	1.11	0.69	0.71	0.86	0.68
Union Gas	1.14	0.97	0.97	0.96	0.99	0.76
Gaz Metro	3.36	3.07	3.35	4.15	3.31	2.09
Sector Average	1.02	1.23	1.05	1.08	1.27	0.83
Electricity Distributors						
ENMAX	1.09	1.26	2.93	3.23	1.58	-
Hydro One	1.58	1.34	-	-	-	-
Maritime Electric	0.74	0.94	1.02	1.11	1.04	1.26
Newfoundland Power	1.36	1.19	1.09	1.73	1.84	1.89
Sector Average	1.48	1.31	1.75	2.15	1.57	1.70
Group Average	1.17	1.26	1.10	1.14	1.29	0.86

Appendix C - DBRS Rating Scales

LONG-TERM DEBT RATING SCALE

DBRS long-term debt ratings provide a relative indication of risk. They reflect the relative capacity of a borrower to fulfill its long-term debt obligations in a timely manner. DBRS ratings do not take factors such as pricing or market risk into consideration and, therefore, comprise only part of an investor's investment decision-making process. Every DBRS rating is based on quantitative and qualitative considerations. All DBRS rating categories (except AAA) use "high", "middle", or "low" as subset grades to designate the relative standing of the credit within a particular rating category.

The rating categories include:

AAA
Bonds are of the **highest credit quality.** The degree of protection afforded principal and interest is of the highest order and overall liquidity is unquestioned. Revenues and cash flows are relatively stable, and expenditures are under control. The political environment is stable. Fiscal policy is on a sustainable track, and the government is able to respond to event shocks such as volatility in interest rates or exchange rates. The economic base is diverse and overall economic performance remains relatively strong. There are few qualifying factors present, which would detract from the performance of the entity.

AA
Bonds are of **superior credit quality**, and protection of interest and principal is considered high. Expenditures remain under reasonable control, and are growing at a level consistent with revenues. They may differ from AAA in only a small degree.

"A"
Bonds are of **satisfactory credit quality**. Protection of interest and principal is reasonable, but the degree of strength is less than AA-rated entities. Overall financial performance remains good and local economic growth remains reasonable although the economic base may be somewhat smaller or somewhat less diverse. Overall financial flexibility remains very good.

BBB
Bonds are of **adequate credit quality**. Protection of principal and interest is considered adequate. Although financial performance remains reasonable, the revenue and economic base may be smaller, less diverse or somewhat susceptible to the adverse effects of business cycle changes. Other adversities, which reduce the strength of these bonds relative to higher rated securities, may be present.

BB
Bonds are defined to be **mildly speculative**. The degree of protection afforded interest and principal is lower. The size of the entity and the scope of the entity's revenue base may be relatively small while the expenditure pattern may be high and growing. The economic base may be somewhat concentrated in relatively few industries and economic growth may be sluggish.

B
Bonds are **speculative**. Uncertainty exists as to the ability of the entity to pay interest and principal on a continuing basis in the future. A high level of expenditures combined with an inadequate revenue base has contributed to consistent operating deficits. The economic base is narrow with a significant concentration in only a few industries and local economic growth may be weak.

CCC
Bonds are considered **highly speculative** and are in danger of default of interest and principal. There exists limited financial flexibility, as the revenue base is small with very little additional tax capacity and unable to support the high level of expenditures.

CC
Bonds are either in **default** of either interest or principal, or default is imminent.

C
Bonds are the lowest rating provided to long-term debt. Bonds rated C are reserved for a **second tier of default** or junior claims on an entity, where the senior claims are rated CC.

SHORT-TERM DEBT RATING SCALE

As is the case with all DBRS rating scales, short-term debt ratings are meant to give an indication of risk that the borrower will not fulfill its short-term obligations in a timely manner. DBRS ratings do not take factors such as pricing or market risk into consideration and are expected to be used by purchasers as one part of their investment decision-making process. Every DBRS rating is based on quantitative and qualitative considerations which are relevant for the borrowing entity.

R-1	**Prime Credit Quality**
R-2	**Adequate Credit Quality**
R-3	**Speculative**

All three DBRS rating categories for short-term debt use "high", "middle", or "low" as subset grades to designate the relative standing of the credit within a particular rating category. The following comments provide separate definitions for the three grades in the Prime Credit Quality are, as this is where ratings for active borrowers in Canada continue to be heavily comcentrated.

The rating categories include:

R-1 Prime Credit Quality

R-1 (high)
Short-term debt is of the **highest credit quality**, and indicates an entity that possesses an unquestioned ability to repay current liabilities as they fall due. The federal government is one example, primarily given the fact that its Treasury bills represent the "riskless" Canadian investment.

R-1 (middle)
Short-term debt is of **superior credit quality**, and in most cases differs from "R-1 (high)" credits in only a small degree. Characteristics of entities in this category are: above-average fiscal performance, low to moderate debt levels and borrowing requirements, extensive access to capital markets, and a fundamentally strong economic base.

R-1 (low)
Short-term debt is of **satisfactory credit quality**. The overall strength and outlook for key fiscal, debt and liquidity indicators are not normally as favourable as with higher rating categories, but these considerations are still respectable. Any existing negative factors are considered manageable.

R-2

Short-term debt is of **adequate credit quality** and within three subset grades, debt protection ranges from having reasonable ability for timely repayment to a level which is considered only just adequate. The fiscal, liquidity and debt measures of entities in the R-2 category are not as strong and those in the R-1 category, and the past and future trends may suggest that some risk exists in terms of maintaining the strength of these key ratios. Generally, these governments have a high debt burden and high interest costs, which put pressure on the financial flexibility, especially at the bottom of the economic cycle. The economies may be relatively undiversified and typically are also highly dependent on transfers. Alternative sources of liquidity support are considered satisfactory. There are often negative qualifying factors present which could make the entity more vulnerable to adverse changes in financial and economic conditions.

R-3

Short-term debt tends to have weak liquidity and debt ratios, and the future trend of these ratios is also unclear. Due to its **speculative** nature, entities with an R-3 rating would normally have limited access to alternate sources of liquidity. Fiscal performance may also be unstable, the economic environment weak, and strong negative qualifying factors are also likely to be present.

Appendix D - DBRS Regulated Utility Ratio Formulas

Liquidity Ratios	
Current Ratio	Current assets / Current liabilities
Accumulated depreciation/Gross fixed assets	Accumulated depreciation / Gross fixed assets + construction in progress
% debt in capital structure	Bank debt + short-term promissory notes + long-term debt due 1 yr + long-term debt = Total debt Total debt + hybrids + pfds + shareholders equity + minority interest = Total Capitalization
% adjusted debt in capital structure	Total debt + debt component of hybrids = Adjusted debt / Total Capitalization
Cash flow / total debt	Operating cash flow (before working capital after all pfd. div.) / Total debt
Cash flow / adjusted total debt	Operating cash flow (before working capital after all pfd. div.) / Adjusted debt
Cash flow / capital expenditures	Operating cash flow (before working capital after all pfd. div.) / Capital expenditures* (net of customer contributions if any) * may include other investments, esp. for holding cos.
(Cash flow - dividends) / capital expenditures	Operating cash flow (before working capital, after all pfd div - common dividends paid) / Capital expenditures* (net of customer contributions if any) * may include other investments, esp. for holding cos.
Common dividend payout ratio	Common dividend declared (from retained earnings statement) / Net income before extraordinary items - all pfd. dividends
Coverage Ratios	
EBIT interest coverage	Operating profit before extras. charges + interest/dividend income (Excel. equity inc.) / Interest expense (bef capitalized interest, AFUDC, debt amortizations)
EBITDA interest coverage	EBIT (see above) + depreciation + amortization / Interest expense (see above)
Fixed-charges coverage	EBIT (see above) / Interest expense (see above) + (Pfd div. / (1 - statutory tax rate))
Profitability, Earnings Quality	
Operating margin	Operating income (before extras. charges) / Net revenues
Net margin	Net income bef extras. after all pfd. / Net revenues
Return on average common equity	(Net income before extras - preferred dividends + equity income) / ((current year common equity + previous year common equity) / 2)
GWh sold/employee	GWh sold / Total employees
Customers/employee	Total number of customers / Total employees
Customers/distribution lines	Total number of customers / Km of distribution lines
Operating costs/average customer	Operating costs (excl municipal + property taxes) / ((number of customers current year + number of customers last year)/2)

DBRS Regulated Utility Ratio Formulas - continued

***Calculation of Adjusted Debt - Example**

Short-term debt	100.0	
Long-term debt due 1 year	50.0	
Long-term debt	200.0	
Total debt	350.0	
COPrS	75.0	*Interest deferrable for five-years, both interest + principal payable in cash*
Perpetual preferreds	50.0	*redeemable only at issuers' option, no maturity date.*
Common equity	320.0	
Total capitalization	795.0	
Hybrids		
Total Hybrids	125.0	*> (75 + 50)*
COPrS = 75 * 35% (1)	26.3	
Perpetual pfd. = 50 * 70% (1)	35.0	
Total hybrids - equity equivalent	61.3	
Difference equals debt equivalent	63.8	*> (125 - 61.3)*
Debt component of hybrids	63.8	
Total debt (per table above)	350.0	
Adjusted total debt	413.8	

(1) See DBRS Policy Paper on hybrid securities dated October 2000 for applicable weightings.

AltaGas Services Inc.

Current Report: August 4, 2000
Previous Report: July 15, 1999

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RATING

Rating	Trend	Rating Action	Debt Rated
BBB	Stable	Confirmed	Corporate Debt*

RATING HISTORY (as at Dec. 31)	Current	1999	1998	1997	1996
Corporate Debt*	BBB	BBB	BBB	NR	NR

* Highest rating applicable to direct public obligations.

RATING UPDATE

DBRS is confirming the corporate debt rating of AltaGas Services Inc. ("AltaGas Services" or "the Company") at BBB, with a Stable trend based on the following considerations: (1) Since its inception in 1994, the Company has demonstrated an ability to manage rapid growth, both through acquisitions and internal development, while maintaining key debt ratios within reasonable limits. During 1999, AltaGas Services issued $90 million in convertible preferred shares to Enbridge Inc. (which now holds a 39.6% ownership interest). Financial leverage has, as a result, improved considerably with net debt in the capital structure dropping to 39.4% as of March 2000 from 55.4% in December 1998. The ratio is well below AltaGas Services' long-term target of 55%-60%, but the recent listing on the Toronto Stock Exchange should enhance the Company's access to the public equity markets. Barring a large acquisition, DBRS expects financial leverage will remain near current levels for at least another year. (2) The earnings outlook remains positive given: (a) restructuring in the oil and gas industry, which is contributing to the outsourcing of midstream activities, and (b) heightened pipeline activity has enhanced exploration and drilling activity. The regulated gas utility segment is expected to become a smaller component of consolidated earnings over time, but the earnings contribution should remain meaningful and contributes to earnings and cash flow stability. AltaGas Services must contend with a number of challenges. While a recent 3-year term conversion provision added to existing credit facilities has reduced the Company's exposure to interest rate risk, there is still a material mismatch between debt maturities and the life of assets. In addition, distribution earnings are sensitive to weather and interest rates through approved ROEs, as well as subject to forecast risk, while gathering and processing earnings are dependent on throughputs and indirectly influenced by commodity prices and estimated reserves.

RATING CONSIDERATIONS

Strengths:
- To date, rapid growth managed while maintaining key debt ratios at reasonable levels
- Favourable earnings outlook, portability of G&P assets
- Regulated gas utility segment contributes to long-term earnings stability, compliments G&P business
- Association with dominant Canadian energy company, Enbridge Inc.

Challenges:
- Short-term bank debt, mismatch relative to life of assets
- Distribution earnings sensitive to weather and interest rates; subject to forecast risk
- G&P earnings dependent on volume throughputs, indirectly influenced by commodity prices, estimated reserves
- Relatively short corporate history, small equity base

FINANCIAL INFORMATION	12 Mos.	For years ended December 31				
	Mar-00	1999	1998	1997	1996	1995
EBIT Interest Coverage (times)	2.60	2.51	2.83	5.64	5.81	NM
Net Debt in the Capital Structure	39.4%	39.8%	55.4%	45.8%	42.1%	NM
Cash Flow/Total Debt (times)	0.21	0.19	0.10	0.31	0.28	NM
Cash Flow/Capital Expenditures (times)	0.51	0.46	0.29	0.60	0.89	0.91
Approved ROE	TBA	11.75%	11.75%	-	-	-
Operating Income ($ millions)	27.3	26.7	16.1	6.9	2.9	2.8
Net Income ($ millions)	13.0	11.0	7.0	4.6	1.7	1.5
Operating Cash Flow ($ millions)	31.8	29.0	15.7	8.9	4.8	2.6
Distribution Throughputs (bcf)	19.3	19.2	8.8	-	-	-
Gross G&P Throughputs (Mmcf per day *)	389	371	276	147	129	32

* Average for the latest quarterly period.

THE COMPANY AltaGas Services Inc. is a midstream company, which includes natural gas gathering and processing, extraction, transmission and distribution.

AltaGas Services Inc.

Balance Sheet
($ millions)

Assets:	Mar-00	1999	1998	Liabilities & Equity:	Mar-00	1999	1998
		As at December 31				As at December 31	
Cash + equivalents	0.0	0.0	0.0	Acct payable	43.5	39.3	26.4
Accounts receivable	48.6	41.5	29.8	Other accr'ds	1.2	0.8	2.2
Other	7.6	7.8	4.7	Current Liabilities	44.7	40.1	28.7
Current Assets	56.2	49.3	34.5	Long-term debt	154.5	151.9	160.3
Net fixed assets	380.3	369.5	276.3	Def'd amounts	9.1	7.0	5.1
Investments + other assets	9.7	10.3	12.1	Preferred equity	89.0	89.0	0.0
				Shlders' equity	148.9	141.2	128.8
Total	446.1	429.2	322.9	Total	446.1	429.2	322.9

Ratio Analysis	12 Mos. ended	For years ended December 31st					
Liquidity Ratios	Mar-00	1999	1998	1997	1996	1995 (1)	1994 (1) (2)
Current ratio	1.26	1.23	1.20	0.85	1.13	0.63	0.53
Accumulated deprec/Gross fixed assets	-	14.7%	15.6%	6.4%	3.8%	4.4%	4.2%
Cash flow/Total debt	0.21	0.19	0.10	0.31	0.28	NM	NM
Cash flow/Capital expenditures (3)	0.51	0.46	0.29	0.60	0.89	0.91	0.79
Cash flow/Capital expend + net investments	0.34	0.28	0.07	0.35	0.12	0.34	0.35
Net debt in capital structure (4)	39.4%	39.8%	55.4%	45.8%	42.1%	NM	NM
Deemed equity (AltaGas Utilities)	41.4%	41.4%	41.4%	-	-	-	-
Common equity in capital structure (4)	60.6%	60.2%	44.6%	54.2%	57.9%	100.0%	100.0%
Coverage Ratios (5)							
EBIT interest coverage	2.60	2.51	2.83	5.64	5.81	NM	NM
EBITDA interest coverage	4.20	3.96	4.16	8.03	8.64	NM	NM
Fixed charges coverage	2.60	2.51	2.83	5.64	5.81	NM	NM
Earnings Quality / Operating Statistics							
Operating margin	9.1%	10.4%	13.2%	13.4%	16.6%	34.6%	40.0%
Net margin (before extras.)	3.5%	4.0%	5.5%	7.0%	7.4%	21.2%	22.9%
Return on avg common equity (before extras.)	5.7%	5.8%	8.2%	11.8%	7.6%	33.2%	80.3%
Approved ROE (Distribution)	TBA	11.75%	11.75%	-	-	-	-
Avg net regulated rate base (Distribution) - millions	-	$77.7	$76.6	-	-	-	-
Capacity (G&P) - Mmcf/day	659	658	494	299	246	49	30
Load factor (G&P)	59%	56%	56%	49%	52%	65%	27%
Gross G&P throughputs - Mmcf/day *	389	371	276	147	129	32	8
Gathering lines - kilometres	4,576	4,521	3,410	1,412	1,250	n/a	n/a
Well tie-ins (G&P)	1,048	1,008	769	527	-	-	-
Distribution throughputs - bcf	19.3	19.2	8.8	-	-	-	-
Pipeline (Distribution) - kilometres	20,000	20,000	19,200	-	-	-	-

(1) Restated to reflect dispostion effective 1996. (2) Reflects 9-month period ended December. * Average for the latest quarterly period.
(3) Includes annual maintenance expenditures of about $2-$5 million and internal development expenditures (i.e. well ties and capacity expansions).
(4) Preferred equity treated as common equivalent. (5) Before capitalized interest, AFUDC, debt amortizations.

BC Gas Utility Ltd.

Current Report:	January 17, 2001
Previous Report:	April 4, 2000

RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Purchase Money Mortgages / MTNs / Unsecured Debentures

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RATING HISTORY (as at Dec. 31)	Current	2000	1999	1998	1997	1996
Long-term debt	"A"	"A"	"A"	"A"	"A"	"A"
Preferred Shares	-	Pfd-2 (low)	Pfd-3 (high)*	Pfd-3	Pfd-3	Pfd-3

* On October 1, 1998, DBRS broadened its preferred share rating scale, resulting in technical changes to the Utility's preferred share ratings.

RATING UPDATE

DBRS is confirming the long-term debt of BC Gas Utility Ltd. ("BC Gas" or "the Utility") at "A", with a Stable trend, and discontinuing the preferred share rating following the redemption of all outstanding preferred shares. The confirmation is based on the following considerations. The Southern Crossing Pipeline Project was completed on schedule and within budget, and became operational in early November 2000. The addition to rate base (approximately $410 million) will enhance the Company's future earnings and cash flows, as well as provide an alternative source of supply. BC Gas is in the process of negotiating a new multi-year performance-based incentive agreement that would take effect in 2002. The new settlement may be revenue-based rather than cost-based which would enhance the Company's ability to generate incentive earnings. Performance-based regulation, in effect since 1996, has streamlined the regulatory process, minimized the Company's associated administrative and cost burden and encouraged an improvement in operating efficiencies. Earnings also benefit from the use of a weather-related deferral account that smoothes the impact of temperature variances over a two-year period. The Company's primary challenge over the near term remains an earnings sensitivity to interest rates. Approved ROEs have been declining steadily, consistent with the trend in interest rates, and have declined another 25 basis points to 9.25% for 2001. Rate-base growth from Southern Crossing will offset any adverse earnings and cash flow impact during 2001. Thereafter, the Company's earnings outlook will be influenced by provincial economic growth and particularly the economy's sensitivity to lumber exports to the U.S. A slowdown in economic growth in Canada could lead to a further decline in interest rates, and in approved ROEs, which would adversely affect the earnings growth outlook.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to earnings/financial stability
- Deferral accounts minimize short-term earnings fluctuations
- Southern Crossing enhances earnings and cash flows, provides access to alternative sources of supply
- Competitive advantages of gas versus alternative fuels
- Diversified customer base

Challenges:

- Earnings sensitivity to interest rates (approved ROEs)
- Relatively weak provincial economy limits growth opportunities over near term
- Forecast risk (customer additions)
- Tax methodology results in unrecorded (potentially unrecoverable) tax liabilities, weakens interest coverage

FINANCIAL INFORMATION

	Industry Avg.*	12 mos.	For years ended December 31			
	Sep-00	Sep-00	1999	1998	1997	1996
Fixed Charges Coverage (times)	*1.95*	1.79	1.90	1.88	1.84	1.68
% Debt in Capital Structure	*63.5%*	71.3%	67.2%	65.9%	67.6%	68.3%
Cash Flow/Total Debt (times)	*0.13*	0.08	0.09	0.09	0.08	0.10
Cash Flow/Capital Expenditures (times)	*1.09*	0.33	0.85	0.99	0.90	0.98
Approved ROE	-	9.50%	9.25%	10.00%	10.25%	11.00%
Operating Income ($ millions)	-	192.5	190.8	189.4	178.9	163.0
Net Income ($ millions) (bef extras, after pfd div's)	-	61.9	59.5	59.3	58.2	56.4
Operating Cash Flow ($ millions) (after pfd div's)	-	118.1	113.3	109.8	95.0	111.3
Throughput Volumes (bcf)	-	178.7	182.5	169.3	175.0	184.5

* DBRS Industry composite for Cdn. gas distributors.

THE COMPANY BC Gas Utility Ltd., the largest natural gas distributor in British Columbia, services approximately 90% of the province's natural gas users. The Utility is wholly owned by BC Gas Inc. (see separate report).

BC Gas Utility Ltd.

Balance Sheet
($ millions)

Assets:	Sep-00	1999	1998	Liabilities & Equity:	Sep-00	1999	1998
		As at December 31				As at December 31	
Cash	0.0	1.9	0.0	Short-term debt	291.6	220.0	229.8
Accounts receivable	118.2	156.4	152.9	A/P + accrueds	183.8	161.2	158.7
Inventories	97.5	38.4	28.4	L.t.d. due in 1 year	72.2	77.2	191.2
Prepaids + other	54.9	35.1	17.9	Current liabilities	547.6	458.4	579.7
Current Assets	270.6	231.8	199.2	Deferred taxes	0.8	0.9	0.9
Net fixed assets	2,058.2	1,801.5	1,729.6	Long-term debt	1,099.2	891.9	603.8
Deferred charges	12.8	8.7	12.7	Debt equiv pref	0.0	0.0	75.0
Long-term rec + investments	0.0	1.8	2.1	Preferred equity	75.0	75.0	75.0
				Shareholders' equity	619.0	617.6	609.2
Total	2,341.6	2,043.8	1,943.6	Total	2,341.6	2,043.8	1,943.6

Ratio Analysis	*Industry Avg.**	12 mos.	For years ending December 31					
Liquidity Ratios	*Sep-00*	Sep-00	1999	1998	1997	1996	1995	1994
Current ratio	*0.91*	0.49	0.51	0.34	0.32	0.48	0.42	0.43
Accumulated depreciation/Gross fixed assets	*28.0%*	18.1%	18.7%	17.1%	16.3%	14.8%	13.3%	12.0%
Cash flow/Total debt (1)(2)	*0.13*	0.08	0.09	0.09	0.08	0.10	0.08	0.07
Cash flow/Capital expenditures (1)	*1.09*	0.33	0.85	0.99	0.90	0.98	0.64	0.45
Cash flow-dividends/Capital expenditures (1)	*0.47*	0.18	0.37	0.61	0.51	0.62	0.34	0.23
% Debt in capital structure (2)	*63.5%*	71.3%	67.2%	65.9%	67.6%	68.3%	68.4%	67.8%
Average coupon on l-t debt	*8.75%*	-	8.40%	8.91%	8.94%	9.39%	9.49%	9.41%
Deemed common equity	*36%*	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	*126.7%*	98.1%	126.6%	85.6%	96.1%	95.7%	98.4%	120.9%
Coverage Ratios (3)								
EBIT interest coverage	*2.11*	2.11	2.27	2.30	2.26	1.97	1.77	1.57
EBITDA interest coverage	*3.05*	2.84	3.01	3.04	2.96	2.65	2.37	2.17
Fixed charges coverage	*1.95*	1.79	1.90	1.88	1.84	1.68	1.57	1.33
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*40.5%*	46.1%	47.6%	47.0%	46.0%	45.3%	44.0%	40.4%
Net margin (before extras, after pfd div's)	*15.5%*	12.7%	12.7%	12.3%	12.4%	13.5%	13.3%	12.2%
Return on avg. common equity (before extras)	*10.8%*	8.8%	8.3%	8.6%	9.0%	9.2%	8.8%	7.3%
Approved ROE	-	9.50%	9.25%	10.00%	10.25%	11.00%	12.00%	10.65%
Degree day deficiency - % Normal (Interior) (4)	-	100.0%	94.7%	89.7%	98.5%	116.1%	96.7%	92.4%
(Coastal) (4)	-	103.0%	101.6%	91.3%	94.1%	108.1%	89.9%	92.4%
Customers/Employees	*405*	-	515	482	432	427	411	400
Customer growth	*2.6%*	-	1.9%	1.4%	2.2%	2.5%	2.6%	3.4%
Operating costs/Avg. customer ($) (5)	*372*	-	238	247	248	238	228	211
Rate base ($ millions)	-	-	1,637.4	1,559.2	1,517.2	1,441.2	1,333.1	1,201.5
- growth	*-0.5%*	-	5.0%	2.8%	5.3%	8.1%	11.0%	7.5%
Kilometres of pipelines	-	-	36,581	36,473	35,971	35,335	34,401	32,993
Rate base/Km of pipeline ($000s)	-	-	44.76	42.75	42.18	40.79	38.75	36.42
Rate base/Throughput volumes ($millions per bcf)	-	-	9.02	9.21	8.67	7.81	7.93	7.20

*DBRS Industry composite for Canadian gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg customer, and rate base growth is as at December 1999.

(1) Cash flows are after all preferred dividends.

(2) All preferred shares treated as debt equivalents.

(3) Before capitalized interest, AFUDC and debt amortizations.

(4) Current period for 9 months year-to-date.

(5) Operating costs excludes municipal + property taxes.

Centra Gas Manitoba Inc.

(Guaranteed by the Province of Manitoba)

Current Report: January 29, 2001
Previous Report: March 12, 1999

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RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Senior Unsecured Debentures

RATING HISTORY (as at Dec. 31)	Current	2000	1999	1998	1997	1996
Senior Unsecured Debentures	"A"	"A"	"A"	"A"	"A"	"A"

UPDATE

The rating of Centra Gas Manitoba Inc. ("CGM" or "the Utility") is a flow-through of the rating of the Province of Manitoba, which informally guarantees the Utility's secured debentures. The Manitoba Hydro-Electric Board acquired the gas utility effective July 1999. The merger with Manitoba Hydro is expected to conservatively generate about $12 million in combined annual cost savings between the two utilities. These savings, as well as income tax savings following the change to non-taxable status, will be partially offset by the amortization (non-cash expense) of a $58 million tax charge incurred as a result of the acquisition by Manitoba Hydro. Sustainable EBIT will be reduced over the period, and EBIT interest coverage subsequently decline to the 1.5X range, but operating cash flows will be largely unaffected. The merger should help the Utility address one of its former long-term challenges, namely a relatively high cost structure due to the franchise region's low population density. Over the near term, the Utility must contend with a number of challenges. (1) Earnings and cash flows remain sensitive to weather, with about 75% of distribution volumes delivered to temperature sensitive residential and commercial customers. Significantly warmer than normal temperatures during the past three winters (F1998-F2000) adversely affected earnings and interest coverage ratios over the period. Temperatures have returned to more normal levels, and earnings and cash flows should improve in F2001. (2) Financial leverage is expected to increase somewhat from current levels and key debt ratios will weaken as a result of two factors: (a) A proposed change from cost of service/return on equity regulation to a cost of service/revenue requirement methodology. Like other government utilities, operations in future are expected to be managed in accordance with financial targets and non-financial goals, rather than managing operations to maintain a specific capital structure reflective of an allowed deemed equity; (b) Higher borrowings to finance sharply higher gas prices. Historically, gas price variances from forecast have been recovered within a 1-year time period. However if the deferral period is extended, balances would be financed with debt. Despite an expected weakening of key debt ratios, credit ratings will be unaffected given the government guarantee supporting the Utility's secured debentures.

CONSIDERATIONS

Strengths:
- Debt obligations supported by the Province of Manitoba
- Expected operating synergies from merger with Manitoba Hydro
- Competitive advantages of gas, expansion of distribution infrastructure

Challenges:
- Earnings sensitivity to temperatures (75% of distribution volumes)
- New regulation based on cost of service/revenue requirements will likely weaken key debt ratios
- Amortization of tax charge partially offsets income tax savings, reduces sustainable EBIT

FINANCIAL INFORMATION	Industry Avg.*	12 mos.	For years ended Mar. 31		For years ended Dec. 31	
	Sep-00	Sep-00	2000	1999 (1)	1998	1997
Fixed Charges Coverage (times)	*1.95*	1.77	1.44	1.99	2.00	2.78
% Debt in the Capital Structure	*63.5%*	69.0%	64.0%	57.7%	64.9%	62.6%
Cash Flow/Total Debt (times)	*0.13*	0.10	0.13	0.07	0.08	0.14
Cash Flow/Capital Expenditures (times)	*1.09*	2.01	2.04	0.56	0.57	1.17
Approved ROE	-	9.91%	9.91%	9.91%	9.91%	10.58%
Operating Income ($ millions)	-	28.1	25.2	27.2	26.7	40.8
Net Income ($ millions) (before extras.)	-	12.9	10.2	5.5	6.1	13.6
Operating Cash Flow ($ millions)	-	29.6	32.2	12.6	12.6	29.9
Throughput Volumes (Bcf)	-	72.6	72.1	66.1	63.4	67.1

* DBRS Industry composite for Cdn gas distributors. (1) Proforma - year-end changed to March 31 effective March 2000.

THE COMPANY Centra Gas Manitoba Inc. is the primary natural gas distributor in the province. The Utility is wholly owned by The Manitoba Hydro Electric Board (see separate report), which acquired the company from Westcoast Energy Inc. in July 1999.

Centra Gas Manitoba Inc.

Balance Sheet
($ millions)

Assets:	Sep-00	As at March 31 2000	As at March 31 1999	Liabilities & Equity:	Sep-00	As at March 31 2000	As at March 31 1999
Cash + s-t investments	0.0	0.1	0.0	S-T debt	142.8	95.1	22.5
Accounts receivable	60.7	81.5	69.3	A/P + accr'ds.	38.1	50.3	57.7
Inventories	66.9	17.4	14.1	L.T.D. due 1 year	2.5	2.5	2.5
Prepaid expenses	1.2	0.0	0.0	Current Liabilities	183.5	147.9	82.8
Current Assets	128.9	99.1	83.4	Long-term debt	142.1	142.9	145.4
Net fixed assets	265.7	263.0	261.2	Shareholders' equity	129.1	135.4	125.2
Deferred charges	60.2	64.1	8.8				
Total	454.7	426.3	353.4	Total	454.7	426.3	353.4

Ratio Analysis	*Industry Avg.**	12 mos.	For years ended March 31		For years ended December 31			
Liquidity Ratios	*Sep-00*	Sep-00	Mar-00	Mar-99 (1)	1999	1998	1997	1996
Current ratio	*0.91*	0.70	0.67	1.01	0.66	0.95	1.13	1.33
Accumulated depreciation/Gross fixed assets	*28.0%*	34.8%	31.3%	34.1%	32.7%	33.5%	33.5%	32.0%
Cash flow/Total debt	*0.13*	0.10	0.13	0.07	0.08	0.08	0.14	0.19
Cash flow/Capital expenditures	*1.09*	2.01	2.04	0.56	1.08	0.57	1.17	1.47
Cash flow-dividends/Capital expenditures	*0.47*	2.01	2.04	0.50	1.08	0.43	0.83	0.93
% Debt in capital structure	*63.5%*	69.0%	64.0%	57.7%	70.1%	64.9%	62.6%	60.5%
Average coupon on long-term debt	8.75%	-	9.16%	-	8.89%	8.93%	n/a	n/a
Deemed common equity	*35%*	39%	39%	39%	39%	39%	40%	40%
Common dividend payout ratio (before extras.)	*126.7%*	0.0%	0.0%	26.1%	0.0%	48.2%	63.4%	67.4%
Coverage Ratios (2)								
EBIT interest coverage	*2.11*	1.77	1.44	1.99	1.53	2.00	2.78	3.45
EBITDA interest coverage	*3.05*	2.79	2.41	3.23	2.54	3.23	3.89	4.57
Fixed charges coverage	*1.95*	1.77	1.44	1.99	1.53	2.00	2.78	3.45
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*40.5%*	25.1%	22.6%	24.6%	23.8%	24.4%	34.3%	38.1%
Net margin (before extras.)	*15.5%*	11.5%	9.2%	5.0%	4.6%	5.6%	11.5%	14.8%
Return on avg. common equity (before extras.)	*10.8%*	10.5%	7.8%	4.3%	4.2%	5.1%	11.3%	16.2%
Approved ROE	-	9.91%	9.91%	9.91%	9.91%	9.91%	10.58%	11.28%
Degree day deficiency - % Normal	-	109.7%	86.3%	89.8%	85.5%	88.6%	106.2%	119.1%
Customers/Employee	*405*	-	386	-	364	358	361	363
Customer growth	*2.6%*	-	0.4%	-	1.1%	1.5%	1.5%	1.5%
Operating costs/Avg customer ($) (3)	*372*	-	295	279	284	282	274	280
Rate base - $ millions	-	-	n/a	-	296.5	287.0	274.8	265.0
- growth	*-0.5%*	-	-	-	3.3%	4.4%	3.7%	-1.8%
Kilometers of pipelines	-	-	7,485	-	7,349	7,181	6,269	5,993
Rate base/Km pipeline ($000s)	-	-	-	-	40.35	39.96	43.83	44.22
Rate base/Volume throughputs ($millions per bcf)	-	-	-	-	4.17	4.53	4.10	3.70

*DBRS Industry composite for Cdn gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg customer, and rate base growth is as at December 1999.

(1) March 1999 data is proforma. Fiscal year end changed to March 31 effective March 2000.

(2) Before capitalized interest, AFUDC and debt amortizations.

(3) Operating costs excludes municipal + property taxes.

The Consumers' Gas Company Ltd.

Current Report: January 9, 2001
Previous Report: March 17, 2000

RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Downgraded	Unsecured Debentures & Medium Term Notes
Pfd-2	Stable	Downgraded	Preferred Shares - Cumulative, Redeemable

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RATING HISTORY (as at Dec. 31)

	Current	2000	1999	1998	1997	1996
Unsecured Debentures & MTNs	"A"	A (high)	A (high)	A (high)	A (high)	A (high)
Preferred shares	Pfd-2	Pfd-2 (high)	Pfd-2 (high)	Pfd-2 (high)*	Pfd-2	Pfd-2

* On October 1, 1998, DBRS broadened its preferred share rating scale, resulting in technical changes to the Utility's preferred share ratings.

RATING UPDATE

DBRS is downgrading the long-term debt preferred share credit ratings of the Consumers' Gas Company Ltd. ("Consumers' Gas" or "the Utility") to "A" and Pfd-2, with Stable trends, from A (high) and Pfd-2 (high), respectively. The ratings adjustments are based on the following considerations. Earnings volatility from traditional business risks such as weather and economic conditions has increased as a percentage of base earnings following the transfer of ancillary businesses to affiliates during F2000 and due to a decline in approved ROEs over the last five years. The steady decline in approved ROEs, consistent with the trend in long-term interest rates, has adversely affected earnings over the period. These factors, in combination, have resulted in a decline in certain key financial ratios from weather normalized historical highs. A slowdown in the Canadian economy could potentially lead to a further decline in interest rates and approved ROEs.

While working capital needs have increased recently due to a very sharp increase in the cost of natural gas inventories that are generally financed with short-term debt, DBRS expects little material change in balance sheet leverage given the nature of the industry. The Utility's primary challenge is its earnings sensitivity to weather, given that roughly 70%-75% of distribution volumes are delivered to temperature sensitive residential and commercial customers. While the forecasting methodology adjusts for variations so that the earnings impact is moderated over a five-year period, temperature variability can contribute to material short-term earnings volatility and can significantly affect key financial ratios. The Utility's long-term outlook remains favourable, given one of the most attractive business franchises in Canada characterized by strong economic fundamentals.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to earnings/financial stability, PBR reduces regulatory administrative and cost burden
- Attractive business franchise; strong economic growth, high population density, heavily weighted by higher margin residential customers
- Competitive advantages of gas versus alternative fuels

Challenges:

- Earnings sensitivity to temperatures (75% of gas throughputs) and interest rates (approved ROEs)
- Forecast risk: no deferral accounts to adjust for weather related volume variances
- Tax methodology results in unrecorded (potentially unrecoverable) tax liabilities, weakens interest coverage

FINANCIAL INFORMATION

	Industry Avg.*	For years ended September 30				
	Sep-00	2000	1999	1998	1997	1996
Fixed Charges Coverage (times)	*1.95*	1.99	1.98	1.97	2.46	2.42
% Adjusted Debt in Capital Structure (1)	*63.5%*	57.9%	59.7%	70.7%	67.5%	68.2%
Cash Flow/Adjusted Total Debt (times) (1)	*0.13*	0.14	0.15	0.11	0.14	0.15
Cash Flow/Capital Expenditures (times)	*1.09*	1.34	1.03	0.70	0.73	0.83
Approved ROE	-	9.73%	9.51%	10.30%	11.50%	11.88%
Operating Income ($ millions)	-	344.5	362.9	354.4	415.3	399.9
Net Income ($ millions) (after pfd divs.)	-	117.2	105.2	90.8	134.2	140.8
Operating Cash Flow ($ millions) (after pfd divs.)	-	312.3	366.9	271.7	297.7	302.3
Throughput Volumes (Bcf)	-	421.2	401.6	396.6	428.4	428.2

* DBRS Industry composite for Cdn. gas distributors. (1) Adjusted for equity treatment of hybrid debt securities.

THE COMPANY The Consumers' Gas Company Ltd. is a natural gas distributor, whose franchise covers central, eastern and the Niagara Peninsula regions of Ontario. The Utility also services distributors outside its franchise region through a subsidiary in New York. The Consumers Gas Company Ltd. is a wholly-owned subsidiary of Enbridge Inc. (see separate report).

The Consumers' Gas Company Ltd.

Balance Sheet
($ millions)

Assets:	As at September 30 2000	1999	1998	Liabilities & Equity:	As at September 30 2000	1999	1998
Cash + equivalents	0.0	0.3	51.2	S.T. + L.T.D. due 1yr	495.7	497.9	453.5
Accounts receivable	310.3	290.9	215.0	A/P + accr'ds	517.9	415.7	330.4
Materials + supplies	0.0	39.4	34.5	Current Liabilities	1,013.6	913.6	783.8
Gas in storage	541.0	375.1	357.8	Def'd taxes + credits	45.2	73.9	56.7
Other current assets	16.9	28.8	64.5	Long-term debt	1,696.5	1,889.5	1,946.3
Current Assets	868.2	734.5	723.1	Debt equiv pfds	0.0	0.0	104.0
Net fixed assets	2,692.5	3,235.2	3,094.0	Inter-corp debt	10.4	9.8	0.0
Other assets	82.9	122.9	111.4	Inter-corp pfd sec	189.6	190.2	0.0
Investments	724.3	415.0	0.0	Perpetual pfds	100.0	100.0	0.0
				Shareholders' equity	1,312.5	1,330.6	1,037.7
Total	4,367.8	4,507.6	3,928.5	Total	4,367.8	4,507.6	3,928.5

Ratio Analysis	*Industry Avg.**	For years ended September 30						
Liquidity Ratios	*Sep-00*	2000	1999	1998	1997	1996	1995	1994
Current ratio	*0.91*	0.86	0.80	0.92	0.55	0.60	0.62	0.80
Accumulated depreciation/Gross fixed assets	*28.0%*	28.7%	28.0%	26.5%	25.1%	24.7%	24.7%	24.4%
Cash flow/Total debt (1)	*0.13*	0.14	0.15	0.11	0.14	0.15	0.11	0.13
Cash flow /Adjusted total debt (1)(2)	*0.13*	0.14	0.15	0.11	0.14	0.15	0.11	0.13
Cash flow/Capital expenditures (1)	*1.09*	1.34	1.03	0.70	0.73	0.83	0.63	0.83
Cash flow-div's/Capital expenditures (1)(3)	*0.47*	-0.11	0.79	0.50	0.56	0.64	0.44	0.60
% Debt in capital structure	*62.4%*	57.9%	59.7%	70.7%	67.5%	68.2%	68.4%	68.1%
% Adjusted debt in capital structure (2)	*63.5%*	60.7%	62.3%	70.7%	67.5%	68.2%	68.4%	68.1%
Total hybrids + preferreds/Common equity	*10.0%*	22.1%	21.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Average coupon on long-term debt	*8.75%*	8.40%	8.19%	8.22%	9.05%	9.47%	9.61%	9.64%
Deemed equity	*36%*	35%	35%	35%	35%	35%	35%	35%
Common dividend payout (3)	*126.7%*	285.8%	86.5%	86.0%	54.6%	48.6%	67.1%	52.3%
Coverage Ratios (4)								
EBIT interest coverage	*2.11*	2.23	2.15	2.11	2.64	2.60	2.00	2.54
EBITDA interest coverage	*3.05*	3.22	3.36	3.28	3.71	3.47	2.82	3.35
Fixed charges coverage	*1.95*	1.99	1.98	1.97	2.46	2.42	1.85	2.34
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*40.5%*	42.8%	37.7%	38.9%	43.7%	45.8%	40.2%	47.3%
Net margin (after pfd div's)	*15.5%*	14.6%	10.9%	10.0%	14.1%	16.1%	13.6%	17.4%
Return on avg. common equity	*10.8%*	8.9%	8.9%	8.8%	13.8%	15.9%	11.7%	15.4%
Approved ROE	-	9.73%	9.51%	10.30%	11.50%	11.88%	11.65%	11.60%
Degree day deficiency - % Normal	-	90.8%	85.2%	82.2%	100.2%	103.7%	94.8%	109.3%
Customers/Employee	*405*	846	418	370	352	343	327	318
Customer growth	*2.6%*	3.8%	3.6%	3.8%	4.1%	3.4%	3.7%	3.6%
Operating costs/Avg. customer ($) (5)	*372.0*	282.1	389.2	377.4	378.7	346.0	324.5	281.4
Rate base ($millions)	-	2,806.2	3,283.2	3,058.8	2,831.0	2,602.2	2,429.8	2,244.9
Rate base growth	*-0.5%*	-14.5%	7.3%	8.0%	8.8%	7.1%	8.2%	8.5%
Kilometres of pipeline	-	28,644	27,707	26,573	25,416	24,626	23,897	23,460
Rate base/Km of pipeline ($000s)	-	97.97	118.50	115.11	111.39	105.67	101.68	95.69
Rate base/Throughput volumes ($millions per bcf)	-	6.66	8.17	7.71	6.61	6.08	6.22	5.38

*DBRS Industry composite for Cdn. gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg customer, and rate base growth is as at December 1999.
(1) Cash flows are after all preferred dividends.
(2) Preferred securities given 60% equity treatment, perpetual preferreds 70% equity treatment.
(3) Includes a special $233.7 million dividend paid out in F2000.
(4) Before capitalized interest, AFUDC, debt amortizations. Includes the impact of intercorporate financings.
(5) Operating costs exclude municipal + property taxes.

CU Inc.

Current Report: October 20, 2000
Previous Report: August 31, 2000

RATING

Rating	*Trend*	*Rating Action*	*Debt Rated*
A (high)	Stable	Downgraded	Unsecured Debentures/Medium Term Notes
Pfd-2 (high)	Stable	Downgraded	Preferred Shares - Cum. Redeemable/Cum. Retractable

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RATING HISTORY (as at Dec. 31)	*Current*	*1999*	*1998*^	*1997*	*1996*	*1995*	*1994*
Unsecured Debt	A (high)	AA (low)	AA (low)	AA (low)	AA (low)	AA (low)	AA (low)
Preferred Shares *	Pfd-2 (high)	Pfd-1 (low)	Pfd-1 (low)	Pfd-1	Pfd-1	Pfd-1	Pfd-1

* The preferred shares, which will continue to be held by Canadian Utilities Limited, are direct obligations of the regulated operating subsidiaries of CU Inc.
^ On October 1, 1998, DBRS broadened its preferred share ratings scale, resulting in technical changes to the Utility's preferred share credit rating.

RATING UPDATE

DBRS is downgrading the ratings on CU Inc.'s unsecured debentures and medium term notes to A (high) from AA (low), and preferred share rating to Pfd-2 (high) from Pfd-1 (low). Rating trends are Stable. The previous ratings reflected the stable and certain regulatory climate that prevailed in Alberta prior to the implementation of changes in deregulation. The new environment in Alberta is expected to be more competitive and less certain. Implementation of the terms and conditions of the Power Purchase Agreements (PPAs) may, in DBRS' opinion, be challenging. The PPAs introduce elements of uncertainty, including increased operating risks. However, profitability could improve given an increase in deemed equity and a higher risk premium compared to historical levels. The PPAs should streamline the regulatory process for generation operations, however, gas utility and electricity transmission and distribution operations continue to be subject to an unfavourable regulatory environment.

Present ratings continue to be supported by strong cash flows and relatively favourable financial risk profile. In addition, the Company is well positioned to benefit from the trend in energy convergence while energy diversification (gas - 35% of net earnings, and electricity - 65% of net earnings) should help to balance earnings-related risks. Despite the rating actions being taken, CU Inc. continues to rank as one of the strongest utilities in Canada.

RATING CONSIDERATIONS

Strengths:

- Well positioned to benefit from energy convergence
- Strong cash flow generator
- Sector diversification balances earnings-related risks
- Regulation provides relative earnings/cash flow stability over longer term
- Low leverage in spite of holding company structure

Challenges:

- PPAs introduce elements of risk
- Cumbersome regulatory environment
- Generation earnings to decline over long-term as assets near the end of their useful life under PPAs
- Future environmental risks: coal-based generation

FINANCIAL INFORMATION

	12 months	For years ended December 31*					
	Jun-00	1999	1998R	1997	1996	1995	1994
Fixed Charges Coverage (times)	2.35	2.56	2.55	2.45	2.28	2.13	2.12
Net Debt in Capital Structure (incl debt equiv)	51.6%	53.7%	55.3%	57.6%	58.5%	63.0%	64.8%
Cash Flow/Total Debt (times) (incl debt equiv)	0.20	0.21	0.20	0.19	0.18	0.16	0.15
Cash Flow/Capital Expenditures (times)	1.85	1.93	1.50	1.41	1.78	1.34	1.43
Operating Income ($ millions)	420.2	450.9	468.2	451.3	466.2	449.7	450.4
Segmented Net Income - Electric	95.2	90.2	86.5	84.2	72.0	79.5	78.7
- Gas	53.1	65.8	68.8	67.4	72.9	59.8	55.1
Cons'd Net Income ($ millions) (after pfd)	148.3	156.0	155.3	151.6	144.9	139.3	133.8
Operating Cash Flow ($ millions)	362.0	366.1	353.1	335.4	326.8	302.7	280.0
Electricity Sales (GWh)	10,195	10,068	10,188	10,089	9,760	8,886	8,595
Gas Volumes Throughtputs (bcf)	970.8	828.8	771.5	669.2	656.8	590.5	521.5

* 1993-8 proforma, 1999 6-mos. (Jan-Jun) combined operations of regulated gas + electric utilities, 6-mos. (Jul-Dec) consolidated operations of CU Inc.

THE COMPANY CU Inc. is a holding company whose operating subsidiaries consist of regulated electric and gas transmission and distribution utilities that service most of Alberta, in addition to the Yukon and N.W. Territories. The Company is wholly owned by Canadian Utilities Limited (see separate report).

CU Inc.

Balance Sheet

($ millions)

Assets	Jun-00	1999	1998	Liabilities & Equity	Jun-00	1999	1998
		As at December 31				As at December 31	
Cash + equivalents	113.1	0.0	0.0	S-T debt	41.0	112.2	222.2
Accts receivable	243.7	287.8	278.6	A/P + accr'ds	188.6	198.3	242.6
Inventories	124.0	111.0	93.3	L-T debt due 1 yr	0.0	50.2	42.9
Prepaids + other	19.2	11.8	14.5	Current Liabilities	229.6	360.7	507.7
Current Assets	500.0	410.6	386.4	Deferred credits	85.5	85.0	66.5
Net fixed assets	3,071.5	3,088.3	3,095.2	L-T debt	1,757.5	1,557.4	1,319.4
Deferred assets	0.0	9.4	8.9	Debt equiv pfd shares	0.0	50.0	200.0
Other assets	79.6	71.8	47.0	Perpetual pfd equity	256.5	240.6	186.9
				Shareholders' equity	1,322.0	1,286.4	1,257.0
Total	3,651.1	3,580.1	3,537.5	Total	3,651.1	3,580.1	3,537.5

Ratio Analysis	12 months ended	For years ended December 31 *					
Liquidity Ratios	Jun-00	1999	1998R	1997	1996	1995	1994
Current Ratio	2.18	1.14	0.76	0.97	0.92	0.97	0.87
Accumulated depreciation/Gross fixed assets	-	36.4%	35.1%	34.0%	32.5%	30.7%	29.4%
Cash flow/Total debt (incl debt equiv)	0.20	0.21	0.20	0.19	0.18	0.16	0.15
Cash flow/Capital expenditures (1)	1.85	1.93	1.50	1.41	1.78	1.34	1.43
Cash flow-dividends/Capital expenditures (1)	1.16	1.24	1.15	0.99	1.41	0.95	0.90
Net debt in capital structure (incl debt equiv)	51.6%	53.7%	55.3%	57.6%	58.5%	63.0%	64.8%
Average coupon on l-t debt	-	9.20%	9.70%	9.72%	10.02%	-	-
Common eqty in capital structure (incl common equiv)	46.7%	46.3%	44.7%	42.4%	41.3%	36.9%	35.2%
Common dividend payout	90.8%	84.6%	53.0%	65.5%	46.9%	63.3%	78.0%
Coverage Ratios (2)							
EBIT interest coverage	2.75	3.12	3.34	3.31	3.22	3.08	3.17
EBITDA interest coverage	3.97	4.41	4.61	4.58	4.37	4.16	4.22
Fixed charges coverage	2.35	2.56	2.55	2.45	2.28	2.13	2.12
Earnings Quality / Operating Efficiency							
Operating margin	22.9%	26.2%	30.0%	28.6%	31.3%	31.4%	29.1%
Net margin (after pfd)	8.1%	9.1%	9.9%	9.6%	9.7%	9.7%	8.6%
Return on avg equity	11.3%	12.3%	12.7%	13.1%	13.3%	13.7%	13.6%
Approved ROE - ATCO Electric (electric)	#	#	#	#	11.25%	11.88%	11.88%
Approved ROE - Northwestern Utilities (gas)	#	#	#	#	11.88%	11.88%	11.88%
Approved ROE - Canadian Western (gas)	TBA	TBA	9.38%	10.50%	12.25%	12.25%	12.25%
Operating Statistics							
Electric generating capacity (MW)	1,238	1,388	1,387	1,452	1,446	1,446	1,439
Customer growth - electricity operations	-	0.2%	1.7%	1.9%	1.7%	1.6%	1.7%
Customer growth - gas distribution operations	-	2.4%	3.1%	2.5%	1.8%	1.6%	2.1%
Rate base growth - electricity operations	-	2.0%	1.4%	-4.5%	1.5%	1.6%	-1.1%
Rate base growth - gas distribution operations	-	4.0%	7.6%	3.1%	-0.6%	7.5%	6.9%
Degree day deficiency - % Normal (Calgary)	-	92.2%	98.0%	98.9%	120.0%	106.0%	100.0%
Degree day deficiency - % Normal (Edmonton)	-	91.3%	95.4%	98.6%	124.8%	107.6%	104.0%

(1) Net of customer contributions. (2) Before capitalized interest, AFUDC and debt amortizations. # Negotiated settlement.

* 1993-8 proforma, 1999 6-mos. (Jan-Jun) combined operations of regulated gas + electric utilities, 6-mos. (Jul-Dec) consolidated operations of CU Inc.

ENMAX Corporation

Current Report: February 28, 2001
Previous Report: July 27, 2000

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RATING

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Confirmed	Corporate Debt*

RATING HISTORY (as at Dec. 31)

	Current	2000	1999	1998	1997	1996
Corporate Debt*	A (low)	A (low)	N/R	N/R	N/R	N/R

*Highest credit rating applicable to the direct senior public obligations of ENMAX Corporation.

RATING UPDATE

DBRS is confirming ENMAX Corporation's corporate debt rating at A (low), with a Stable trend, based on several considerations. The Company has hedged its projected demand load for at least the next three years with low-cost, power purchase arrangements (PPAs). Earnings and cash flow should improve substantially in 2001, given the favourable spread between its electricity costs and current market prices, even with the provincial government's one-year 11¢ per kWh rate cap for RRO customers (residential and some commercial customers) and the temporary shutdown of one unit (Wabamun) under a PPA contract to supply power. ENMAX's future earnings outlook remains very favourable as long as electricity prices in Alberta remain near current levels. Retail competition was introduced effective January 1, 2001, but competitive pressures should not be a material concern over the near- to mid-term, due to tight supply-demand market conditions. Based on an expectation of strong retained earnings growth and a substantial increase in cash flows, key debt ratios should improve materially over the next year to levels better than current DBRS industry composites. The sustainability of this improvement will be highly dependent on the spread between ENMAX electricity costs as fixed under its PPAs, and market prices beyond 2001. The Company's primary challenge over the near-term is a short-term supply-demand imbalance created as a result of the shutdown of the Wabamun unit. ENMAX has made other supply arrangements to meet demand requirements during the period. Although still very favourable compared to historical results, earnings will be adversely affected if the generator's claim of *force majeur* is successful. Longer term, the Company will have to secure a new supply contract to replace the Wabamun PPA that expires in three years.

RATING CONSIDERATIONS

Strengths:
- Demand load fully hedged with low-cost, power supply contracts (PPAs)
- Minimal regulatory burden; "regulated" by owner; allowed ROE somewhat higher than other utilities
- Strong franchise with favourable growth outlook
- Financially strong parent (City of Calgary - "AA")

Challenges:
- Potential short-term supply-demand imbalance
- Retail competition: potential market share loss
- Tight supply-demand market conditions, limited interties increasing commodity price risks
- Lack of access to public equity market: key debt ratios could come under pressure

FINANCIAL INFORMATION

	Industry Avg.* Sep-00	12 mos. Sep-00	1999	1998	1997R	1996R
Fixed Charges Coverage (times)	*2.14*	4.37	3.98	5.15	4.59	2.40
% Debt in the Capital Structure	*59.7%*	59.8%	30.5%	33.4%	38.1%	32.4%
Cash Flow/Total Debt (times)	*0.14*	0.14	0.51	0.59	0.45	0.30
Cash Flow/Capital Expenditures (times)	*1.20*	1.12	1.26	2.93	3.23	1.58
Operating Income ($ millions)	-	39.5	50.1	71.4	60.5	28.6
Net Income ($ millions) (bef extras.)	-	34.8	44.5	65.2	52.1	21.3
Operating Cash Flow ($ millions)	-	67.0	73.0	93.2	77.4	42.8
Electricity Sold (GWh)	-	7,475	7,162	6,980	6,867	6,644

For years ended December 31.
* DBRS Industry composite for Canadian gas and electricity distributors. R = Pro forma reflecting the Jan-98 incorporation of ENMAX.

THE COMPANY ENMAX Corporation is a holding company whose primary operating subsidiaries include: (1) ENMAX Power Corporation, a regulated entity which transmits and distributes electricity in Calgary, Alberta; and (2) ENMAX Energy Corporation, a non-regulated entity that primarily markets electricity to roughly 400,000 customers in Calgary, Red Deer, Lethbridge, and several other smaller communities in Alberta. ENMAX Corporation is wholly owned by the City of Calgary (see separate report).

ENMAX Corporation

Balance Sheet

($ millions)

Assets:	Sep-00	1999	1998	Liabilities & Equity:	Sep-00	1999	1998
		As at December 31				As at December 31	
Cash + short-term investments	7.9	30.6	70.9	S-T + L.T.D due 1 year	15.5	15.8	14.6
Acct receivable	162.7	92.9	87.8	A/P + accr'ds	96.5	61.5	62.0
Inventories	8.6	9.8	9.8	Customer deposits	5.0	7.4	8.3
Other	3.9	1.4	1.1	Current liabilities	117.0	84.7	84.9
Current Assets	183.0	134.8	169.6	Other liabilities	1.5	1.5	1.5
Net fixed assets	415.1	404.8	375.4	Long-term debt	472.5	127.5	143.3
PPAs	320.5	0.0	0.0	Shareholders equity	327.7	325.9	315.4
Total	918.7	539.5	545.0	Total	918.7	539.5	545.0

Ratio Analysis	Industry Avg.*	12 mos.	For years ended December 31			
Liquidity Ratios	*Sep-00*	Sep-00	1999	1998	1997R	1996R
Current ratio	*0.90*	1.56	1.59	2.00	1.83	1.05
Accumulated depreciation/Gross fixed assets	*30.5%*	44.7%	43.6%	38.8%	38.4%	37.3%
Cash flow/Total debt	*0.14*	0.14	0.51	0.59	0.45	0.30
Cash flow/Capital expenditures (1)	*1.20*	1.12	1.26	2.93	3.23	1.58
Cash flow-dividends/Capital expenditures (1)	*0.59*	0.59	0.67	2.05	2.17	0.73
% Debt in the capital structure	*59.7%*	59.8%	30.5%	33.4%	38.1%	32.4%
Average coupon on long-term debt	*8.37%*	-	9.04%	9.08%	9.34%	10.11%
Common dividend payout	*97.9%*	92.2%	76.3%	43.0%	48.6%	108.9%
Coverage Ratios (2)						
EBIT interest coverage	*2.31*	4.37	3.98	5.15	4.59	2.40
EBITDA interest coverage	*3.24*	7.45	5.93	6.95	6.25	3.98
Fixed charges coverage	*2.14*	4.37	3.98	5.15	4.59	2.40
Earnings Quality/Operating Efficiencies & Statistics						
Operating margin	*41.4%*	17.8%	25.1%	35.0%	35.5%	20.1%
Net margin (bef. extras.)	*16.8%*	15.6%	22.3%	32.0%	30.5%	14.9%
Return on avg. common equity	*10.9%*	10.7%	13.9%	22.0%	18.1%	8.0%
GWh sold/Employee	-	-	10.6	10.1	10.1	8.4
Customers/Employee	*335*	-	482	468	461	382
Customers/Distribution lines	-	-	49	-	-	-
Operating costs/Avg. customer (3)	*$468*	-	$313	$273	$215	$234
Growth in customer base	*1.4%*	-	1.0%	3.5%	3.2%	-

*DBRS Industry composite for Canadian gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg customer, and rate base growth is as at Dec-99. R = Pro forma reflecting the Jan-98 incorporation of ENMAX.

(1) Net of customer contributions.

(2) Before capitalized interest, AFUDC and debt amortizations.

(3) Operating costs exclude municipal + property taxes.

Gaz Métropolitain, Inc.

(Based on the Guarantor, Gaz Métropolitain and Company, Limited Partnership)

Current Report: January 15, 2001
Previous Report: January 28, 2000

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RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	First Mortgage Bonds/Secured Debt

RATING HISTORY (as at Dec. 31)

	Current	2000	1999	1998	1997	1996
First Mortgage Bonds/Secured Debt	"A"	"A"	"A"	"A"	"A"	"A"

RATING UPDATE

DBRS is confirming the long-term debt rating of Gaz Métropolitain, Inc. ("Gaz Métro" or "the Company") at "A" with a Stable trend, based on the following considerations. Over the longer term, regulated operations, which account for the majority of consolidated earnings, contribute to relative earnings and financial stability. Earnings over the near-term are expected to be adversely affected by slightly lower approved ROEs for both domestic distribution and transmission operations and competitive pressures from alternative sources of energy. These pressures should be partially offset by incentive earnings from a new five-year performance agreement and cost control efforts underway. A slow down in the Canadian economy could potentially lead to a further decline in interest rates and approved ROEs in F2002. With two major capital projects now complete and annual capital expenditures stabilizing in the $90 million range, the Company is now generating material cash flow surpluses. Over the next year, these surpluses will be partially offset by higher working capital needs related to rising gas prices, but over longer term they represent a material source of cash that can be re-invested in income generating businesses. Gaz Métro must also contend with a number of longer-term challenges, one of which is currently adversely affecting earnings and cash flows. Given material capacity under-utilization, the Company's return on its investment in the PNGTS pipeline is expected to remain negligible until 2002 when it will apply to the regulator (FERC) to adjust tolls so that it will be able to generate earnings reflective of the approved ROE. The Company's other major challenge is to improve the low market penetration of gas use in Québec. Rising gas prices will make this difficult over the near-term, but the proposed pipeline lateral from the Sable Island gas fields would significantly shorten the long distances from current sources of supplies and improve the cost advantage of gas relative to competing sources of energy.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to relative earnings and financial stability
- Operating cash flows more than sufficient to finance capital expenditures
- Investments in pipelines and non-domestic operations enhance and diversify earnings base

Challenges:

- Under-utilized transmission capacity; return on PNGTS investment will remain negligible over near-term
- Competitive pressures from dual energy industrial users, subsidized electricity rates
- Earnings sensitivity to interest rates (approved ROEs) and economic cycle (customer segment concentration)

FINANCIAL INFORMATION

	Industry Avg.*	For years ended September 30				
	Sep-00	2000	1999	1998	1997	1996
Fixed Charges Coverage (times)	*1.95*	2.67	2.39	2.69	2.70	2.62
% Debt in the Capital Structure	*63.5%*	61.1%	59.7%	60.4%	56.1%	55.8%
Cash Flow/Total Debt (times)	*0.13*	0.21	0.20	0.20	0.28	0.30
Cash Flow/Capital Expenditures (times)	*0.47*	3.09	1.32	1.05	3.08	2.71
Approved ROE - Domestic Gas Distribution	-	9.72%	9.64%	10.75%	11.50%	12.00%
Operating Income ($ millions)	-	231.5	205.2	200.4	225.0	241.5
Net Income ($ millions)	-	143.7	135.8	140.7	138.7	145.8
Operating Cash Flow ($ millions)	-	265.9	234.1	231.7	257.9	275.7
Domestic Distribution Throughputs (Bcf) (1)	-	231.5	224.8	224.5	227.9	218.4
Transmission Throughputs (Bcf) (2)	-	206.7	138.7	117.7	124.8	121.3

* DBRS Industry composite for Cdn gas distributors. (1) Weather normalized volumes. (2) Unadjusted for Gaz Metro's ownership interest.

THE COMPANY **Gaz Métropolitain, Inc.** is the general partner of ***Gaz Métropolitain and Company, Limited Partnership*** ("GMCLP") and currently owns 77.4% of the partnership units. Gaz Métro is indirectly owned by Hydro-Québec (41%, excluding an option on an additional 9% owned by others), Enbridge Inc. (32%) and Gaz de France (18%). Gaz Métro acts as a financing vehicle for GMCLP, raising funds as required and down-lending on a back-to-back basis. GMCLP is actively involved in gas distribution and transmission.

Gaz Metropolitain and Company, Limited Partnership
(Consolidated)

Balance Sheet

($ millions)	As at September 30				As at September 30		
Assets:	2000	1999	1998	Liabilities & Equity:	2000	1999	1998
Cash	4.1	9.2	28.2	S.T. debt	33.2	45.8	45.0
Accounts receivable	74.3	41.3	54.5	A/P + accr'ds.	228.5	199.7	183.6
Inventories	207.6	132.9	106.0	L.t.d. due in 1 year	3.7	11.3	10.1
Prepaid expenses	8.5	12.3	18.5	Current Liabilities	265.4	256.8	238.7
Current Assets	294.5	195.7	207.2	Long-term debt	1,189.8	1,082.4	1,034.8
Net fixed assets	1,740.6	1,727.5	1,628.5	Minority interest	1.8	2.0	2.9
Rate stabilization acct	77.8	54.9	24.8	Partners' equity	806.0	796.8	740.9
Deferred + other assets	125.4	134.5	132.9				
Goodwill	24.7	25.4	23.8				
Total	2,262.9	2,138.0	2,017.3	Total	2,262.9	2,138.0	2,017.3

Ratio Analysis (1)	*Industry Avg.**	Equity Acctg.	For years ended September 30					
Liquidity Ratios (2)	*Sep-00*	2000	2000	1999	1998R	1997	1996	1995
Current ratio	*0.91*	1.20	1.09	0.80	0.89	0.73	0.81	0.68
Accumulated depreciation/Gross fixed assets	*28.0%*	30.5%	29.7%	27.9%	27.2%	27.2%	25.6%	24.2%
Cash flow/Total debt	*0.13*	0.26	0.21	0.20	0.20	0.28	0.30	0.27
Cash flow/Capital expenditures	*1.09*	3.36	3.09	1.32	1.05	3.08	2.71	1.92
Cash flow-dividends/Capital expenditures	*0.47*	1.45	1.50	0.56	0.42	1.38	1.32	0.89
% Debt in capital structure	*63.5%*	53.6%	61.1%	59.7%	60.4%	56.1%	55.8%	56.1%
Average coupon on long-term debt	*8.75%*	7.86%	7.65%	8.05%	8.26%	9.49%	9.76%	10.70%
Deemed common equity (domestic gas distribution)	*36%*	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%
Deemed common equity (US gas distribution)	-	63.3%	63.3%	63.3%	63.3%	66.8%	66.8%	-
Deemed common equity (TQM - pipeline)	-	30.0%	30.0%	30.0%	30.0%	30.0%	25.0%	25.0%
Deemed common equity (PNGTS - US pipeline)	-	30.0%	30.0%	30.0%	30.0%	-	-	-
Common dividend payout (before extras.)	*126.7%*	95.3%	95.3%	99.2%	98.4%	102.5%	97.1%	98.4%
Coverage Ratios (3)								
EBIT interest coverage	*2.11*	3.33	2.67	2.39	2.69	2.70	2.62	2.55
EBITDA interest coverage	*3.05*	4.90	4.04	3.62	4.01	3.81	3.57	3.47
Fixed charges coverage	*1.95*	3.33	2.67	2.39	2.69	2.70	2.62	2.55
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*40.5%*	46.3%	43.8%	43.1%	43.5%	47.3%	50.9%	49.6%
Net margin (before extras.)	*15.5%*	34.4%	27.2%	28.5%	30.6%	29.2%	30.7%	29.3%
Return on partners equity (before extras.)	*10.8%*	17.9%	17.9%	17.7%	19.1%	18.9%	19.9%	19.5%
Approved ROE (domestic gas distribution)	-	-	9.72%	9.64%	10.75%	11.50%	12.00%	12.00%
Approved ROE (US gas distribution)	-	-	11.25%	11.25%	11.25%	11.25%	11.25%	-
Approved ROE (TQM - pipeline)	-	-	9.90%	9.58%	10.21%	10.67%	11.25%	12.25%
Approved ROE (PNGTS - US pipeline)	-	-	14.00%	14.00%	14.00%	-	-	-
Rate base (domestic gas distribution) - $ millions	-	-	1,487	1,413	1,397	1,352	1,340	1,316
Rate base (domestic gas distribution) - growth	*-0.5%*	-	5.2%	1.1%	3.3%	0.9%	1.8%	7.1%
Rate base (TQM - pipeline) - $ millions	-	-	n/a	493	294	308	307	299
Rate base (PNGTS - US pipeline) - US$ millions	-	-	455	450	375	-	-	-
Customer/Employee (domestic gas distribution)	*405*	-	116	112	113	115	116	107
Customer growth (domestic gas distribution)	*2.6%*	-	1.7%	0.8%	-0.3%	0.0%	0.0%	0.1%
Degree Day Deficiency - % Normal (domestic gas)	-	-	87.8%	84.1%	86.5%	98.6%	99.2%	92.5%

* DBRS Industry composite for Canadian gas distributors. Value for average coupon, customers/employee, customer growth and rate base growth is as at December 1999.

(1) Due to a change in accounting policies, income statement data prior to F1998, and in particular coverage ratios, are not directly comparable to prior periods. DBRS estimates that had the accounting changes been adopted sooner, historical coverage ratios would have been weaker than indicated above.

(2) Debt ratios adjusted to reflect receivable sales (i.e., debt equivalent). Minority interest treated as a common equivalent.

(3) Before capitalized interest, AFUDC and debt amortizations. See note (1). R = Revised to conform with F1999 reporting format.

Hydro One Inc.

(Formerly Ontario Hydro Services Company Inc.)

Current Report: February 28, 2001
Previous Report: September 6, 2000

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RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Senior Unsecured Debentures

RATING HISTORY (as at Dec. 31)

	Current	2000	1999	1998	1997
Senior Unsecured Debentures	"A"	"A"	N/R	N/R	N/R

RATING UPDATE

DBRS is confirming the long-term debt rating of Hydro One Inc. ("Hydro One" or "the Company") at "A" with a Stable trend, based on the following considerations. (1) Recently announced cuts to distribution rates effective with the market opening should be partially offset by an expected improvement in operating efficiencies over the longer term as a result of internal rationalizations and the acquisition of 87 municipal electric utilities (MEUs). (2) Both the Company's commitment to maintaining key debts ratios at levels reflective of current credit ratings and the fact that the bulk of earnings and cash flows will continue to be generated from regulated transmission and distribution assets should contribute to relative financial stability. While the MEU acquisitions will weaken key debt ratios by the end of 2001, ratios are expected to remain at acceptable levels. (3) The earnings growth outlook over the longer term remains favourable as there are still acquisition opportunities, with numerous smaller MEUs within Hydro One's rural network that may find it difficult to operate on a stand-alone basis once the market opens. In addition, earnings should benefit from the development of the Company's fibre-optic network business and expansion into energy marketing. Over the near term, the Company will have to contend with a number of challenges that could adversely affect earnings and cash flows. The negative experience California and Alberta have had with deregulation will likely further delay the market opening while the provincial government ensures that conditions are conducive to a successful implementation. This should have a positive impact on earnings over the short term, but retail competition, when it is implemented, will expose the Company's energy marketing business to potential commodity pricing risks and earnings pressures. In addition, DBRS expects the Ontario electricity distribution industry will be faced with some uncertainty over the next few years as the highly fragmented industry continues to consolidate.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to earnings/financial stability
- Attractive Ontario-based business franchise
- Internal rationalization/acquisitions should contribute to an improvement in future operating efficiencies
- Opportunities for growth of distribution business

Challenges:

- Retail competition: potential commodity pricing risks
- Uncertainty: industry consolidation/deregulation
- Capital expenditures maintenance backlog
- Heavy debt refinancing schedule
- Lack of access to public equity markets

FINANCIAL INFORMATION

	Industry Avg.*	For years ended December 31 (1)				
	Sep-00	2000	1999	1998	1997	1996
Fixed Charges Coverage (times)	*2.14*	2.30	2.32	1.46	1.50	1.64
% Adjusted Debt in the Capital Structure (2)	*59.7%*	54.2%	54.6%	71.8%	75.0%	75.9%
Cash Flow/Adjusted Total Debt (times)(2)	*0.14*	0.15	0.15	0.09	0.09	0.11
Cash Flow/Capital Expenditures (times)	*1.17*	1.58	1.34	1.43	1.86	2.23
Approved ROE	-	9.88%	9.35%	-	-	-
Operating Income ($ millions) (before extras.)	-	930	997	829	888	973
Net Income ($ millions) (bef extras. after pfd.)	-	381	422	270	304	383
Operating Cash Flow ($ millions)	-	684	722	546	538	673
Electricity Sold - Distribution (GWh)	-	17,600	18,100	18,300	18,800	18,600

(1) 1999: nine months. Hydro One +3-mos. allocation of Ontario Hydro results. 1996-8: an allocation of Ontario Hydro results that reflect the operations of Hydro One. (2) Adjusted for equity treatment of hybrid debt securities. *DBRS composite for Canadian gas and electricity distributors.

THE COMPANY Hydro One Inc., one of the successor companies of the former Ontario Hydro, holds and operates transmission and distribution assets, as well as a fibre-optic network across most of rural Ontario. Hydro One is the second largest electricity distributor in Ontario based on distribution throughputs and the largest based on the number of customers. The Company is wholly owned by the Province of Ontario. Debt issued directly by Hydro One Inc. is not guaranteed by the province.

Hydro One Inc.

(formerly Ontario Hydro Services Company Inc.)

Balance Sheet (1)

($ millions)	As at December 31				As at December 31		
Assets:	2000	1999R	1998	Liabilities & Equity:	2000	1999R	1998
Cash + short-term investments	0	468	44	Short-term debt	154	0	568
Accounts receivable	511	536	398	L.T.D. debt due 1 year	474	1,399	491
Material and supplies	65	81	65	A/P + accr'ds	421	475	397
Current Assets	576	1,085	507	Current Liabilities	1,049	1,874	1,456
Net fixed assets	8,519	8,359	8,383	Long-term debt	3,972	3,446	5,128
Post employment benefits	452	241	224	Post employ. benefits	509	496	305
Def'd debt costs + long-term rec.	92	22	321	Long-term pay. + other	467	250	115
Regulatory asset	352	383	0	Conv. preferred equity	323	0	0
Goodwill	6	0	0	Shareholders equity	3,677	4,024	2,431
Total	9,997	10,090	9,435	Total	9,997	10,090	9,435

Ratio Analysis (1)	Industry Avg.*	For years ended December 31				
Liquidity Ratios	*Sep-00*	2000	1999R	1998R	1997	1996
Current Ratio	*0.90*	0.55	0.58	0.35	0.27	0.41
Accumulated depreciation/Gross fixed assets	*30.5%*	32.5%	31.5%	31.3%	30.4%	29.2%
Cash flow/Total debt (2)	*0.14*	0.15	0.15	0.09	0.09	0.11
Cash flow/Adjusted total debt (2)	*0.14*	0.15	0.15	0.09	0.09	0.11
Cash flow/Capital expenditures	*1.17*	1.58	1.34	1.43	1.86	2.23
Cash flow-dividends/Capital expenditures	*0.57*	0.70	1.34	1.43	1.86	2.23
% Debt in the capital structure (2)	*58.8%*	53.5%	54.6%	71.8%	75.0%	75.9%
% Adjusted debt in the capital structure (2)	*59.7%*	54.2%	54.6%	71.8%	75.0%	75.9%
Average coupon on long-term debt	-	8.13%	7.70%	9.00%	-	-
Hybrids/Common equity	*10.0%*	8.8%	0.0%	0.0%	0.0%	0.0%
Deemed equity	-	35.0%	35.0%	-	-	-
Common dividend payout (before extras.)	*97.9%*	58.7%	38.7%	0.0%	0.0%	0.0%
Coverage Ratios (3)						
EBIT interest coverage	*2.31*	2.50	2.45	1.46	1.50	1.64
EBITDA interest coverage	*3.24*	3.42	3.29	1.98	2.02	2.17
Fixed charges coverage	*2.14*	2.30	2.32	1.46	1.50	1.64
Earnings Quality/Operating Efficiencies & Statistics						
Operating margin	*41.4%*	43.7%	45.6%	44.0%	48.0%	50.9%
Net margin (before extras., after pfd)	*16.8%*	17.0%	18.7%	14.3%	16.4%	20.0%
Return on avg common equity (before extras.)	*10.7%*	9.4%	12.7%	12.0%	14.9%	20.9%
Approved ROE	-	9.88%	9.35%	-	-	-
Rate base (Transmission) (millions)	-	5,707.4	5,637.9	-	-	-
Rate base (Distribution) (millions)	-	2,444.7	2,466.8	-	-	-
Distribution lines (km)	-	113,880	113,400	116,947	119,182	118,985
Transmission lines (km)	-	28,490	28,889	29,066	29,080	29,080
GWh throughputs/Employee	-	36.8	28.8	30.9	31.3	29.5
Customers/Employee	*335*	214	166	187	186	176
Customers/Distribution lines	-	8	8	8	8	8
Growth in customer base	*1.4%*	2.5%	-4.5%	0.5%	1.1%	-
Operating costs/Avg. customer ($) (4)	*468*	983	1,043	850	917	1,010

(1) 1999 consists of 9-mos. Hydro One + 3-mos. allocation of Ontario Hydro results. 1996-8 ratios reflect the allocation of Ontario Hydro results which represent Hydro One operations. (2) Convertible preferred equity given 80% common equity treatment.

(3) EBIT includes interest income, interest expense excludes capitalized interest, AFUDC and debt amortizations .

(4) For distribution operations only. * DBRS industry composite for Canadian gas and electricity distributors.

Newfoundland Power Inc.

Current Report: January 29, 2001
Previous Report: March 31, 2000

RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	First Mortgage Bonds
Pfd-2	Stable	Confirmed	Preferred Shares – Cumulative, Redeemable

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RATING HISTORY (as at Dec. 31)	Current	2000	1999	1998	1997	1996
First Mortgage Bonds	"A"	"A"	"A"	"A"	"A"	A (high)
Preferred Shares	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2

RATING UPDATE

DBRS is confirming the long-term debt rating of Newfoundland Power Inc. ("the Utility") at "A" and preferred share rating at Pfd-2, with Stable trends. The rating confirmations are based on the following considerations. (1) With a 45%-allowed deemed equity component, the Utility's key financial ratios remain among the strongest in the industry. Newfoundland Power has the highest allowed deemed equity of all Canadian regulated utilities, reflecting risk factors associated with its relatively small size and low growth business franchise. (2) Following cost control efforts and productivity initiatives (including early retirements) implemented during 1999-2000, profit margins have returned to historical highs. This is in spite of a significant decline in allowed ROEs over the last five years. The improvement in operating efficiencies has contributed to stronger operating cash flows. With ongoing capital expenditures in the $40 million range annually, the Utility should once again generate material cash flow surpluses that will be paid out in dividends. (3) The new return on rate base automatic adjustment formula, effective in 1999, has materially reduced, but not eliminated, the Utility's earnings sensitivity to interest rates. Together with the use of a weather normalization account, Newfoundland Power's earnings are, as a result, less volatile than some other regulated utilities. Nevertheless, an economic slow down in Canada, could potentially lead to a decline in interest rates, and allowed ROEs after 2001. The Utility's other long-term challenge relates to the possibility of industry restructuring in the province, which could result in the introduction of retail competition. Newfoundland Power is currently permitted to fully recover its power costs. Although its geographic isolation should minimize competitive pressures, retail competition, if introduced, could expose the Utility to commodity price risks.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to earnings/financial stability
- Weather normalization account reduces short-term earnings volatility
- Geographic isolation limits competitive pressures
- Key financial ratios comparatively strong; 45%-allowed deemed equity higher than other regulated utilities

Challenges:

- Sensitivity to interest rates (allowed ROEs)
- Potential industry restructuring could introduce retail competition in future
- Low electricity demand growth
- High coupon debt issues; early redemption uneconomic

FINANCIAL INFORMATION

	Industry Avg.*	12 mos.	For years ended December 31			
	Sep-00	Sep-00	1999	1998	1997	1996
Fixed Charges Coverage (times)	*2.14*	2.52	2.39	2.33	2.72	2.65
% Debt in Capital Structure	*59.7%*	*54.7%*	*56.3%*	*56.8%*	*55.1%*	*54.5%*
Cash Flow/Total Debt (times)	*0.14*	0.18	0.16	0.16	0.18	0.18
Cash Flow/Capital Expenditures (times)	*1.21*	1.29	1.19	1.09	1.73	1.84
Approved ROE	-	9.59%	9.25%	9.25%	11.00%	11.00%
Operating Income ($ millions)	-	72.1	67.9	63.5	72.3	68.4
Net Income ($ millions) (bef extras, after pfd div's)	-	28.4	23.4	21.6	28.1	25.1
Operating Cash Flows ($ millions) (after pfd div's)	-	54.3	50.4	48.5	49.8	49.3
Electricity Sold (GWh)	-	4,572	4,500	4,440	4,438	4,425

* DBRS Industry composite for Canadian gas and electricity distributors.

THE COMPANY

Newfoundland Power Inc. distributes electricity throughout the island of Newfoundland. The Utility purchases the bulk of its electricity needs from government owned Newfoundland and Labrador Hydro and generates the balance from owned facilities. Fortis Inc. (see separate report) owns all the common shares of Newfoundland Power Inc.

Newfoundland Power Inc.

Balance Sheet
($ millions)

Assets:	Sep-00	1999	1998	Liabilities & Equity:	Sep-00	1999	1998
		As at December 31				As at December 31	
Cash + equivalents	3.8	0.0	0.0	S.T. debt	9.0	19.6	5.0
Accounts rec	22.8	33.1	33.0	A/P + accr'd liab	49.6	52.6	55.0
Materials + supplies	4.3	5.5	3.7	L.T.D. due in 1 year	3.1	3.1	3.1
Prepaids + stab acct	4.2	4.8	4.5	Current Liabilities	61.7	75.2	63.1
Current Assets	35.1	43.4	41.2	Def'd credits	10.4	12.2	15.0
Corp tax deposit	6.7	15.6	15.6	Long-term debt	280.2	280.2	283.2
Net fixed assets	523.3	519.7	507.4	Preferred shares	9.9	9.9	9.9
Deferred charges	47.1	41.7	36.5	Shlders' equity	250.2	242.8	229.5
Total	612.3	620.3	600.7	Total	612.3	620.3	600.7

Ratio Analysis	*Industry Avg**	12 Mos.	For years ended December 31					
Liquidity Ratios	*Sep-00*	Sep-00	1999	1998	1997	1996	1995	1994
Current Ratio	*0.90*	0.57	0.58	0.65	0.49	0.53	0.49	0.60
Accumulated depreciation/Gross fixed assets	*30.5%*	43.4%	42.3%	41.7%	41.6%	40.3%	38.9%	37.0%
Cash flow/Total debt (1)(2)	*0.14*	0.18	0.16	0.16	0.18	0.18	0.21	0.22
Cash flow/Capital expenditures (1)(3)	*1.21*	1.29	1.19	1.09	1.73	1.84	1.89	1.67
Cash flow-dividends/Capital expenditures (1)(3)	*0.48*	0.84	0.97	0.65	0.91	0.58	1.27	0.77
% Debt in capital structure (2)	*59.7%*	54.7%	56.3%	56.8%	55.1%	54.5%	52.3%	51.9%
Average coupon on long-term debt	*8.37%*	-	9.66%	9.66%	10.26%	10.26%	10.54%	10.67%
Deemed equity	-	45%	45%	45%	45%	45%	45%	45%
Common dividend payout (before extras.)	*97.9%*	66.8%	40.5%	90.9%	84.0%	134.3%	65.0%	108.4%
Coverage Ratios (4)								
EBIT interest coverage	*2.31*	2.62	2.49	2.43	2.84	2.77	2.71	2.98
EBITDA interest coverage	*3.24*	3.73	3.56	3.48	3.87	3.82	3.90	4.14
Fixed charges coverage	*2.14*	2.52	2.39	2.33	2.72	2.65	2.60	2.82
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*41.4%*	47.4%	45.5%	44.0%	47.2%	45.8%	43.3%	47.0%
Net margin (before extras, after pfd div's)	*16.8%*	18.7%	15.7%	15.0%	18.3%	16.8%	18.7%	18.1%
Return on avg equity (before extras.)	*10.9%*	11.5%	9.9%	9.4%	12.4%	10.9%	12.0%	12.0%
Allowed ROE (mid point) (5)	-	9.59%	9.25%	9.25%	11.00%	11.00%	13.25%	13.25%
Degree days - % Normal	-	-	85%	93%	103%	94%	101%	101%
GWh sold/Employee	-	-	6.5	6.3	6.3	5.5	5.3	5.4
Customers/Employee	*335*	-	307	301	299	260	251	254
Customers/Distribution lines	-	-	21	-	-	-	-	-
System efficiency (line losses)	-	-	5.1%	5.3%	4.9%	5.0%	4.9%	4.9%
Operating costs/Avg. customer ($)	-	-	385.1	385.3	388.7	393.8	412.1	396.9
Growth in customer base	*1.4%*	-	0.7%	0.7%	0.9%	1.0%	0.9%	1.6%
Rate base ($ millions)	-	-	506	488	477	473	470	465
- growth	-	-	3.7%	2.3%	0.8%	0.6%	1.1%	1.1%
Generating Capacity								
Installed capacity (Megawatts)		-	148	148	147	147	147	147
Generated		-	450	429	424	423	423	420
Purchased		-	4,292	4,259	4,244	4,236	4,186	4,178
Energy generated + purchased		-	4,742	4,688	4,668	4,659	4,609	4,598
LESS: Transmission losses + internal use		-	242	248	230	234	227	227
Total (GWh)		4,572	4,500	4,440	4,438	4,425	4,382	4,371
Energy sales growth		-	1.4%	0.0%	0.3%	1.0%	0.3%	2.0%
Peak demand (Megawatts)		-	1,025	1,063	996	1,123	1,031	1,098

* DBRS Industry composite for gas & electricity distributors. Value for average coupon, customers/employee and customer growth is as at December 1999.
(1) Cash flows are after preferred dividends.
(2) Preferred shares treated as a debt equivalent.
(3) Capital expenditures are net of customer contributions.
(4) Before capitalized interest, AFUDC, and debt amortizations.
(5) ROE is adjusted annually, but Newfoundland Power is regulated based on a return on rate base effective 1999. See Regulation section in report.

Pacific Northern Gas Ltd.

Current Report: March 30, 2001
Previous Report: June 19, 2000

RATING

Rating	*Trend*	*Rating Action*	*Debt Rated*
BB (high)	Stable	Confirmed	Secured Debentures
Pfd-4 (high)	Stable	Confirmed	Preferred Shares - Cumulative Redeemable

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RATING HISTORY (as at Dec. 31)

	Current	*2000*	*1999*	*1998*	*1997*	*1996*
Secured Debentures	BB (high)	BB (high)	BBB	BBB (high)	BBB (high)	BBB (high)
Preferred Shares	Pfd-4 (high)	Pfd-4 (high)	Pfd-3	Pfd-3 (high)*	Pfd-3	Pfd-3

*On October 1, 1998, DBRS broadened its preferred share ratings scale, resulting in technical changes to the Utility's preferred share credit rating.

RATING UPDATE

DBRS is confirming Pacific Northern Gas Ltd.'s ("PNG" or "the Company") long-term credit rating at BB (high) and preferred share rating at Pfd-4 (high). The Company has implemented significant cash conservation initiatives to contend with the potential loss of a major customer (Methanex) which accounts for about 65% of normalized throughputs and 40% of operating earnings. These initiatives include a 40% reduction in staff, a 40% reduction in future, annual capital expenditures and the suspension of common dividends in mid-2000. Together with take-or-pay terms on a major delivery contract, this should allow the Company to maintain relatively stable earnings during the next two years. Internally generated cash flows should be more than sufficient to fund annual capital expenditures in the $5.7 million range, and allow for ongoing debt reduction over the period. The Company's key debt ratios are currently stronger than industry averages and cost control efforts outlined above should allow PNG to maintain key debt ratios well within range of industry averages in each of the next two years. However, without the renewal of a major delivery contract that expires in October 2002 and/or an adjustment in rates to remaining customers, the Company's long-term outlook is a significant concern. Current credit ratings reflect the uncertainty associated with the resolution of this situation. PNG has been unable to renegotiate the contract on terms that would support the long-term economic viability of the Company. In addition, the Company may find it difficult to increase rates in light of the sharp increase in gas prices vis-a-vis oil over the past year. PNG is presently in the midst of regulatory hearings, with a rate decision expected before mid-year. The Company's 2001 application incorporates a number of scenarios, including the permanent shutdown of Methanex's Kitimat plant, and requested approval on rate increases to recover the unrecorded deferred taxes associated with the Methanex contracts and a portion of the undepreciated assets used to service Methanex. The associated rate increase would reduce the burden on remaining customers, the Company and shareholders.

RATING CONSIDERATIONS

Strengths:

- Take-or-pay contracts/B.C. government guarantee reduces earnings volatility over short term (until October 2002)
- Regulation contributes to earnings/financial stability
- Cash flow conservation efforts underway

Challenges:

- Two largest customers (Methanex and Skeena - 65% of throughputs/31% of revenues) under financial pressure
- Customer concentration/exposure to economic cycle
- Earnings sensitivity to interest rates (approved ROEs)

FINANCIAL INFORMATION

	Industry Avg.*	For years ended December 31				
	Sep-00	2000	1999	1998	1997	1996
Fixed-charges coverage (times)	*1.95*	2.13	2.19	2.15	2.40	2.55
% Adjusted debt in capital structure (1)	*63.6%*	62.6%	66.2%	63.6%	63.7%	58.6%
Cash flow/Adjusted total debt (times) (1)	*0.13*	0.16	0.13	0.17	0.17	0.12
Cash flow/Capital expenditures (times)	*1.09*	2.31	1.59	1.88	2.22	1.36
Approved ROE	-	10.25%	10.00%	10.75%	11.00%	11.75%
Operating income ($ millions)	-	21.8	22.0	22.3	23.6	24.4
Net income ($ millions) (bef. Extras., after pfd. div's.)	-	6.5	6.8	6.1	7.6	7.0
Operating Cash Flow ($ millions) (after pfd. div's.)	-	18.2	16.6	19.9	20.2	12.1
Throughputs volumes (bcf)	-	31.6	38.7	35.3	38.5	35.2

* DBRS Industry composite for Canadian gas distributors. (1) Adjusted for equity treatment of hybrid debt securities.

THE COMPANY Pacific Northern Gas Ltd. is a natural gas distributor that services west-central and northeast British Columbia. Westcoast Energy Inc. owns 41% of the Company's Class A non-voting common shares and 100% of the Class B voting shares.

Pacific Northern Gas Ltd.

Balance Sheet
($ millions)

Assets	2000	1999	1998	Liabilities & Equity	2000	1999	1998
	As at December 31				As at December 31		
Cash	1.4	0.0	0.0	Short-term debt	24.8	34.0	19.5
Accounts receivable	36.2	20.0	12.9	A/P + accr'ds	32.4	12.0	9.4
Inventories	2.5	7.0	4.1	L.t.d. due in 1 year	3.3	3.3	3.3
Prepaid expenses	0.9	0.5	0.6	Current liabilities	60.5	49.3	32.3
Current assets	41.1	27.5	17.5	Long-term debt	82.2	85.6	88.9
Net fixed assets	183.4	182.9	181.2	Deferred taxes	15.7	12.8	11.1
Gas cost variance account	2.7	1.5	0.0	Preferred equity	5.0	6.7	10.3
Deferred charges	5.2	6.8	5.3	Shareholders equity	69.0	64.3	61.5
Total	232.3	218.8	204.0	Total	232.3	218.8	204.0

Ratio Analysis	*Industry Avg.**	For years ended December 31						
Liquidity Ratios	*Sep-00*	2000	1999	1998	1997	1996	1995	1994
Current ratio	*0.91*	0.68	0.56	0.54	0.59	0.52	0.53	0.39
Accumulated depreciation/Gross fixed assets	*28.0%*	31.6%	29.7%	28.2%	26.6%	25.1%	23.5%	22.8%
Cash flow/Total debt (1)	*0.13*	0.16	0.13	0.17	0.17	0.12	0.12	0.12
Cash flow/Adjusted total debt (1) (2)	*0.13*	0.16	0.13	0.17	0.17	0.12	0.12	0.12
Cash flow/Capital expenditures (1)	*1.09*	2.31	1.59	1.88	2.22	1.36	0.87	0.74
Cash flow-dividends/Capital expenditures (1)	*0.47*	2.06	1.21	1.51	1.83	0.98	0.63	0.54
% Debt in capital structure	*62.4%*	62.6%	66.0%	63.6%	63.7%	58.6%	65.4%	65.4%
% Adjusted debt in capital structure (2)	*63.6%*	62.6%	66.2%	64.5%	65.1%	61.1%	65.4%	65.4%
Average coupon on long-term debt	*8.75%*	8.31%	9.07%	9.11%	9.17%	10.07%	10.26%	10.78%
% Hybrids/Common equity	*9.9%*	0.0%	2.7%	8.6%	14.6%	25.4%	0.0%	0.0%
Deemed equity (3)	-	36%	36%	36%	36%	36%	36%	36%
Common dividend payout (before extras.)	*126.7%*	30.5%	58.3%	63.6%	46.4%	47.8%	56.2%	49.0%
Coverage Ratios (4)								
EBIT interest coverage	*2.11*	2.26	2.33	2.29	2.56	2.72	2.09	2.29
EBITDA interest coverage	*3.05*	3.18	3.19	3.13	3.33	3.48	2.71	2.90
Fixed-charges coverage	*1.95*	2.13	2.19	2.15	2.40	2.55	1.95	2.13
Earnings Quality/Operating Efficiencies & Statistics								
Operating margin	*40.5%*	40.4%	41.5%	43.5%	46.7%	51.1%	46.2%	46.5%
Net margin (before extras., after pfd. div's.)	*15.5%*	12.0%	12.8%	11.9%	15.0%	14.7%	14.2%	15.6%
Return on avg. common equity (before extras.)	*10.8%*	9.8%	10.8%	10.1%	13.3%	13.3%	11.8%	13.4%
Approved ROE (mid-point) (5)	-	10.25%	10.00%	10.75%	11.00%	11.75%	12.75%	11.50%
Degree day deficiency (% Normal) (Distribution)	-	101.6%	102.0%	94.2%	94.3%	100.4%	100.2%	99.4%
Customers/Employee	*405*	441	247	244	248	206	197	198
Customer growth	*2.6%*	1.1%	1.1%	3.0%	34.6%	5.1%	3.6%	4.2%
Operating costs (6)/Avg. Customers	*$372*	$715	$691	$655	$707	$707	$696	$694
Rate base (millions)	-	$173.7	$171.7	$168.4	$164.0	$147.5	$143.5	$134.0
Rate base growth	*-0.5%*	1.2%	2.0%	2.7%	11.2%	2.8%	7.1%	8.6%
Kilometres of pipeline (transmission)	-	1,047	1,047	1,047	1,041	994	994	992
Kilometres of pipeline (distribution)	-	2,622	2,602	2,457	2,273	1,083	941	932
Rate base/Km of pipeline (000s)	-	$47.34	$47.05	$48.06	$49.50	$70.99	$74.13	$69.65
Rate base/Volume throughputs (millions per bcf)	-	$5.50	$4.44	$4.78	$4.27	$4.19	$4.55	$3.88

* DBRS Industry composite for Canadian gas distributors. Value for average coupon, customers/employee, customer growth and rate base growth is as at Dec-99.

(1) Cash flows are after all preferred dividends.

(2) Junior preferreds given 70% equity treatement, redeemable preferreds treated as a debt equivalent.

(3) Both distribution and transmission operations now have the same deemed equity. Prior to 2000, transmission was regulated based on a 40% deemed equity.

(4) Before capitalized interest, AFUDC, debt amortizations.

(5) Fort St. John: 2000 - 10%, 1999 - 9.50%, 1998 - 10.25%.

(6) Excludes municipal + property taxes.

SaskEnergy Incorporated

(* The rating is a flow-through of the Province of Saskatchewan, which conducts all of SaskEnergy's financing activities. This report specifically analyzes the Utility.)

Current Report: September 22, 2000

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RATING*

Rating	*Trend*	*Rating Action*	*Debt Rated*
"A"	Stable	New Rating	Corporate Long-term Debt

RATING HISTORY* (as at Dec. 31)

	Current	*1999*	*1998*	*1997*	*1996*	*1995*
Corporate Long-term debt	"A"	A (low)	A (low)	A (low)	BBB (high)	BBB (high)

COMMENTARY

The rating is a flow-through of the rating of the Province of Saskatchewan, as the Utility's outstanding debt securities are direct obligation of the province. DBRS upgraded the Province of Saskatchewan in May 2000. While current debt levels are relatively high and constrain key debt ratios relative to Canadian industry averages, the Utility is committed to reducing the debt-to-equity ratio to about 65%. With a 55% dividend payout policy, annual capital expenditures (net of customer contributions) of about $50 million, and a positive earnings growth outlook driven by the attractive demand fundamentals of natural gas versus other energy alternatives, the Utility is expected to reach its target by 2003. This would bring the Utility's debt ratios in line with those of the private sector gas utilities. Debt ratios have fallen from 86% in 1991 to 69% as at June 2000, largely due to growth in retained earnings. SaskEnergy is not subject to regulatory overview, although rate increases are set by Cabinet based on the advice of an independent rate review Board. The Utility is subject to forecast risk like other gas utilities, but this sensitivity is especially acute with respect to gas costs. Unlike regulated gas utilities, SaskEnergy has no deferral accounts that ensure the flow-through of all gas commodity costs, so the Utility must use hedges to manage the price risk exposure. The Company's primary challenge over the short-term is its earnings sensitivity to temperatures. About 57% of distribution throughputs are delivered to weather sensitive customers, while exports and marketing volumes are sensitive to temperatures, currency exchange rates and competitive pressures.

CONSIDERATIONS

Strengths:

- Debt securities are direct obligations of the Province
- Commitment to reducing debt-to-equity to 65%
- Cash flows in excess of capital expenditure needs
- Attractive demand fundamentals of gas contributes to positive earnings growth outlook
- Minimal regulatory burden

Challenges:

- Excess debt weakens key debt ratios
- Forecast risk, especially with respect to gas prices
- Earnings sensitive to temperatures
- Exports and marketing gas throughputs sensitive to temperatures, FX and competitive pressures
- Relatively high coupon on long-term debt

FINANCIAL INFORMATION

	Industry Avg*	12 Mos.	For years ended December 31				
	1999	Jun-00	1999	1998	1997	1996	1995
Fixed Charges Coverage (times)	*2.00*	1.41	1.48	1.49	1.53	1.95	1.73
Net Debt in Capital Structure	*62.4%*	69.3%	71.8%	72.9%	73.4%	75.3%	77.9%
Cash Flow/Total Debt (times)	*0.14*	0.11	0.11	0.11	0.11	0.15	0.11
Cash flow/Capital Expenditures (times)	*1.23*	1.68	1.63	1.66	2.15	3.25	0.52
Operating Income ($ millions)	*1,396^*	100.2	103.5	105.4	109.7	146.5	123.0
Net Income ($ millions) (bef extras.)	*515^*	32.4	36.6	36.3	39.4	73.3	57.8
Operating Cash Flow ($ millions)	*1,187^*	76.6	80.9	78.4	79.0	108.3	85.5
Throughput Volumes (bcf)	*2,662^*	187.8	191.3	169.6	170.7	198.2	182.8
Export & Marketing Volumes (bcf)	-	165.6	174.6	198.0	206.7	206.8	230.3

* DBRS Industry averages. ^ Industry totals.

THE COMPANY

SaskEnergy Incorporated, a provincial Crown corporation, is a gas distribution and transmission utility that services the Province of Saskatchewan. Through a number of subsidiaries, the Utility owns 11 interconnecting gas pipelines between Alberta and Saskatchewan (Many Islands Pipe Lines (Canada) Limited), a 15% equity investment in a Chilean natural gas distribution company (SaskEnergy International Incorporated) and is entitled to gas royalties from properties in Saskatchewan and Alberta (Bayhurst Gas Limited). The Utility is also actively involved in energy marketing. Export and marketing throughputs accounted for roughly 43% of total gas volume throughputs in 1999.

SaskEnergy Incorporated

Balance Sheet
($ millions)

Assets:	Jun-00	1999	1998	Liabilities & Equity:	Jun-00	1999	1998
		As at December 31				As at December 31	
Cash + equivalents	28.0	0.0	0.7	S-T debt	0.0	40.8	56.8
Accounts receivable	71.6	87.0	82.3	A/P + accr'ds	88.1	83.4	85.4
Gas Inventories	86.9	88.5	88.2	L.T.D. due in 1 year	50.0	0.0	0.0
Other	6.1	6.4	5.5	Current Liabilities	138.1	124.2	142.2
Current Assets	192.5	181.8	176.8	Long-term debt	662.2	691.8	675.0
Net Fixed Assets	994.7	1,002.5	987.6	Customer contribution	88.6	85.5	75.8
Investments	5.0	5.0	0.0	Shldrs equity	303.4	287.9	271.4
Total	1,192.3	1,189.4	1,164.4	Total	1,192.3	1,189.4	1,164.4

Ratio Analysis	12 mos. ended	For years ended December 31						
Liquidity Ratios	Jun-00	1999	1998	1997	1996	1995	1994	1993
Current ratio	1.39	1.46	1.24	0.89	0.93	1.08	0.90	1.13
Accumulated deprec/Gross fixed assets	-	22.2%	20.5%	18.0%	15.3%	12.7%	12.1%	10.5%
Cash flow/Total debt	0.11	0.11	0.11	0.11	0.15	0.11	0.14	0.15
Cash flow/Capital expenditures (1)	1.68	1.63	1.66	2.15	3.25	0.52	1.02	1.93
Cash flow-dividends/Capital expenditures (1)	1.23	1.28	0.88	1.05	2.30	0.30	0.56	1.32
Net debt in capital structure	69.3%	71.8%	72.9%	73.4%	75.3%	77.9%	77.3%	78.6%
Average coupon on l-t debt	-	9.77%	9.93%	10.24%	10.27%	10.23%	10.81%	10.74%
Deemed common equity	40.0%	40.0%	40.0%	40.0%	40.0%	-	-	-
Common equity in capital structure	29.9%	28.2%	27.1%	26.6%	24.7%	22.1%	22.7%	20.9%
Common dividend payout	68.6%	55.0%	54.9%	55.0%	55.0%	54.9%	54.9%	60.0%
Coverage Ratios (2)								
EBIT interest coverage	1.41	1.48	1.49	1.53	1.95	1.73	1.98	2.03
EBITDA interest coverage	2.03	2.10	2.07	2.08	2.42	2.12	2.37	2.37
Fixed charges coverage	1.41	1.48	1.49	1.53	1.95	1.73	1.98	2.03
Profitability/Operating Efficiency								
Operating margin (based on net revenues)	39.9%	41.1%	40.7%	42.7%	49.8%	46.8%	48.1%	51.0%
Net margin (bef extras.)	12.9%	14.5%	14.0%	15.3%	24.9%	22.0%	24.7%	26.8%
Return on common equity	11.0%	13.1%	13.8%	16.0%	32.5%	28.8%	37.9%	47.6%
Degree day deficiency - % Normal	-	92.0%	91.9%	97.2%	115.9%	101.6%	98.1%	99.5%
Customers / Employee	-	386	385	379	375	375	384	401
Customer growth	-	1.2%	1.3%	1.5%	1.1%	1.0%	0.8%	0.7%
Rate base (millions)	-	$997	$996	$990	$993	$938	$843	$792
- growth	-	0.1%	0.6%	-0.3%	5.8%	11.3%	6.4%	2.6%
Pipeline (Distribution) (km)	-	64,169	63,063	61,831	60,746	60,046	59,347	58,745
Pipeline (Transmission) (km)	-	13,733	13,635	13,692	13,641	13,599	13,129	12,703
Rate base/Km of pipeline	-	$12.80	$12.98	$13.11	$13.35	$12.74	$11.63	$11.09
Rate base/Volume throughputs ($ per bcf)	-	$2.72	$2.71	$2.62	$2.45	$2.27	$2.12	$2.09

(1) Net of customer contributions.
(2) Before capitalized interest, AFUDC and debt amortizations.

Union Gas Limited

Current Report: February 15, 2001
Previous Report: June 19, 2000

RATING

Rating	*Trend*	*Rating Action*	*Debt Rated*
"A"	Stable	Confirmed	Unsecured Debentures
Pfd-2	Stable	Confirmed	Preferred Shares - Cumulative, Redeemable

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RATING HISTORY (as at Dec. 31)	*Current*	*2000*	*1999*	*1998*	*1997**	*1996**
Unsecured Debentures	"A"	"A"	"A"	"A"	"A"	"A"
Preferred Shares	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2	Pfd-2

*Representative rating reflective of previously separately rated entities (Union Gas Limited and Centra Gas Ontario Inc.).

RATING UPDATE

DBRS is confirming the long-term debt and preferred share ratings of Union Gas Limited ("Union Gas" or "the Utility") at "A" and Pfd-2 respectively, with Stable trends, based on the following considerations: (1) The Utility is waiting for regulatory approval of a proposed price cap performance based rate structure covering the period 2000-2004. Cost of service regulation currently contributes to relative earnings and financial stability. The proposed changes would enhance the Utility's ability to generate incentive earnings and reduce its regulatory burden. (2) Extensive storage facilities are a material source of earnings and contribute to earnings stability during periods of warmer than normal temperatures. Capacity expansion of existing facilities and the proposed unbundling of certain storage and transportation services should enhance the long-term cash flow outlook. (3) In spite of the increase in commodity prices, natural gas remains the most cost competitive source of fuel for home heating. Along with the extension of the distribution franchise network and fuel source conversions, this should enhance the growth of the Utility's customer base. An earnings sensitivity to temperatures (65% of distribution revenues) remains the single most important factor that can affect earnings and certain key debt ratios over the short-term. Other challenges the Utility must contend with over the near-term include: (1) A sensitivity to interest rates through approved ROEs. Based on the current methodology, the applicable ROE for 2001 is expected to decline by about 31 basis points. An economic slowdown and/or recession in Canada could lead to a further decline in interest rates and approved ROEs in 2002. (2) A pending court appeal and/or regulatory decision over two separate franchise renewals. However, the Utility's financial strength should not be materially affected given the cost of service, nature of regulation and the limited number and size of the franchises with similar agreements.

RATING CONSIDERATIONS

Strengths:

- Regulation contributes to earnings and financial stability, proposed PBR would enhance earnings potential
- Extensive storage facilities a material source of incremental earnings
- Competitive advantages of gas versus alternative fuels
- Fuel source conversions enhance long-term growth outlook

Challenges:

- Earnings sensitivity to temperatures (65% distribution revenues) and interest rates (approved ROEs)
- Forecast risk: no deferral accounts to adjust for weather related volume variances
- Potential loss of a small number of service franchises up for renewal over next few years

FINANCIAL INFORMATION	Industry Avg.*	12 mos.	For years ended December 31			
	Sep-00	Sep-00	1999	1998	1997	1996
Fixed Charges Coverage (times)	*1.95*	1.75	1.76	2.00	2.26	2.11
% Adjusted Debt in Capital Structure (1)	*63.5%*	65.6%	66.4%	63.9%	67.1%	67.5%
Cash Flow/Adjusted Debt (times) (1)	*0.13*	0.10	0.10	0.12	0.13	0.14
Cash Flow/Capital Expenditures (times)	*1.09*	1.09	0.97	0.97	0.96	0.99
Approved ROE	-	9.95%	9.61%	10.53%	11.04%	11.85%
Operating Income ($ millions)	-	315.0	308.0	362.7	428.1	420.7
Net Income ($ millions) (bef extras, after pfd. div's)	-	104.0	103.0	109.5	148.5	134.1
Operating Cash Flow ($ millions) (after pfd. div's)	-	215.0	216.0	256.0	285.9	309.2
Throughput Volumes (bcf) (excl. S&T)	-	521.1	515.5	468.6	511.0	485.1

* DBRS Industry composite for Canadian gas distributors. (1) Adjusted for equity treatment of hybrid debt securities.

THE COMPANY Union Gas Limited is a natural gas distributor whose franchise covers western, northern, and eastern Ontario. The Utility also provides gas storage and transmission services for other utilities in central Canada and the northeast U.S. Union Gas Limited is a wholly owned subsidiary of Westcoast Energy Inc.

Union Gas Limited

Balance Sheet
($ millions)

Assets	Sep-00	1999	1998	Liabilities & Equity	Sep-00	1999	1998
		As at December 31				As at December 31	
Accounts receivable	157	299	318	Short-term debt	295	455	502
Inventories	359	283	212	A/P + accr'ds	237	287	243
Other	31	32	49	L.T.D. due in 1 year	11	47	13
Current Assets	547	614	579	Current Liabilities	543	789	757
Net Fixed Assets	2,971	2,947	3,281	Long-term debt	1,774	1,595	1,642
Investments	160	160	11	Def'd income taxes	309	319	392
Finance contracts	0	0	104	Debt equiv. pref.	5	5	5
Other	45	49	43	Preferred equity	105	105	105
				Shareholders equity	987	957	1,117
Total	3,723	3,770	4,018	Total	3,723	3,770	4,018

Ratio Analysis	Industry Avg*	12 mos.	For years ended December 31			Proforma (1)		
Liquidity Ratios	*Sep-00*	Sep-00	1999	1998	1997	1996	1995	1994
Current ratio	*0.91*	1.01	0.78	0.77	0.67	0.87	0.81	0.76
Accumulated deprec/Gross fixed assets	*28.0%*	30.3%	28.7%	27.7%	26.1%	25.1%	24.2%	21.6%
Cash flow/Total debt	*0.13*	0.10	0.10	0.12	0.13	0.14	0.12	0.11
Cash flow/Adjusted total debt (2)	*0.13*	0.10	0.10	0.12	0.13	0.14	0.12	0.11
Cash flow/Capital expenditures	*1.09*	1.09	0.97	0.97	0.96	0.99	0.76	0.66
Cash flow-dividends/Capital expenditures (3)	*0.47*	0.77	0.02	0.73	0.72	0.67	0.48	0.48
% Debt in capital structure	*62.4%*	65.6%	66.4%	63.9%	67.1%	67.5%	70.6%	72.4%
% Adjusted debt in capital structure (2)	*63.6%*	66.6%	67.4%	64.8%	67.1%	68.0%	71.2%	73.0%
Average coupon on long-term debt	*8.75%*	-	9.4%	9.7%	9.9%	10.1%	10.3%	-
% Hybrids/Common equity	*9.9%*	10.6%	11.0%	9.4%	0.4%	4.9%	6.6%	7.3%
Deemed common equity (4)	-	35%	35%	35%	35%	31%	31%	31%
Common dividend payout (3)	*126.7%*	64.6%	216.3%	58.9%	50.9%	80.0%	85.3%	65.0%
Coverage Ratios (5)								
EBIT interest coverage	*2.11*	1.84	1.85	2.03	2.39	2.28	2.15	2.17
EBITDA interest coverage	*3.05*	2.65	2.68	2.94	3.23	3.08	2.89	2.90
Fixed charges coverage	*1.95*	1.75	1.76	2.00	2.26	2.11	1.87	1.86
Earnings Quality/Operating Efficiencies & Statistics								
Operating margin	*40.5%*	41.2%	40.9%	41.5%	46.0%	46.3%	45.7%	45.6%
Net margin (bef extras, after pfd. divs.)	*15.5%*	12.9%	13.0%	12.4%	15.3%	13.8%	12.7%	12.4%
Return on avg. common equity	*10.8%*	10.3%	9.4%	9.9%	13.8%	13.6%	13.2%	13.1%
Approved ROE (4)	-	9.95%	9.61%	10.53%	11.04%	11.85%	11.84%	12.34%
Degree day deficiency - % Normal	-	93.1%	91.4%	81.7%	100.3%	103.1%	100.1%	100.8%
Customers/Employee	*405*	-	435	325	313	300	286	273
Customer growth	*2.6%*	-	2.6%	3.3%	3.9%	3.8%	3.5%	6.1%
Operating costs/Avg. customer ($) (6)	*372.00*	-	358.91	435.95	444.63	450.73	439.54	437.61
Rate base ($ millions)	-	-	2733.00	3206.00	3043.00	2811.40	2702.30	2527.50
Rate base growth	*-0.5%*	-	-14.8%	5.4%	8.2%	4.0%	6.9%	9.5%
Kilometres of pipeline	-	-	34,139	33,486	32,960	31,991	30,690	29,858
Rate base/Km pipeline ($ 000s)	-	-	80.06	95.74	92.32	87.88	88.05	84.65
Rate base/Volume throughputs ($ millions per bcf)	-	-	5.30	6.84	5.95	5.80	5.74	5.76

*DBRS Industry composite for Canadian gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg. customer, and rate base growth is as at December 1999.

(1) Historical results restated assuming the 1997 merger with Centra Gas Ontario occurred in 1993.

(2) Perpetual preferred given 70% equity treatment, retractable preferreds treated as debt.

(3) 1999 includes $135 million special dividend required to maintain capitalization within regulated limits.

(4) 1993-7 Weighted average for Centra Ontario + Union Gas. Value for 2000 reflects the expected ROE based on the current methodology.

(5) Before capitalized interest, AFUDC and debt amortizations.

(6) Operating costs exclude municipal + property taxes.

Enersource Corporation

Current Report: May 14, 2001

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RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	New Rating	Corporate Debt

RATING RATIONALE

DBRS is assigning a new rating of "A" to Enersource Corporation's ("the Company") corporate debt. The trend is Stable. The rating reflects the following positive considerations: (1) The Company will be primarily involved in the regulated electricity distribution business, which is a relatively stable business. (2) Enersource Hydro Mississauga ("EHM"), the Company's electricity distribution subsidiary has a modern infrastructure, which will require limited capital expenditures beyond those required to service its growing franchise area, and it is a low cost distributor relative to its peers. These factors are positive given the new regulatory environment, which when fully implemented, will be based on a price cap performance-based regulation ("PBR"). (3) The Company's shareholders are very strong financially and may provide equity injections to finance non-regulated activities such that the current capital structure is maintained. (4) Despite the uncertain environment, the Company's operating cash flows and current cash balances will be sufficient to finance its internal requirements over the next two to three years.

The rating is currently constrained by a number of challenges, which are largely beyond the Company's control. The most important challenge facing the Company and the industry is political risk. As a result of the political pressures from the sharply higher electricity rates that would have resulted immediately from moving to the new regulatory environment, the Ontario Energy Board ("OEB") has directed Local Distribution Companies ("LDCs") to phase in over a three-year period the initial rate increase required to generate the 9.88% target rate of return. Consequently, industry profitability and interest coverage will remain weaker while the rate increases are phased in. DBRS expects that rising electricity prices over the next few years could contribute to further political interference that may adversely affect the profitability of the LDCs. Furthermore, the industry remains highly fragmented and there remain a number of technical regulatory issues that have not yet been resolved, which create additional uncertainty with respect to the financial outlook of the industry.

RATING CONSIDERATIONS

Strengths:

- Involved primarily in the regulated electricity distribution business
- EHM has modern infrastructure and low cost structure
- High growth franchise area
- Financially strong shareholders
- Operating cash flows plus cash balances sufficient to cover capital expenditures over the next two to three years

Challenges:

- Political pressures may continue to undermine industry profitability
- Industry profitability and interest coverage will remain weak over next two to three years
- Uncertainty as highly fragmented industry consolidates
- Uncertainty related to the actual first generation PBR rate adjustments and ability to meet the productivity targets

FINANCIAL INFORMATION

For the years ending Dec. 31	2000	Industry Avg.* 1999*	1999	1998	1997	1996
Fixed charges coverage (times)	1.51	*2.19*	-	-	-	-
Debt in capital structure	59.9%	*58.6%*	0.0%	0.0%	0.0%	0.0%
Cash flow/Total debt (times)	0.11	*0.14*	-	-	-	-
Cash flow/Capital expenditures (times)	1.12	*1.30*	1.77	1.48	1.02	1.28
EBIT ($ millions)	11.3	-	10.2	6.0	1.8	3.6
Pre-tax Income (bef. extra.) ($ millions)	4.8	-	14.1	9.3	4.2	6.0
Operating cash flow ($ millions)	30.5	-	37.2	31.1	24.9	26.2
EBIT margin	18.5%	*41.7%*	18.3%	13.2%	4.7%	9.0%
Return on average equity	2.7%	*11.9%*	3.0%	2.1%	1.0%	1.5%
Electricity throughputs (GWh)	7,002	-	6,821	6,505	6,288	6,149
Customer base	159,724	-	153,693	149,197	144,497	140,773

* DBRS industry composite for Canadian gas and electricity distributors excluding MEUs.

THE COMPANY

4Enersource Corporation is a holding company that owns Enersource Hydro Mississauga ("EHM"), a regulated electricity distribution company, and Enersource Services Inc., an unregulated company. EHM is the fifth largest electricity distributor in Ontario based on throughputs (1999), and delivers about 5% of the province's electricity demand load. Enersource Corporation is 90% owned by the City of Mississauga (see separate report - Regional Municipality of Peel) and 10% owned by Borealis Energy Corporation, a subsidiary of Ontario Municipal Employees Retirement System.

Enersource Hydro Mississauga

Balance Sheet
($ millions)

Assets	As at December 31 2000	1999	1998	Liabilities & Equity	As at December 31 2000	1999	1998
Cash	34.2	89.2	68.7	Short-term debt	269.2	0.0	0.0
A/R + unbilled revenue	68.6	61.7	57.8	A/P + accr'ds	59.6	57.3	49.9
Inventories	5.0	4.2	5.6	Customer deposits	0.0	0.0	1.5
Other	0.7	0.3	0.6	Current liabilities	328.8	57.3	51.4
Current assets	108.5	155.4	132.7	Customer deposits	14.3	12.6	11.9
Net fixed assets	400.6	400.5	373.0	Long-term debt	0.0	0.0	0.0
Deferred charges	0.1	0.0	0.2	Shareholders equity*	180.5	498.7	454.5
Customer deposits	14.3	12.6	11.9				
Total	523.6	568.5	517.8	Total	523.6	568.5	517.8

Ratio Analysis

Liquidity Ratios	2000	Industry Avg.** *1999*	For years ended December 31 1999	1998	1997	1996	1995
Current ratio	0.33	*0.80*	2.71	2.58	2.39	2.53	2.39
Accumulated depreciation/Gross fixed assets	33.9%	*29.8%*	31.9%	32.2%	31.5%	30.5%	29.1%
Cash flow/Total debt	0.11	*0.14*	-	-	-	-	24.46
Cash flow/Capital expenditures (1)	1.12	*1.26*	1.77	1.48	1.02	1.28	1.08
% Debt in capital structure	59.9%	*59.3%*	0.0%	0.0%	0.0%	0.0%	0.3%
Average coupon on long-term debt	-	*8.37%*	-	-	-	-	-
Common dividend payout	432.0%	*104.2%*	0.0%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (2)							
EBIT interest coverage	1.51	*2.31*	-	-	-	-	-
EBITDA interest coverage	4.22	*3.26*	-	-	-	-	-
Fixed-charges coverage	1.51	*2.19*	-	-	-	-	-
Profitability/Operating Efficiency							
EBIT margin	18.5%	*41.7%*	18.3%	13.2%	4.7%	9.0%	2.7%
Pretax margin (before extras)	7.9%	*16.7%*	25.2%	20.7%	11.2%	15.1%	19.5%
Return on avg. common equity	2.7%	*11.6%*	3.0%	2.1%	1.0%	1.5%	1.8%
GWh sold/Employee	23.3	-	23.9	22.4	21.9	21.0	20.3
Customers/Employee	532	*335*	537	514	503	480	465
Operating costs (3)/Avg. customer	$317.1	-	$301.9	$267.3	$252.9	$258.0	$264.0

Unit Revenues & Costs	2000		(cents per kWh throughputs) 1999	1998	1997	1996	1995
Average gross revenues	7.11		7.02	7.00	6.91	6.94	7.00
Power costs	6.38		6.35	6.38	6.37	6.35	6.41
Avgerage net revenues	0.74		0.68	0.62	0.54	0.58	0.59
Variable costs (OM&A)	0.34		0.32	0.27	0.24	0.26	0.29
Fixed costs (deprec, interest, gov't levies)	0.50		0.35	0.34	0.33	0.33	0.31
Total costs (excl. power costs)	0.85		0.67	0.61	0.57	0.58	0.60
Net margin (excl. interest income, ancillary revenues)	(0.11)		0.00	0.01	(0.03)	(0.00)	(0.01)

* For 1998 and 1999, includes customer contributions. ** DBRS industry composite for Canadian gas and electricity distributors excluding LDCs.
(1) Net of customer contributions. (2) EBIT includes interest income; interest expense excludes capitalized interest, AFUDC, debt amortizations.
(3) Operating costs include depreciation and municipal + property taxes.

BC Gas Utility Ltd.

Current Report: January 17, 2001
Previous Report: April 4, 2000

RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Purchase Money Mortgages / MTNs / Unsecured Debentures

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RATING HISTORY (as at Dec. 31)	Current	2000	1999	1998	1997	1996
Long-term debt	"A"	"A"	"A"	"A"	"A"	"A"
Preferred Shares	-	Pfd-2 (low)	Pfd-3 (high)*	Pfd-3	Pfd-3	Pfd-3

* On October 1, 1998, DBRS broadened its preferred share rating scale, resulting in technical changes to the Utility's preferred share ratings.

RATING UPDATE

DBRS is confirming the long-term debt of BC Gas Utility Ltd. ("BC Gas" or "the Utility") at "A", with a Stable trend, and discontinuing the preferred share rating following the redemption of all outstanding preferred shares. The confirmation is based on the following considerations. The Southern Crossing Pipeline Project was completed on schedule and within budget, and became operational in early November 2000. The addition to rate base (approximately $410 million) will enhance the Company's future earnings and cash flows, as well as provide an alternative source of supply. BC Gas is in the process of negotiating a new multi-year performance-based incentive agreement that would take effect in 2002. The new settlement may be revenue-based rather than cost-based which would enhance the Company's ability to generate incentive earnings. Performance-based regulation, in effect since 1996, has streamlined the regulatory process, minimized the Company's associated administrative and cost burden and encouraged an improvement in operating efficiencies. Earnings also benefit from the use of a weather-related deferral account that smoothes the impact of temperature variances over a two-year period. The Company's primary challenge over the near term remains an earnings sensitivity to interest rates. Approved ROEs have been declining steadily, consistent with the trend in interest rates, and have declined another 25 basis points to 9.25% for 2001. Rate-base growth from Southern Crossing will offset any adverse earnings and cash flow impact during 2001. Thereafter, the Company's earnings outlook will be influenced by provincial economic growth and particularly the economy's sensitivity to lumber exports to the U.S. A slowdown in economic growth in Canada could lead to a further decline in interest rates, and in approved ROEs, which would adversely affect the earnings growth outlook.

RATING CONSIDERATIONS

Strengths:
- Regulation contributes to earnings/financial stability
- Deferral accounts minimize short-term earnings fluctuations
- Southern Crossing enhances earnings and cash flows, provides access to alternative sources of supply
- Competitive advantages of gas versus alternative fuels
- Diversified customer base

Challenges:
- Earnings sensitivity to interest rates (approved ROEs)
- Relatively weak provincial economy limits growth opportunities over near term
- Forecast risk (customer additions)
- Tax methodology results in unrecorded (potentially unrecoverable) tax liabilities, weakens interest coverage

FINANCIAL INFORMATION

	Industry Avg.*	12 mos.	For years ended December 31			
	Sep-00	Sep-00	1999	1998	1997	1996
Fixed Charges Coverage (times)	*1.95*	1.79	1.90	1.88	1.84	1.68
% Debt in Capital Structure	*63.5%*	71.3%	67.2%	65.9%	67.6%	68.3%
Cash Flow/Total Debt (times)	*0.13*	0.08	0.09	0.09	0.08	0.10
Cash Flow/Capital Expenditures (times)	*1.09*	0.33	0.85	0.99	0.90	0.98
Approved ROE	-	9.50%	9.25%	10.00%	10.25%	11.00%
Operating Income ($ millions)	-	192.5	190.8	189.4	178.9	163.0
Net Income ($ millions) (bef extras, after pfd div's)	-	61.9	59.5	59.3	58.2	56.4
Operating Cash Flow ($ millions) (after pfd div's)	-	118.1	113.3	109.8	95.0	111.3
Throughput Volumes (bcf)	-	178.7	182.5	169.3	175.0	184.5

* DBRS Industry composite for Cdn. gas distributors.

THE COMPANY BC Gas Utility Ltd., the largest natural gas distributor in British Columbia, services approximately 90% of the province's natural gas users. The Utility is wholly owned by BC Gas Inc. (see separate report).

Regulation

BC Gas Utility Ltd. is regulated by the British Columbia Utilities Commission. The approved ROE for 2001 was reduced to 9.25% from 9.50% for 2000, consistent with the forecast trend in interest rates. Deemed equity remains unchanged at 33%. ROEs are formula-based, using a 350 basis point risk premium above forecast long Canada bond yields 6% or lower. Annual adjustments capture 80% of the change in yields when forecast yields are higher than 6%.

BC Gas has the following deferral accounts, which reduce short-term earnings fluctuations/risks: (1) Gas Cost Reconciliation Account (GCRA). The Utility is permitted to periodically, subject to BCUC approval, recover from (or remit to) customers any variances in gas prices from forecasts. Historically, variances are amortized and recovered over a two to three year period with price adjustments normally made on a semi-annual basis. (2) Rate Stabilization Adjustment Mechanism (RSAM). Weather-induced revenue fluctuations are amortized and recovered over a two-year period. BC Gas is, however, still exposed to the economic cyclicality of non-RSAM customers, principally industrial and transportation service customers, who account for roughly 35% of total volume throughputs. (3) Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.

The regulatory environment is among the more progressive in Canada. British Columbia-based utilities were among the first utilities in Canada to operate under an incentive-based regulation. Key points of the 3-year agreement that was extended to include 2001, consist of the following: (1) Cost recovery implicit in rates requires the Utility to achieve annual productivity gains of 2%/2%/3%/1% respectively. To date, BC Gas has achieved these targets in all years. The cost structure will be rebased for the period beyond 2001, taking into consideration the achieved operating efficiencies. (2) "Excess" earnings from variances in the achieved ROE versus approved the ROEs are to be shared equally with customers. (3) Overhead capitalization ratios are to be reduced from 22.5% in 1997 to 20%/20%/16% in each of the subsequent three years respectively. (4) Incentives are to be put in place to encourage demand side management activities and capital expenditure efficiencies. BC Gas will be permitted to generate incremental earnings to the extent that it exceeds established targets.

Negotiations are currently in progress to establish a new multi-year agreement with regulatory approvals expected by the fall of 2001. The new agreement may be revenue-based rather than cost-based. In addition, the cost of service will likely be rebased to reflect achieved operating efficiencies.

Other issues under consideration include retail unbundling, which would allow customers to purchase gas from the supplier of choice as early as 2002. Since gas costs are strictly a flow-through item (i.e., BC Gas does not make any profit on the sale of the commodity), unbundling would be earnings neutral and would therefore have no impact on credit ratings. Outstanding balances in the GCRA (deferred gas costs) would likely be recovered before the implementation of retail competition.

The Southern Crossing Pipeline became operational in November 2000. Construction costs have been estimated at $410 million, which is within the original budget allowance. The initial regulatory decision was contingent upon the Company accepting project risks associated with cost overruns above 10% of the estimated $376 million cost (i.e., costs above $414 million would not have been included in rate base), but any cost savings over 10% (i.e., cost savings below $338 million) would have been included in rate base.

Rating Considerations

<u>*Strengths*</u>*:* (1) *Cost of service regulation contributes to relative earnings and financial stability* - The use of the PBR mechanism and formula based ROEs minimize the related administrative and cost burden and contributes to financial stability. PBR minimizes regulatory lag, streamlines the regulatory process, and encourages utilities to improve operating efficiencies. Regulation also allows for the recovery (and/or remittance to customers) of variances from forecasts in prudently incurred gas costs.

(2) *Deferral accounts minimize short-term earnings fluctuations* - BC Gas is allowed to utilize several deferral accounts that minimize business and operating risks. Note that deferral accounts do not impact cash flows and artificially inflate interest coverage ratios over the short term (i.e., during periods of warmer than normal temperatures) but the impact is reversed as deferral balances are recovered.

(3) *Future earnings growth enhanced by Southern Crossing* - The Project became operational in November 2000, adding about $410 million to rate base. In addition, the new line provides the Company with access to lower-cost alternative sources of supply from Alberta. By 2002, the Company should begin to generate free cash surpluses.

(4) *Competitive advantages of gas versus alternative sources of energy* - In spite of the sharp increase in gas prices over the past year, natural gas remains the most economical fuel source for home heating and is more environmentally friendly than oil and nuclear-based power. As gas costs are transportation sensitive, BC Gas' proximity to sources of supplies helps the Utility to maintain competitive rates relative to other sources of energy.

(5) *Diversified customer base* - Residential, commercial and industrial customers each account for roughly one-third of volume throughputs.

<u>*Challenges*</u>*:* (1) *Sensitivity to interest rates* - Approved ROEs have been falling steadily over the last few years, consistent with the trend in long-term interest rates, negatively impacting interest coverage ratios over the period. A 25 basis point change in the approved ROE would impact net earnings by about $1.8 million in 2001. Note that this sensitivity increases along with growth in the

rate base. An economic slowdown and/or recession in Canada could lead to a further decline in interest rates and approved ROEs.
(2) *Weak provincial economic outlook* - While the province is expected to report GDP growth of about 3% during 2000, the growth outlook remains among the weakest in Canada. The outlook will be heavily influenced by the severity of the slowdown in the U.S. given the contribution of lumber exports to provincial GDP.
(3) *Forecast risk* - Forecast errors related to the number of customer additions can potentially impact earnings.
(4) *Tax accounting methodology adversely impacts interest coverage ratios* - The use of the direct flow-through method of taxation has resulted in an unrecorded deferred income tax liability of $206.1 million as at December 1999. The direct flow-through method of taxation results in lower revenue collections, thereby reducing operating income and weakening coverage ratios. The recovery of this liability in future rates is not assured.

EARNINGS

EBIT increased 1.4% to $126.6 million for the 9 months ended September 2000, compared to $124.9 million the same period last year. The improvement was attributable to a 25 basis point increase in the approved ROE (to 9.5% from 9.25% the previous year) and 1.4% growth in the customer base. Net earnings were adversely affected by higher debt levels associated with the construction of the Southern Crossing Pipeline, but the impact was more than offset by higher tax credits (capitalized interest). As a result, reported earnings available to common shareholders increased to $23.8 million versus $21.4 million for the same period last year.
Net earnings for year will be affected by the above factors, and should also benefit from an allowance for equity funds for Southern Crossing which became operational in November.

Income Statements	12 mos. ended	Nine months ended		For years ended December 31				
($ millions)	Sep-00	Sep-00	Sep-99	1999	1998	1997	1996	1995
Residential	-	-	-	493.2	423.1	431.1	405.5	405.3
Commercial	-	-	-	262.2	226.3	246.9	231.3	241.6
Small Industrial	-	-	-	26.7	22.5	17.3	14.7	14.5
Large Industrial	-	-	-	8.8	19.1	19.7	17.3	23.2
Contract	-	-	-	8.4	11.3	13.4	10.2	10.0
Gas sales	907.7	635.0	526.6	799.3	702.3	728.4	678.8	694.6
Cost of gas	536.7	385.0	290.9	442.6	338.5	375.6	361.3	399.9
Gross profit	371.0	250.0	235.7	356.7	363.8	352.8	317.6	294.7
Transportation services	40.1	29.8	27.9	38.2	33.5	28.5	33.7	28.0
Net gas revenues	411.1	279.8	263.6	394.9	397.3	381.3	351.3	322.7
Other revenues	6.5	11.0	10.7	6.2	5.5	8.0	8.5	8.4
Net revenues	417.6	290.8	274.3	401.1	402.8	389.3	359.8	331.1
Expenses:								
Operating + maintenance	125.1	88.4	79.3	116.0	120.6	124.2	112.6	108.4
Property + other taxes	33.6	25.2	23.5	31.9	31.5	30.9	28.2	28.0
Depreciation + amortization	66.4	50.6	46.6	62.4	61.3	55.3	56.0	49.1
Total expenses	225.1	164.2	149.4	210.3	213.4	210.4	196.8	185.5
Operating profit	192.5	126.6	124.9	190.8	189.4	178.9	163.0	145.6
Interest expense	91.3	71.9	64.8	84.2	82.4	79.0	82.6	82.3
Non-cash financial charges	(3.5)	(1.8)	0.1	(1.6)	(1.8)	(1.1)	(1.0)	(2.0)
Net interest expense	87.8	70.1	64.9	82.6	80.6	77.9	81.6	80.3
Pre-tax income	104.7	56.5	60.0	108.2	108.8	101.0	81.4	65.3
Income taxes	42.8	29.2	35.1	48.7	49.5	42.8	25.0	15.5
Income before extra.	61.9	27.3	24.9	59.5	59.3	58.2	56.4	49.8
Unusual items	0.0	0.0	0.0	0.0	0.0	(5.1)	10.8	0.0
Net income	61.9	27.3	24.9	59.5	59.3	53.1	67.2	49.8
Retractable preferred dividends	4.0	0.0	0.0	4.0	5.3	5.3	5.3	5.3
Preferred div net of tax recovery	4.7	3.5	3.5	4.7	4.6	4.7	2.7	0.5
Net income avail to common shlders	53.2	23.8	21.4	50.8	49.4	43.1	59.2	44.0
Throughputs Volumes - Breakdown								
Residential	-	-	-	70.344	65.016	66.280	72.433	62.071
Commercial	-	-	-	43.705	40.996	45.602	49.819	43.543
Small Industrial	-	-	-	7.314	5.328	4.605	3.906	3.403
Large Industrial	-	-	-	1.896	5.870	6.592	4.316	8.580
Transportation Service	57.431	41.628	42.531	58.334	52.103	51.923	53.995	50.543
Total - billions of cubic feet	178.704	123.982	126.872	181.593	169.313	175.001	184.470	168.140
Growth in volume throughputs		-2.3%		7.3%	-3.3%	-5.1%	9.7%	0.8%

Outlook: EBIT in 2001 should improve materially from current levels as a result of a full year's contribution from Southern Crossing, and future earnings could potentially be enhanced by incentive earnings generated from a new, revenue-based performance agreement. The earnings gains will be somewhat offset by a 25 basis point reduction in the approved ROE and higher interest expenses associated with the financing of Southern Crossing. Competitive pressures in the dual fuel customer segment may also adversely affect earnings, but the impact will be limited to the variance from associated volume forecasts that take into account these pressures. Longer term, the earnings outlook will be primarily influenced by economic growth, which will be reflected in the growth of the customer base. The Provincial economic outlook remains among the weakest in Canada based on early forecasts. A slowdown in economic growth and/or a recession in Canada could adversely impact demand from industrial customers, which account for roughly 35% of current throughputs, and potentially lead to a decline in interest rates and approved ROEs.

FINANCIAL PROFILE

Operating cash flows have improved materially to $72.3 million for the year-to-date period ended September 2000 from $67.5 million for the same period last year partially due to stronger earnings. Borrowing requirements have, however, increased sharply as a result of higher capital expenditures associated with the construction of the Southern Crossing Pipeline. These factors will be reflected in full-year results. Both debt and interest coverage ratios for the 12-month period ended September 2000 have weakened somewhat as a result. DBRS expects that an equity injection and/or a reduction in the dividend payout by the end of the year will maintain balance sheet leverage within regulatory limits around 67% but interest coverage ratios for 2000 are expected to be slightly weaker than 1999. Note that all preferred shares have been redeemed and refinanced with long-term debt.

	12 mos. ended	Nine months ended		For years ended December 31				
	Sep-00	Sep-00	Sep-99	1999	1998	1997	1996	1995
Net income (after pfd dividends)	53.2	23.8	21.4	50.8	49.4	43.1	59.2	44.0
Depreciaton	66.4	50.6	46.6	62.4	61.3	55.3	56.0	49.1
Other non-cash adjustments	(1.5)	(2.1)	(0.5)	0.1	(0.9)	(3.4)	(3.9)	(4.0)
Operating Cash Flow	118.1	72.3	67.5	113.3	109.8	95.0	111.3	89.1
LESS: Capital expenditures	361.0	302.9	75.7	133.8	110.5	105.4	113.1	139.2
Cash flow before working capital changes	(242.9)	(230.6)	(8.2)	(20.5)	(0.7)	(10.4)	(1.8)	(50.1)
LESS: Working capital changes	13.5	18.2	32.9	28.2	80.3	(64.1)	(4.8)	11.6
Free Cash Flow before dividends	(256.4)	(248.8)	(41.1)	(48.7)	(81.0)	53.7	3.0	(61.7)
LESS: Common dividends	52.2	41.2	53.3	64.3	42.3	41.6	41.6	41.1
Free Cash Flow after dividends	(308.6)	(290.0)	(94.4)	(113.0)	(123.3)	12.1	(38.6)	(102.8)
LESS: Other investments	9.4	4.7	(8.4)	(3.7)	(3.8)	(8.3)	(5.9)	6.1
PLUS: Net debt financing (1)	356.8	270.8	89.1	175.1	44.7	(30.0)	36.3	61.5
PLUS: Net pfd equity financing (1)	(75.0)	0.0	0.0	(75.0)	0.0	0.0	0.0	28.2
PLUS: Net common equity financing (1)	24.7	18.8	16.0	21.9	65.5	0.6	2.3	25.7
Net Change in Cash Flows	(11.5)	(5.1)	19.1	12.7	(9.3)	(9.0)	5.9	6.5
Cash flow/Capital expenditures (times)	0.33	-	-	0.85	0.99	0.90	0.98	0.64
Cash flow/Total debt (times)	0.08	-	-	0.09	0.09	0.08	0.10	0.08
% Debt in the capital structure	71.3%	-	-	67.2%	65.9%	67.6%	68.3%	68.4%
Fixed charges coverage (times)	1.79	-	-	1.90	1.88	1.84	1.68	1.57

(1) Includes associated tax benefits and/or expenses.

Outlook: Operating cash flows should improve materially in 2001 along with earnings but the Company will still require some external borrowings to address significantly higher working capital requirements as a result of a sharp rise in gas costs this winter compared to last year. In addition, capital expenditures will still be above normal, in the $170 million range, as some costs related to Southern Crossing will flow through in 2001. DBRS expects that balance sheet leverage will be managed with an equity injection from parent BC Gas Inc. and/or an adjustment in the dividend payout to reflect an allowed 33% deemed equity, but interest coverage ratios should improve along with the growth in EBIT by the end of 2001. Capital expenditures should drop down to the $100 million range thereafter, and the Company will begin to generate free cash flow surpluses that will be paid out in dividends.

OPERATING LINES OF CREDIT

365-day (renewed annually) committed lines of credit totaling $350 million with a syndicate of three banks, which support commercial paper borrowings. The Company is in the process of arranging for additional committed lines of credit to support a planned increase in the commercial paper limit up to $600 million.

DEBT MATURITY SCHEDULE

(as at Dec. 31 - millions)	2000	2001	2002	2003	2004
Long-term debt	$77.2*	$72.2	$177.2	$102.2	$2.2
Preferred shares	$75.0**				

* Includes $75 million, 11.8%, Series Purchase Money Mortgages, extended at the holders option to 2015. ** Redeemed in October 2000.

Maturities are reasonably well staggered over the next 5-years, and although there is some refinancing risk, DBRS expects the Company will have little difficulty refinancing the above amounts.

BC Gas Utility Ltd.

Balance Sheet

($ millions)		As at December 31				As at December 31	
Assets:	Sep-00	1999	1998	Liabilities & Equity:	Sep-00	1999	1998
Cash	0.0	1.9	0.0	Short-term debt	291.6	220.0	229.8
Accounts receivable	118.2	156.4	152.9	A/P + accrueds	183.8	161.2	158.7
Inventories	97.5	38.4	28.4	L.t.d. due in 1 year	72.2	77.2	191.2
Prepaids + other	54.9	35.1	17.9	Current liabilities	547.6	458.4	579.7
Current Assets	270.6	231.8	199.2	Deferred taxes	0.8	0.9	0.9
Net fixed assets	2,058.2	1,801.5	1,729.6	Long-term debt	1,099.2	891.9	603.8
Deferred charges	12.8	8.7	12.7	Debt equiv pref	0.0	0.0	75.0
Long-term rec + investments	0.0	1.8	2.1	Preferred equity	75.0	75.0	75.0
				Shareholders' equity	619.0	617.6	609.2
Total	2,341.6	2,043.8	1,943.6	Total	2,341.6	2,043.8	1,943.6

Ratio Analysis	*Industry Avg.**	12 mos.	For years ending December 31					
Liquidity Ratios	*Sep-00*	Sep-00	1999	1998	1997	1996	1995	1994
Current ratio	*0.91*	0.49	0.51	0.34	0.32	0.48	0.42	0.43
Accumulated depreciation/Gross fixed assets	*28.0%*	18.1%	18.7%	17.1%	16.3%	14.8%	13.3%	12.0%
Cash flow/Total debt (1)(2)	*0.13*	0.08	0.09	0.09	0.08	0.10	0.08	0.07
Cash flow/Capital expenditures (1)	*1.09*	0.33	0.85	0.99	0.90	0.98	0.64	0.45
Cash flow-dividends/Capital expenditures (1)	*0.47*	0.18	0.37	0.61	0.51	0.62	0.34	0.23
% Debt in capital structure (2)	*63.5%*	71.3%	67.2%	65.9%	67.6%	68.3%	68.4%	67.8%
Average coupon on l-t debt	*8.75%*	-	8.40%	8.91%	8.94%	9.39%	9.49%	9.41%
Deemed common equity	*36%*	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	*126.7%*	98.1%	126.6%	85.6%	96.1%	95.7%	98.4%	120.9%
Coverage Ratios (3)								
EBIT interest coverage	*2.11*	2.11	2.27	2.30	2.26	1.97	1.77	1.57
EBITDA interest coverage	*3.05*	2.84	3.01	3.04	2.96	2.65	2.37	2.17
Fixed charges coverage	*1.95*	1.79	1.90	1.88	1.84	1.68	1.57	1.33
Earnings Quality/Operating Efficiency & Statistics								
Operating margin	*40.5%*	46.1%	47.6%	47.0%	46.0%	45.3%	44.0%	40.4%
Net margin (before extras, after pfd div's)	*15.5%*	12.7%	12.7%	12.3%	12.4%	13.5%	13.3%	12.2%
Return on avg. common equity (before extras)	*10.8%*	8.8%	8.3%	8.6%	9.0%	9.2%	8.8%	7.3%
Approved ROE	-	9.50%	9.25%	10.00%	10.25%	11.00%	12.00%	10.65%
Degree day deficiency - % Normal (Interior) (4)	-	100.0%	94.7%	89.7%	98.5%	116.1%	96.7%	92.4%
(Coastal) (4)	-	103.0%	101.6%	91.3%	94.1%	108.1%	89.9%	92.4%
Customers/Employees	*405*	-	515	482	432	427	411	400
Customer growth	*2.6%*	-	1.9%	1.4%	2.2%	2.5%	2.6%	3.4%
Operating costs/Avg. customer (5)	*$372*	-	$238	$247	$248	$238	$228	$211
Rate base - millions	-	-	$1,637.4	$1,559.2	$1,517.2	$1,441.2	$1,333.1	$1,201.5
- growth	*-0.5%*	-	5.0%	2.8%	5.3%	8.1%	11.0%	7.5%
Kilometres of pipelines	-	-	36,581	36,473	35,971	35,335	34,401	32,993
Rate base/Km of pipeline ($000s)	-	-	$44.76	$42.75	$42.18	$40.79	$38.75	$36.42
Rate base/Throughput volumes ($millions per bcf)	-	-	$9.02	$9.21	$8.67	$7.81	$7.93	$7.20

*DBRS Industry composite for Cdn. gas distributors. Values for average coupon, customers/employee, customer growth, operating costs/avg customer, and rate base growth is as at December 99.

(1) Cash flows are after all preferred dividends.
(2) All preferred shares treated as debt equivalents.
(3) Before capitalized interest, AFUDC and debt amortizations.
(4) Current period for 9-months year-to-date.
(5) Operating costs excludes municipal + property taxes.

BC Gas Utility Ltd.

Current Report:	April 4, 2000
Previous Report:	August 23, 1999

RATING

Rating	Trend	Rating Action	Debt Rated
"A"	Stable	Confirmed	Purchase Money Mortgages / Unsecured Debentures/Medium Term Notes
Pfd-2 (low)	Stable	Confirmed	Cumulative Retractable/Redeemable Preferred Shares

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RATING HISTORY (as at Dec. 31)	Current	1999	1998	1997	1996	1995	1994
Long-term debt	"A"	"A"	"A"	"A"	"A"	"A"	"A"
Preferred Shares	Pfd-2 (low)	Pfd-2 (low)	Pfd-3 (high)*	Pfd-3	Pfd-3	Pfd-3	Pfd-3

* On October 1, 1998, DBRS broadened its preferred share rating scale, resulting in technical changes to the Utility's preferred share ratings.

RATING UPDATE

DBRS is confirming BC Gas Utility Ltd.'s long-term debt and preferred share ratings at "A" and Pfd-2 (low) respectively, both with a Stable trend, based on the following considerations. (1) The competitive advantages of natural gas versus alternative sources of fuel contribute to positive long-term demand fundamentals. (2) The Utility's earnings growth should also be enhanced over the long-term by the *Southern Crossing Project*, which is scheduled to become operational in November 2000. (3) An incentive agreement has streamlined the regulatory process and encourages the Utility to improve its cost structure. The settlement expires after 2000, but will likely be extended and/or renegotiated to cover a specified future period. (4) Several deferral accounts minimize business and operating risks and contribute to long-term earnings stability. Cash flows and interest coverage ratios will likely decline somewhat during 2000, but should improve the following year when *Southern Crossing* begins contributing to earnings. The Utility has a number of challenges to contend with over the short-term, including: (1) Risks related to construction cost overruns. *Southern Crossing* received regulatory approval, contingent upon the Company accepting cost risks above 10% of the projected $376 million construction cost. Cost overruns could result in a temporary reduction in dividend payouts and/or a higher than planned required equity injection from parent BC Gas Inc. (2) A weak, although improving provincial economy. The slowdown in economic growth over the last few years has adversely affected the growth of the Utility's customer base compared to historical levels. (3) Forecast risks, to which the Utility is subject, related to the projected growth of its customer base. Slower than forecast growth contributes to a failure to generate the earnings implied by the applicable approved ROE.

RATING CONSIDERATIONS

Strengths:

- Competitive advantages of gas versus alternative fuels
- Earnings growth enhanced by *Southern Crossing*
- Incentive agreement, streamlined regulatory process
- Deferral accounts minimize business and operating risks, contribute to earnings stability

Challenges:

- Risks related to construction cost overruns
- Weak although improving provincial economy
- Subject to forecast risk (growth of customer base)
- Earnings sensitive to interest rates via approved ROEs
- Tax methodology results in lower coverage ratios

FINANCIAL INFORMATION

For years ended December 31

	1999	1998	1997	1996	1995	1994
Fixed Charges Coverage (times)	1.90	1.88	1.84	1.68	1.57	1.33
Cash Flow/Total Debt (incl debt equiv) (times)	0.09	0.09	0.08	0.10	0.08	0.07
Cash Flow/Capital Expenditures (times)	0.85	0.99	0.90	0.98	0.64	0.45
Net Debt in Capital Structure (incl debt equiv)	67.1%	65.9%	67.6%	68.1%	68.4%	67.8%
Approved ROE	9.25%	10.00%	10.25%	11.00%	12.00%	10.65%
Operating Income ($ millions)	190.8	189.4	178.9	163.0	145.6	112.4
Net Income (bef extras + pfd) ($ millions)	59.5	59.3	58.2	56.4	49.8	41.0
Operating Cash Flow ($ millions)	113.3	109.8	95.0	111.3	89.1	75.4
Gas Volume Throughputs (bcf)	181.6	169.3	175.0	184.5	168.1	166.8

THE COMPANY BC Gas Utility Ltd., the largest natural gas distributor in British Columbia, services approximately 90% of the province's natural gas users. The Utility is wholly owned by BC Gas Inc. (see separate report).

REGULATION

BC Gas Utility Ltd. is regulated by the British Columbia Utilities Commission. The approved ROE was increased from 9.25% for 1999 to 9.50% for 1999, consistent with the forecast increase in interest rates. Deemed equity remains unchanged at 33%. ROEs are formula-based, using a 350 basis point risk premium above forecast long Canada bond yields 6% or lower. Annual adjustments will capture 80% of the change in yields when forecast yields are higher than 6%.

BC Gas Utility has the following deferral accounts, which reduce short-term earnings fluctuations/risks. (1) Gas Cost Reconciliation Account. The Utility is permitted to periodically, subject to BCUC approval, recover from (or remit to) customers any variances in gas prices from forecasts. (2) Rate Stabilization Adjustment Mechanism ("RSAM"). Weather-induced revenue fluctuations are amortized over a three-year period. BC Gas Utility is, however, still exposed to the economic cyclicality of non-RSAM customers, principally industrial and transportation service customers, who account for roughly 25% of total volume throughputs. (3) Interest Rate Deferral Accounts, which smooth the impact of fluctuations in both short-term and long-term interest rates.

The regulatory environment is among the more progressive in Canada. British Columbia based utilities were among the first utilities in Canada to operate under an incentive-based regulation. Key points of the three-year agreement covering the 1998-2000 period include the following. (1) Cost recovery implicit in rates requires the Utility to achieve annual productivity gains of 2%/2%/3% respectively. BCG will be permitted to recover in customer rates $3 million of the 1997 restructuring costs associated with achieving these targets. (2) Variances in achieved ROE are to be shared equally with customers. (3) Overhead capitalization ratios are to be reduced from the current 22.5% to 20%/20%/16% in each of the next three years respectively. (4) Incentives are to be put in place to encourage demand side management activities and capital expenditure efficiencies. BCG will be permitted to generate incremental earnings to the extent that it exceeds established targets. Negotiations are currently in progress to extend this settlement to include 2001.

BC Gas Utility has received regulatory approval to proceed with its *Southern Crossing Pipeline Project*. The project will add about $376 million to rate base when it becomes operational, likely in November 2000. The regulatory decision was contingent upon the Company accepting project risks associated with cost overruns above 10% (i.e. costs above $414 million will not be included in rate base), but any cost savings over 10% (i.e. cost savings below $338 million) will be included in rate base.

RATING CONSIDERATIONS

Strengths: (1) *Competitive advantages of gas versus alternative fuels* - The material price advantage and environmentally friendly nature of gas versus most other sources of fuel contributes to strong demand fundamentals which should ensure good long-term earnings growth. As gas costs are transportation sensitive, BC Gas Utility's proximity to sources of supplies helps the Utility to maintain competitive rates relative to other sources of energy.

(2) *Future earnings growth enhanced by Southern Crossing* - The Project is expected to become operational in November 2000 and will add about $376 million to rate base. In addition, the new line will provide the Company with access to lower cost, alternative sources of supply from Alberta.

(3) *Streamlined regulatory environment* - B.C. based utilities were among the first utilities to operate under an incentive or performance based regulation (PBR). PBR minimizes regulatory lag and streamlines the regulatory process, and encourages utilities to improve operating efficiencies.

(4) *Deferral accounts minimize earnings fluctuations* - The Utility is allowed to utilize several deferral accounts that minimize business and operating risks.

(5) *Diversified customer base* - Residential, commercial and industrial customers each account for roughly one-third of volume throughputs.

Challenges: (1) *Construction cost risks* - The Utility bears the risk of cost overruns above 10% for *Southern Crossing*.

(2) *Weak although improving provincial economy* - Provincial GDP growth has been conservatively forecast at 2.2% for 2000, and 2.7% for 2001. While this is an improvement over the estimated 1.4% achieved in 1999, the province's economic growth remains below the Canadian national average. In addition, partially due to a relatively high tax environment, the province is considered, by business interests, one of the least attractive jurisdictions to invest in. Growth of the Utility's customer base has slowed materially over the last few years as a result of the weak provincial economy and declining in-migration.

(3) *Subject to forecast risk* - Forecast errors related to the number of customer additions can potentially impact earnings.

(4) *Sensitivity to interest rates* - Approved ROEs have been declining, consistent with the trend in interest rates over the last few years, but have recently started trending upwards.

(5) *Tax methodology adversely affects coverage ratios, results in unrecorded liability* - The use of the flow through tax methodology results in lower revenues and operating earnings. As of December 1999, the Utility had accumulated $206.1 million in unrecorded deferred income taxes. The full recovery of this liability in future rates is not assured.

EARNINGS PROFILE

Net earnings (after preferred dividends) in 1999 increased marginally to $50.8 million from $49.4 million the previous year in spite of a 75 basis point decline in the applicable approved ROE. Earnings benefited slightly from an improving provincial economy, which contributed to a 1.9% increase in the customer base, and productivity improvements as a result of restructuring efforts implemented early in 1998. Volume throughputs were up sharply and partially reflect a recovery from the abnormally warm winter last year. However, weather induced fluctuations in gas volumes tends to have only a slight impact on earnings given the use of deferral accounts (see Regulation).

Outlook: The ongoing recovery of the B.C. economy, a 25 basis point increase in the approved ROE and equity earnings on *Southern Crossing* (AFUDC) should positively impact net earnings in 2000. The Utility's earnings are expected to increase materially the following year, as the line should begin contributing to earnings by the end of 2000. *Southern Crossing* will materially increase the Utility's rate base and should enhance future earnings growth as well as provide an alternative source for gas supplies.

FINANCIAL PROFILE

The Utility continues to generate more than sufficient cash flows to finance regular capital expenditures while maintaining a 67%-33% debt-to-equity ratio. Dividend payouts to parent BC Gas Inc. increased sharply to $64.3 million from $42.3 million to maintain the equity component of the capital structure near the regulated 33%.

Note that DBRS treats all of the Utility's preferred shares as debt equivalents as a regulatory decision requires the Utility to refinance the issues with long-term debt as they become redeemable. BC Gas Utility used some of the proceeds from a $150 million, 6.95% MTN issue to redeem the outstanding $75 million, 7.1% retractable preferred shares during 1999. The remaining $75 million, 6.32% preferred shares become redeemable in November 2000. While this will cause the EBIT interest coverage ratios to weaken, the fixed charges coverage ratio should be unaffected.

Outlook: Operating cash flows during 2000 are expected to decline and coverage ratios weaken somewhat, typical of the pattern during the construction phase of major capital projects. External financing needs will increase sharply to fund about $503 million in capital expenditures, which include $337 million for *Southern Crossing*, and about $152 million in debt and preferred share repayments. Financings will be sourced primarily from an expected long-term debt issue and an equity injection from BC Gas Inc. to maintain the equity component in the capital structure near the 33% regulated level. The Utility's cash flows and coverage ratios should improve in 2001 when the line begins contributing to earnings and cash flows.

Southern Crossing

The *$376 million, 316-kilometre Southern Crossing* natural gas transmission line will run from Yahk, near the B.C./Alberta/U.S. border, eastward to Oliver, in the South Okanagan region of British Columbia. The system will have an initial capacity of 250 million cubic feet per day, with a potential for up to 600 million cubic feet per day with additional compressors. Approximately 80% of the new line will be located on or near existing right of ways. The line is expected to become operational in November 2000 and construction costs up to $414 million will be included in BC Gas Utility's rate base.

OPERATING LINES OF CREDIT

364-day (renewed annually) committed lines of credit totaling $350 million, which support commercial paper borrowings.

DEBT MATURITY SCHEDULE

(millions)	2000	2001	2002	2003	2004
Long-term debt	$77.2*	$72.2	$102.2	$52.2	$2.2
Preferred shares	$75.0				

Includes $75 million of 11.8%, Series A Purchase Money Mortgages, extendable at the option of the holder to 2015 at the same coupon rate.

BC Gas Utility Ltd.

Income Statements ($ millions)	1999	1998	1997	1996	1995	1994	1993	1992
For years ended December 31								
Residential	493.2	423.1	431.1	405.5	405.3	385.4	349.8	291.5
Commercial	262.2	226.3	246.9	231.3	241.6	230.1	224.0	189.4
Small Industrial	26.7	22.5	17.3	14.7	14.5	10.8	4.7	4.2
Large Industrial	8.8	19.1	19.7	17.3	23.2	36.4	60.5	75.7
Contract sales	8.4	11.3	13.4	10.2	10.0	8.5	8.0	7.8
Sale of gas	799.3	702.3	728.4	678.8	694.6	671.2	647.1	568.7
Cost of gas	442.6	338.5	375.6	361.3	399.9	424.5	386.2	348.5
Gross profit	356.7	363.8	352.8	317.6	294.7	246.7	260.9	220.2
Transportation services	38.2	33.5	28.5	33.7	28.0	23.0	20.5	13.5
Gas Revenues	394.9	397.3	381.3	351.3	322.7	269.7	281.4	233.7
Other revenue	6.2	5.5	8.0	8.5	8.4	8.8	7.2	7.6
Net revenues	401.1	402.8	389.3	359.8	331.1	278.5	288.7	241.3
Expenses:								
Operating + maintenance	116.0	120.6	124.2	112.6	108.4	98.5	95.1	86.7
Property + other taxes	31.9	31.5	30.9	28.2	28.0	24.5	29.4	26.2
Depreciation + amort	62.4	61.3	55.3	56.0	49.1	43.0	40.5	37.0
Total expenses	210.3	213.4	210.4	196.8	185.5	166.0	165.0	150.0
Operating profit	190.8	189.4	178.9	163.0	145.6	112.4	123.7	91.4
LESS: Interest expense	84.2	82.4	79.0	82.6	82.3	71.6	69.7	65.2
Other financial charges	(1.6)	(1.8)	(1.1)	(1.0)	(2.0)	(2.5)	(2.1)	(3.7)
Net interest expense	82.6	80.6	77.9	81.6	80.3	69.1	67.7	61.5
Pre-tax income	108.2	108.8	101.0	81.4	65.3	43.3	56.0	29.9
Taxes	48.7	49.5	42.8	25.0	15.5	2.3	14.8	2.6
Income before extra.	59.5	59.3	58.2	56.4	49.8	41.0	41.2	27.285
Unusual items	0.0	0.0	(5.1)	10.8	0.0	2.6	18.3	(1.1)
Net income	59.5	59.3	53.1	67.2	49.8	43.6	59.5	26.153
Retractable preferred dividends	4.0	5.3	5.3	5.3	5.3	6.2	6.5	6.5
Preferred div net of tax recovery	4.7	4.6	4.7	2.7	0.5	0.7	3.0	7.7
Net income avail to common shlders	50.8	49.4	43.1	59.2	44.0	36.7	50.1	12.0
Net earnings (after pfd dividends)	50.8	49.4	43.1	59.2	44.0	36.7	50.1	12.0
Depreciaton	62.4	61.3	55.3	56.0	49.1	43.0	47.3	49.6
Other non-cash adjustments	0.1	(0.9)	(3.4)	(3.9)	(4.0)	(4.3)	6.4	21.5
Operating Cash Flow	113.3	109.8	95.0	111.3	89.1	75.4	103.7	83.0
LESS: Common dividends	64.3	42.3	41.6	41.6	41.1	37.3	33.8	30.9
Capital expenditures	133.8	110.5	105.4	113.1	139.2	168.6	134.4	160.1
Cash flow before working capital	(84.8)	(43.0)	(52.0)	(43.4)	(91.2)	(130.4)	(64.5)	(108.0)
LESS: Working capital	28.2	80.3	(64.1)	(4.8)	11.6	(9.0)	23.0	8.4
Free cash flow	(113.0)	(123.3)	12.1	(38.6)	(102.8)	(121.4)	(87.5)	(116.4)
LESS: Other investments	(3.7)	(3.8)	(8.3)	(5.9)	6.1	3.5	24.1	34.7
PLUS: Net financing	122.0	110.2	(29.4)	38.6	115.4	120.0	123.8	141.3
Net Change in Cash Flows	12.7	(9.3)	(9.0)	5.9	6.5	(4.9)	12.2	(9.8)
Gas Volume Sold - Breakdown								
Residential	70.344	65.016	66.280	72.433	62.071	62.012	62.039	54.583
Commercial	43.705	40.996	45.602	49.819	43.543	42.791	43.758	39.134
Small Industrial	7.314	5.328	4.605	3.906	3.403	2.665	1.375	1.323
Large Industrial	1.896	5.870	6.592	4.316	8.580	13.266	21.020	30.268
Transportation Service	58.334	52.103	51.923	53.995	50.543	46.031	36.177	28.595
Total (billions of cubic feet)	181.593	169.313	175.001	184.470	168.140	166.765	164.369	153.903

BC Gas Utility Ltd.

Balance Sheet

($ millions)	As at December 31				As at December 31		
Assets:	1999	1998	1997	Liabilities & Equity:	1999	1998	1997
Cash	1.9	0.0	0.0	Bank debt + notes	220.0	229.8	190.5
Accounts receivable	156.4	152.9	127.6	A/P + accrueds	161.2	158.7	193.9
Inventories	38.4	28.4	22.3	L.t.d. due in l year	77.2	191.2	93.5
Prepaids + other	35.1	17.9	4.2	Current liabilities	458.4	579.7	477.9
Current Assets	231.8	199.2	154.1	Deferred taxes	0.9	0.9	0.9
Net fixed assets	1,801.5	1,729.6	1,675.1	Long-term debt	891.9	603.8	686.8
Deferred charges	8.7	12.7	21.0	Debt equiv pref	0.0	75.0	75.0
L-T rec + investments	1.8	2.1	2.0	Preferred equity	75.0	75.0	75.0
				Shareholders' equity	617.6	609.2	536.6
Total	2,043.8	1,943.6	1,852.2	Total	2,043.8	1,943.6	1,852.2

Ratio Analysis

For years ending December 31	1999	1998	1997	1996	1995	1994	1993	1992
Liquidity Ratios (1)								
Current ratio	0.51	0.34	0.32	0.48	0.42	0.43	0.47	0.30
Accumulated deprec/Gross fixed assets	18.7%	17.1%	16.3%	14.8%	13.3%	12.0%	11.6%	10.8%
Cash flow/Total debt (incl debt equiv)	0.09	0.09	0.08	0.10	0.08	0.07	0.11	0.08
Cash flow/Capital expenditures	0.85	0.99	0.90	0.98	0.64	0.45	0.77	0.52
Cash flow-dividends/Capital expenditures	0.37	0.61	0.51	0.62	0.34	0.23	0.52	0.33
Net debt in capital structure (incl debt equiv)	67.1%	65.9%	67.6%	68.1%	68.4%	67.8%	67.6%	69.7%
Average coupon on l-t debt	8.40%	8.91%	8.94%	9.39%	9.49%	9.41%	9.62%	10.26%
Common equity in capital structure	32.8%	34.1%	32.4%	31.7%	31.6%	32.2%	32.4%	30.3%
Deemed common equity	33%	33%	33%	33%	33%	33%	33%	33%
Common dividend payout (before extras.)	126.6%	85.6%	96.1%	95.7%	98.4%	120.9%	118.5%	265.4%
Coverage Ratios (2)								
EBIT interest coverage	2.27	2.30	2.26	1.97	1.77	1.57	1.77	1.40
EBITDA interest coverage	3.01	3.04	2.96	2.65	2.37	2.17	2.35	1.97
Fixed charges coverage (3)	1.90	1.88	1.84	1.68	1.57	1.33	1.42	1.01
Earnings Quality / Operating Efficiency								
Operating margin	47.6%	47.0%	46.0%	45.3%	44.0%	40.4%	42.8%	37.9%
Net margin (before extras.) (after pfd divs)	12.7%	12.3%	12.4%	13.5%	13.3%	12.2%	11.0%	5.4%
Return on avg common equity (before extras)	8.3%	8.6%	9.0%	9.2%	8.8%	7.3%	7.1%	5.8%
Approved ROE	9.25%	10.00%	10.25%	11.00%	12.00%	10.65%	11.88%	12.25%
Customers/Employees	515	482	432	427	411	400	389	406
Customer growth	1.9%	1.4%	2.2%	2.5%	2.6%	3.4%	3.9%	4.0%
Degree day deficiency (% Normal) - Interior	94.7%	89.7%	98.5%	116.1%	96.7%	92.4%	105.4%	92.0%
- Coastal	101.6%	91.3%	94.1%	108.1%	89.9%	92.4%	102.3%	90.2%
Rate base (millions)	$1,637	$1,559	$1,517	$1,441	$1,333	$1,202	$1,118	$995
yr/yr growth	5.0%	2.8%	5.3%	8.1%	11.0%	7.5%	12.4%	10.7%
Kilometres of pipelines	36,581	36,473	35,971	35,335	34,401	32,993	31,905	30,770
Rate base/Km of pipeline (000s)	$44.76	$42.75	$42.18	$40.79	$38.75	$36.42	$35.04	$32.34
Rate base/Volume throughputs ($ per mcf)	$9.02	$9.21	$8.67	$7.81	$7.93	$7.20	$6.80	$6.47

(1) All preferred shares treated as debt equivalents. (2) Before capitalized interest / AFUDC. (3) Net of pfd tax recoveries.

Moody's Investors Service

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Credit Opinion: Terasen Inc.

Terasen Inc.

Vancouver, British Columbia, Canada

Ratings

Category	**Moody's Rating**
Outlook	Rating(s) Under Review
Senior Unsecured -Dom Curr	*A3
Subordinate -Dom Curr	*Baa1
Terasen Gas Inc.	
Outlook	Rating(s) Under Review
Senior Secured -Dom Curr	*A1
Senior Unsecured -Dom Curr	*A2

* Placed under review for possible downgrade on August 2, 2005

Contacts

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Key Indicators

Terasen Inc.

	2004	**2003**	**2002**	**2001**
Net Income Avail. to Common/Ave. Common Equity	**11.2%**	**10.4%**	**10.8%**	**12.1%**
Adjusted Fixed Charge Coverage	**2.1x**	**1.9x**	**1.7x**	**1.7x**
Retained Cash Flow / Adjusted Debt [1][2]	**6.4%**	**6.3%**	**5.9%**	**5.2%**
Adjusted Debt / Adjusted Capitalization [3]	**70.7%**	**71.7%**	**71.4%**	**78.1%**
Funds from Operations / Adjusted Fixed Charges [1]	**2.6x**	**2.4x**	**2.2x**	**2.1x**
Common Dividends/Net Income	**57.6%**	**59.8%**	**56.5%**	**58.9%**

[1] FFO and RCF prior to rate stabilization adjustment [2] Adjusted Debt includes capital securities and debt equivalent of operating leases [3] Adjusted Capitalization includes Adjusted Debt and is net of goodwill

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Credit Strengths

- Regulated gas distribution and petroleum transportation businesses represent 95% of the asset base

- Gas distribution segment benefits from low business risk, stable results, supportive regulation, highly captive customer base and mature service territory

- Regulated petroleum pipelines operate with a mix of long term contracts and short term tolls

Credit Challenges

- Proposed acquisition by Kinder Morgan, Inc. which could place pressure on Terasen and its subsidiaries to support significant levels of acquisition debt

- Relatively high leverage, low allowed ROEs and high level of short-term debt in regulated gas distribution segment

- Higher risk nature of petroleum pipeline segment including transformation/execution risk and the need to raise significant amounts of new debt and equity capital to fund expansion opportunities

- Gas distribution cash flow volatility - partially mitigated through regulatory deferrals

- Structural subordination of holdco debt

Rating Rationale

Moody's has placed the ratings of Terasen Inc. (TER) and Terasen Gas Inc. (TGI) under review for possible downgrade due to the proposed acquisition of all of the outstanding shares of TER by Kinder Morgan, Inc. for approximately $3.8 billion with an expected closing date of Q4 2005. KMI plans to fund the purchase price with a mixture of cash (up to 65%) and KMI stock. KMI plans to finance the cash portion of the purchase price (maximum $2.47 billion) with debt to be issued by a yet to be created intermediate holding company above TER. KMI is considering guaranteeing the acquisition debt which would render it pari passu with KMI's existing senior unsecured debt. Servicing and repayment of the acquisition debt will be primarily dependent upon dividends from TER and such other support as KMI chooses to provide. Moody's is concerned that the servicing of the acquisition debt could result in a weakening of the financial condition of TGI and TER. Moody's initial assessment is that given TER's historic payout ratio, dividends from TER would not be sufficient to support the maximum amount of the acquisition debt and an increase in TER's payout ratio would, all else being equal, result in a weakening of TER's financial condition. Moody's review also reflects Moody's concerns about the execution, financial and business risks associated with the potential growth opportunities in TER's petroleum pipeline segment. Moody's views the business risk of the pipeline segment, which is expected to represent a growing percentage of TER's business going forward, to be higher than that of TER's historic core gas distribution segment. Moody's also sees execution risk associated with the possibility of undertaking the construction of multiple large and complex pipeline projects simultaneously. The pursuit of these growth opportunities will increase TER's demand for debt and equity capital as virtually all of Terasen's non-consolidated FFO would be required to service the acquisition debt. Moody's review also reflects concerns about the high degree of leverage, low allowed ROEs and high levels of short-term debt in TER's regulated gas distribution segment which result in credit metrics at TER and TGI that are low relative to their international peers. Moody's review of the ratings of TER and TGI will include an assessment of the degree to which any ring-measures exist that would serve to support the credit profiles of TER or TGI, the structure of the acquisition financing, the nature and extent of cash flow generated by the KMI group of companies and its availability to service the acquisition financing and an assessment of the operational and financial strategies that KMI plans to employ for TER and TGI.

The current ratings of TER (A3 Sr. Unsec./Baa1 Subordinate) reflect the ratings of TGI (A2 Sr. Unsec./A1 Sec.). The regulated gas distribution businesses of TGI and Terasen Gas Vancouver Island (TGVI) represent the majority of the company's assets (~68%) and operating earnings (~72%). TGI's ratings reflect its low business risk, stable results, highly captive customer base, mature service territory and supportive regulation which partially offset the relatively high degree of consolidated leverage for the rating category. TGI's rating also reflects the fact that the company experiences a degree of cash flow volatility related to variations in gas prices and customer demand. While earnings are largely insulated from these factors by operation of deferral mechanisms (the GCRA and RSAM), there is a near-term cash flow impact as the deferred amounts are not collected until later periods. With the completion of the Corridor Pipeline in May 2003 and the acquisition of a 1/3rd interest in the Express System, the proportion of TER's operating income generated by the petroleum transportation segment has increased from roughly 17% (in 2002) to 27% (in 2004). TER's ratings reflect the structural subordination of TER's debt to operating subsidiary debt including debt at TGI, TGVI, Corridor, Trans Mountain and Express. TER's ratings also considers the company's manageable maturities over the next few years.

Rating Outlook

The ratings of TER and TGI are under review for possible downgrade for the reasons outlined above. Moody's expects to conclude its review on or around the closing of the proposed acquisition.

What Could Change the Rating - UP

- In light of the weak credit metrics of TER and TGI relative to their international peers and the significant debt financing associated with KMI's proposed acquisition of TER, it is unlikely that the ratings or TER and TGI would be upgraded in the foreseeable future.

What Could Change the Rating - DOWN

- Additional financial demands placed upon TER and TGI as a result of debt raised at the intermediate holding company that will acquire TER

- Operational or integration challenges related to KMI's proposed acquisition

- The inability to demonstrate significant near-term improvements in the standalone credit metrics of TGI and TER

- Execution and financial risks associated with petroleum pipeline segment including insufficient contractual support or excessive financial leverage

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Moody's Investors Service

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Rating Action: Terasen Inc.

MOODY'S AFFIRMS KINDER MORGAN, INC.'S DEBT RATINGS (Baa2 SR. UNS.) WITH A STABLE OUTLOOK; PLACES TERASEN INC.'S DEBT RATINGS UNDER REVIEW FOR POSSIBLE DOWNGRADE (A3 SR. UNS.)

Over US$3 Billion of KMI's Debt Securities Affirmed / Over US$2 Billion of TER's Debt Securities Placed Under Review

New York, August 02, 2005 -- Moody's Investors Service affirmed the ratings of Kinder Morgan, Inc.'s (KMI) debt and supported obligations (Baa2 sr. uns.) with a stable outlook. Moody's also placed under review for possible downgrade the debt ratings of Terasen Inc. (TER, A3 sr. uns.) and its LDC subsidiary Terasen Gas Inc. (TGI, A2 sr. uns.). The project finance ratings of its subsidiary Terasen Pipelines (Corridor) Inc. (Corridor, A2 sr. uns.) and its equity investments Express Pipeline Limited Partnership (Baa1 sr. sec./Baa3 sub.) and Express Pipeline LLC are affirmed with stable outlooks. These rating actions were prompted by the announcement that KMI had entered into a definitive agreement to acquire TER's outstanding shares for US$3.1 billion plus the assumption of US$2.5 billion of debt.

The consummation of this transaction is subject to approval by various regulators and TER shareholders, expected to be received in 4Q05. KMI expects to finance the purchase up to 65% with debt and up to 35% through the exchange of TER shares for KMI shares. At around closing, it expects to issue about $2.0 billion of acquisition debt from a yet-to-be created finance subsidiary above the TER parent company. KMI is also considering providing a guarantee of the acquisition debt on a pari passu basis with its outstanding senior unsecured notes. At about time of closing, we expect to end the review of TER's ratings, once the requisite approvals are in hand, the final terms of the purchase are confirmed, the financing plans finalized, and further analysis is done of TER's financial prospects under KMI's ownership.

KMI

The affirmation of KMI's ratings is based on the assumption that the acquisition will be consummated in line with the above expectations. We could reconsider the rating outlook if the transaction changes materially from these expectations. KMI's ratings are affirmed, because we estimate that KMI will have sufficient free cash flows to cover the incremental interest expense and dividends from the acquisition financing. The transaction increases KMI's EBITDA by about almost 40%, raises the proportion of directly-owned stable regulated cash flows (from about half of EBITDA to about 60%), and reduces its exposure to its equity interests in Kinder Morgan Energy Partners, L.P. (KMP, Baa1 sr. uns./negative) from about half of EBITDA to about a third. It also provides diversification into Canada as well as crude oil transportation, and the potential for organic growth from rising oil sands volumes.

The acquisition debt and the debt assumed will more than double KMI's debt (unadjusted debt/debt+equity rising from 42% at 6/30/05 to about 59% at closing). The erosion in KMI's pro forma credit metrics in part reflects the low returns and equity components allowed by Canadian regulators. KMI's ratings have been suppressed by its exposure to KMP, and many of its standalone credit metrics (FFO/adjusted debt of around 20% and FFO/fixed charges in the high 4x range) have been stronger than some of its peers'.

Its strong financial position will enable KMI to absorb the acquisition debt as well as the existing debt of a smaller, leveraged entity. (TER, leveraged at about 68% debt/debt+equity, has almost as much debt outstanding as KMI, while its assets and EBITDA are roughly 40% of KMI's.) However, Moody's notes that this transaction will use up KMI's excess debt capacity. KMI's pro forma credit metrics will moderate from the additional debt and dividend requirements related to the acquisition financing, but we expect they will be at levels still commensurate with its Baa2 rating (FFO/adjusted debt in the mid-teens, FFO/fixed charges in the mid-3x range). Maintaining KMI's ratings and outlook will also entail achievement of the incremental earnings and cost savings it forecasts from TER as well as discipline in its dividend payouts. Significant deviation from these expectations will cause us to reassess KMI's ratings and outlook.

TER

TER's debt ratings are placed under review for possible downgrade, because of its pending acquisition by a lower-rated entity and a weak standalone financial profile relative to its peers. TGI's ratings are reviewed also due to the lack of ringfencing or other restrictions that could limit its ability to make dividends to TER. As part of the review, we will assess what financial strategies KMI might employ for TER, and what their implications might be for the financial strength of TER and TGI. Among the issues we will explore are how KMI plans to finance the potentially very large construction projects at TER and to manage the intercompany cash flows and supports between the two companies.

TRANSACTION VALUATION

The US$5.6 billion transaction reflects current valuation for regulated transportation and distribution assets. The transaction is valued at an enterprise value/EBITDA in the high 12x range and over 2x book value of shareholders' equity.

Both Kinder Morgan, Inc. and Terasen Inc. are engaged in energy transportation and distribution. Kinder Morgan, Inc. is a U.S. company headquartered in Houston, Texas. Terasen's head office is located in Vancouver, British Columbia, Canada.

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Moody's Investors Service

Global Credit Research
Credit Opinion
15 JUL 2004

Credit Opinion: **Terasen Inc.**

Terasen Inc.

Vancouver, British Columbia, Canada

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured -Dom Curr	A3
Subordinate -Dom Curr	Baa1
Terasen Gas Inc.	
Outlook	Stable
Senior Secured -Dom Curr	A1
Senior Unsecured -Dom Curr	A2

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Key Indicators

Terasen Inc.

	[1]LTM	2003	2002	2001
Net Income Avail. to Common/Ave. Common Equity	10.5%	10.4%	10.8%	12.1%
Adjusted Fixed Charge Coverage	1.9x	1.9x	1.7x	1.7x
Retained Cash Flow / Adjusted Debt [2]	8.6%	7.9%	8.1%	5.2%
Adjusted Debt / Adjusted Capitalization [3]	69.9%	71.7%	71.4%	78.1%
Funds from Operations / Adjusted Fixed Charges	2.7x	2.7x	2.5x	2.1x
Common Dividends/Net Income	58.0%	59.8%	56.5%	58.9%

[1] Twelve months as of March 31, 2004 [2] Adjusted Debt includes debt equivalent of operating leases and capital securities [3] Adjusted Capitalization includes Adjusted Debt and is net of goodwill

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Credit Strengths

- Regulated businesses represent 97% of the asset base

- Gas distribution segment benefits from low business risk, stable results, supportive regulation, highly captive customer base and mature service territory

- Regulated petroleum pipelines operate with a mix of long term contracts and short term tolls

Credit Challenges

- Structural subordination of holdco debt

- Higher risk nature of petroleum pipeline investments

- Transformation/execution risk related to proposed petroleum pipeline expansion

- Gas distribution cash flow volatility - partially mitigated through regulatory deferrals

- Negative free cash flow in 2004

- Relatively high leverage and short-term debt

Rating Rationale

Terasen Inc.'s (TER) ratings (A3 senior unsecured/Baa1 subordinate) reflect the ratings of Terasen Gas (TGI) (A2 senior unsecured/A1 secured). The regulated gas distribution businesses of TGI and Terasen Gas Vancouver Island (TGVI) represent the majority of the company's assets (70%) and operating earnings (75%). TGI's ratings reflect its low business risk, stable results, highly captive customer base, mature service territory and supportive regulation which partially offset the relatively high degree of consolidated leverage for the rating category. TGI's rating also reflects the fact that the company experiences a degree of cash flow volatility related to variations in gas prices and customer demand. While earnings are largely insulated from these factors by operation of deferral mechanisms (the GCRA and RSAM), there is a near-term cash flow impact as the deferred amounts are not collected until later periods. With the completion of the Corridor Pipeline in May 2003 and the acquisition of a 1/3rd interest in the Express System, the relative contribution of the petroleum transportation segment has increased from 17% (in 2002) of operating income to 25% (in 2003). TER's ratings reflect the structural subordination of TER's debt to operating subsidiary debt including debt at TGI, TGVI, Corridor, Trans Mountain and Express. The notching of TER's ratings relative to TGI ratings reflects the lack of ringfencing or other restrictions that could limit TGI's ability to make dividends to TER. The rating also considers TER's manageable maturity schedule for 2004 and 2005. The rating also reflects the expectation that 2004 capital expenditures are projected to be slightly higher than those of 2003 which together with dividend payments should result in negative free cash flow. Moody's expects this deficit will be financed with short-term debt under the holding company's committed credit facilities.

Rating Outlook

The rating outlook is Stable reflecting Moody's expectations that TGI will continue to generate strong cash flows over time and TER will take a prudent approach to the scale and financing of investments in the petroleum pipeline segment.

What Could Change the Rating - UP

- Material improvement in leverage and coverage metrics due to enhanced cash flows from investments characterized by low levels of business risk

What Could Change the Rating - DOWN

- Execution and financial risks associated with major acquisitions or developments

- Insufficient contractual support for or excessive financial leverage of investments in petroleum pipelines

- Inability to demonstrate continued progress in strengthening balance sheet and coverage metrics

Recent Developments

TER continues to develop longer term proposals to twin the Trans Mountain system at an estimated cost of $2.1 billion and to construct its Bison Pipeline project at an estimated cost of $1.0 billion. Both projects would be constructed in phases to provide incremental takeaway capacity for the growing oilsands operations in Alberta.

Given the cost of and risks associated with projects of this magnitude, Moody's expects that should TER ultimately proceed with one or both of these projects, it will ensure adequate contractual underpinning and seek to put in place appropriate arrangements for cost and risk sharing.

In May 2004, Express received NEB approval of its proposed 108,000 bbl/day expansion (target in-service April 2005) and anticipates receipt of key US approvals by the end of July. Express plans to finance 100% of the US$110 million expansion cost with debt and is in the process of finalizing commitments for the expansion financing. Accordingly, Moody's does not anticipate that Terasen will have to inject additional cash into Express during 2004 or 2005.

During Q1, TER extended its committed bank lines (364 day +1 year) by another year and increased the aggregate amount to $300 million while Trans Mountain cancelled its $110 million bank facility resulting in a slight reduction in structural subordination. Moody's does not anticipate any further significant reductions in structural subordination given the nature of financing at TGI, TGVI, Corridor and Express.

Certain municipalities within TGI's service territory have the right to acquire the gas distribution assets of TGI within their municipal boundaries. Where municipalities have exercised this right, TGI has negotiated sale & lease-back arrangements which allow it to continue to operate the assets. In aggregate approximately $200 million of TGI's assets are subject to these purchase rights including about $83 million already sold & leased-back. According to TER, the sale & lease-back transactions do not impact the cost to the rate payer or have a material financial impact on TGI or TER but they provide certain advantages to the municipalities.

In April 2004, TER announced that it had entered into an agreement to acquire 50% of Fairbanks Sewer and Water Inc. a regulated utility in Fairbanks, Alaska. TER will hold an option to acquire the remaining 50% at FMV in 2009. The deal is expected to close in the summer of 2004 subject to regulatory approval. The transaction fits well with TER's multi-utility strategy focused on regulated utility assets and builds on its presence in Fairbanks where it has operated the gas distribution utility under contract since 2001.

Moody's Investors Service

Global Credit Research
Rating Action
12 DEC 2002
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Rating Action: Terasen Inc.

MOODY'S CONFIRMS DEBT RATINGS OF BC GAS INC. (A3 SENIOR UNSECURED) AND BC GAS UTILITY LTD. (A2 SENIOR UNSECURED)

Approximately CAD 3 Billion of Debt Securities Affected

New York, December 12, 2002 -- Moody's Investors Service confirmed the debt ratings of BC Gas Inc. (Holdco) and its operating subsidiary BC Gas Utility Ltd. (Utility). The rating outlook for both companies is stable.

The following ratings are confirmed:

BC Gas Inc. -- A3 senior unsecured medium-term notes, (P)A3 senior unsecured/(P)Baa1 subordinated base shelf, Baa1 capital securities;

BC Gas Utility Ltd. -- A1 senior secured purchase money mortgage bonds, (P)A2 senior unsecured base shelf, A2 senior unsecured medium-term note debentures.

These rating actions end a review initiated on November 19, 2002, following BC Gas Inc.'s announcement that it is leading a consortium including Borealis Capital and Ontario Teachers to acquire Express Pipeline Limited Partnership Inc. (Baa1 sr. sec./Baa3 subordinated) and its related entities from EnCana Corporation for C$1.2 billion. The consortium plans to form a joint venture entity, and BC Gas, Borealis, and Teachers will each provide its pro rata share of the equity that will together finance half of the sale price. The other half is expected to be financed through assumption of existing project debt. Once the acquisition closes early next year, BC Gas will become operator of Express.

The rating confirmations reflect: 1) the relatively small size of BC Gas's share of the Express investment (C$200 million compared to BC Gas's total assets of over C$4 billion); 2) the company's C$301 million equity issuance this week that serves to prefund its Express investment and to restore its leverage to near its expected levels; and 3) the sharing of capital requirements and risks related to Express with Borealis and Teachers, two pension funds that have substantial financial resources.

The rating outlook is stable. Among the factors that could cause us to take rating action in the future include: 1) acquisition event risk; 2) performance of Express deviating from expectations and causing undue commitment of resources from BC Gas; 3) a significant change in business mix, changing the business risks contemplated in the current ratings; and 4) financial leverage inappropriate for its business risks. In the near-term, Moody's will look for reduction of its short-term debt, which has been heightened by construction debt related to its just completed Corridor Pipeline.

Moody's notes that BC Gas has indicated its growth appetite through some large investments this year, including its C$333 million Centra Gas acquisition in March 2002, the C$200 million equity investment in Express, and the C$688 million Corridor Pipeline construction project. Although the company has been able to finance its recent investments in a reasonable manner, its future success in doing so is not assured. Furthermore, the company has a number of proposed pipeline projects that, if they materialize, may entail a significant amount of debt.

The Express investment signifies BC Gas's deepening commitment to the oil sands development activity in Alberta. BC Gas recently completed construction of the Corridor Pipeline, a pipeline that will transport bitumen (heavy crude produced by the local oil sands). These new investments expand BC Gas's petroleum transportation assets which for many years have consisted solely of its Trans Mountain Pipeline, a petroleum product and crude oil pipeline.

Moody's will monitor the progress of BC Gas's petroleum pipeline investments and the markets that they serve. Crude oil transportation volumes can vary with crude production activity, which in turn is affected by global crude oil prices and the relative economics of local production. The market for local non-conventional crude production (bitumen and syncrude) is still young, and there are uncertainties as to how they will develop in the near- to medium-term.

On the supply side, numerous competing projects are in various stages of development, including the Athabasca Oil Sands Project that Corridor will serve. There is uncertainty as to their completion and performance once completed. The impact on these projects from Canada's ratification of the Kyoto Protocol this week have yet to be fully assessed. Demand will be affected by refinery closings, refineries' capacity to run syncrude, and the relative cost of competing crudes. There may be risk to BC Gas's petroleum pipeline investments if the market for them do not develop as envisioned.

Furthermore, the partnership among BC Gas, Borealis, and Teachers is new, and its investment record has yet to be established. Moody's notes that the terms of many of the agreements that will govern this partnership have yet to be finalized.

Headquartered in Vancouver, British Columbia, BC Gas Inc. is a holding company. Through its primary subsidiaries -- BC Gas Utility, Trans Mountain Pipe Line Company Ltd., and the Corridor Pipeline -- BC Gas engages in regulated gas distribution and petroleum transmission in the Canadian provinces of British Columbia and Alberta.

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"Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Moody's Investors Service

Global Credit Research
Rating Action
19 NOV 2002
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Rating Action: Terasen Inc.

MOODY'S REVIEWS FOR POSSIBLE DOWNGRADE THE RATINGS OF BC GAS INC. (A3 SENIOR UNSECURED) AND BC GAS UTILITY LTD. (A1 SENIOR SECURED)

APPROXIMATELY CAD 3 Billion of Debt Securities Affected

New York, November 19, 2002 -- Moody's Investors Service placed under review for possible downgrade the debt ratings of BC Gas Inc. and its operating subsidiary BC Gas Utility Ltd.

The following ratings have been placed under review for possible dowgrade:

BC Gas Inc. -- A3 senior unsecured medium-term notes, (P)A3 senior unsecured/(P)Baa1 subordinated base shelf, Baa1 capital securities;

BC Gas Utility Ltd. -- A1 senior secured, base shelf (P)A2 senior unsecured, A2 senior unsecured medium-term note debentures.

Moody's initiated its review following BC Gas Inc.'s announcement that it is leading a consortium including Borealis Capital and Ontario Teachers to acquire Express Pipeline Limited Partnership Inc. (Baa1 sr. sec./Baa3 subordinated) and its related entities from EnCana Corporation for C$1.2 billion. The consortium plans to form a joint venture entity, and BC Gas, Borealis, and Ontario Teachers will each provide its pro rata share of the equity that will together finance half of the sale price. The other half is expected to be financed through assumption of existing project debt. Once the acquisition closes early next year, BC Gas will become operator of Express.

Moody's review will include an evaluation of BC Gas's financing plans for its portion of the equity investment. With debt-to-capital in the mid-70% range, the company is already significantly leveraged. Moody's will consider whether this acquisition would further stress its financial position. Furthermore, Moody's will examine BC Gas's business risks vis-a-vis its financial leverage. The Express Pipeline would increase BC Gas's investments in crude oil transportation, which entails higher risks than gas distribution, the company's other core business.

Headquartered in Vancouver, British Columbia, BC Gas Inc. is a holding company. Through its primary subsidiaries -- BC Gas Utility, Trans Mountain Pipe Line Company Ltd., and the Corridor Pipeline -- BC Gas engages in regulated gas distribution and petroleum transmission in the Canadian provinces of British Columbia and Alberta.

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Moody's Investors Service

Global Credit Research
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7 NOV 2001

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Rating Action: Terasen Inc.

MOODY'S ASSIGNS DEBT RATINGS TO BC GAS INC. AND BC GAS UTILITY LTD.

First-Time Ratings / CAD 3 Billion of Debt Securities Rated.

New York, November 07, 2001 -- Moody's Investors Service assigned first-time ratings to debt obligations of BC Gas Inc. (Holdco) and its operating subsidiary BC Gas Utility Ltd. (Utility). The rating outlooks for both companies are stable.

The following ratings were assigned:

BC Gas Inc. - (P)A3 senior unsecured/(P)Baa1 subordinated base shelf; Baa1 capital securities

BC Gas Utility Ltd. - A1 senior secured; base shelf (P)A2 senior unsecured; A2 senior unsecured medium-term note debentures

The ratings for BC Gas Inc. are based on those of the Utility, which comprises 79% of consolidated operating income and 83% of assets. The Utility's ratings reflect the stability of its results, its low business risk, and its supportive regulatory environment, but we also note it is highly leveraged and that its credit measures will likely be weaker than normal over the next few years.

The Utility's stability is derived from a highly captive customer base (about 86% of its gross margins are derived from residential and commercial customers), a mature service territory (customer growth of about 1% annually), and rate regulation that assures certain tariffs and recovery of its costs. The company operates with relative efficiency, comparing favorably against its Canadian and U.S. gas distribution peers.

We find the Utility's regulatory environment to be supportive. The Utility's chief regulatory body, the British Columbia Utility Commission (BCUC) employs a formula to calculate its rates, which are adjusted periodically for changes in costs of gas and operations, inflation, and interest. This ratemaking methodology helps to reduce regulatory risks involved in rate case filings, and periodic adjustments reduce the potential for regulatory lag. The BCUC also provides incentive mechanisms that allow the Utility to share with customers benefits from savings on expense reductions and gas procurement. There is some rate uncertainty, with the current rate settlement due to expire at year-end. However, we expect that the BCUC will extend the rate settlement with substantially similar terms.

Another positive feature of the Utility's ratemaking are deferral accounts that allow the Utility to recover its gas and interest costs. Furthermore, BCUC annually approves a gas supply plan that allows the Utility to hedge as much as over 60% of its needs for a period of 18 to 24 months, thereby allowing the company to mitigate gas cost uncertainty.

The Utility has relatively high leverage, but we recognize that this is largely a reflection of its 33% allowed common equity ratio. This high leverage results in modest coverage (EBITDA-to-interest in the 2 times range). However, these credit measures are in line with those of other Canadian gas companies that have similar levels of allowed equity and regulatory regimes. Still, we note that the C$410 million of debt from the Southern Crossing Pipeline construction project has also raised the Utility's leverage and will weaken its coverages for a few years. The recovery of the Utility's credit measures will likely be delayed if the Utility undertakes its proposed C$495 million Inland Pacific Connector Pipeline construction project.

The Utility has high payouts that are a function of maintaining its allowed equity ratio. The BCUC imposes no ringfencing restrictions, so that the Utility may well pay out more than its earnings on a regular basis. Because its internally generated cash may be insufficient to cover its capital expenditures and dividends, the Utility will likely continue to issue a significant amount of debt every year to meet cash shortfalls and debt maturities.

BC Gas, Inc. (HoldCo)'s ratings are based on the ratings of the Utility, its primary subsidiary, and reflects the structural subordination of its debt to the $2.8 billion of obligations of its operating subsidiaries: the Utility, Trans Mountain Pipe Line, and the Corridor Pipeline. The closeness in the ratings of the Utility and HoldCo reflects the lack of ringfencing or other restriction that may limit the subsidiaries' ability to make dividends to Holdco.

Holdco has low business risk, with substantially all of its cash flows derived from regulated gas distribution and petroleum transportation businesses. The company deems these subsidiaries to be its core businesses. Holdco has a few unregulated energy and utility services businesses, which account for a nominal proportion of consolidated cash flow. We believe unlikely that the unregulated business's contribution to total cash flow will grow significantly from current levels.

Trans Mountain, Holdco's second-largest subsidiary, just concluded a five-year incentive toll settlement, which reduces regulatory uncertainty during its term and allows the Pipe Line to benefit from reduced operating costs and increased throughput. Furthermore, HoldCo has no direct commodity price exposure, as the Utility passes through its cost of gas; the pipelines take no title to the crude and product transported.

Trans Mountain is currently constructing the Corridor Pipeline, a direct subsidiary of Holdco. Corridor, an oil sands pipeline, is due to come on-line late in 2002. Corridor's construction and operating risks, particularly in the near-term, are offset by long-term support from Firm Services Agreements with strong shippers. These agreements reduce volume risk for Corridor by commiting the shippers to ship-or-pay during the life of the agreements. We believe that the pipeline's integral function in the oil sands project, considered strategic by the shippers, makes it more likely that the shippers will support this project.

HoldCo is conservatively managed. Corporate strategy is focused on enhancing and selectively expanding its core gas distribution and petroleum transportation franchises in western Canada. Its stated goal of five to six percent annual earnings-per-share growth appears reasonably achievable with its existing holdings and projects under construction. Its financial targets include maintaining a consolidated capital structure that is in line with those allowed its regulated subsidiaries. Its target capital structure comprises 70% debt, 25% common equity, and 5% hybrid equity. Should there be a major acquisition, we expect that the Holdco will finance it with a prudent amount of common stock.

Moody's believes that that BC Gas's event risk is limited by provincial law restricting ownership of the Utility. Under the law, non-Canadians cannot own more than 20% of the Utility. Any exception would require legislative approval. Such restrictions limit the pool of potential bidders and the possibility of a hostile takeover.

Additional debt and capital securities from the construction of the C$410 million Southern Crossing Pipeline and the C$688 million Corridor Pipeline will weaken Holdco's near-term credit measures. For the next few years, we expect that debt plus capital securities-to-total capitalization to exceed the company's 75% target. Coverage measures (consolidated EBITDA-to-fixed charges in the low two-times range) has weakened over the last few years and will take a few years to recover as Corridor reaches full operation.

BC Gas's consolidated financial measures are in line with those of other Canadian gas companies. However, we note that BC Gas is significantly smaller and has a more concentrated asset base than some of its peers.

Moody's Baa1 debt rating on Holdco's Capital Securities reflects the subordinated claim that the noteholders have in bankruptcy. The Securities are a hybrid instrument that provides Holdco with an option in how and when it pays for debt service. Holdco has the option to settle principal at maturity with common stock and to pay interest in either cash or common. In the tenth year after issuance, the noteholder can convert the security to common stock at 90% of the market price, but Holdco has option to redeem it for cash. Interest expense on these securities is deferrable for up to five years. While recognizing a degree of flexibility that the Capital Securities afford, Moody's considers them to be less equity-like than other instruments whose obligations must be satisfied by a mandatory issuance of common stock.

In the next several months, BC Gas plans to acquire Centra Gas British Columbia Inc. from Westcoast Energy. The consideration will include C$310 million in cash to acquire Westcoast's common and preferred interests and intercompany advances and the assumption of C$228 million of debt. We believe that the ratings described above should not change with this acquisition.

The Centra acquisition will have a nominal impact on BC Gas Inc.'s consolidated coverage and leverage measures, because Centra's capitalization is similar to that of BC Gas. On a parent only basis, however, we expect a negative cash impact in the near-term until Centra begins to upstream dividends under a new rate settlement expected to be implemented in 2003. This negative cash impact will comprise incremental interest expense and common dividend requirement from the acquisition financing which the Centra dividends may not fully cover. Nevertheless, we expect this negative cash impact to lessen over time and note that the acquisition financing includes C$180 million of common stock, which adds a significant layer of permanent capital to BC Gas's capital structure.

Our rating for the Holdco is based on our assumption that BC Gas and the BCUC will be able to negotiate a favorable rate settlement which will allow Centra to begin fully recovering its costs beginning in 2003. We also expect that BC Gas will be able to apply its demonstrated ability to achieve synergies to the Centra operations and to neutralize the negative cash impact at the parent level. The service territories of BC Gas Utility and Centra are adjacent, and there will likely be opportunities to cut costs through integrating their gas control, engineering, and administrative functions.

Headquartered in Vancouver, British Columbia, BC Gas Inc. is a holding company. Through its primary subsidiaries -- BC Gas Utility, Trans Mountain Pipe Line Company Ltd., and the Corridor Pipeline -- BC Gas engages in regulated gas distribution and petroleum transmission in the Canadian provinces of British Columbia and Alberta.

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Research:
Terasen Gas Inc.

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Corporate Credit Rating	
	BBB/Stable/NR

Debt maturities:
2004 C$2.2 mil.
2005 C$397.2 mil.
2006 C$122.2 mil.
2007 C$102.2 mil.
2008 C$190.2 mil.
Bank lines/Liquid assets:
Terasen Inc. and its subsidiaries have lines of credit in place totaling C$1,533 million.
Company Contact
David Bryson, Treasurer (604) 443-6527

Outstanding Rating(s)	
Terasen Gas Inc.	
Sr unsecd debt	
Local currency	BBB
Sr secd debt	
Local currency	A-
Terasen Inc.	
Corporate Credit Rating	BBB/Stable/NR
Sr unsecd debt	
Local currency	BBB-
Sub debt	
Local currency	BB+
Terasen Pipelines (Trans Mountain) Inc.	
Corporate Credit Rating	BBB/Stable/--
Sr unsecd debt	
Local currency	BBB

Corporate Credit Rating History	
May 8, 2001	BBB+
June 26, 2003	BBB
Sept. 26, 2003	BBB/A-2
Mar. 11, 2004	BBB/NR

Major Rating Factors

Strengths:

- Stable gas distribution franchises with no commodity risk
- Predictable cash flows from regulated business

- Efficient operator

Weaknesses:

- Highly leveraged financial profile
- Risk of fuel switching by industrial gas customers

Rationale

The ratings on Terasen Gas Inc., located in the Province of British Columbia, reflect the consolidated credit profile of the parent company, Terasen Inc. (Terasen). Consistent with Standard & Poor's Ratings Services' consolidated ratings methodology, core subsidiaries receive the same long-term corporate credit rating as the parent company.

The ratings on B.C.-based utility holding company, Terasen Inc. (Terasen), reflect the company's low-risk, regulated gas distribution business and stable liquids pipelines business. These strengths are partially offset by Terasen's below-average consolidated financial profile.

Terasen Gas is the largest gas distributor in British Columbia, serving over 860,000 customers in more than 100 communities, who represent over 95% of natural gas consumers in British Columbia. The utility is one of the more efficient gas distribution companies in Canada as measured by operating margin, operating costs per customer, and customers per employee. The integration of Terasen Gas (Vancouver Island) or TGVI has resulted in the realization of significant cost reductions and operational efficiencies.

Gas supply is plentiful, although Terasen would like to pursue more transmission pipelines into British Columbia. The company contracts five gas storage facilities to help reduce the cost of delivering gas during winter months when demand is highest. Terasen Gas is proposing to build a C$300 million-$500 million Inland Pacific Connector pipeline that would connect the Southern Crossing pipeline to the Huntingdon regional gas hub and give the utility additional supply options. The viability of this project is dependent on shipper commitments from third parties in the greater Pacific Northwest. The utility is also supporting TGVI's proposal for capacity expansion on Vancouver Island at a cost of C$100 million. The expansion would involve additional compression and construction of a new liquids natural gas (LNG) storage facility.

Terasen Gas' regulated distribution operations are considered low risk because of the regulatory mechanisms that mitigate major operating risks, such as commodity costs, and the utility's dominant position in British Columbia. Terasen Gas and TGVI account for more than 95% of natural gas customers in the province. The major risks of volatile gas commodity costs and unpredictable weather are essentially mitigated by regulatory deferral accounts and quarterly rate adjustments. The current regulated rate structures typically result in stable financial performance, as revenues and all major costs are relatively predictable. The regulation, however, is considered weak in comparison with international peers with regard to the allowed ROE (9.03% for Terasen Gas and 9.53% for TGVI for 2005) and thin deemed equity layers (33% for Terasen Gas and 35% for TGVI).

Terasen Gas' below-average financial risk profile partially reflects the existing gas regulatory framework. Standard & Poor's expects that in the near-to-medium term, the utility's financial measures will remain stable, with funds from operations (FFO) interest coverage of 2.2x, FFO-to-total debt of 9.1%, and total debt-to-capital of 66%.

The below-average deemed equity levels and allowed ROEs constrain the ratings on Terasen. The combination of a lower amount of equity in the capital structure and a low ROE results in a financial profile that is much weaker than the company's global peers. Although the cash flows from the pipelines and natural gas distribution businesses should be stable, stability alone does not completely offset the risk of high leverage and weak cash flow protection measures. These measures likely will remain at levels commensurate with the 'BBB' ratings category, as the company pursues its growth strategy.

Liquidity.

As at Sept. 30, 2004, Terasen Gas had C$500 million of lines of credit in place, C$324 million of which were unused. Standard & Poor's assesses Terasen's consolidated liquidity position to be adequate, given the company's stable cash flow generation, its ability to access capital markets, and its available bank facilities. With slightly over C$1.5 billion in committed bank lines of credit (which are used seasonally), the company and its subsidiaries have adequate funds available for operating purposes. As at Sept. 30, 2004, C$460 million of the lines of credit were unused. The lines of credit primarily serve to back up the company's CP programs. With more than C$1 billion due within the next two years, the company faces some near-term refinancing risk.

Outlook

The stable outlook reflects Standard & Poor's expectation of steady operating performance for both the gas distribution and petroleum transportation segments. Any acquisitions or major projects are expected to have risk profiles consistent with regulated, energy infrastructure-type assets, and to be financed in line with the company's current capital structure.

Going forward, Standard & Poor's will continue long-term ratings coverage of the Terasen companies based on publicly available information. Ratings surveillance on the Terasen companies will continue in accordance with Standard & Poor's analytical criteria. These ratings may be based solely on publicly available information and may not involve the participation of the issuers' management. Standard & Poor's has used information from sources believed to be reliable, but does not guarantee the accuracy, adequacy, or completeness of any information used. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities. Other analytic services performed by Standard & Poor's may be based on information that was not available for these ratings and this report.

Table 1 Terasen Gas Ltd --Peer Comparison *

Industry Sector: Gas Distribution Utilities--Canada					
		--Average of past three fiscal years--			
	Sector median	**Terasen Gas Ltd.**	**Enbridge Gas Distribution Inc.**	**Gaz Metro Inc.**	**Union Gas Ltd.**
Rating		BBB/Stable/NR	A-/Stable/--	A-/Stable/--	BBB/Stable/--
(Mil. C$)					
Sales	1,766.7	1,251.6	2,177.8	1,803.9	1,783.3
Net income from continuing operations	117.7	65.4	190.5	149.7	121.0
Funds from operations (FFO)	251.9	138.5	351.8	310.9	260.0
Capital expenditures	153.2	243.2	256.1	93.8	182.0
Total debt	1,589.5	1,611.3	1,528.2	1,356.7	2,256.3
Preferred stock	57.3	0.0	500.7	0.0	114.7
Total capital	2,923.1	2,373.3	3,654.5	2,193.6	3,427.0
Ratios					
EBIT interest coverage (x)	1.9	1.8	2.3	2.5	2.0
FFO interest coverage (x)	2.5	2.2	2.6	4.2	2.5
Return on common equity (%)	11.6	8.9	12.2	18.1	11.6
NCF/capital expenditures (%)	68.5	58.8	78.2	178.8	86.1
FFO/total debt (%)	12.3	9.1	20.1	23.2	11.4
Total debt/capital (%)	63.9	68.4	41.8	61.9	65.8
* Adjusted for off-balance-sheet obligations and capital operating leases. N.R.--Not rated.					

Table 2 Terasen Gas Ltd.--Financial Summary *

Industry Sector: Gas Distribution Utilities--Canada		
	--Average of past three fiscal years--	**--Fiscal year ended Dec. 31st--**

Rating history			BBB/Stable/A-2	BBB+/Watch Neg/--	BBB+/Stable/--	N.R.	N.R.
	Sector median	**Issuer**	**2003**	**2002**	**2001**	**2000**	**1999**
(Mil. C$)							
Sales	1,766.7	1,251.6	1,305.6	1,246.4	1,423.2	1,085.3	844.5
Net income from continuing operations	117.7	65.4	70.4	67.1	67.2	61.9	55.5
Funds from operations (FFO)	251.9	138.5	147.9	149.1	142.4	124.1	118.0
Capital expenditures	153.2	243.2	116.2	111.1	146.0	472.5	133.8
Total debt	1,589.5	1,611.3	1,650.9	1,650.6	1,650.7	1,532.6	1,197.7
Preferred stock	57.3	0.0	0.0	0.0	0.0	0.0	75.0
Total capital	2,923.1	2,373.3	2,415.9	2,408.2	2,418.4	2,293.1	1,890.3
Ratios							
EBIT interest coverage (x)	1.9	1.8	1.9	1.9	1.8	1.9	2.1
FFO interest coverage (x)	2.5	2.2	2.2	2.2	2.0	2.1	2.3
Return on common equity (%)	11.6	8.9	9.2	8.8	8.8	9.0	9.0
NCF/capital expenditures (%)	68.5	58.8	58.4	62.2	56.4	13.5	36.6
FFO/total debt (%)	12.3	9.1	9.1	9.1	9.2	9.3	10.6
Total debt/capital (%)	63.9	68.4	68.3	68.5	68.3	66.8	63.4
* Adjusted for off-balance-sheet obligations and capital operating leases. N.R --Not rated.							

Research:

Return to Regular Format

Terasen Inc.

Publication date: 17-Dec-2004
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Secondary Credit Analyst(s): Michelle Dathorne, Toronto (1) 416-507-2563; michelle_dathorne@standardandpoors.com

Corporate Credit Rating	
	BBB/Stable/NR

Financial policy:
Below average
Debt maturities:
2004 C$51.8 million
2005 C$416.2 million
2006 C$838.9 million
2007 C$102.3 million
2008 C$390.3 million
Bank lines/Liquid assets:
Terasen Inc. and its subsidiaries have lines of credit in place totaling C$1,533 million.
Company Contact
David Bryson, Treasurer (604) 443-6527

Outstanding Rating(s)	
Terasen Inc.	
Sr unsecd debt	
Local currency	BBB-
Sub debt	
Local currency	BB+
Terasen Gas Inc.	
Corporate Credit Rating	BBB/Stable/NR
Sr unsecd debt	
Local currency	BBB
Sr secd debt	
Local currency	A-
Terasen Pipelines (Trans Mountain) Inc.	
Corporate Credit Rating	BBB/Stable/--
Sr unsecd debt	
Local currency	BBB

Corporate Credit Rating History	
May 8, 2001	BBB+
June 26, 2003	BBB
Sept. 26, 2003	BBB/A-2
Mar. 11, 2004	BBB/NR

Major Rating Factors

Strengths:

- Stable gas distribution franchises with no commodity risk

- Exclusive long-term contracts for petroleum transportation businesses
- Ninety-seven percent of revenues derived from regulated businesses

Weaknesses:

- Highly leveraged financial profile limits financial flexibility
- Volume throughput risk for petroleum transportation businesses
- Fuel switching by industrial gas customers

Rationale

The ratings on utility holding company, Terasen Inc. (Terasen), located in the Province of British Columbia, reflect the company's low-risk, regulated gas distribution business and competitively positioned liquids pipeline business. These strengths are partially offset by Terasen's below-average consolidated financial profile. The ratings are based on a consolidated methodology approach, which factors in the business and financial profiles of Terasen's wholly owned subsidiaries.

Terasen's regulated gas distribution operations are considered low risk because of their dominant market positions, and the regulatory mechanisms that mitigate major operating risks, such as commodity costs. Terasen Gas Inc. and Terasen Gas (Vancouver Island) or TGVI account for more than 95% of natural gas customers in British Columbia, and Standard & Poor's Ratings Services expects the gas distributions' aggregate market share will remain relatively stable in the near-to-medium term.

Terasen's pipeline business is also considered to have a stable competitive position as it controls two liquids pipelines in western Canada, which transport about 20% of Alberta's total oil throughput. The increasing oil production from western Canada will require additional pipeline capacity, and Terasen Pipelines (Trans Mountain) Inc. will benefit given the markets it serves and the economical expansion capability. Although the pipelines transport a small portion of western Canada's total crude oil production, Terasen Pipelines (Trans Mountain) is the only liquids pipeline system to British Columbia and to the U.S. Pacific coast from the Province of Alberta. The Express Pipeline system's competitive position is also fairly secure, as it serves export markets not connected to the dominant Enbridge liquids pipeline grid. Terasen Pipelines (Corridor) Inc. is a dedicated pipeline that has the exclusive rights to transport bitumen from the Albian oil sands project to the upgrader in Edmonton, Alta., and has a long-term, ship-or-pay contract, which is not exposed to volume risk.

Terasen's below-average financial risk profile reflects the existing gas regulatory framework. These factors, which hamper the company's consolidated financial profile, are somewhat offset by the pipelines' negotiated shipper contracts. Standard & Poor's expects Terasen's financial measures will remain stable in the near-to-medium term, as the provincial regulatory framework is unlikely to change. As a result, the company's funds from operations (FFO) interest coverage of 2.4x, FFO-to-total debt of 10%, and total debt-to-capital of 66%, should remain relatively stable in the near term. In addition, these ratios do not reflect the potential of heavy capital spending for various liquids and gas pipeline projects, all of which would require significant amounts of capital.

Liquidity.

Standard & Poor's assesses Terasen's consolidated liquidity position to be adequate, given the company's stable cash flow generation, its ability to access capital markets, and its available bank facilities. With slightly over C$1.5 billion in committed bank lines of credit (which are used seasonally), the company and its subsidiaries have adequate funds available for operating purposes. As at Sept. 30, 2004, C$460 million of the credit lines were unused. The credit facilities primarily serve to back up the company's CP programs.

Outlook

The stable outlook reflects Standard & Poor's expectation of steady operating performance for both the gas distribution and petroleum transportation segments. Any acquisitions or major projects are expected to have risk profiles consistent with regulated, energy infrastructure-type assets, and to be financed in line with the company's current capital structure.

Going forward, Standard & Poor's will continue long-term ratings coverage of the Terasen companies based on publicly available information. Ratings surveillance on the Terasen companies will continue in accordance with Standard & Poor's analytical criteria. These ratings may be based solely on publicly available information and may not involve the participation of the issuers' management. Standard & Poor's has used information from sources believed to be reliable, but does not guarantee the accuracy, adequacy, or completeness of any information used. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities. Other analytic services performed by Standard & Poor's may be based on information that was not available for these ratings and this report.

Business Description

Terasen owns and operates Terasen Gas Inc., Terasen Gas (Vancouver Island) or TGVI, Terasen Pipelines (Trans Mountain) Inc., and Terasen Pipelines (Corridor) Inc. Express Pipeline L.P. and Express Pipeline Partnership continue to be rated on a standalone basis as the Express Pipeline project meets Standard & Poor's criteria for bankruptcy-remote entities.

Terasen is involved primarily in the distribution of natural gas and the transportation of crude and refined petroleum products. Ninety-seven percent of assets and 90.5% of revenues are regulated. Following the acquisition of an interest of Express Pipeline in January 2004, and the commencement of commercial operations on the Corridor Pipeline, petroleum transportation accounted for 25% of Terasen's operating income at the end of 2003. Terasen is also involved, to a lesser extent, in the water and utility services business.

Business Profile

Natural Gas Distribution

Regulation.

The British Columbia Utilities Commission regulates both Terasen Gas and TGVI, although there are differences between the arrangements. B.C.'s regulatory framework has evolved to an incentive-based system that enhances value to both customers and shareholders, from a recovery of all costs and a regulated rate-of-return system. Standard & Poor's views some aspects of the regulation, including the deferral accounts, as quite favorable as they mitigate commodity-price risk and enhance cash flow stability. The regulation, however, is considered weak in comparison with international peers with regard to the allowed ROE (9.03% for Terasen Gas and 9.53% for TGVI for 2005) and thin deemed equity layers (33% for Terasen Gas and 35% for TGVI).

TGVI has a separate regulatory arrangement that reflects the historical support of the provincial government, in the form of subsidy payments, for a natural gas distribution network on Vancouver Island. Historically, customer rates did not cover the full cost of providing service, and the subsidies are designed to offset the rate shortfall. Standard & Poor's expects the recovery of the deferral will be ongoing until the agreement with the government expires in 2011.

In Standard & Poor's view, the regulation for both Terasen Gas and TGVI should result in stable financial performance, as revenues and all major costs are relatively certain. Nevertheless, although the deferral accounts and rate setting process are effective, many other jurisdictions around the world have adopted similar mechanisms for mitigating financial risk. As a result, Terasen Gas and TGVI's financial performance and overall business risk profile is not exceptionally different than other 'BBB' rated regulated utilities. Furthermore, the regulation is considered weak in comparison with international peers with regard to the allowed ROE (9.03% for Terasen Gas and 9.53% for TGVI in 2005) and thin deemed equity layers (33% for Terasen Gas and 35% for TGVI). The combination of low profitability and high leverage results in an overall financial profile that is weak.

Markets.

Currently, Terasen Gas has over 860,000 customers, which represent about 95% of the existing natural gas users in British Columbia. Although the forest products sector dominates the British Columbia economy and accounts for about 60% of the industrial market volumes, Terasen Gas does not have significant customer concentration risk with about 1,150 industrial accounts. Of those accounts, 155 industrial customers have interruptible service, and unexpected changes in industrial consumption can have an effect on the company's earnings, although the utility can seek regulatory relief if industrial margins fall significantly below forecasts. TGVI serves about 77,000 customers, most of who reside on Vancouver Island or in Whistler, including seven pulp and paper mills and a natural gas-fired cogeneration facility. Standard & Poor's views the forest products industry in North America to be under pressure. Risks arising from exposure to customers in a volatile industry such as this are mitigated by the industrial customers relatively smaller contribution to overall customer and volume composition when compared with the residential and commercial segments.

Operations.

Terasen Gas is one of the more efficient gas distribution companies in Canada as measured by operating margin, operating costs per customer, and customers per employee. The integration of TGVI has resulted in the realization of some operational efficiencies.

Competitive position.

The gas distribution subsidiaries do not face direct competition. Nevertheless, alternative energy sources, primarily electricity, can be a factor for competition because British Columbia's abundance of hydroelectric power translates into very low rates for electricity. The previous government had instituted a rate freeze on electricity, but under the new government rates are expected to increase. In addition, due to environmental concerns it is highly unlikely that any new hydro dams will be built. Plans for new electricity generation are gas powered and would likely benefit Terasen Gas or TGVI. Natural gas still enjoys a price advantage over other fuel alternatives and dominates the residential single-family category for fuel of choice. Heating oil can be quite cost competitive, however, when gas prices rise, resulting in fuel-switching among a small percent of Terasen's industrial customers and possibly a reduction in industrial margin.

Petroleum Transportation

Regulation.

Although various regulatory bodies, including the National Energy Board (NEB), Alberta Energy and Utilities Board, and FERC, govern over the different pipelines, most operate outside the regulatory frameworks in place by virtue of their negotiated settlements with shippers.

Terasen Pipelines (Trans Mountain) primarily operates under a negotiated incentive toll settlement (2001-2005) with the Canadian Association of Petroleum Producers and Chevron Canada Ltd. Although the settlement exposes the Canadian operations to a limited amount of throughput risk excess revenue (generated from throughput volumes above 201,280 barrels per day (bpd)) is shared fifty-fifty by way of a credit to subsequent years' tolls. The U.S. portion of the pipeline's throughput does not operate under a negotiated settlement and is regulated by the FERC. The tolls have been in place since the 1980s and have not been altered as none of the shippers have complained. The Firm Service Agreement under which Terasen Pipelines (Corridor) operates is a long-term ship-or-pay contract that provides for recovery of all operating costs, depreciation, financing costs, and an allowed ROE. The Express system is regulated by the NEB for the Canadian portion and the FERC for the U.S. portion. Tolls are regulated on a complaint basis only.

Markets.

Terasen Pipelines (Trans Mountain) is the only pipeline option to Canada's west coast and the northwest U.S. Because of this, it is also affected by the economies of British Columbia and the northwest U.S. Terasen Pipelines (Trans Mountain) links up to one refinery and three product terminals in Vancouver. The U.S. system is the only pipeline that delivers to four large refineries in Washington State. The Canadian market is expected to remain stable while the U.S. market is expected to show increased demand.

Terasen Pipelines (Corridor) is a dedicated pipeline serving the Athabasca Oil Sands project. As a significant portion of the pipeline's throughput is dedicated to Shell Canada Ltd.'s Scotford refinery, output from the pipeline has a ready market.

The Express Pipeline system should benefit as the growth in Canadian crude exports to the U.S. is expected to continue. Both the second and fourth Petroleum Administration for Defense District (PADD II and PADD IV) are short crude due to declining supply and increasing demand, and

Standard & Poor's expects this trend to continue.

Operations.

Most operating risks on the Canadian portion of the Trans Mountain system are mitigated by the incentive toll settlement in place. On the U.S. system, there are no long-term contracts in place with shippers; capacity is bid for each month, exposing the pipeline to throughput risk.

The biggest risks of operating the Express system are the ability to contain costs and to market capacity. Since a substantial portion of the revenues is essentially fixed because of the Transportation Service Agreements (TSAs), escalating expenses or lower-than-expected volumes could negatively affect cash available for debt service. Therefore, if the project is not able to sign up expected uncommitted volumes, it must have the flexibility to lower operating costs. The three key operating cost components are the operating and maintenance contract costs, property taxes, and power costs. The largest and most variable of these three components is power costs. The Express Pipeline has a design capacity of 172,000 bpd and will be expanded to 282,000 bpd by April 2005. The project has signed new TSAs through 2014 and 2015 for 105,000 bpd of capacity to supplement existing TSAs covering 126,000 bpd.

In addition, there are no meaningful operating risks associated with the Corridor pipeline. The firm service agreement on the Corridor pipeline mitigates the volume throughput risk, as the shippers have made a take-or-pay commitment to transport a total 150,000 bpd of bitumen and 65,000 bpd of diluent in the pipeline.

Financial Profile

The combination of a lower amount of equity in the capital structure and a low ROE results in a financial profile that is much weaker than the company's global peers. Although the cash flows from the pipelines and natural gas distribution businesses should be stable, stability alone does not completely offset the risk of high leverage and weak cash flow protection measures. These measures likely will remain at levels commensurate with the 'BBB' ratings category, as the company pursues its growth strategy.

Accounting.

Terasen's consolidated financial statements are prepared in accordance with Canadian GAAP. No material changes to Canadian GAAP or the accounting policies adopted by the company are expected in the foreseeable future that would materially alter the financial statements as presented. In addition to the adjustments for operating leases, Standard & Poor's makes an offsetting adjustment to Terasen's total debt outstanding for the amounts relating to purchased gas-in-storage. The gas-in-storage amounts are financed using the company's CP program, and are reported as part of short-term debt. Given the expectation of full recovery of the commodity costs under regulatory recovery provisions, Standard & Poor's views these amounts as working capital items, therefore, the amounts are removed from short-term debt and added to the company's accounts payable.

Profitability and cash flow.

Terasen has demonstrated relatively stable margins, given the full-cost pass through on the regulated assets and throughput stability on the pipelines. Although weather variability can have a short-term effect, the regulated assets' deferral accounts ultimately mitigate this variability. Profitability at the gas distribution utilities is constrained by the regulatory arrangements. Profitability at Terasen Pipelines (Trans Mountain) and Express Pipeline is influenced by throughput on the pipeline systems.

Although the company has generated stable cash flows, Standard & Poor's view the coverages generated under the regulatory framework as weak with funds from operations (FFO) interest coverage at 2.4x and FFO-to-total debt of 10%. The double leverage at the parent company level and the initial use of 100% debt financing for the Corridor pipeline also exacerbate Terasen's credit metrics. The thin interest coverage allows very little protection for unforeseen circumstances or poor operating or financial performance.

Capital structure and financial flexibility.

Financial flexibility is limited by the aggressive consolidated capital structure. Acquisitions or new projects would need to be financed with an appropriate combination of debt and equity, if leverage is to improve. Capital expenditures are expected to scale back after several years of significant spending on Corridor and the Southern Crossing pipelines. Nevertheless, capital spending on future expansion projects, such as the Corridor expansion, the proposed Bison Pipeline, and the TMX expansion, is currently estimated at C$3.0 billion. Terasen's consolidated capital structure would remain under pressure if the company were to finance these projects consistent with its previous financing policies; however, the full effect on its cash flow protection measures would depend on the returns generated by these assets.

The company's existing debt maturity schedule has large maturities in 2005 and 2006, although Standard & Poor's expects the company will refinance a large portion of the Terasen Pipelines (Corridor) debt in the next year to balance out the debt maturity profile. The company's cash generation is weak in relation to its total debt load, and thus, failure to refinance and balance out the debt maturity profile would increase the financial risk.

Going forward, Standard & Poor's will continue long-term ratings coverage of the Terasen companies based on publicly available information. Ratings surveillance on the Terasen companies will continue in accordance with Standard & Poor's analytical criteria. These ratings may be based solely on publicly available information and may not involve the participation of the issuers' management. Standard & Poor's has used information from sources believed to be reliable, but does not guarantee the accuracy, adequacy, or completeness of any information used. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities. Other analytic services performed by Standard & Poor's may be based on information that was not available for these ratings and this report.

Table 1 Terasen Inc.--Peer Comparison *

Industry Sector: Gas Distribution Utilities--Canada					
		--Average of past three fiscal years--			
	Sector median	**Terasen Inc.**	**Enbridge Inc.**	**Gaz Metro Inc.**	**TransCanada PipeLines Ltd.**
Rating		BBB/Stable/NR	A-/Stable/--	A-/Stable/--	A-/Negative/--
(Mil. C$)					
Sales	1,766.7	1,750.0	4,484.3	1,803.9	5,273.3
Net income from continuing operations	117.7	114.3	502.1	149.7	800.3
Funds from operations (FFO)	251.9	243.7	811.8	310.9	1,497.3
Capital expenditures	153.2	362.8	601.5	93.8	494.0
Total debt	1,589.5	2,688.0	7,033.8	1,356.7	11,365.7
Preferred stock	57.3	125.0	593.6	0.0	1,062.7
Total capital	2,923.1	3,899.8	10,860.8	2,193.6	18,195.7
Ratios					
EBIT interest coverage (x)	1.9	1.8	2.2	2.5	2.2
FFO interest coverage (x)	2.5	2.2	2.6	4.2	2.3
Return on common equity (%)	11.6	11.6	16.8	18.1	13.9
NCF/capital expenditures (%)	68.5	48.0	87.6	178.8	191.7
FFO/total debt (%)	12.3	9.4	11.4	23.2	12.4
Total debt/capital (%)	63.9	68.9	64.8	61.9	62.5
* Adjusted for off-balance-sheet obligations and capital operating leases. NCF--Net cash flow.					

Table 2 Terasen Inc --Financial Summary *

Industry Sector: Gas Distribution Utilities--Canada

	--Average of past three fiscal years--		--Fiscal year ended Dec. 31st--				
Rating history			BBB/Stable/A-2	BBB+/Watch Neg/--	BBB+/Stable/--	N.R.	N.R.
	Sector median	**Issuer**	**2003**	**2002**	**2001**	**2000**	**1999**
(Mil. C$)							
Sales	1,766.7	1,750.0	1,876.6	1,707.2	1,666.3	1,305.6	1,040.6
Net income from continuing operations	117.7	114.3	139.4	112.5	91.0	112.7	81.2
Funds from operations (FFO)	251.9	243.7	292.3	244.0	194.9	176.4	174.4
Capital expenditures	153.2	362.8	222.9	395.7	469.8	620.6	163.6
Total debt	1,589.5	2,688.0	2,898.4	2,723.1	2,442.7	1,988.6	1,536.9
Preferred stock	57.3	125.0	125.0	125.0	125.0	125.0	0.0
Total capital	2,923.1	3,899.8	4,328.0	4,088.7	3,282.8	2,798.1	2,238.2
Ratios							
EBIT interest coverage (x)	1.9	1.8	1.9	1.7	1.7	1.8	2.0
FFO interest coverage (x)	2.5	2.2	2.4	2.2	2.0	2.2	2.4
Return on common equity (%)	11.6	11.6	11.0	11.5	13.0	17.2	13.4
NCF/capital expenditures (%)	68.5	48.0	92.5	44.9	29.5	20.2	79.3
FFO/total debt (%)	12.3	9.4	10.3	9.2	8.5	9.9	11.5
Total debt/capital (%)	63.9	68.9	67.0	66.6	74.4	71.1	68.7
* Adjusted for off-balance-sheet obligations and capital operating leases. N.R--Not rated. NCF--Net cash flow.							

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STANDARD & POOR'S CANADIAN RATINGS

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Terasen Gas

Credit Analysts: Daniel Parker, CFA, Toronto (1) 416-507-2559; Michelle Dathorne, Toronto (1) 416-507-2563

Corporate Credit Rating

BBB/Stable/A-2

Debt maturities:
Required principal repayments:
C$102.3 mil.
C$2.3 mil.
C$247.3 mil.
C$122.3 mil.
C$102.3 mil.

Outstanding Rating(s)	
Terasen Gas	
Sr unsecd debt	
Local currency	BBB
Sr secd debt	
Local currency	A-
CP	
Local currency	A-2
Terasen Inc	
Corporate Credit Rating	BBB/Stable/A-2
Sr unsecd debt	
Local currency	BBB-
CP	
Local currency	A-2
Sub debt	
Local currency	BB+
Terasen Pipelines (Trans Mountain) Inc.	
Corporate Credit Rating	BBB/Stable/--
Sr unsecd debt	
Local currency	BBB

Corporate Credit Rating History	
May 8, 2001	BBB+
June 26, 2003	BBB
Sept. 26, 2003	BBB/A-2

Company Contact
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Rationale

The ratings on Terasen Gas reflect the utility's strong business profile and the consolidated credit profile of parent company Terasen Inc. (Terasen). Consistent with Standard & Poor's Ratings Services' consolidated rating methodology, the long-term corporate credit rating on core subsidiaries are equalized with the long-term corporate credit rating on the parent.

The ratings on utility holding company Terasen reflect the company's very strong consolidated business profile and weak financial profile, including subsidiaries Terasen Gas, Terasen Gas (Vancouver Island) or TGVI, Terasen Pipelines (Trans Mountain) Inc., and Terasen Pipelines (Corridor) Inc. Express Pipeline L.P. and Express Pipeline Partnership continue to be rated on a stand-alone basis as the Express Pipeline project continues to meet Standard & Poor's criteria for bankruptcy-remote entities. Terasen has about C$2.8 billion of total debt outstanding. The company's business profile is characterized by its two gas distribution subsidiaries, Terasen Gas and TGVI, which have dominant market positions and account for more than 95% of natural gas customers in British Columbia. In addition, Terasen Pipelines (Trans Mountain) is the only multiproduct shipping system from Alberta to British Columbia and the Pacific coast. Terasen Pipelines (Corridor) is a dedicated pipeline that transports bitumen from the Albian oil sands project to Shell Canada Ltd.'s upgrader in Edmonton, Alta. The Express Pipeline system transports petroleum from Hardisty, Alta., to refineries in the western and midwestern U.S. Regulated gas distribution and petroleum transportation account for the majority of Terasen's assets and virtually all of its operating income. The company's utilities and pipelines should continue to provide stable earnings and cash flows.

Terasen's below-average financial risk profile reflects the regulatory constraints imposed on its subsidiaries' capital structures. The existing regulatory framework essentially determines the financial policies of Terasen's regulated subsidiaries. Although the British Columbia Utilities Commission (BCUC) regulation mitigates the company's exposure to volatile commodity prices and poor weather, the low deemed equity levels (33% at Terasen Gas and 35% at TGVI) and low allowed ROE (9.4% and 9.92%, respectively) constrain credit quality. Terasen's deemed equity levels and allowed ROE are considered low and are substantially lower than those of its global peers. The combination of a lower amount of equity in the capital structure and low ROE results in an overall financial profile that is much weaker than the company's North American and international peers'.

Although the cash flows from the pipelines and natural gas distribution businesses should be stable, stability alone does not completely offset the risk of high leverage and weak cash flow protection measures. These measures likely will remain at levels commensurate with the 'BBB' ratings category, as the company pursues its selective growth strategy.

Standard & Poor's expects that in the near to medium term, Terasen's financial measures will improve only marginally, with funds from operations (FFO) interest coverage of 2.3x, FFO to total debt of 10%, and total debt to capital of 66%. These numbers do not reflect the potential of heavy capital spending (about C$1.5 billion combined) for the proposed Bison Pipeline or Inland Pacific Connector projects, as no definitive commitments have been made.

Liquidity.
Standard & Poor's assesses Terasen's liquidity to be adequate, given its stable cash flow generation, its ability to access capital markets, and its available bank facilities. Consolidated cash flows are sufficient to meet its near- and medium-term obligations. With about C$1.7 billion in committed bank lines of credit (which are used seasonally), the company and its subsidiaries have adequate funds available for operating purposes. The lines of credit primarily serve to back up the company's CP programs. Terasen has a C$200 million authorized CP program, Terasen Gas has a C$500 million CP program, Terasen Pipelines (Trans Mountain) has a C$125 million CP program, and Terasen Pipelines (Corridor) has a C$700 million CP program.

Outlook

The stable outlook reflects Standard & Poor's expectation of steady operating performance for both the gas distribution and petroleum transportation segments. Any acquisitions or major projects are expected to have risk profiles consistent with regulated, energy infrastructure-type assets, and to be financed in line with the company's current capital structure.

Business Description

The business description will focus on the operations of gas distribution utility Terasen Gas. For a full discussion about the consolidated credit profile of parent Terasen, please refer to the parent company report.

Business Profile

Regulation.
Terasen Gas is regulated by the BCUC. Historically, rates for Terasen Gas were set to allow the recovery of all costs in addition to a regulated rate of return. The regulation has evolved into an incentive-based system to enhance value to both customers and shareholders. The BCUC has approved a four-year negotiated settlement that will be in effect from Jan. 1, 2004, to Dec. 31, 2007. Standard & Poor's views some aspects of the regulation as quite favorable. As revenues are based on a number of estimates, the regulator has allowed deferral accounts to manage the risk of variances from the estimates. Most importantly, the cost of natural gas is a flow through expense to customers; variances in use per customer (residential and commercial) are mitigated in a similar manner. Variances from estimates are deferred and reflected in customer rates through quarterly rate adjustments following approval from the BCUC. Short-term and long-term interest rate deferral accounts are also in place to protect against interest rate fluctuations. The regulation also provides an incentive to mitigate fixed costs of gas supply.

The performance-based settlement provides the framework for determining delivery charges and incentive mechanisms for improving operating efficiency. The revenue requirement to cover the operating and maintenance expenses from 2004-2008 is determined by a formula-based approach that starts from a base in 2003, escalated by growth in customers and inflation less an adjustment factor. Earnings above or below the allowed ROE will be shared equally between customers and the utility. The utility or customer interveners can request a review by the BCUC if the achieved ROE (after shared earnings) varies from the allowed ROE by 150 basis points.

The regulation for Terasen Gas should result in stable financial performance, as revenues and all major costs are relatively certain. Nevertheless, although the deferral accounts and rate-setting process are effective, many other jurisdictions globally have adopted similar mechanisms for mitigating financial risk. Thus, Terasen Gas' stable financial performance and overall business risk profile is not exceptionally different than other regulated utilities'. The regulation is, therefore, considered weak in comparison with international peers with regard to the allowed ROE (9.42%) and thin deemed equity layers (33%). The combination of low profitability and high leverage results in an overall financial profile that is weak.

Markets.
Terasen Gas operates exclusively in British Columbia. Terasen Gas provides service to more than 100 communities (including greater Vancouver) in a service territory that has an estimated population of more than 3 million. The economy is largely resource-based with a heavy concentration in the forest products sector, which has been hit hard by the softwood lumber dispute with the U.S.

Although the forest products sector dominates the British Columbia economy and accounts for about 50% of the industrial market volumes, Terasen Gas does not have significant customer concentration risk with about 631 industrial accounts. Of those accounts, 160 industrial customers have interruptible service, and unexpected changes in industrial consumption can have an effect on the company's earnings, although the utility can seek regulatory relief if industrial margins fall significantly below forecasts.

Operations.
Terasen Gas is one of the more efficient gas distribution companies in Canada as measured by operating margin, operating costs per customer, and customers per employee. The acquisition of Terasen Gas (Vancouver Island) by parent Terasen could result in some synergies being realized, although Standard & Poor's expects that most of the economic synergies would flow through to customers.

Gas supply is plentiful, although Terasen would like to pursue more transmission pipelines into the province. The company is proposing to build a C$500 million Inland Pacific Connector pipeline, which would connect the Southern Crossing pipeline to the Huntingdon regional gas hub and would give the utility additional supply options. The company contracts five gas storage facilities to help reduce the cost of delivering gas in the winter months.

Competitive position.
Terasen Gas does not face direct competition and its business position is considered very strong. Still, alternative energy sources, primarily electricity, can be a factor as British Columbia, with its abundance of hydroelectric power, has very low rates. The previous government had instituted a rate freeze on electricity, but under the new government, rates are expected to increase. In addition, due to environmental concerns, it is highly unlikely that any new hydro dams will be built. Plans for new electricity generation are gas powered and will likely benefit Terasen Gas or TGVI. Natural gas still enjoys a price advantage over other fuel alternatives and dominates the residential single-family category for fuel of choice. Heating oil can be quite cost competitive when gas prices rise and about 25% of industrial customers have the ability to switch fuel sources.

Although the cost of gas is passed on to customers, it is obviously in the competitive interest of the utility to try and mitigate the effect of high gas prices. The company, therefore, hedges the cost of gas (for approximately 15%-25% of forecasted supply) with the use of forward contracts. The BCUC is advised in advance and supports the hedging activity and, consequently, there are no detrimental effects to the utility if gas prices move in the wrong direction. Between the hedges and the company's storage, about 45%-60% of forecasted supply is fixed in price.

Financial Policy

The financial profile of Terasen Gas reflects the regulatory directives, with debt to capital of about 67%. Standard & Poor's expects the utility's financial profile to adhere to the regulated structure, as there is no incentive to diverge from the allowed capital structure.

Financial Profile

Profitability and cash flow.
The company has demonstrated consistent earnings growth and generates stable cash flows, albeit the credit metrics are weak with FFO interest coverage at 2.2x and FFO to total debt of 9%. Although weather variability can

have a short-term effect, the ultimate effect is minimized through the deferral accounts. Although the cash flow metrics are stable, the weak cash flow metrics leave the company vulnerable to poor performance or regulatory risk.

Capital structure and financial flexibility.
Financial flexibility is limited by the regulatory constraints and the aggressive capital structure. Any major capital expenditures need approval by the BCUC to be added to the rate base. A potential pipeline project, the Inland Connector Pipeline, could require significant capital spending of about C$500 million, although the utility has had difficulties obtaining the necessary shipper commitments and the project has been delayed.

The utility's existing debt maturity schedule is generally well balanced. The utility's cash generation is weak in relation to its total debt load (FFO to total debt of 9%) and, thus, a balanced maturity profile is important to decrease the refinancing risk.

Table 1 Terasen Gas--Peer Comparison*

Industry Sector: Gas Distribution Utilities--Canada					
	--Average of past three years--				
	Sector median	**Terasen Gas**	**Enbridge Gas Distribution Inc.¶**	**Gas Metropolitian and Co. L.P.¶**	**Union Gas Ltd.**
Rating		BBB/Stable/--	A-/Negative/--	A-/Stable/--	BBB+/Negative/--
(Mil. C$)					
Sales	1,559.7	1,251.6	2,003.4	1,763.3	1,709.7
Net income from cont. oper.	105.4	65.4	158.7	146.5	116.0
Funds from oper. (FFO)	205.1	138.5	314.6	283.2	271.0
Capital expenditures	224.1	243.2	255.5	87.3	205.0
Total debt	1,881.8	1,610.4	2,153.2	1,268.8	2,322.0
Preferred stock	2.5	0.0	430.7	0.0	5.0
Total capital	2,923.7	2,458.9	4,088.2	2,134.1	3,481.0
Ratios					
EBIT interest coverage (x)	1.9	1.9	2.1	2.5	2.0
FFO interest coverage (x)	2.4	2.1	2.4	4.0	2.5
Return on common equity (%)	10.3	8.9	10.7	18.1	9.9
NCF/capital expenditures (%)	62.0	44.0	36.8	165.6	80.0
FFO/total debt (%)	10.6	8.8	12.6	21.8	11.7
Total debt/capital (%)	67.8	69.5	52.8	61.8	66.7

*Adjusted for off-balance-sheet obligations and capital operating leases. ¶Year ended Sept. 30. NCF--Net cash flow.

Table 2 Terasen Gas--Financial Summary*							
Industry Sector: Gas Distribution Utilities--Canada							
	--Average of past three years--		**--Year ended Dec. 31--**				
Rating history			BBB+/WatchNeg/--	BBB+/Stable/--	N.R.	N.R.	N.R.
	Sector median	**Issuer**	**2002**	**2001**	**2000**	**1999**	**1998**
(Mil. C$)							
Sales	1,559.70	1,251.6	1,246.4	1,423.2	1,085.3	844.5	741.3
Net income from cont. oper.	105.4	65.4	67.1	67.2	61.9	55.5	54.0
Funds from oper. (FFO)	205.1	138.5	149.1	142.4	124.1	118.0	114.4
Capital expenditures	224.1	243.2	111.1	146.0	472.5	133.8	110.5
Total debt	1,881.80	1,610.4	1,602.4	1,663.3	1,565.4	1,189.1	1,099.8
Preferred stock	2.5	0	0	0	0	75.0	75.0
Total capital	2,923.70	2,458.9	2,482.4	2,519.7	2,374.5	1,928.7	1,800.5
Ratios							
EBIT interest coverage (x)	1.9	1.9	1.9	1.8	1.9	2.1	2.1
FFO interest coverage (x)	2.4	2.1	2.2	2.0	2.1	2.3	2.3
Return on common equity (%)	10.3	8.9	8.8	8.8	9.0	9.0	9.4
NCF/capital expenditures (%)	62	44.0	62.2	56.4	13.5	36.6	61.0
FFO/total debt (%)	10.6	8.8	8.7	8.7	8.9	10.3	10.8
Total debt/capital (%)	67.8	69.5	69.5	69.5	69.5	69.5	62.0
*Adjusted by capital operating leases. N.R.--Not rated. NCF--Net cash flow.							

The McGraw-Hill Companies

STANDARD & POOR'S CANADIAN RATINGS

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Terasen Inc

Credit Analysts: Daniel Parker, CFA, New York (1) 416-507-2559; Damian DiPerna, Toronto (1) 416-507-2561

Corporate Credit Rating

BBB/Stable/--

Business Profile

1 2 3 4 5 6 7 8 9 10

Financial policy:
Below average
Debt maturities:
Required principal repayments:
2003 C$108.9 mil.
2004 C$38.9 mil.
2005 C$253.2 mil.
2006 C$788.7 mil.
2007 C$102.3 mil.

Outstanding Rating(s)

Terasen Inc

Sr unsecd debt	
Local currency	BBB-
CP	
Local currency	A-2
Sub debt	
Local currency	BB+

Corporate Credit Rating History

May 8, 2001	BBB+
June 26, 2003	BBB

Company Contact
David Bryson (604) 443-6527

Major Rating Factors

Strengths:

- Monopoly gas distribution franchises with no commodity risk
- Strong competitive position for petroleum transportation businesses
- Ninety-seven percent of revenues derived from regulated businesses

Weaknesses:

- Highly leveraged financial profile limits financial flexibility
- Volume throughput risk for petroleum transportation businesses
- Fuel switching by industrial gas customers

Rationale

The ratings on utility holding company Terasen Inc. (Terasen) reflect the company's very strong consolidated business profile and weak financial profile, including subsidiaries Terasen Gas, Terasen Gas (Vancouver Island) or TGVI, Terasen Pipelines (Trans Mountain) Inc., and Terasen Pipelines (Corridor) Inc. Express Pipeline L.P. and Express Pipeline Partnership continue to be rated on a stand-alone basis as the Express Pipeline project continues to meet Standard & Poor's Ratings Services' criteria for bankruptcy-remote entities. Terasen has about C$2.8 billion of total debt outstanding. The outlook is stable.

The company's business profile is characterized by its two gas distribution subsidiaries, Terasen Gas and TGVI, which have dominant market positions and account for more than 95% of natural gas customers in British Columbia. In addition, Terasen Pipelines (Trans Mountain) is the only multiproduct shipping system from Alberta to British Columbia and the Pacific coast. Terasen Pipelines (Corridor) is a dedicated pipeline that transports bitumen from the Albian oil sands project to Shell Canada Ltd.'s upgrader in Edmonton, Alta. The Express Pipeline system transports petroleum from Hardisty, Alta., to refineries in the western and midwestern U.S. Regulated gas distribution and petroleum transportation account for the majority of Terasen's assets and virtually all of its operating income. Standard & Poor's expects the company's utilities and pipelines will continue to provide stable earnings and cash flows.

Terasen's below-average financial risk profile reflects the regulatory constraints imposed on its subsidiaries' capital structures. The existing regulatory framework essentially determines the financial policies of Terasen's regulated subsidiaries. Although the British Columbia Utilities Commission (BCUC) regulation mitigates the company's exposure to volatile commodity prices and poor weather, the low deemed equity levels (33% at Terasen Gas and 35% at TGVI) and low allowed returns on equity (9.4% and 9.92%, respectively) constrain credit quality. Terasen's deemed equity levels and allowed ROE are considered low and are substantially lower than those of its global peers. The combination of a lower amount of equity in the capital structure and low return on equity results in an overall financial profile that is much weaker than the company's North American and international peers.

Although the cash flows from the pipelines and natural gas distribution businesses should be stable, stability alone does not completely offset the risk of high leverage and weak cash flow protection measures. These measures likely will remain at levels commensurate with the 'BBB' ratings category, as the company pursues its selective growth strategy.

Standard & Poor's expects that in the near to medium term, Terasen's financial measures will improve only marginally, with funds from operations (FFO) interest coverage of 2.3x, FFO to total debt of 10%, and total debt to capital of 66%. These numbers do not reflect the potential of heavy capital spending (about C$1.5 billion combined) for the proposed Bison Pipeline or Inland Pacific Connector projects, as no definitive commitments have been made.

Liquidity.
Standard & Poor's assesses Terasen's liquidity to be adequate, given its stable cash flow generation, its ability to access capital markets, and its available bank facilities. Consolidated cash flows are sufficient to meet its near- and medium-term obligations. With about C$1.7 billion in committed bank lines of credit (which are used seasonally), the company and its subsidiaries have adequate funds available for operating purposes. The lines of credit primarily serve to back up the company's CP programs. Terasen has

a C$200 million authorized CP program, Terasen Gas has a C$500 million CP program, Terasen Pipelines (Trans Mountain) has a C$125 million CP program, and Terasen Pipelines (Corridor) has a C$700 million CP program.

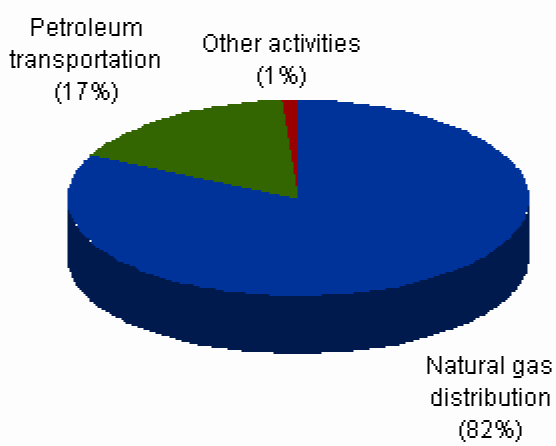
Outlook

The stable outlook reflects Standard & Poor's expectation of steady operating performance for both the gas distribution and petroleum transportation segments. Any acquisitions or major projects are expected to have risk profiles consistent with regulated, energy infrastructure-type assets, and to be financed in line with the company's current capital structure.

Business Description

Terasen is involved in the distribution of natural gas and the transportation of crude and refined petroleum products. Ninety-seven percent of assets and 94% of revenues are regulated. With the acquisition of an interest of Express Pipeline in January 2003 and the commencement of commercial operations on Corridor Pipeline in the second quarter of 2003, petroleum transportation is expected to account for about one-third of Terasen's operating income.

Terasen Inc. 2002 Operating Income by Segment



Business Profile

Gas Distribution

Regulation.
The BCUC regulates both Terasen Gas and TGVI, although there are differences between the arrangements. Historically, rates for Terasen Gas were set to allow the recovery of all costs in addition to a regulated rate of return. The regulation has evolved into an incentive-based system to enhance value to both customers and shareholders. The BCUC has approved a performance-based rate plan (PBR) that will be in effect from Jan. 1, 2004, to Dec. 31, 2007. Standard & Poor's views some aspects of the regulation as quite favorable. As revenues are based on a number of estimates, the

regulator has allowed deferral accounts to manage the risk of variances from the estimates. Most importantly, the cost of natural gas is a flow through expense to customers. Also, variances in use per customer (residential and commercial) are mitigated in a similar manner. Variances from estimates are deferred and reflected in customer rates through quarterly rate adjustments following approval from the BCUC. Short-term and long-term interest rate deferral accounts are also in place to protect against interest rate fluctuations. The regulation also provides an incentive to mitigate fixed costs of gas supply. Earnings above or below the allowed return on equity will be shared fifty-fifty between customers and the utility.

TGVI has a separate regulatory arrangement that reflects the historical support of the provincial government for a natural gas distribution network on Vancouver Island. The utility receives an annual payment (C$18 million in 2002) from the provincial government based on the wellhead price of natural gas in British Columbia to help offset subsidized customer rates. Historically, customer rates did not cover the full cost of providing service, although these rates ended in December 2002. Nevertheless, the cumulative revenue shortfall has been recorded in a revenue deficiency account (which stood at C$65 million at December 2002). The BCUC has been directed to set rates beginning in 2003 to amortize the deferral balance as quickly as possible, but with regard for the utility's competitive position relative to alternative energy sources. Standard & Poor's expects the recovery of the deferral will be ongoing until the agreement with the government expires in 2011.

In Standard & Poor's view, the regulation for both Terasen Gas and TGVI should result in stable financial performance, as revenues and all major costs are relatively certain. Nevertheless, while the deferral accounts and rate setting process are effective, many other jurisdictions around the world have adopted similar mechanisms for mitigating financial risk. Thus, Terasen Gas and TGVI's stable financial performance and overall business risk profile is not exceptionally different than other regulated utilities. Therefore, the regulation is considered weak in comparison with international peers with regard to the allowed returns on equity (9.42% for Terasen Gas and 9.92% for TGVI) and thin deemed equity layers (33% for Terasen Gas and 35% for TGVI). The combination of low profitability and high leverage results in an overall financial profile that is weak.

Markets.
Terasen Gas and TGVI operate exclusively in British Columbia. Terasen Gas provides service to more than 100 communities (including greater Vancouver) in a service territory that has an estimated population of more than 3 million. The economy is largely resource-based with a heavy concentration in the forest products sector, which has been hit hard by the softwood lumber dispute with the U.S.

The March 2002 acquisition of TGVI (C$334 million) resulted in the addition of 70,000 customers, most of which reside on Vancouver Island or in Whistler. These areas are faster growing (four-year compound annual growth rate of 5.4%) and have much lower gas penetration rates than other areas of British Columbia, estimated at 48% versus more than 90% for Terasen Gas. Still, starting in 2003, the deferral amortization will be recovered through increased rates (10%-20%), which will likely slow the customer-growth rate.

TGVI has seven major customers in the pulp and paper industry that account for about 16% of operating margin. Also, British Columbia Hydro & Power Authority is pursuing new power plants on Vancouver Island to replace aging underwater transmission cables.

Although the forest products sector dominates the British Columbia economy and accounts for about 50% of the industrial market volumes, Terasen Gas does not have significant customer concentration risk with about 631 industrial accounts. Of those accounts, 160 industrial customers have interruptible service, and unexpected changes in industrial consumption can have an impact on the company's earnings, although the utility can seek regulatory relief if industrial margins fall significantly below forecasts.

Operations.
Terasen Gas is one of the more efficient gas distribution companies in Canada as measured by operating margin, operating costs per customer, and customers per employee. The acquisition of TGVI by Terasen (parent of Terasen Gas) could result in some synergies being realized, although Standard & Poor's expects that most of the economic synergies would flow through to customers. Terasen Gas and TGVI are being left as stand-alone operations in the near to medium term.

Gas supply is plentiful, although Terasen would like to pursue more transmission pipelines into the province. The company is proposing to build a C$500 million Inland Pacific Connector pipeline which would connect the Southern Crossing pipeline to the Huntingdon regional gas hub and give the utility additional supply options. The company contracts five gas storage facilities to help reduce the cost of delivering gas during winter months.

Competitive position.
The gas distribution subsidiaries do not face direct competition and their business positions are considered above average. Still, alternative energy sources, primarily electricity, can be a factor as British Columbia, with its abundance of hydroelectric power, has very low rates for electricity. The previous government had instituted a rate freeze on electricity, but under the new government, rates are expected to increase. In addition, due to environmental concerns, it is highly unlikely that any new hydro dams would be built. Plans for new electricity generation are gas powered and would likely benefit Terasen Gas or TGVI. Natural gas still enjoys a price advantage over other fuel alternatives and dominates the residential single-family category for fuel of choice. Heating oil can be quite cost competitive when gas prices rise and about 25% of industrial customers have the ability to switch fuel sources.

Although the cost of gas is passed on to customers, it is obviously in the competitive interest of the utility to try and mitigate the effect of high gas prices. To that extent, the company does hedge the cost of gas (for approximately 15% to 25% of forecasted supply) with the use of forward contracts. The BCUC is advised in advance and supports the hedging activity and thus there are no detrimental effects to the utility, if gas prices move in the wrong direction. Between the hedges and the company's storage, about 45% to 60% of forecasted supply is fixed in price.

Petroleum Transportation

Regulation.
Terasen Pipelines (Trans Mountain) is regulated by the National Energy Board, the FERC, and the BCUC, but primarily operates under a negotiated incentive toll settlement (2001-2005) with the Canadian Association of Petroleum Producers and Chevron Canada Ltd.

The settlement exposes the Canadian operations to a limited amount of throughput risk with a range of 2,000 cubic meters per day above the base throughput level (30,000 cubic meters) to 1,500 cubic meters per day below the base level. There is no toll adjustment to reflect variances within this band. Excess revenue (throughput above the range) is shared fifty-fifty by way of a credit to subsequent years' tolls. Revenue shortfalls are recovered from shippers by means of a surcharge to subsequent years' tolls. Also, any uninsured expenditures or liability in excess of C$5 million is borne by the shippers. The U.S. portion of the pipeline's throughput does not operate under a negotiated settlement and is regulated by the FERC. The tolls have been in place since the 1980s and have not been altered as none of the shippers have complained.

Terasen Pipelines (Corridor) is regulated by the Alberta Energy and Utilities Board but operates under a negotiated Firm Service Agreement (FSA) with Shell Canada, Chevron Canada, and Western Oil Sands Ltd. Obligations are several. The FSA is a long-term ship-or-pay contract and provides for recovery of all operating costs, depreciation, taxes and financing costs, plus an allowed return on equity. There is no force majeure clause available to shippers.

The National Energy Board regulates the Canadian portion of the Express system, with tolls being regulated on a complaint-basis only. The U.S. portion of the Express system is regulated by the FERC, also on a complaint-basis only.

Markets.
Terasen Pipelines (Trans Mountain) is the only pipeline option to Canada's west coast and the northwest U.S. As such, it is also affected by the economies of British Columbia and the U.S. northwest. Terasen Pipelines (Trans Mountain) links up to one refinery (Chevron Canada Ltd.) and three product terminals (Petro-Canada, Shell Canada, and Imperial Oil Ltd.) in Vancouver. The U.S. system is the only pipeline that delivers to four large refineries (BP West Coast Products LLC, Shell Oil Co., Tesoro Petroleum Corp., and Phillips 66 Co.) in Washington State with distillation capacity of 570,000 barrels per day. The Canadian market is not growing but remains stable while the U.S. market is expected to show above-average growth.

Terasen Pipelines (Corridor) is a dedicated pipeline serving the Athabasca Oil Sands project, which is 60% owned by Shell Canada, 20% by Chevron Canada, and 20% by Western Oil Sands. Output from the project will have a ready market as the U.S. continues to be a net importer.

The Express Pipeline system is a 1,717 mile-long, batch-mode crude oil pipeline system running from Hardisty, Alta., to Casper, Wyo., on the Express Pipeline, and then from Casper, Wyo., to Wood River, Ill., on the refurbished Platte Pipeline system. Express should benefit as the growth in Canadian crude exports to the U.S. is expected to continue. Both the second and fourth Petroleum Administration for Defense District (PADD II and PADD IV) are short crude due to declining supply and increasing demand, and Standard & Poor's expects this trend to continue.

Operations.
Terasen Pipelines (Trans Mountain) operates efficiently and can transport both crude and refined products. Terasen Pipelines (Trans Mountain)'s sustainable capacity for total deliveries is about 39,300 cubic meters per day for light crude out of Edmonton, plus British Columbia crude oil received at Kamloops. The U.S. system has a sustainable capacity of about 23,800 cubic meters per day and connects to four refineries in northwest Washington. There are no long-term contracts with shippers; capacity is bid for each month. Chevron Canada has historically taken 40% of Canadian capacity. Petro-Canada, Imperial Oil, and Shell Canada would account for the majority

of Canadian deliveries. U.S. deliveries are to Shell, Tesoro, and Tosco.

Corridor Pipeline is a critical link in a C$6.2 billion dollar project. Because of the size of the reserves (1.6 billion barrels, with initial production of 155 million barrels per day) the pipeline will remain in operation for at least 25 years. The major risk for the project is to ensure that it is available for service, as the firm service agreement mitigates the volume throughput risk.

The biggest risks of operating the Express system are the ability to contain costs and to market capacity. Since a substantial portion of the revenues is essentially fixed because of the Transportation Service Agreements, escalating expenses or lower-than-expected volumes could negatively affect cash available for debt service. Therefore, if the project is not able to sign up expected uncommitted volumes, it must have the flexibility to lower operating costs. The three key operating cost components are the operating and maintenance contract costs, property taxes, and power costs. The largest and most variable of these three components is power costs, which are not hedged.

Competitive position.
With the January 2003 acquisition of the Express Pipeline system, Terasen now operates two of the three major crude export systems from the Western Canadian Sedimentary Basin. Terasen Pipelines (Trans Mountain)'s pipeline system represents the only pipeline link from the oil fields of Alberta and refineries located in Edmonton to the west coast of Canada. Deliveries to the U.S. northwest are more competitive as exports are sensitive to the relative pricing of Canadian crude versus offshore or U.S. sources, primarily from Alaska. The majority of supply is currently accommodated by Alaskan sources.

Express Pipeline transports crude into PADD IV and PADD II. Canadian supply is expected to increase into PADD IV as U.S. domestic production has declined, and portions of this market are relatively inaccessible from the Gulf Coast.

The primary source of competition for Canadian crude exports is the much larger Enbridge system, which delivers liquids to the U.S. midwest (PADD II) and has very competitive tolls.

Terasen Pipelines (Corridor) does not face any competition as it was constructed to be the only link between the Athabasca oil sands mining operation and Shell Canada's upgrader situated near Edmonton.

Financial Policy: Below average
Terasen maintains an aggressive financial policy, with debt to capital of about 67%. Standard & Poor's expects the company's financial policies will remain stable, assuming the risk level of its subsidiaries does not increase.

Financial Profile

Profitability and cash flow protection.
The company has demonstrated consistent earnings growth and generates stable cash flows, albeit the credit metrics are weak with funds from operations interest cover at 2.2x and FFO to total debt of 9%. Although weather variability can have a short-term effect, the ultimate impact is minimized. Profitability at the gas distribution utilities is constrained by the regulatory arrangements. Profitability at Terasen Pipelines (Trans Mountain)

and Express Pipeline is influenced by throughput on the pipeline systems. Standard & Poor's view is that the thin interest coverage allows very little protection for unforeseen circumstances or poor operating or financial performance.

Capital structure and financial flexibility.
Financial flexibility is limited by the aggressive capital structure. Acquisitions or new projects would need to be financed with an appropriate combination of debt and equity. Capital expenditures are expected to scale back after several years of significant spending on Terasen Pipelines (Corridor) and the Southern Crossing pipelines. Terasen has several potential pipeline projects, including Bison, and the Inland Connector Pipeline, which could require significant capital spending of about C$1.5 billion in total.

The company's existing debt maturity schedule has large maturities in 2005 and 2006, although Standard & Poor's expects the company will refinance a large portion of the Terasen Pipelines (Corridor) debt in the next year to balance out the debt maturity profile. The company's cash generation is weak in relation to its total debt load (FFO to total debt of 9%) and thus, failure to refinance and balance out the debt maturity profile would increase the financial risk.

Table 1 Terasen Inc. Peer Comparison*

	Terasen Inc.	Gaz Metropolitain Inc.¶	Enbridge Inc.	TransCanada Pipelines Ltd.	Standard & Poor's utility benchmark ratios
Rating	BBB/Stable/--	A-/Stable/--	A-/Negative/--	A-/Negative/--	BBB
Adj. EBIT interest coverage (x)	1.8	2.6	1.9	2.2	1.8-2.8
Adj. FFO/interest cover (x)	2.2	4.1	2.5	2.7	2.1-3.1
Adj. FFO/total debt (%)	8.9	21.3	10.2	15.4	14-20
Adj. total debt/capital (%)	66.2	61.6	59.1	62.1	53-61
Net cash flow/capex (%)	44.9	152.5	61.4	213.0	75+
Return on average equity (%)	11.5	18.9	12.1	14.0	N/A
Pretax return on capital (%)	9.0	11.2	7.7	12.5	13.5+

*All numbers are for fiscal 2002. ¶Gaz Metropolitain has a Sept. 30 year-end. N/A--Not applicable.

Table 2 Terasen Inc. Financial Summary

	--Year ended Dec. 31--				
	2002	2001	2000	1999	1998
Income statement (mil. C$)					
Gross revenues	1,707.2	1,666.3	1,305.6	1,040.6	925.0
Operating expenses (excl DD&A)	1,255.1	1,276.0	962.8	701.6	579.9

Depreciation and amortization	115.6	95.1	86.2	82.6	84.6
AFUDC and other income/expense	0.0	0.0	(17.5)	(4.7)	(4.6)
EBIT	336.5	295.2	239.1	251.7	255.9
Net interest expense	160.8	148.3	117.5	121.6	121.8
Pretax income	175.7	146.9	121.6	130.1	134.1
Income taxes	63.2	55.9	8.9	48.9	62.9
Net income from continuing ops	112.5	91.0	112.7	81.2	71.2
Earnings protection					
EBIT interest coverage (x)	1.8	1.7	1.8	2.0	2.0
Adjusted EBIT interest coverage (x)	1.8	1.7	1.8	2.0	2.0
EBITDA interest coverage (x)	2.4	2.2	2.5	2.7	2.7
AFUDC and other income/earnings (%)	0.0	0.0	(0.2)	(0.1)	(0.1)
Return on avg. common equity (%)	11.5	13.0	17.2	13.4	12.1
Common dividend payout (%)	53.2	54.7	41.6	54.9	59.0
Annual expense growth (excl DD&A) (%)	(1.6)	32.5	37.2	21.0	(5.2)
Operating expenses (excl DD&A)/revenues (%)	73.5	76.6	73.7	67.4	62.7
Cash flow (mil. C$)					
Net income	112.5	91.0	112.7	81.2	71.2
Depreciation and amortization	115.6	95.1	86.2	82.6	84.6
Other noncash items	15.9	8.8	(22.5)	10.6	0.3
Funds from operations (FFO)	244.0	194.9	176.4	174.4	156.1
Common dividends	(60.0)	(49.8)	(50.8)	(44.6)	(42.0)
Net cash flow (NCF)	184.1	145.1	125.6	129.8	114.1
Working capital changes	74.1	(135.1)	2.9	(50.3)	(75.9)
Capital expenditures	(395.7)	(469.8)	(620.6)	(163.6)	(128.7)
Discretionary cash flow	(137.6)	(459.8)	(492.1)	(84.1)	(90.5)
Cash flow adequacy					
FFO interest coverage (x)	2.2	2.0	2.2	2.4	2.3
Adjusted FFO interest coverage (x)	2.2	2.0	2.2	2.4	2.3
FFO/avg. total debt (%)	9.1	8.2	9.5	11.2	10.2
Adjusted FFO /avg. total debt (%)	8.9	8.1	9.5	11.2	10.4
NCF/capital expenditures (%)	44.9	29.5	20.2	79.3	88.7
Balance sheet (mil. C$)					
Cash	5.1	2.1	22.4	5.6	0.0
Gross plant	4,597.5	3,831.8	3,427.2	2,805.4	2,775.5
Net plant	3,779.2	3,079.9	2,727.6	2,154.7	2,168.6
Total assets	4,540.0	3,705.7	3,513.1	2,450.5	2,466.1
Short-term debt	548.9	528.6	459.5	529.2	674.6
Long-term debt	2,123.4	1,928.0	1,561.9	1,001.8	906.7
Common equity	1,240.6	715.1	684.5	626.3	590.0
Total capitalization	4,037.9	3,296.7	2,830.9	2,232.3	2,246.3
Total off-balance-sheet obligations	0.0	102.6	63.8	55.3	20.0
Balance-sheet ratios					

Short-term debt/total capital (%)	13.6	16.0	16.2	23.7	30.0
Long-term debt/total capital (%)	52.6	58.5	55.2	44.9	40.4
Total debt/total capital (%)	66.2	74.5	71.4	68.6	70.4
Common equity/total capital (%)	30.7	21.7	24.2	28.1	26.3
Adjusted total debt/total capital (%)	66.2	75.3	72.0	69.3	70.7
DD&A--Depreciation, depletion, and amortization. AFUDC--Allowance for funds used during construction.					

Terasen Inc., Subsidiaries Ratings Lowered Upon Review, Off Watch; Outlook Stable

Publication date: 26-Jun-2003

Analyst(s): Daniel Parker, CFA, New York (1) 212-438-1848; Damian DiPerna, Toronto (1) 416-507-2561

Credit Rating: BBB/Stable/--

Rationale

On June 26, 2003, Standard & Poor's Ratings Services lowered its ratings on utility holding company Terasen Inc., including its long-term corporate credit rating to ‘BBB’ from ‘BBB+’. At the same time, the ratings were removed from CreditWatch, where they were placed March 6, 2003. The outlook is stable.

The long-term corporate credit ratings on subsidiaries, Terasen Gas and Terasen Pipelines (Trans Mountain) Inc. were also lowered to ‘BBB’ from ‘BBB+’ and removed from CreditWatch, where they were placed March 6, 2003. The ratings on Express Pipeline L.P. and Express Pipeline Partnership continue to be rated on a stand-alone basis as the project continues to meet Standard & Poor's criteria for bankruptcy-remote entities. Terasen has about C$2.8 billion of total debt outstanding.

The downgrade follows Standard & Poor’s review of the consolidated business and financial profile of Terasen, including the regulatory environment, and the company’s business plan. Although the business risk profile is still considered strong, credit metrics such as funds from operations interest coverage and debt to capital were too weak for the ratings category. Gas distribution regulation in British Columbia rates quite highly from a credit perspective, although it is not exceptionally better than other jurisdictions. In Standard & Poor’s view, given the same level of business risk, a weaker financial profile indicates a higher level of credit risk.

The existing regulatory framework essentially determines the financial policies of Terasen's regulated subsidiaries. Although the British Columbia Utility Commission regulation mitigates the company's exposure to volatile commodity prices and poor weather, the low deemed equity levels, 33% at Terasen Gas and 35% at Terasen Gas (Vancouver Island) Inc. and allowed low returns on equity (9.4% and 9.92%, respectively) constrain credit quality. Terasen's deemed equity levels and allowed ROE are considered low and are substantially lower than those of its U.S. and global peers. The combination of a lower amount of equity in the capital structure and low returns on equity results in an overall financial profile that is much weaker than the company's North American and international peers.

The ratings on Terasen reflect the company's above-average business position and its highly leveraged financial profile. The company's business profile is characterized by its two gas distribution subsidiaries, Terasen Gas and Terasen Gas (Vancouver Island), which have dominant market positions and account for more than 95% of natural gas customers in British Columbia. In addition, Terasen Pipelines (Trans Mountain) Inc. is the only multiproduct shipping system from Alberta to British Columbia and the Pacific coast. Terasen Pipelines (Corridor) Inc. is a dedicated pipeline that transports bitumen from the Albian oil sands project to Shell Canada Ltd.'s upgrader in Edmonton, Alta. The Express Pipeline system transports petroleum from Hardisty, Alta., to refineries in the western and midwestern U.S. Regulated gas distribution and petroleum transportation account for virtually all of Terasen’s assets and operating income. Standard & Poor's expects the utilities and pipelines will continue to provide stable earnings and cash flows.

Terasen's below-average financial risk profile reflects the regulatory constraints imposed on its subsidiaries' capital structures. The stability of the cash flows from the pipelines and natural gas distribution businesses helped to offset Terasen's overall leverage and cash flow protection measures. Nevertheless, these measures likely will remain at levels commensurate with the 'BBB' ratings category, as the company pursues its selective growth strategy.

Standard & Poor's expects that in the near to medium term, Terasen's financial measures will improve only marginally, with funds from operations (FFO) interest coverage of 2.3x, FFO to total debt of 10%, and total debt to capital of 66%. These numbers do not reflect the potential of heavy capital spending (about C$1.5 billion combined) for the proposed Bison Pipeline or Inland Pacific Connector projects, as no definitive commitments have been made.

Liquidity.

Standard & Poor's assesses Terasen’s liquidity to be adequate, given its stable cash flow generation, its ability to access capital markets, and its available bank facilities. Consolidated cash flows are sufficient to meet its near- and medium-term obligations. With about C$1.7 billion (which are used seasonally) in committed bank lines of credit, the company and its subsidiaries have adequate funds available for operating purposes. The lines of credit primarily serve to back up the company's CP programs. Terasen Inc. has a C$200 million authorized CP program, Terasen Gas has a C$500 million CP program, Terasen Pipelines (Trans Mountain) has a C$125 million CP program, and Terasen Pipelines (Corridor) has a C$700 million CP program.

Outlook

The stable outlook reflects Standard & Poor’s expectations of steady operating performance of both the gas distribution and petroleum transportation segments. The financial profile is expected to modestly improve and that any major capital projects or acquisitions will not materially increase consolidated business risk and will be financed in line with the current capital structure.

Ratings List

Terasen Inc.	To	From
Corporate credit rating	BBB	BBB+/Watch Neg/--
Senior unsecured	BBB-	BBB/Watch Neg
Commercial paper		
Canadian national scale	A2	A-1(Low)/Watch Neg
Subordinated	BB+	BBB-/Watch Neg
Terasen Gas		
Corporate credit rating	BBB	BBB+/Watch Neg/--
Senior secured	A-	A-/Watch Neg
Senior unsecured	BBB	BBB+/Watch Neg
Commercial paper		
Canadian national scale	A2	A-1(Low)/Watch Neg

Terasen Pipelines (Trans Mountain)Inc.

Corporate credit rating	BBB	BBB+/Watch Neg/--
Senior unsecured	BBB	BBB+/Watch Neg
Commercial paper		
Canadian national scale	A2	A-1(Low)/Watch Neg

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Credit Ratings Actions.

STANDARD & POOR'S
CANADIAN RATINGS

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Canadian Utility Regulation Reassessed as a Ratings Factor

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(Editor's note: The original version of this report, published yesterday, misstated the rating on Oakville Hydro Corp. in Table 2. A corrected version follows.)

For many years, Standard & Poor's Ratings Services has maintained strong investment-grade ratings on a large number of Canadian utility companies, despite balance-sheet and profitability metrics that are significantly weaker than those exhibited by highly rated utilities in other countries or jurisdictions. The justification frequently cited by Standard & Poor's was that the supportive nature of Canadian utility regulation would sustain a high level of credit quality, notwithstanding what might be considered to be aggressive financial profiles. Based on a wide-ranging reassessment of business and financial risk among Canadian utilities, Standard & Poor's is now questioning the appropriateness of placing exceptional analytical reliance on the positive influence of regulatory factors in its analysis of Canadian utilities. The purpose of this report is to impart transparency to an ongoing reassessment that affects a number of utility ratings, and to define the framework within which future ratings actions will occur.

In the past two years, there has been downward pressure on Canadian utility ratings that has culminated with multiple issuers either being downgraded, assigned negative outlooks, or placed on CreditWatch with negative implications. These ratings actions have been driven by several factors. Although the general business environment and company-specific reasons have played a large role in the ratings actions, the highly leveraged financial profiles of Canadian utilities consistently have been identified by Standard & Poor's as a material contributing factor in the downward trend of the ratings.

Why now? Is this report a reaction to specific developments that suggest regulation has become less supportive, or that utilities are taking on more business risk? In fact, the basis for this reassessment emerges from deliberations over the past year within Standard & Poor's, involving many analysts based in Canada and other countries. These discussions led to a general view that the business positions of Canadian utilities remain strong in most cases, but perhaps not exceptionally so. Nevertheless, a pattern of downward ratings pressure emerged. In the background of these discussions have been regulatory rulings, utility sector policy initiatives, and developments arising from actions by various utility companies that have triggered a closer examination of each individual utility's exposure to operational, commercial, regulatory, financial, and other risks.

For the purposes of this report, regulated utilities include natural gas and power transmission and distribution networks, and in some cases companies with power generation business units. The ratings methodology applied to regulated utilities also has direct implications for the ratings on holding companies that control both regulated and unregulated business units, because the regulated business units usually make a substantial contribution to the credit profile of the consolidated entity.

A Tradition of High Leverage

The leveraged financial profiles of Canadian utilities generally stem from regulatory directives, which essentially dictate the financial profiles for most utilities. (Admittedly, some companies have taken it upon themselves to add leverage at the unregulated parent or subsidiary company level.) The interaction of regulatory and financial risks has a critical influence on ratings in this sector.

Investor-owned Canadian utilities are among the most highly levered utilities in Standard & Poor's global ratings universe, with financial profiles that are noticeably weaker than those of their global peers. Many Canadian utilities typically have lower equity layers in their capital structures than their global peers, with total debt in some cases representing 60% to 70% of total capital. The lower equity bases are the result of regulatory directives whereby the utility is allowed to earn only a (regulated) rate of return on the deemed equity base. There is little incentive to diverge from such a directive. The rate of return on any excess equity that a utility carries on its balance sheet is limited to the cost of debt and hence is punitive for shareholders. Operating successfully with less equity than allowed might signify to regulators that the allowed equity cushion is too thick. Thus, it is not surprising that the actual capital structures conform to the deemed regulatory or jurisdictional directives.

With debt leverage at these high levels, it follows that the cash flow interest protection measures are often conversely low and generally range between 2.0x to 3.0x for many issuers. Although Standard & Poor's credit analysis is not solely based on financial ratios, the standard credit protection metrics for many Canadian utilities are below average compared with global peers. Accordingly, the question becomes whether or not other aspects of these utilities' risk profiles compensate for their more aggressive financial profiles, providing justification for high investment-grade ratings.

Standard & Poor's Global Framework for Utility Analysis

Standard & Poor's utility ratings methodology considers regulation to be one of five key factors in determining a utility's overall business risk profile. Consideration is given to other qualitative factors such as markets served, competitive position, operations, and management. Regulation is often the most important determinant of a utility's business risk profile, and can directly and indirectly affect the other four factors.

Standard & Poor's evaluates regulation on the basis of how supportive it is of credit quality. Although it is in society's interest to have financially stable and efficient utilities because they provide an essential service, it is not usually the priority of the regulator to protect utility creditors. The interests of bondholders and other creditors, and a firm's access to capital in general, are often considered secondary to ratepayer interests at best. For credit purposes, the analysis focuses on whether the regulatory system allows a utility to recover its costs and generate sufficient cash in a timely manner to meet obligations, and to what degree the system exposes the utility to the combined effects of operational and financial risks. In this regard, Canadian regulation ranks quite highly. There are extensive track records of stable performance for many companies, even those carrying high leverage.

Although Canadian regulation might rank highly as a credit factor on its general merits, the issue becomes the relative degree of comfort gained from regulatory and other factors, in light of whatever degree of financial risk might be present. Standard & Poor's is reassessing the specific features of Canadian regulatory practices that might be used to justify the continuing assertion of an overall stronger business risk profile--in comparison with regulatory mechanisms and practices in other global jurisdictions--and to what extent this should offset risks arising from the capital structures and allowed returns that have been sanctioned by Canadian regulators.

Regulation in Canada typically is based on a cost of service plus regulated rate of return methodology, although some jurisdictions are starting to introduce performance-based regulation, whereby the utilities are at risk for managing their operating and administration costs in exchange for the opportunity to generate "extra" earnings. Standard & Poor's views the cost of service methodology as being quite favorable. Nevertheless, regulatory systems in which the utility enjoys rate-setting autonomy are viewed as superior with regards to creditor protection.

Financial leverage affects credit quality because it constrains the ability of a utility (or any other kind of corporation) to weather variations in business performance. For regulated utilities, the sources of variation are considerably fewer than for many other corporations, but the business risks are far from negligible. (At the same time, more limited business risk exposure is used to justify the manageability of the regulated utilities' leverage, offsetting the benefit of their limited business risk exposure.) What kinds of business risks do utilities frequently face? Several elements can lead to year-on-year variations in financial results and can eat into the degree of cushion provided by a utility's equity layer, and also can compound risks associated with liquidity management and refinancing risk, including:

- The service quality and cost impact of aging physical assets,
- The impact on revenue of demand variation arising from the economic environment, weather, demand elasticity, substitution, declining population, etcetera,
- Variations in operating costs,
- The timing uncertainty associated with commodity cost recovery deferrals,
- Uncertainties and delays in necessary rate increases,
- Wholesale customer bypass,
- The exclusion of capital investments from the rate base,
- The disallowance of certain operating costs by regulators,
- Changes in environmental or health and safety regulations,
- Adverse commodity contracting arrangements, and
- Risks arising from unsuccessful noncore business initiatives.

There are gradations of business risk exposure for utility companies. At one end of the spectrum, utilities with virtually no business risk would have rate-setting autonomy, an inelastic service area demand profile, strong financial flexibility, and a proven ability to adjust rates to counteract adverse developments of any sort. At the other end of the spectrum would be utilities that have no regulatory assurance of recovery of either invested capital or operating expenses (including commodity costs) incurred. A typical Canadian regulated network utility lies between these two end points, and likely closer to the low-risk end of the spectrum.

For the most part, Standard & Poor's view is that the various Canadian regulatory environments provide transparent and predictable foundations for solid utility credit quality (except perhaps in the Province of Ontario, where transparency has deteriorated substantially due to transitional circumstances). This reassessment of the link between regulation and credit quality has not been prompted by any perceived deficiencies associated with the various

Canadian regulatory jurisdictions. Again, the issue is one of degree; how much bondholder protection is conferred by regulated capital structures in light of the operational risks borne by the companies?

Linking Utilities' Financial Profiles to Ratings

The table below shows key global utility benchmark ratios. These reflect the general levels for certain financial indicators and how they might link to ratings for different degrees of business risk. The ratings on certain Canadian utilities currently depend on a characterization of those utilities' respective business positions as very strong, as presented in the table. The justification for this has been the supportive regulatory environment in which those companies operate. Many other Canadian utility ratings already incorporate a more conservative view of business risk, and these ratings are not likely to be affected by this criteria review. A list of the issuers with ratings that are most likely to be affected by this review is presented at the end of this report.

Table 1 Financial Ratio Benchmarks: Rating Category Midpoints

	FFO interest coverage (x)		FFO to total debt (%)		Debt to capital (%)	
Business risk position	A	BBB	A	BBB	A	BBB
Very strong	2.9	2	18	13.5	54	61
Strong	3.5	2.6	23	17	50	57
Moderately strong	4.1	3.3	27	21	47	53

FFO--Funds from operations.

Referring to the table, the interactions between different degrees of business and financial risk should be apparent. For example, a utility with a very strong business position with funds from operations (FFO) interest coverage just below 3.0x (and assuming a complementary alignment of other ratios) can achieve a rating in the 'A' category. In contrast, a utility with a moderately strong business position would need FFO interest coverage around 4.0x to achieve a 'A' rating. The ratio benchmarks shown are the midpoints for the respective ratings categories; thus, by extrapolation, a very strong business position and FFO interest cover of 2.5x might be associated with ratings of either 'BBB+' or 'A-'. (The business risk gradations shown in the table are from the top tiers of a much broader scale, extending downward to encompass less strong business positions that derive little or no benefit from protective regulation.)

Clearly, many considerations influence the proper application of financial ratio benchmarks and hence the rating on an issuer, such as parental support or nonquantitative aspects of the financial profile, financing flexibility, liquidity measures, accounting policies, etcetera. The ratings process is not a simplistic application of financial benchmarks. Considerable judgment is involved at many stages of the process, including in the determination of the overall business risk profile of an issuer, and in arriving at a balanced characterization of the forward-looking financial strength of the company. The interaction of a range of cash flow, balance sheet, and profitability measures must be considered, along with considerations of capital expenditure funding, the company's access to capital markets, liquidity, maturity schedules, and bank financing. Financial ratio benchmarks should not be considered in isolation, nor without a strong element of judgment as to the observed riskiness of an issuer's credit profile. Accepting these caveats, financial ratio benchmarks have proven to be helpful to issuers, investors, and others (including regulators) to answer questions about at what point ratings might change in response to variations in an issuer's financial performance.

With specific reference to Canadian utility ratings, the premise of a supportive regulatory environment has led to some utilities' business profiles being assessed as particularly low risk. If a slightly more conservative business-position standing is determined, this would lead to lower ratings, assuming leverage and other financial indicators remain unchanged and there are no other offsetting analytical considerations.

Questions for Discussion and Next Steps

In the next few months, Standard & Poor's will seek the views of various Canadian regulators and other market participants on the current and evolving nature of business risk in the Canadian utility sector. Certain questions frame the discussions Standard & Poor's will pursue with various industry players:

- What are the perceptions of current business risks that underlie the capital structures and allowed returns embedded in recent regulatory filings and decisions?
- How and to what extent do regulatory arrangements mitigate or eliminate certain elements of utility business risk?
- How does the perceived credit profile of a utility factor into regulatory decisions, and how might regulators respond to sustain the credit profile of a particular utility company?
- How do regulators take account of noncore activities on the part of the regulated utility's parent, and, as a practical matter, how do the regulated and unregulated parts of a utility company interact?

A possible outcome of this review may be a reduction in the degree of reliance placed on regulatory protection from business risks. Such an outcome would affect all Canadian regulated utilities. Standard & Poor's expects to have the review completed in the next few months.

Ratings That Could Be Revisited

The companies (and their subsidiaries) whose ratings are most likely to be affected negatively by this review are included in the list below. Rated utility companies not included in either list below are not expected to be affected directly by this review, because the ratings incorporate a balanced and sustainable characterization of business risks.

Although it is Standard & Poor's expectation that selected ratings downgrades will be the result of this review, some or all of the ratings listed below could end up remaining at their current levels. Standard & Poor's does not expect ratings upgrades to be prompted by this review, either for companies listed below (and their subsidiaries) or for other rated utilities or holding companies.

Table 2 Ratings on CreditWatch With Negative Implications

Company	Corporate credit rating*
ATCO Ltd.	A+/Watch Neg/--
BC Gas Inc.	BBB+/Watch Neg/--
Borealis Infrastructure Trust (Enersource)¶	A+/Watch Neg
Emera Inc.	BBB+/Watch Neg/--
Electricity Distributors Finance Corp. (EDFIN)	A-/Watch Neg/--
Foothills Pipe Lines Ltd.§	A-1(Low)/Watch Neg
Fortis Inc.	A-/Watch Neg/--
Hamilton Utilties Corp.	A+/Watch Neg/--
Hydro Ottawa Holdings Inc.	A/Watch Neg/--
London Hydro Inc.	A-/Watch Neg/--

Oakville Hydro Corp.	A-/Watch Neg/--
Toronto Hydro Corp.	A/Watch Neg/--
TQM Pipeline & Co. LP	BBB+/Watch Neg/--
TransCanada Pipelines Ltd.	A-/Watch Neg/--
Veridian Corp.	A-/Watch Neg/--
*Ratings at March 5, 2003. ¶Senior secured debt rating. §Canadian national scale CP rating.	

This review also will factor into Standard & Poor's assessment of other companies, notably Enbridge Inc., Westcoast Energy Inc., and Union Gas Ltd., where regulation is a factor in the ratings on the companies, albeit to a lesser extent than those listed above. Although the regulatory review could affect these ratings, there are other more salient factors contributing to the current ratings and outlooks on these companies.

SPC 07/04 Summary Analysis-BC Gas Inc.

Summary analysis -- BC Gas Inc. ---------------------------------- 04-Jul-2002

CREDIT RATING: BBB+/Stable/--

Country:	Canada
State/Province:	British Columbia
Primary SIC:	Combination utilities, nec
Mult. CUSIP6:	05534K
Mult. CUSIP6:	11058Z

Credit Rating History:

	Local currency	Foreign currency
08-May-2001	BBB+/--	BBB+/--

Issues:

	Rating	Rating Date
CAD700 mil MTN prog: sr unsecd	BBB	14-Nov-2001
CAD200 mil 6.3% unsecd MTN due 2008	BBB	28-Nov-2001
CAD125 mil 8% sub bnds due 2040	BBB-	08-May-2001
Canadian CP prog auth amt CAD200 mil	A-2	28-Aug-2001

Rationale

The ratings on BC Gas Inc. (BC Gas), a holding company based in the Province of British Columbia, controlling 100% of the common shares of BC Gas Utility Ltd., Trans Mountain Pipe Line Co. Ltd.(TMPL), and Corridor Pipeline Ltd., reflect the following strengths:

-- BC Gas enjoys a strong market position in British Columbia, and in 2001, regulated operations (BC Gas Utility and TMPL) accounted for 97% of assets and all of its consolidated net income. Both utilities have proven operating and financial track records.

-- BC Gas Utility added 70,000 customers to its existing base of 767,000 customers with the March 2002 acquisition of Centra Gas British Columbia. Already the third-largest gas distribution utility in Canada, BC Gas Utility represented 80% of BC Gas' consolidated operating income and 74% of assets in 2001. The risk profile of the distribution business is stable as residential customers accounted for 61% of revenues, commercial 33%, and industrial 6%.

-- The utility operates in a favorable regulatory environment that adds a high degree of stability to earnings. Incentive regulation allows BC Gas Utility to recover all of its cost (including the rate of return, which is formula driven) plus benefit from any efficiency improvements (shared with customers). Several deferral accounts, which capture the variances (gas cost, usage, and interest rates), will either be refunded or recovered from customers through an application with the B.C. Utilities Commission, thereby stabilizing future earnings.

-- An alternative source of natural gas supply was established with the completion of the Southern Crossing pipeline in November 2000. The 303-kilometer transmission pipeline (C$410 million) connects to the existing Alberta Natural Gas pipeline in southeastern British Columbia.

These strengths are partially offset by the following factors:

-- The weak economy in British Columbia has resulted in declining immigration and reduced housing starts, thus directly affecting new customer additions and usage. In 2001 the company added 5,000 new customers (representing less than 1% growth), which were primarily new single-family homes. This is down significantly from 25,000-30,000 customers added during the early 1990s.

-- Volatile natural gas prices can result in a material narrowing of the price advantage natural gas has traditionally enjoyed over alternative fuels. This has affected customer usage and BC Gas Utility's competitive position in the industrial sector. Nevertheless, the company's sound market position in its core residential and commercial market segment remains relatively intact.

BC Gas' financial profile remains relatively stable, but ranks at the low end of the range when compared with those of its peers. At year-end 2001, total debt to capital was 75%, funds from operations interest coverage was 2 times (x), pretax interest coverage was 1.65x, and funds from operations to total debt was 8%. Financial leverage is expected to remain high while Corridor is under construction, and key cash flow ratios could be somewhat weaker until the project begins to make an earnings contribution in 2003.

Base capital expenditures typically range between C$100 million-C$150 million per year and have been largely financed with cash flow. Nevertheless, capital expenditures have been at an unusually high level due to the construction of Corridor pipeline (C$690 million), which is scheduled to become commercially operational in 2003. In addition, BC Gas continues to explore the potential for two new large projects. The Inland Pacific Connector, a C$500 million, 246-kilometer pipeline project, would connect Southern Crossing to Huntingdon in southwestern British Columbia. The other possibility is the proposed 516-kilometer Bison Pipeline, a C$1 billion project that would transport bitumen from the Athabasca oils sands to the Edmonton, Alta., area.

Outlook

Earnings growth in the near to medium term is expected to be supported by a higher rate base at BC Gas Utility associated with the completion of the Southern Crossing pipeline, TMPL's new five-year incentive agreement covering 2001 to 2005, and the contribution from Corridor when it becomes commercially operational in 2003. Nevertheless, the weak financial profile for the rating category remains a concern.

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News

BC Gas Inc. C$700 Million MTN Program Rated 'BBB'

Analyst: Jenny Catalfo, Toronto (1) 416-507-2557; Damian DiPerna, Toronto (1) 416-507-2561

TORONTO (Standard & Poor's) Nov. 14, 2001--Standard & Poor's today assigned its triple-'B' senior unsecured debt rating to BC Gas Inc.'s C$700 million medium-term note (MTN) program.

At the same time, the outstanding ratings on the company, including the triple-'B'-plus long-term corporate credit rating, were affirmed. The outlook is stable.

(A complete list of ratings is available on RatingsDirect Canada, Standard & Poor's Web-based credit analysis system, or by calling the Toronto Ratings Desk at (1) 416-202-6000.)

The unsecured MTN debenture supplement is part of a larger C$1 billion shelf, under which both debentures and subordinated debt securities will be issued. Proceeds from debt issues will be used for general corporate purposes.

The ratings on BC Gas reflect the low business risk profiles of its regulated operating subsidiaries.

BC Gas is a holding company with regulated utility operations, including BC Gas Utility Ltd. and Trans Mountain Pipe Line Co. Ltd. The company recently acquired Westcoast Energy Inc.'s British Columbia-based regulated gas distribution businesses for C$208 million and is currently in the midst of a major new construction project, the C$690 million Corridor Pipeline. BC Gas Inc. has provided a guarantee to Corridor Pipeline Ltd.'s C$700 million commercial paper program during the construction phase of the project. The pipeline is expected to become operational in early 2003.

OUTLOOK: STABLE

The outlook is supported by the expectation that the company's regulated subsidiaries will continue to be a source of stable cash flows and the assumption that there will be no material construction delays, start-up problems, or cost overruns with the Corridor Pipeline project.

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Publication date: 14-Nov-2001
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News

BC Gas Utility Ltd. C$500 Million MTN Program Rated 'BBB+'

Analyst: Jenny Catalfo, Toronto (1) 416-507-2557; Damian DiPerna, Toronto (1) 416-507-2561

TORONTO (Standard & Poor's) Nov. 14, 2001--Standard & Poor's today assigned its triple-'B'-plus rating to BC Gas Utility Ltd.'s C$500 million medium-term note (MTN) program.

At the same time, the outstanding ratings on the company, including the triple-'B'-plus long-term corporate credit rating, were affirmed. The outlook is stable.

(A complete list of ratings is available on RatingsDirect Canada, Standard & Poor's Web-based credit analysis system, or by calling the Toronto Ratings Desk at (1) 416-202-6000.)

The MTN debentures issued under this program will be unsecured and will rank pari passu with other senior unsecured debt securities issued by the company. Proceeds from debt issues will be used to fund the ongoing growth of the regulated utility's infrastructure. The company's financial profile remains stable as balance sheet strength is managed to maintain a debt-to-capital ratio reflective of the 33% allowed deemed equity.

The ratings on BC Gas Utility reflect the low risk business risk profile of the regulated utility operations.

BC Gas Utility is the third-largest gas distribution utility in Canada. The utility's service franchise covers almost all of British Columbia, with 764,000 customers. Two smaller regions of British Columbia are serviced by affiliates, recently acquired by parent BC Gas Inc.

OUTLOOK: STABLE

The outlook is supported by the expectation that cost of service regulation will continue to contribute to relatively stable cash flows and a stable balance sheet reflective of a 33% deemed common equity component.

been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

Publication date: 08-May-2001
Reprinted from RatingsDirect

News

BC Gas Inc. Ratings Harmonized; Outlook Stable

Analyst: Damian DiPerna, Toronto (1) 416-956-4870; Valerie E Blair, Toronto (1) 416-956-4870

TORONTO (Standard & Poor's CreditWire) May 8, 2001--Standard & Poor's today announced its harmonized ratings on BC Gas Inc. (BC Gas) and BC Gas Utility Ltd. (BC Gas Utility). (See below for a complete list of ratings.) The outlook is stable.

On Oct. 31, 2000, Standard & Poor's and the Canadian Bond Rating Service (CBRS) announced that they have combined operations in Canada. A process is underway to harmonize all ratings assigned by CBRS with the Standard & Poor's framework, which includes the translation of all ratings onto the Standard & Poor's global ratings scale. Going forward, all new debt issue ratings on BC Gas and BC Gas Utility will be based on the harmonized issuer credit ratings. Ratings harmonization announcements do not constitute upgrades or downgrades of ratings assigned by CBRS, nor do they signify any changes in an issuer's underlying credit quality, unless explicitly indicated. Ratings on specific debt issues previously assigned by CBRS to the companies will remain in effect for 30 days hereafter when they will be formally withdrawn (unless superseded in light of credit-related rating actions in the interim).

BC Gas is a holding company based in British Columbia, controlling 100% of the common shares of BC Gas Utility, Trans Mountain Pipe Line Co. Ltd. (TMPL), and Corridor Pipeline Ltd. (Corridor).

The ratings on BC Gas reflect the following strengths:

- BC Gas enjoys a strong market position in the Province of British Columbia, with regulated operations (BC Gas Utility and TMPL) accounting for 98% of assets and virtually all of its consolidated net income. Both utilities have proven operating and financial track records.
- BC Gas Utility (representing 75% of cash flow) is the principal gas distribution utility in British Columbia, transmitting and distributing natural gas to a diversified customer base of 764,000 customers, accounting for 88% of the existing natural gas customers in the province. In 2000 residential customers accounted for 61% of BC Gas Utility's revenues, commercial 33% and industrial 6%.
- A favorable regulatory environment that adds a high degree of stability to earnings. Incentive regulation allows BC Gas Utility to recover all of its cost (including the rate of return, which is formula driven) plus benefit from any efficiency improvements (shared with customers). Several deferral accounts, which capture the variances (gas cost, usage, and interest rates), will either be refunded or recovered from customers through an application with the B.C. Utilities Commission, thereby stabilizing future earnings.
- An alternative source of natural gas supply with the completion of the Southern Crossing pipeline in November 2000. The 303 kilometer transmission pipeline (C$410 million) connects to the existing Alberta Natural Gas pipeline in southeastern British Columbia.

These strengths are partially offset by the following factors:

- A slowdown in the British Columbia economy has resulted in declining immigration and reduced housing starts, thus directly affecting new customer additions and usage. In 2001 the company expects to add between 5,000-10,000 new customers, primarily single family homes; this is down significantly from 25,000-30,000 customers added during the early 1990s.
- High natural gas prices have materially narrowed the price advantage natural gas has traditionally enjoyed over alternative fuels. This has affected customer usage and BC Gas Utility's competitive position in the industrial sector. Nevertheless, the company's sound market position in its core residential and commercial market segment (contributed about 94% of BC Gas Utility's earnings) remains relatively intact.
- BC Gas' financial profile remains relatively stable, but ranks at the lower end of the range when compared with those of its peers. At year-end 2000, total debt to capital was 71%, funds from operations interest coverage was 2.5 times (x), pretax interest coverage was 2.1x, and funds from operations to total debt was 10%. In the next few years debt leverage will remain high as the company finances the construction of Corridor (C$690 million) and the expansion of the Southern Crossing pipeline primarily with debt.

Capital expenditures remain at unusually high levels due to the recent completion of the Southern Crossing pipeline and the construction on Corridor. Southern Crossing and Corridor combined will cost about C$1.1 billion and are being primarily financed with debt during construction. BC Gas also is expanding the Southern Crossing pipeline (C$460 million), which would bring a second supply source of natural gas to the City of Vancouver. Base capital expenditures traditionally range between C$100 million-C$150 million per year and have been largely financed with cash flow. Capital expenditures in 2001 will be about C$553 million.

OUTLOOK: STABLE

Earnings growth in the near to intermediate term is expected to be supported by a higher rate base at BC Gas Utility associated with the completion of the Southern Crossing pipeline, TMPL's new five-year incentive agreement covering 2001-2005, and the addition of Corridor in 2003, Standard & Poor's said. -- CreditWire

RATINGS HARMONIZED; OUTLOOK STABLE

BC Gas Inc.	
Long-term corporate credit rating	BBB+
Subordinated debt rating	BBB-
Commercial paper (Canadian scale)	A-1(Low)
BC Gas Utility Ltd.	
Long-term corporate credit rating	BBB+
Senior unsecured debt rating	BBB+
Senior secured debt rating	A-
Commercial paper (Canadian scale)	A-1(Low)

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APPENDIX 1.3

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KINDER MORGAN – TERASEN COMBINE TO CREATE A NORTH AMERICAN ENERGY LEADER

Kinder Morgan to Purchase Terasen for Approximately US$5.6 Billion

HOUSTON, Texas, and Vancouver, British Columbia, Aug. 1, 2005 – Kinder Morgan, Inc. (NYSE: KMI) and Terasen Inc. (TSX: TER) today announced a definitive agreement whereby KMI will acquire all of the outstanding shares of Terasen in a transaction that will create a leading North American energy transportation and distribution company. The total purchase price, including the assumption of debt, is approximately US$5.6 billion, or C$6.9 billion.

As described in detail below, the prorated value of the offer is C$35.91 per Terasen share based on KMI's share price and C$/US$ exchange rates as of July 29, representing a premium of approximately 20 percent over the 20 day average closing price of Terasen common shares for the period ending July 29. Under the transaction, Terasen shareholders will be able to elect, for each Terasen share held, either (i) C$35.75 in cash, (ii) 0.3331 shares of KMI common stock, or (iii) C$23.25 in cash plus 0.1165 shares of KMI common stock. All elections will be subject to proration in the event total cash elections exceed approximately 65 percent of the total consideration to be paid or total stock elections exceed approximately 35 percent.

(more)

The transaction has been unanimously approved by each company's board of directors, and by a special committee of independent directors created by the Terasen board to oversee this process. This transaction will require Terasen shareholder approval prior to closing, which is expected by year-end 2005. The transaction is also subject to customary regulatory approvals.

The combined company will have approximately 40,000 miles of natural gas and petroleum transportation pipelines, more than 1.1 million natural gas distribution customers, approximately 150 terminals and an enterprise value of more than US$19 billion. Including KMI affiliate Kinder Morgan Energy Partners, L.P. (NYSE: KMP), of which KMI is the general partner, the enterprise value of the total combined companies will be approximately US$35 billion.

"This transaction will combine two strong entities to create a premier energy company in North America with a bright future," said Kinder Morgan Chairman and CEO Richard D. Kinder. "It is a win-win transaction for both entities that is expected to produce immediate shareholder value through strong earnings and cash flow accretion, as well as provide exciting future growth opportunities. For Kinder Morgan, the merger will dramatically broaden our footprint into Canada. Terasen has two core businesses – a low-risk, large regulated natural gas distribution company in British Columbia that produces stable cash flow, and a strategically located refined products and crude oil transportation pipeline business that offers tremendous growth potential. Terasen's pipelines are well-positioned to transport growing production from the Alberta oilsands, which is expected to become an increasingly important supply source to North America and Asia. There is a definite need for additional pipeline infrastructure from the Alberta oilsands, and we have a great opportunity to use the capital strength of the combined company – along with our expertise in building and operating pipelines – to increase capacity on Terasen's existing pipeline system and help meet the growing demand of an oil-starved world."

Canadian oilsands production is projected to double from current levels to about 2 million barrels of crude oil per day between 2010 and 2012. According to the National Energy Board, Canada's recoverable oilsands reserves are the largest in the world. They currently account for about 37 percent of all Canadian oil production, and are expected to comprise as much as 67 percent of the country's oil production by 2015.

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"Terasen also has a strong position in owning and operating water utilities, supplying materials and services for water and wastewater operations, and providing metering and other utility services in Canada and the United States. These markets offer significant potential for growth, as Terasen has laid an excellent foundation," Kinder said.

The transaction is expected to be approximately 6-8 percent accretive for KMI shareholders on a pro forma basis to recurring earnings per share in 2006, which is expected to be the first year of combined operations. For 2006, recurring earnings per share are expected to be approximately US$5.00, and cash flow is expected to be almost US$800 million. (Cash flow is defined as pre-tax income before DD&A, less cash paid for income taxes and sustaining capital expenditures – see the discussion following.) The annual KMI dividend is expected to be at least US$3.50 per share in 2006, up from its current rate of US$3 per share. The strengths of and prospects for the combined company are such that it expects to continue to grow earnings per share and the dividend at approximately 10 percent annually without any acquisitions at KMI or KMP.

Terasen President and CEO John Reid said the planned combination is a great opportunity for Terasen and its shareholders. "This transaction creates significant immediate and long-term value for our shareholders and gives us the scale, resources and access to capital we need to accelerate our business strategy and lead the development of world-class infrastructure across Western Canada. The offer represents a significant premium to our recent share price at a time when Terasen is trading at all-time highs, and gives Terasen shareholders the opportunity to participate in the ongoing success of the combined company. Kinder Morgan is one of the largest and most respected energy transportation and storage companies in the United States, is the market leader in most of its businesses and has produced outstanding returns for its shareholders. We are very pleased to become a significant part of a much larger and stronger enterprise, and believe this transaction will produce long-term benefits for both our retail and wholesale customers, and expand opportunities for our employees."

The combined entity will have approximately 9,000 employees and will feature:

- The largest independent owner/operator of products pipelines in the United States and a leader in the petroleum transportation industry in Canada with almost 13,000 miles of

(more)

pipelines that transport approximately 2.7 million barrels per day of refined petroleum products and crude oil.

- The largest natural gas distribution company in British Columbia, with approximately 875,000 meters, and over 1.1 million retail meters company wide.
- The second largest owner/operator of natural gas pipelines and storage assets in the United States, transporting up to 14.2 billion cubic feet (Bcf) per day through approximately 25,000 miles of pipelines and 384 Bcf of working gas storage capacity.
- The largest independent owner/operator of terminals in the United States, handling over 80 million tons of coal and other dry-bulk materials annually and having a liquids storage capacity of approximately 72 million barrels for refined petroleum products, crude oil and chemicals.
- The largest marketer/transporter of carbon dioxide (CO_2) for enhanced oil recovery projects in the United States, transporting over 1 Bcf of CO_2 per day through 1,100 miles of pipeline, and the second largest oil producer in Texas.
- The largest private sector provider of water and wastewater infrastructure and services in Western Canada, operating 90 systems in over 50 communities.

Kinder noted the combined company will be committed to returning cash to shareholders in an economic and tax-efficient manner, while at the same time maintaining a strong balance sheet and investing in additional energy infrastructure. Upon closing, the total debt-to-capital ratio of the combined entity is expected to be about 56 percent, and Kinder said he expects the combined company will maintain its BBB credit rating.

"Terasen's assets are a great fit with our long-standing strategy of owning and operating predominantly stable, regulated, fee-based businesses in growing markets," Kinder said. "We have a proven track record of merging companies, operating assets efficiently and growing existing assets through expansions."

Once the transaction is completed, Kinder will remain chairman and CEO of the combined entity, which will be known as Kinder Morgan, Inc., with corporate headquarters in Houston, Texas. Terasen's natural gas distribution operations, along with its water and utility services business, will remain headquartered in Greater Vancouver and its pipeline operations office will remain based in Calgary. Terasen Gas, Terasen's natural gas distribution company, will continue to operate under the Terasen name.

The transaction will be completed as a plan of arrangement under the Business Corporations Act (British Columbia) and will require the approval of 75 percent of Terasen shareholders who vote at a special meeting, which will be held on or before Oct. 31, 2005. The

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board of directors of Terasen is unanimously recommending that Terasen shareholders vote in favor of the transaction. Terasen has agreed not to solicit competing transactions and to pay a termination fee of C$75 million to KMI under certain circumstances.

UBS Investment Bank acted as exclusive financial advisor to KMI and RBC Capital Markets acted as exclusive financial advisor and provided a fairness opinion to Terasen.

Terasen (TSX: TER), based in Vancouver, Canada, is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to approximately 875,000 customers, representing more than 95 percent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oilsands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Information about Terasen is available via the Internet at www.Terasen.com.

Kinder Morgan, Inc. (NYSE: KMI) is one of the largest energy transportation and storage companies in America, operating more than 35,000 miles of natural gas and products pipelines and approximately 145 terminals. KMI owns the general partner interest of Kinder Morgan Energy Partners, L.P. (NYSE: KMP), one of the largest publicly traded pipeline limited partnerships in the United States. Combined, KMI and KMP have an enterprise value of almost $30 billion. (Enterprise value is market value of the equity securities plus net debt, excluding interest rate swaps.)

Please join Kinder Morgan at 8:30 a.m. Eastern Time on Tuesday, Aug. 2, at www.kindermorgan.com for a LIVE webcast conference call to discuss the announced transaction. The presentation for the call is available at www.kindermorgan.com.

Terasen will hold a separate investor call at 7:00 a.m. Pacific Time (10:00 a.m. Eastern Time) Tuesday, Aug. 2, to discuss the transaction. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688 (toll-free within North America). International callers can dial 1-973-582-2745. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call. The presentation for the call is available at www.terasen.com.

In this release, we present a measure of cash flow that differs from cash flow measures prepared under Generally Accepted Accounting Principles (GAAP). In this release, we have *defined cash flow to be pre-tax income before depletion, depreciation and amortization (DD&A), less cash paid for income taxes and less sustaining capital expenditures. In each case, the amounts included in the calculation of these measures are computed in accordance with GAAP, with the exception of sustaining capital expenditures, which is not a defined term under GAAP. Sustaining capital expenditures are defined as capital expenditures (determined in accordance with GAAP) which do not increase the capacity of the asset. We believe the most directly comparable cash flow measure computed under GAAP is "cash flows provided by operating activities." This GAAP measure differs from the cash flow measure used in this release in that (1) it is not reduced for sustaining capital expenditures, and (2) it is affected by a number of items that are not taken into account in the cash flow measure used in this release, including (i) adjustments for equity in earnings, (ii) distributions from equity investments, (iii) minority interests in income of consolidated subsidiaries, (iv) deferred purchased gas costs, (v) changes in gas in underground storage, (vi) changes in other working capital items, (vii) net gains or losses on sale of facilities, (viii) proceeds from termination of interest rate swaps, and (ix) other, net. Cash flow should be considered in conjunction with cash provided from operations, as defined by GAAP.*

We routinely calculate and communicate this measure to investors. We believe that continuing to provide this information results in consistency in our financial reporting. In addition, we believe that this measure is useful to investors because it provides investors with a quick, simple and reasonable estimate of our cash flow available for expansion projects, debt repayment, dividends and share repurchases.

INVESTOR NOTICES

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are those concerning the contemplated transaction and strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the companies expect, believe or anticipate will or may occur in the future are forward-looking statements. This includes completion of the proposed transaction, realization of expected synergies from the transaction, future financial performance, future equity issuance and other matters. These statements are based on certain assumptions made by the companies based on their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are appropriate in the circumstances. Although the companies believe that their expectations are based on reasonable assumptions, they can give no assurance that such assumptions will materialize. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the companies. These risks include, but are not limited to, the risks identified as Risk Factors in each company's Forms 10-K, Forms 10-Q or other documents filed with the Securities and Exchange Commission or other securities regulatory authorities. Investors and security holders are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

This release is not intended to be proxy solicitation materials and it does not constitute an offer to sell or a solicitation of an offer to buy shares of KMI or Terasen.

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News Release

FOR IMMEDIATE RELEASE

July 28, 2005

Terasen Inc. Reports Second Quarter 2005 Earnings

Terasen Inc. reported earnings of $29.5 million, or $0.28 per share, for the three months ended June 30, 2005, compared with $17.9 million, or $0.17 per share, in the same quarter of 2004. For the six months ended June 30, 2005, earnings were $95.8 million, or $0.91 per share, up from $85.8 million, or $0.82 per share, in the first half of 2004.

“All of our operating businesses delivered strong results in the second quarter, contributing to another quarter of solid earnings growth” said John Reid, Terasen Inc. president and CEO.

Earnings from petroleum transportation rebounded in the quarter as west coast refineries returned to full operating capacity and output from the Alberta oilsands remained strong. In the second quarter, throughput on the Trans Mountain pipeline returned to full capacity, and the activation of the Express pipeline expansion made a positive contribution to earnings growth.

“Energy demand in North America and Asia clearly shows the need for additional pipeline capacity from the Alberta oilsands. Terasen is favourably positioned to meet this growing need through the staged expansion of our Trans Mountain pipeline system. We are encouraged by ongoing discussions with shippers and we are moving forward with our expansion plans in a manner that will benefit both our customers and shareholders."

Terasen Gas reported strong earnings growth in the quarter and on a year-to-date basis. A healthy economic environment in British Columbia continued to drive strong customer growth, which combined with operating efficiencies to offset the impact of a lower allowed return on equity in 2005, as compared with 2004.

The water and utility services division continues to benefit from strong economic conditions in the region and the contribution from recent acquisitions.

“Our strong operating results demonstrate that we are on track to achieve our earnings target for the year. We remain focused on delivering both solid financial results and quality infrastructure growth opportunities.”

The table below sets out the contribution to earnings per share by operating segment for the three and six months ended June 30, 2005 and 2004. All comparative per share data has been restated to reflect the two-for-one stock split, which took effect in June 2004.

NET EARNINGS (LOSS)

In millions of dollars, except per share amounts *Three months ended June 30*	**2005**	**Per Share**	2004	Per Share
Natural gas distribution				
Terasen Gas	**$ 1.6**	**$ 0.01**	$ (1.2)	$ (0.01)
Terasen Gas (Vancouver Island)	**6.1**	**0.06**	6.3	0.06
	7.7	**0.07**	5.1	0.05
Petroleum transportation				
Trans Mountain	**9.8**	**0.09**	9.0	0.08
Corridor	**3.5**	**0.04**	4.0	0.04
Express System	**7.6**	**0.07**	3.2	0.03
	20.9	**0.20**	16.2	0.15
Water and utility services	**3.8**	**0.03**	2.6	0.02
Other activities	**(2.9)**	**(0.02)**	(6.0)	(0.05)
Net earnings	**$ 29.5**	**$ 0.28**	$ 17.9	$ 0.17

NET EARNINGS (LOSS)

In millions of dollars, except per share amounts *Six months ended June 30*	**2005**	**Per Share**	2004	Per Share
Natural gas distribution				
Terasen Gas	**$ 50.6**	**$ 0.48**	$ 46.8	$ 0.45
Terasen Gas (Vancouver Island)	**12.8**	**0.12**	13.0	0.12
	63.4	**0.60**	59.8	0.57
Petroleum transportation				
Trans Mountain	**15.2**	**0.14**	19.4	0.18
Corridor	**7.1**	**0.07**	7.9	0.08
Express System	**11.3**	**0.11**	7.2	0.07
	33.6	**0.32**	34.5	0.33
Water and utility services	**4.6**	**0.04**	2.6	0.02
Other activities	**(5.8)**	**(0.05)**	(11.1)	(0.10)
Net earnings	**$ 95.8**	**$ 0.91**	$ 85.8	$ 0.82

NATURAL GAS DISTRIBUTION

Earnings from natural gas distribution for the three and six months ended June 30, 2005 were $7.7 million and $63.4 million, respectively, compared with $5.1 million and $59.8 million in the corresponding periods of 2004. Strong customer growth and operating efficiencies at Terasen Gas have more than offset the lower allowed rate of return on equity in 2005.

PETROLEUM TRANSPORTATION

In the second quarter of 2005, petroleum transportation contributed $20.9 million in earnings, compared to $16.2 million in the corresponding quarter of 2004. For the first six months on 2005, earnings from petroleum transportation were $33.6 million, compared to $34.5 million in the same period of 2004.

Increased production from the Alberta oilsands and demand for petroleum transportation capacity to the west coast and offshore resulted in Trans Mountain returning to full capacity in the second quarter of 2005, compared to the same quarter in 2004. This, combined with the additional capacity as well as tax structuring benefits provided by the Express expansion beginning in April 2005, resulted in the strong year-over-year earnings growth in the second quarter of 2005.

Full capacity on the Trans Mountain mainline during the second quarter of 2005 drove the $0.8 million increase in earnings contribution for the quarter, compared to the same quarter in 2004. On a year-to-date basis, earnings contribution from Trans Mountain was $15.2 million in 2005, down from $19.4 million reported in the first six months of 2004, due to lower first quarter volumes in 2005.

In the second quarter of 2005, average throughput on the Trans Mountain mainline was 242,100 barrels per day (bpd), up from 223,500 bpd in the same quarter of 2004, fully reflecting the capacity expansion that was put into service in late 2004. Throughput on the U.S. mainline averaged 74,600 bpd in the second quarter of 2005, compared with 97,400 bpd in the same period of 2004. Deliveries to the U.S. declined as a result of an increase in the number of offshore shipments.

The Corridor Pipeline contributed $3.5 million in earnings in the second quarter of 2005, compared with $4.0 million in the corresponding quarter of 2004 as a result of a lower allowed return on equity for the period.

For the three months ended June 30, 2005, the Express System contributed $7.6 million in earnings compared to $3.2 million in the same period of 2004. The increase in earnings from Express was a result of the operating contribution arising from the Express system capacity expansion, which was completed in April 2005, and the realization of additional tax benefits.

Water and Utility Services

Water and utility services includes Terasen Waterworks, Terasen Utility Services and Terasen's 30% interest in CustomerWorks LP. Second quarter earnings from water and utility services increased to $3.8 million in 2005 from $2.6 million in the corresponding quarter of 2004. Earnings growth in the quarter was driven primarily by growth in the Waterworks business, which is benefiting from continued strength in the Alberta and B.C. economies, and the contribution from Fairbanks Sewer and Water, which was acquired in July 2004.

Other Activities

The other activities segment includes Terasen International, Terasen's 40.4% interest in Clean Energy and corporate interest and administration charges. Losses from other activities for the three and six months ended June 30, 2005 were $2.9 million and $5.8 million, respectively, compared to $6.0 million and $11.1 million in the corresponding periods of 2004. The decrease in operating losses from other activities was a result of improved operations at Clean Energy and an increase in the mark-to-market gain on Clean Energy's price risk management activities. Terasen's share of Clean Energy's mark-to-market gains for the three and six months ended June 30, 2005 were $3.9 million and $6.5 million, up from $0.6 million and $2.3 million in 2004.

Dividends

The Directors of Terasen Inc. have declared a quarterly dividend of $0.225 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 31st day of August, 2005 to Shareholders of record at the close of business on the 17th day of August, 2005.

Conference Call

Terasen will host a conference call at 1:30 p.m. Pacific time (4:30 p.m. Eastern time) today to discuss the second quarter 2005 results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen's full Second Quarter 2005 Management's Discussion & Analysis, unaudited financial statements and the notes, are available on the Company's website: www.terasen.com.

Due to the seasonal nature of the Company's natural gas distribution and water and utility services operations, quarterly earnings statements are not indicative of earnings on an annual basis.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 879,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER". Further information can be found on Terasen's website at www.terasen.com.

HIGHLIGHTS

	Three months ended June 30 2005	*Three months ended June 30* 2004 (RESTATED)	*Six months ended June 30* 2005	*Six months ended June 30* 2004 (RESTATED)
Financial (in millions)				
Revenues				
Natural gas distribution	**$ 281.9**	$ 248.1	**$ 852.1**	$ 799.6
Petroleum transportation	**59.8**	54.9	**105.7**	110.7
Water and utility services	**69.1**	53.6	**111.8**	87.8
Other activities	**1.3**	8.2	**9.8**	15.4
	$ 412.1	$ 364.8	**$ 1,079.4**	$ 1,013.5
Net earnings	**$ 29.5**	$ 17.9	**$ 95.8**	$ 85.8
Capital expenditures	**$ 43.1**	$ 31.8	**$ 126.9**	$ 60.7
Total assets			**$ 5,055.9**	$ 4,778.3
Common share data				
Basic earnings per common share	**$ 0.28**	$ 0.17	**$ 0.91**	$ 0.82
Diluted earnings per common share	**$ 0.28**	$ 0.17	**$ 0.90**	$ 0.81
Dividends per common share	**$ 0.225**	$ 0.210	**$ 0.450**	$ 0.405
Common equity per share			**$ 13.53**	$ 12.93
Common shares - weighted average (millions)	**105.5**	104.7	**105.4**	104.6
Natural gas distribution				
Number of gas customers			**879,647**	862,752
Natural gas volumes (in petajoules)				
Sales volumes	**20.1**	18.3	**68.9**	67.6
Transportation volumes	**15.8**	16.0	**37.4**	37.9
Throughput under fixed-price contracts	**4.1**	1.8	**8.8**	6.0
	40.0	36.1	**115.1**	111.5
Petroleum transportation				
Transportation volumes (barrels per day)				
Trans Mountain Canadian mainline	**242,100**	223,500	**206,200**	231,900
Trans Mountain U.S. mainline	**74,600**	97,400	**59,300**	95,300
Express System	**226,500**	176,200	**196,100**	173,800

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

In millions of dollars, except per share amounts	Three months ended June 30		Six months ended June 30	
	2005	2004 (RESTATED)	**2005**	2004 (RESTATED)
Revenues				
Natural gas distribution	**$ 281.9**	$ 248.1	**$ 852.1**	$ 799.6
Petroleum transportation	**59.8**	54.9	**105.7**	110.7
Water and utility services	**69.1**	53.6	**111.8**	87.8
Other activities	**1.3**	8.2	**9.8**	15.4
	412.1	364.8	**1,079.4**	1,013.5
Expenses				
Cost of natural gas	**155.7**	125.8	**527.8**	477.7
Cost of revenues from water and utility services and other activities	**53.1**	47.1	**84.4**	74.8
Operation and maintenance	**76.2**	74.4	**150.3**	148.4
Depreciation and amortization	**36.3**	37.8	**73.2**	73.8
Property and other taxes	**18.1**	17.5	**36.1**	35.6
	339.4	302.6	**871.8**	810.3
Operating income	**72.7**	62.2	**207.6**	203.2
Financing costs	**44.0**	42.7	**89.3**	87.8
Earnings before share of equity earnings and income taxes	**28.7**	19.5	**118.3**	115.4
Share of equity earnings from long-term investments	**9.4**	2.9	**12.8**	6.7
Earnings before income taxes	**38.1**	22.4	**131.1**	122.1
Income taxes	**8.6**	4.5	**35.3**	36.3
Net earnings	**$ 29.5**	$ 17.9	**$ 95.8**	$ 85.8
Common shares – weighted average (millions)	**105.5**	104.7	**105.4**	104.6
Basic earnings per common share (note 7)	**$ 0.28**	$ 0.17	**$ 0.91**	$ 0.82
Diluted earnings per common share (note 7)	**$ 0.28**	$ 0.17	**$ 0.90**	$ 0.81

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

In millions of dollars *Six months ended June 30*	**2005**	2004 (RESTATED)
Retained earnings, beginning of period	**$ 418.9**	$ 355.5
Net earnings	**95.8**	85.8
	514.7	441.3
Dividends on common shares	**47.4**	42.4
Retained earnings, end of period	**$ 467.3**	$ 398.9

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	**June 30 2005 (UNAUDITED)**	December 31 2004 (RESTATED)
Assets		
Current assets		
Cash and short-term investments	**$ 91.6**	$ 20.0
Accounts receivable	**280.0**	348.6
Inventories of gas in storage and supplies	**201.2**	189.2
Prepaid expenses	**17.7**	11.2
Current portion of rate stabilization accounts	**24.5**	27.1
	615.0	596.1
Property, plant and equipment	**3,932.1**	3,892.5
Long term investments (note 2(b))	**267.6**	218.9
Goodwill	**117.7**	128.0
Rate stabilization accounts	**53.4**	60.6
Other assets	**70.1**	74.5
	$ 5,055.9	$ 4,970.6
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term notes	**$ 360.5**	$ 248.0
Accounts payable and accrued liabilities	**286.2**	369.8
Income and other taxes payable	**54.7**	36.4
Current portion of rate stabilization accounts	**41.3**	27.6
Current portion of long-term debt	**628.9**	416.7
	1,371.6	1,098.5
Long-term debt	**2,029.1**	2,291.6
Other long-term liabilities and deferred credits	**144.2**	140.7
Future income taxes	**83.5**	68.7
	3,628.4	3,599.5
Shareholders' equity		
Common shares	**889.0**	883.4
Contributed surplus (note 6)	**133.6**	132.5
Retained earnings	**467.3**	418.9
Cumulative currency translation adjustment	**(11.4)**	(12.7)
	1,478.5	1,422.1
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,427.5	1,371.1
	$ 5,055.9	$ 4,970.6

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In millions of dollars	*Three months ended June 30* 2005	2004 (RESTATED)	*Six months ended June 30* 2005	2004 (RESTATED)
Cash flows provided by (used for)				
Operating activities				
Net earnings	**$ 29.5**	$ 17.9	**$ 95.8**	$ 85.8
Adjustments for non-cash items				
Depreciation and amortization	**36.3**	37.8	**73.2**	73.8
Share of equity earnings from long-term investments, in excess of cash distributions	**(9.3)**	(3.2)	**(12.6)**	(7.1)
Future income taxes	**1.7**	(0.2)	**0.3**	2.1
Other	**2.6**	2.0	**3.2**	4.9
	60.8	54.3	**159.9**	159.5
Change in rate stabilization accounts	**(5.3)**	2.2	**23.5**	13.7
Changes in non-cash working capital	**9.8**	25.5	**(5.7)**	75.4
	65.3	82.0	**177.7**	248.6
Investing activities				
Property, plant and equipment	**(43.1)**	(31.8)	**(126.9)**	(60.7)
Proceeds on the sale of natural gas distribution assets	**-**	-	**-**	7.6
Other assets	**(1.3)**	(2.7)	**(2.9)**	(8.8)
	(44.4)	(34.5)	**(129.8)**	(61.9)
Financing activities				
Increase (decrease) in short-term notes	**(43.0)**	(181.5)	**112.5**	(302.9)
Increase in long-term debt	**0.1**	150.5	**450.5**	211.8
Reduction of long-term debt	**(6.5)**	(10.9)	**(497.5)**	(46.3)
Issue of common shares, net of issue costs	**1.5**	1.2	**5.6**	8.9
Dividends on common shares	**(23.7)**	(22.1)	**(47.4)**	(42.4)
	(71.6)	(62.8)	**23.7**	(170.9)
Net increase (decrease) in cash	**(50.7)**	(15.3)	**71.6**	15.8
Cash at beginning of period	**142.3**	32.6	**20.0**	1.5
Cash at end of period	**$ 91.6**	$ 17.3	**$ 91.6**	$ 17.3
Supplemental cash flow information				
Interest paid in the period	**$ 36.9**	$ 37.2	**$ 86.4**	$ 81.9
Income taxes paid in the period	**5.8**	10.4	**25.3**	44.2

Cash is defined as cash or bank indebtedness.

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News Release

FOR IMMEDIATE RELEASE

May 4, 2005

Terasen Inc. Reports First Quarter 2005 Earnings

Terasen Inc. reported earnings of $66.3 million, or $0.63 per share, for the three months ended March 31, 2005, compared with $67.9 million, or $0.65 per share, in the first three months of 2004.

“We were pleased by the performance across our businesses, which offset most of the decline in throughput on the Trans Mountain and Express pipelines,” said John Reid, Terasen Inc. president and CEO.

Temporary production outages in the Alberta oilsands reduced supply from the region which, combined with maintenance turnarounds at refineries connected to the Trans Mountain pipeline, materially impacted petroleum throughput during the quarter.

“In the second quarter, the Trans Mountain pipeline has returned to operating at full capacity and the throughput outlook remains strong. In addition, we completed the Express pipeline expansion, which provides additional capacity on that system. We continue to pursue future pipeline expansion and revenue growth opportunities related to oilsands growth.”

Terasen Gas reported strong customer growth and achieved operating efficiencies during the first quarter of the year. The growth and efficiencies were able to more than offset the impact of the lower allowed return on equity, Reid said.

“With the healthy economic environment in British Columbia, the outlook for customer growth remains positive.”

The water and utility services division is also benefiting from strong economic conditions in the region and earnings contributions from recent acquisitions.

“Despite the weakness in the petroleum transportation business in the first quarter, we remain confident that our operations are on track and we will achieve our earnings target for the year. We remain focused on strengthening and expanding our base businesses while pursuing attractive infrastructure growth opportunities.”

The table below sets out the contribution to earnings per share by operating segment for the three months ended March 31, 2005 and 2004. All comparative per share data has been restated to reflect the two-for-one stock split, which took effect in June 2004.

NET EARNINGS (LOSS)

In millions of dollars, except per share amounts	**2005**		2004	
Three months ended March 31		**Per Share**		Per Share[1]
Natural gas distribution				
Terasen Gas	**$ 49.0**	**$ 0.47**	$ 48.0	$ 0.46
Terasen Gas (Vancouver Island)	**6.7**	**0.06**	6.7	0.06
	55.7	**0.53**	54.7	0.52
Petroleum transportation				
Trans Mountain	**5.4**	**0.05**	10.4	0.10
Corridor	**3.6**	**0.03**	3.9	0.04
Express System	**3.7**	**0.04**	4.0	0.04
	12.7	**0.12**	18.3	0.18
Water and utility services	**0.8**	**0.01**	-	-
Other activities	**(2.9)**	**(0.03)**	(5.1)	(0.05)
Net earnings (loss)	**$ 66.3**	**$ 0.63**	$ 67.9	$ 0.65

[1]*All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004*

NATURAL GAS DISTRIBUTION

Earnings from natural gas distribution in the first three months of 2005 were $55.7 million, compared with $54.7 million in the corresponding period in 2004. Operating efficiencies and customer growth at Terasen Gas more than offset the lower allowed rate of return on equity in 2005.

PETROLEUM TRANSPORTATION

For the first three months of 2005, earnings contributions from petroleum transportation declined to $12.7 million from $18.3 million in the same period of 2004. The decline in earnings was a result of lower throughput volumes primarily on Trans Mountain.

Petroleum transportation throughput was impacted by the decline in production from the Alberta oilsands resulting from temporary production outages, as well as maintenance turnarounds at refineries connected to the Trans Mountain pipeline.

As a result, earnings contributions from Trans Mountain for the three months ended March 31, 2005 was $5.4 million, down from the $10.4 million reported in the first quarter of 2004. In the first three months of 2005, average throughput on Trans Mountain's mainline declined to 170,000 bbl/day on the Canadian mainline and 44,500 bbl/day on the U.S. mainline, representing a decline of 29% and 52% respectively, compared to the corresponding quarter of 2004.

The Corridor Pipeline contributed $3.6 million in earnings in the first quarter of 2005, compared with $3.9 million in the corresponding quarter of 2004 as a result of a lower allowed return on equity for the period.

For the three months ended March 31, 2005, the Express System contributed $3.7 million in earnings compared to $4.0 million in the same period of 2004. Express was also impacted by the temporary production outages in the Alberta oilsands and the resulting decline in production from the region. Subsequent to the quarter, Express completed its system expansion, which added an additional 108,000 barrels per day of capacity.

WATER AND UTILITY SERVICES

Water and utility services includes Terasen Waterworks, Terasen Utility Services and Terasen's 30% interest in CustomerWorks LP. Continued growth in the base waterworks and utility service business combined with a small contribution from Fairbanks during its seasonally weak first quarter resulted in a $0.8 million increase in earnings for the three months ended March 31, 2005.

Other Activities

The other activities segment includes Terasen International, Terasen's 45.0% interest in Clean Energy and corporate interest and administration charges. Losses from other activities for the three months ended March 31, 2005 were $2.9 million, compared to $5.1 million in the first quarter of 2004. A reduction in corporate expenses, improved operations at Clean Energy and an increase in the mark-to-market gain on Clean Energy's price risk management activities were the key drivers of a decrease in operating losses from other activities.

Dividends

The Directors of Terasen Inc. have declared a quarterly dividend of $0.225 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 31st day of May, 2005 to Shareholders of record at the close of business on the 17th day of May, 2005.

Conference Call

Terasen will host a conference call at 1:30 p.m. Pacific time (4:30 p.m. Eastern time) today to discuss the first quarter 2005 results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen's full First Quarter 2005 Management's Discussion & Analysis, unaudited financial statements and the notes, are available on the Company's website: www.terasen.com.

Due to the seasonal nature of the Company's natural gas distribution and water and utility services operations, quarterly earnings statements are not indicative of earnings on an annual basis.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 878,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER". Further information can be found on Terasen's website at www.terasen.com.

HIGHLIGHTS

	Three months ended March 31	
	2005	2004 (RESTATED)
Financial (in millions)		
Revenues		
Natural gas distribution	**$ 570.2**	$ 551.5
Petroleum transportation	**45.9**	55.8
Water and utility services	**42.7**	34.2
Other activities	**8.5**	7.2
	$ 667.3	648.7
Net earnings	**$ 66.3**	$ 67.9
Capital expenditures	**$ 83.8**	$ 28.9
Total assets	**$ 5,111.2**	$ 4,843.6
Common share data		
Basic earnings per common share	**$ 0.63**	$ 0.65
Diluted earnings per common share	**$ 0.63**	$ 0.65
Dividends per common share	**$ 0.225**	$ 0.195
Common equity per share	**$ 13.45**	$ 12.96
Common shares - weighted average (millions)	**105.3**	104.4
Natural gas distribution		
Number of gas customers	**878,560**	862,631
Natural gas volumes (in petajoules)		
Sales volumes	**48.8**	49.3
Transportation volumes	**21.6**	21.9
Throughput under fixed-price contracts	**4.7**	4.2
	75.1	75.4
Petroleum transportation		
Transportation volumes (barrels per day)		
Trans Mountain Canadian mainline	**170,000**	240,400
Trans Mountain U.S. mainline	**44,500**	93,300
Express System	**166,900**	171,300

Consolidated Statements of Earnings
(unaudited)

In millions of dollars, except per share amounts	Three months ended March 31 2005	2004 (Restated)
Revenues		
Natural gas distribution	**$ 570.2**	$ 551.5
Petroleum transportation	**45.9**	55.8
Water and utility services	**42.7**	34.2
Other activities	**8.5**	7.2
	667.3	648.7
Expenses		
Cost of natural gas	**372.1**	351.9
Cost of revenues from water and utility services and other activities	**31.3**	27.7
Operation and maintenance	**74.1**	74.0
Depreciation and amortization	**36.9**	36.0
Property and other taxes	**18.0**	18.1
	532.4	507.7
Operating income	**134.9**	141.0
Financing costs	**45.3**	45.1
Earnings before share of earnings of Express System and income taxes	**89.6**	95.9
Share of earnings of Express System	**3.4**	3.8
Earnings before income taxes	**93.0**	99.7
Income taxes	**26.7**	31.8
Net earnings	**$ 66.3**	$ 67.9
Common shares – weighted average (millions)	**105.3**	104.4
Basic earnings per common share (note 7)	**$ 0.63**	$ 0.65
Diluted earnings per common share (note 7)	**$ 0.63**	$ 0.65

Consolidated Statements of Retained Earnings
(unaudited)

In millions of dollars *Three months ended March 31*	**2005**	2004 (Restated)
Retained earnings, beginning of period	**$ 418.9**	$ 355.5
Net earnings	**66.3**	67.9
	485.2	423.4
Dividends on common shares	**23.7**	20.3
Retained earnings, end of period	**$ 461.5**	$ 403.1

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	March 31 2005 (UNAUDITED)	December 31 2004 (RESTATED)
Assets		
Current assets		
Cash and short-term investments	**$ 142.3**	$ 20.0
Accounts receivable	**384.7**	348.6
Inventories of gas in storage and supplies	**131.6**	189.2
Prepaid expenses	**10.1**	11.2
Current portion of rate stabilization accounts	**23.6**	27.1
	692.3	596.1
Property, plant and equipment	**3,924.5**	3,892.5
Long term investments (note 2(b))	**257.6**	218.9
Goodwill	**117.3**	128.0
Rate stabilization accounts	**49.3**	60.6
Other assets	**70.2**	74.5
	$ 5,111.2	$ 4,970.6
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term notes	**$ 403.5**	$ 248.0
Accounts payable and accrued liabilities	**303.2**	369.8
Income and other taxes payable	**64.1**	36.4
Current portion of rate stabilization accounts	**41.6**	27.6
Current portion of long-term debt	**516.8**	416.7
	1,329.2	1,098.5
Long-term debt	**2,147.7**	2,291.6
Other long-term liabilities and deferred credits	**142.1**	140.7
Future income taxes	**73.7**	68.7
	3,692.7	3,599.5
Shareholders' equity		
Common shares	**887.5**	883.4
Contributed surplus (note 6)	**132.9**	132.5
Retained earnings	**461.5**	418.9
Cumulative currency translation adjustment	**(12.4)**	(12.7)
	1,469.5	1,422.1
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,418.5	1,371.1
	$ 5,111.2	$ 4,970.6

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

In millions of dollars	*Three months ended March 31* **2005**	2004
Cash flows provided by (used for)		
Operating activities		
Net earnings	**$ 66.3**	$ 67.9
Adjustments for non-cash items		
Depreciation and amortization	**36.9**	36.0
Share of earnings from Express System, (in excess of) cash distributions	**(3.3)**	(3.9)
Future income taxes	**(1.4)**	2.3
Other	**0.6**	2.9
	99.1	105.2
Decrease in rate stabilization accounts	**28.8**	11.5
Changes in non-cash working capital	**(15.5)**	49.9
	112.4	166.6
Investing activities		
Property, plant and equipment	**(83.8)**	(28.9)
Proceeds on the sale of natural gas distribution assets	**-**	7.6
Other assets	**(1.6)**	(6.1)
	(85.4)	(27.4)
Financing activities		
Increase (decrease) in short-term notes	**155.5**	(121.4)
Increase in long-term debt	**450.4**	61.3
Reduction of long-term debt	**(491.0)**	(35.4)
Issue of common shares, net of issue costs	**4.1**	7.7
Dividends on common shares	**(23.7)**	(20.3)
	95.3	(108.1)
Net increase in cash	**122.3**	31.1
Cash at beginning of period	**20.0**	1.5
Cash at end of period	**$ 142.3**	$ 32.6
Supplemental cash flow information		
Interest paid in the period	**$ 49.5**	$ 44.7
Income taxes paid in the period	**19.5**	33.8

Cash is defined as cash or bank indebtedness.

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News Release

FOR IMMEDIATE RELEASE

FEBRUARY 17, 2005

Terasen Inc. Reports 2004 Earnings and Increases Common Dividend

Terasen Inc. reported earnings of $149.8 million, an increase of $17.1 million over earnings of $132.7 million in 2003. On a per share basis, earnings increased to $1.43 per share in 2004 from $1.28 per share in 2003.

Terasen Inc.'s Board of Directors approved an increase in its common dividend per share to $0.225 per quarter, up 7.1 per cent from $0.21 per quarter. The dividend will be payable on the 28th day of February 2005 to shareholders of record on the 25th day of February, 2005.

FINANCIAL AND OPERATING HIGHLIGHTS IN 2004:

- **Earnings Growth** – In 2004, earnings adjusted to exclude unrealized hedge gains relating to the company's investment in Clean Energy amounted to $1.40 per share, as compared to earnings per share, before the impact of the restructuring charge in 2003, of $1.31 per share. This represents an increase of 6.9 per cent.

- **Dividend Increase** – In April 2004, Terasen's Board of Directors approved a 7.8 per cent increase in Terasen's quarterly cash dividend and a two-for-one stock split of the company's common shares outstanding.

- **Cash Flow** – Strong cash flow from operating activities of $342 million in 2004 served to further strengthen the balance sheet.

- **Petroleum Transportation –** Earnings contribution increased to $70.9 million in 2004, up 26 per cent from $56.2 million in 2003. Average throughput on the Trans Mountain Canadian mainline increased 9.3 per cent in 2004, and throughput into Washington State increased by 67.9 per cent.

- **Trans Mountain Expansion** – A capacity upgrade was completed on the Trans Mountain pipeline which added 27,000 barrels per day (bpd) of capacity. Significant progress was made in the development of the TMX project, a major expansion of capacity between Alberta and the west coast.

- **Natural Gas Distribution** – Operating efficiencies were achieved between Terasen's mainland and Vancouver Island natural gas utilities, which partially offset the impact of the lower allowed return on equity and the reintroduction of earnings sharing under Terasen Gas' regulatory settlement.

- **Express Pipeline Expansion** – Construction on an expansion of the Express Pipeline System was commenced, which will provide an additional 108,000 bpd of capacity and is expected to be completed by April 2005. Following completion 85 per cent of the Express System's capacity will be subject to long-term ship-or-pay contracts.

- **Fairbanks Acquisition** - In 2004, Terasen acquired a 50 per cent interest in Fairbanks Sewer and Water Inc. (FSW). FSW provides water and wastewater treatment and water distribution and wastewater collection services to Fairbanks, Alaska, an area of 82,000 residents.

"In 2004, we continued to deliver solid financial growth, buoyed by the strong performance from our petroleum transportation business," said John Reid, Terasen Inc. President and CEO. "This combined with solid returns from our other business units allowed us to once again achieve our financial goals."

Reid said Terasen will continue a focused strategy on the Alberta oilsands and the potential for expanding the company's petroleum transportation business.

"The significant additional supply coming on line from the oilsands and the increasing demand for petroleum products in the U.S. is driving some exciting opportunities that we look to capitalize on through the expansion of our Express Pipeline, Trans Mountain Pipeline and Corridor Pipeline. The strong support we've received to date on our TMX expansion project underscores the need for pipeline capacity from the Alberta oilsands to the west coast," he said.

"We are also pursuing opportunities to deliver additional natural gas supply to Vancouver Island to support gas-fired power generation and working closely with Island communities and stakeholders to do so in a sustainable fashion."

In 2004, Terasen's natural gas distribution operations were successful in achieving significant efficiencies, through the integration of the operating activities of Vancouver Island and the British Columbia mainland. The benefits of these efficiencies are shared between shareholders and customers and in 2004 have considerably offset the impact to shareholders of the lower allowed return on equity.

Terasen's water and utility services business was also a significant contributor to growth in 2004, successfully integrating recent acquisitions and actively pursuing future development opportunities.

"Continued focus on the strength of our base business and opportunities for value-accretive investments in low-risk, growing businesses remain at the core of our strategic plans," Reid added.

The tables below set out the contribution to earnings per share by operating segment for the twelve and three months ended December 31, 2004 and 2003.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts	**2004**		2003	
Three months ended December 31		**Per Share**[1]		Per Share[1]
Natural gas distribution				
Terasen Gas	**$ 36.2**	**$ 0.35**	$ 37.5	$ 0.36
Terasen Gas (Vancouver Island)	**6.4**	**0.06**	7.3	0.07
	42.6	**0.41**	44.8	0.43
Petroleum transportation				
Trans Mountain	**11.2**	**0.10**	10.0	0.09
Corridor	**3.8**	**0.04**	4.0	0.04
Express System	**4.9**	**0.05**	3.9	0.04
	19.9	**0.19**	17.9	0.17
Water and utility services	**0.7**	**0.00**	0.4	0.00
Other activities	**(9.3)**	**(0.09)**	(8.8)	(0.08)
Earnings before non-recurring items	**53.9**	**0.51**	54.3	0.52
Non-recurring items[2]	**-**	**-**	(3.4)	(0.03)
Earnings applicable to common shares	**$ 53.9**	**$ 0.51**	$ 50.9	$ 0.49

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts	**2004**		2003	
Twelve months ended December 31		**Per Share**[1]		Per Share[1]
Natural gas distribution				
Terasen Gas	**$ 69.7**	**$ 0.67**	$ 72.6	$ 0.70
Terasen Gas (Vancouver Island)	**26.2**	**0.25**	26.2	0.25
	95.9	**0.92**	98.8	0.95
Petroleum transportation				
Trans Mountain	**39.4**	**0.38**	35.8	0.35
Corridor	**15.6**	**0.15**	10.7	0.10
Express System	**15.9**	**0.15**	9.7	0.09
	70.9	**0.68**	56.2	0.54
Water and utility services	**6.6**	**0.06**	4.1	0.04
Other activities	**(23.6)**	**(0.23)**	(23.0)	(0.22)
Earnings before non-recurring items	**149.8**	**1.43**	136.1	1.31
Non-recurring items[2]	**-**	**-**	(3.4)	(0.03)
Earnings applicable to common shares	**$149.8**	**$ 1.43**	$132.7	$ 1.28

[1] *All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004.*
[2] *Non-recurring items is a non-GAAP measure which is described in detail in the section "Non-GAAP measures".*

Natural Gas Distribution

In 2004, earnings before non-recurring items from natural gas distribution were $95.9 million, down from $98.8 million in 2003. Earnings from natural gas distribution were impacted by the lower allowed rate of return, which offset the operating efficiencies achieved through the integration of the mainland and Vancouver Island operations, which are shared between shareholders and customers. There was no sharing mechanism in place in 2003. In the fourth quarter of 2004, earnings before non-recurring items declined to $42.6 million from $44.8 million in the corresponding quarter of 2003. Natural gas distribution incurred a $3.4 million after-tax non-recurring restructuring charge in the fourth quarter of 2003.

Beginning in the fourth quarter of 2004, Terasen Gas' income tax expense is determined by applying the effective annual tax rate to the pre-tax income in the quarter, as opposed to the previous method of allocating annual tax expense based on budgeted sales revenue for the four quarters. The change has no impact on annual financial results.

On February 16, 2005, the BCUC approved the $100 million LNG storage facility near Nanaimo that had been proposed by TGVI, subject to several conditions including the execution of a long-term Transportation Service Agreement (TSA) with B.C. Hydro substantially in the form indicated as acceptable to the BCUC. TGVI plans to work with B.C. Hydro and others to meet these conditions and proceed with the project but there is no certainty that a TSA will ultimately be executed.

Petroleum Transportation

Earnings from petroleum transportation were $70.9 million in 2004, an increase of 26% over earnings of $56.2 million in 2003. The strong earnings growth in 2004 was attributable to increased throughput volumes on Trans Mountain and the Express System, and a full year contribution from the Corridor Pipeline. In the fourth quarter, total earnings contribution from petroleum transportation increased to $19.9 million, up from $17.9 million in the fourth quarter of 2003.

Earnings contribution from Trans Mountain for the three months and year ended December 31, 2004 were $1.2 million and $3.6 million higher, respectively, than in the corresponding periods of 2003. Increased throughput on Trans Mountain's mainline and lower operation and maintenance costs contributed to the growth in earnings. Throughput on Trans Mountain's mainline was strong during 2004 with average throughput of 236,100 bpd on the Canadian mainline and 91,700 bpd on the U.S. portion, compared with 216,100 bpd and 54,600 bpd, respectively, in 2003.

In 2004, the Corridor Pipeline contributed $15.6 million in earnings, compared with $10.7 million in 2003. The Corridor Pipeline commenced commercial operations on May 1, 2003.

For the three months and year ended December 31, 2004, the Express System contributed $4.9 million and $15.9 million in earnings, respectively, compared to $3.9 million and $9.7 million in the same periods of 2003. The 2003 earnings contribution from the Express System was impacted by a $3.6 million foreign exchange loss. Strong earnings contribution in 2004 was primarily a result of higher throughput.

Water and Utility Services

Water and utility services includes Terasen Waterworks, Terasen Utility Services and Terasen's 30% interest in CustomerWorks LP. In 2004, the water and utility services segment contributed $6.6 million in earnings, compared with $4.1 million in 2003. Earnings growth was primarily attributable to organic growth in existing water and utility services businesses and contributions from Fairbanks Sewer and Water and other recent acquisitions. Fourth quarter 2004 earnings were

$0.3 million higher than the corresponding quarter of 2003. Terasen's water and utility segment is seasonal with the first and fourth quarters typically generating lower revenue and net earnings.

OTHER ACTIVITIES

The other activities segment includes Terasen International, Terasen's 45.0% interest in Clean Energy and corporate interest and administration charges. In 2004, losses from other activities were $23.6 million, an increase from $23.0 million in 2003. The higher operating loss from other activities was due to lower tax recovery offset by lower corporate expenses. Included in the operating loss from other activities was $3.3 million after-tax gain from Clean Energy's price risk management activities. The Clean Energy hedging gain was associated with Terasen's share of the mark-to-market accounting of Clean Energy's outstanding natural gas positions. In the fourth quarter, losses from other activities increased to $9.3 million, from $8.8 million in the same quarter of 2003, due to lower tax recovery.

DIVIDENDS

The Directors of Terasen Inc. have approved a quarterly dividend increase of 7.1% to $0.225 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 28th day of February, 2005 to Shareholders of record at the close of business on the 25th day of February, 2005. In previous years Terasen has increased its common dividend in the second quarter of the year. The decision to increase the dividend in the first quarter reflects strong results, a positive outlook for 2005 and aligns the dividend increase with the Company's fiscal year.

NON-GAAP MEASURES

Terasen discloses earnings before non-recurring items in order to assist investors in evaluating which components of the Company's earnings are likely to be sustainable in future years. For this purpose, the Company identifies non-recurring items, which are material gains and losses that, in management's opinion, arise from events or circumstances that are not expected to occur on a regular basis. Earnings before non-recurring items do not have any standardized meaning prescribed by generally accepted accounting principles, and therefore may not be comparable to similar measures presented by other Canadian issuers of securities. In 2003, Terasen incurred a non-recurring restructuring charge of $3.4 million after-tax related to the integration of Terasen Gas and TGVI. There were no material non-recurring items in 2004.

CONFERENCE CALL

Terasen will host a conference call at 1:30 p.m. Pacific time (4:30 p.m. Eastern time) today to discuss the 2004 results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen's full 2004 Management's Discussion & Analysis, audited financial statements and the notes, are available on the Company's website: www.terasen.com.

Due to the seasonal nature of the Company's natural gas distribution and water and utility services operations, quarterly earnings statements are not indicative of earnings on an annual basis.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 875,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER". Further information can be found on Terasen's website at www.terasen.com.

HIGHLIGHTS

	Three months ended December 31		*Twelve months ended December 31*	
	2004	2003	**2004**	2003
Financial (in $millions)				
Revenues				
Natural gas distribution	**$ 495.7**	$ 517.6	**$ 1,494.1**	$ 1,497.9
Petroleum transportation	**58.5**	60.0	**225.5**	200.0
Water and utility services	**51.3**	32.9	**201.6**	152.5
Other activities	**10.9**	5.2	**35.8**	26.2
	$ 616.4	$ 615.7	**$ 1,957.0**	$ 1,876.6
Net earnings	**$ 55.6**	$ 52.6	**$ 156.4**	$ 139.4
Earnings applicable to common shares	**$ 53.9**	$ 50.9	**$ 149.8**	$ 132.7
Capital expenditures	**$ 49.6**	$ 63.6	**$ 154.4**	$ 222.9
Total assets			**$ 4,970.6**	$ 4,921.3
Common share data				
Basic earnings per common share	**$ 0.51**	$ 0.49	**$ 1.43**	$ 1.28
Diluted earnings per common share	**$ 0.51**	$ 0.48	**$ 1.42**	$ 1.27
Dividends per common share	**$ 0.210**	$ 0.195	**$ 0.825**	$ 0.765
Common equity per share			**$ 13.04**	$ 12.51
Common shares - weighted average (millions)	**105.0**	104.1	**104.7**	103.8
Natural gas distribution				
Number of gas customers			**875,166**	859,183
Natural gas volumes (in petajoules)				
Sales volumes	**41.4**	43.9	**121.6**	125.6
Transportation volumes	**19.6**	20.2	**72.0**	72.2
Throughput under fixed-price contracts	**5.5**	4.0	**17.5**	12.6
	66.5	68.1	**211.1**	210.4
Petroleum transportation				
Transportation volumes (barrels per day)				
Trans Mountain Canadian mainline	**239,100**	218,500	**236,100**	216,100
Trans Mountain U.S. mainline	**89,300**	57,700	**91,700**	54,600
Express System	**175,400**	174,000	**175,300**	171,200

CONSOLIDATED STATEMENTS OF EARNINGS

In millions of dollars, except per share amounts	*Three months ended December 31* *(unaudited)* **2004**	2003	*Twelve months ended December 31* **2004**	2003
Revenues				
Natural gas distribution	**$ 495.7**	$ 517.6	**$ 1,494.1**	$ 1,497.9
Petroleum transportation	**58.5**	60.0	**225.5**	200.0
Water and utility services	**51.3**	32.9	**201.6**	152.5
Other activities	**10.9**	5.2	**35.8**	26.2
	616.4	615.7	**1,957.0**	1,876.6
Expenses				
Cost of natural gas	**312.4**	333.6	**885.4**	889.7
Cost of revenues from water and utility services and other activities	**72.9**	50.5	**174.3**	132.4
Operation and maintenance	**58.0**	60.5	**302.9**	284.8
Depreciation and amortization	**36.6**	35.9	**147.1**	133.4
Property and other taxes	**17.4**	17.9	**70.1**	69.9
	497.3	498.4	**1,579.8**	1,510.2
Operating income	**119.1**	117.3	**377.2**	366.4
Financing costs	**44.3**	47.3	**166.6**	176.0
Earnings before share of earnings of Express System and income taxes	**74.8**	70.0	**210.6**	190.4
Share of earnings of Express System	**4.6**	3.5	**15.0**	8.0
Earnings before income taxes	**79.4**	73.5	**225.6**	198.4
Income taxes	**23.8**	20.9	**69.2**	59.0
Net earnings	**55.6**	52.6	**156.4**	139.4
Capital securities distributions, net of income taxes	**1.7**	1.7	**6.6**	6.7
Earnings applicable to common shares	**$ 53.9**	$ 50.9	**$ 149.8**	$ 132.7
Common shares – weighted average (millions)	**105.0**	104.1	**104.7**	103.8
Basic earnings per common share	**$ 0.51**	$ 0.49	**$ 1.43**	$ 1.28
Diluted earnings per common share	**$ 0.51**	$ 0.48	**$ 1.42**	$ 1.27

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In millions of dollars *Twelve months ended December 31*	**2004**	2003
Retained earnings, beginning of year	**$ 355.5**	$ 302.2
Net earnings	**156.4**	139.4
	511.9	441.6
Dividends on common shares	**86.4**	79.4
Capital securities distributions, net of income taxes	**6.6**	6.7
	93.0	86.1
Retained earnings, end of year	**$ 418.9**	$ 355.5

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	December 31 2004	December 31 2003
Assets		
Current assets		
Cash and short-term investments	**$ 20.0**	$ 1.5
Accounts receivable	**348.6**	404.3
Inventories of gas in storage and supplies	**189.2**	142.4
Prepaid expenses	**11.2**	13.4
Current portion of rate stabilization accounts	**27.1**	21.6
	596.1	583.2
Property, plant and equipment	**3,892.5**	3,882.4
Investment in Express System	**218.9**	204.6
Goodwill	**128.0**	101.9
Rate stabilization accounts	**60.6**	75.7
Other assets	**74.5**	73.5
	$ 4,970.6	$ 4,921.3
Liabilities and shareholders' equity		
Current liabilities		
Short-term notes	**$ 248.0**	$ 553.9
Accounts payable and accrued liabilities	**369.8**	369.6
Income and other taxes payable	**36.4**	43.9
Current portion of rate stabilization accounts	**27.6**	6.2
Current portion of long-term debt	**416.7**	51.8
	1,098.5	1,025.4
Long-term debt	**2,166.6**	2,301.1
Other long-term liabilities and deferred credits	**140.7**	99.8
Future income taxes	**68.7**	67.5
	3,474.5	3,493.8
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares	**883.4**	868.7
Contributed surplus	**132.5**	131.4
Retained earnings	**418.9**	355.5
Cumulative currency translation adjustment	**(12.7)**	(2.1)
	1,547.1	1,478.5
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,496.1	1,427.5
	$ 4,970.6	$ 4,921.3

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of dollars	Three months ended December 31 (unaudited) 2004	2003	Twelve months ended December 31 2004	2003
Cash flows provided by (used for)				
Operating activities				
Net earnings	**$ 55.6**	$ 52.6	**$ 156.4**	$ 139.4
Adjustments for non-cash items				
Depreciation and amortization	**36.6**	35.9	**147.1**	133.4
Share of earnings from Express System, net of (in excess of) cash distributions	**(4.5)**	(0.6)	**(14.3)**	2.1
Future income taxes	**(5.7)**	1.1	**(0.5)**	9.4
Other	**5.4**	5.9	**7.6**	5.0
	87.4	94.9	**296.3**	289.3
Decrease in rate stabilization accounts	**27.0**	42.5	**31.0**	50.7
Changes in non-cash working capital	**14.6**	(14.7)	**14.7**	(70.2)
	129.0	122.7	**342.0**	269.8
Investing activities				
Property, plant and equipment	**(49.6)**	(63.6)	**(154.4)**	(222.9)
Acquisition of water and utility services businesses	**-**	-	**(57.9)**	-
Acquisition of Express System	**-**	6.0	**-**	(206.7)
Proceeds on the sale of natural gas distribution assets	**57.0**	-	**64.6**	-
Proceeds on the sale of other property, plant and equipment	**0.9**	-	**0.9**	-
Other assets	**(1.6)**	(16.1)	**(13.4)**	(2.3)
	6.7	(73.7)	**(160.2)**	(431.9)
Financing activities				
Increase (decrease) in short-term notes	**(135.0)**	30.4	**(305.9)**	113.9
Increase in long-term debt	**1.5**	1.3	**339.1**	461.4
Reduction of long-term debt	**(60.0)**	(95.3)	**(118.2)**	(340.8)
Issue of common shares, net of issue costs	**3.9**	3.5	**14.7**	10.1
Dividends and distributions on common shares and capital securities	**(23.8)**	(22.0)	**(93.0)**	(86.1)
	(213.4)	(82.1)	**(163.3)**	158.5
Net increase (decrease) in cash	**(77.7)**	(33.1)	**18.5**	(3.6)
Cash at beginning of period	**97.7**	34.6	**1.5**	5.1
Cash at end of period	**$ 20.0**	$ 1.5	**$ 20.0**	$ 1.5
Supplemental cash flow information				
Interest paid in the period	**$ 38.7**	$ 47.1	**$ 162.7**	$ 184.7
Income taxes paid in the period	**7.4**	8.9	**78.1**	47.9

Cash is defined as cash or bank indebtedness.

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News Release

FOR IMMEDIATE RELEASE

NOVEMBER 4, 2004

Terasen Inc. Reports Third Quarter Earnings

Terasen Inc. reported earnings of $89.8 million, or $0.86 per share, for the nine months ended September 30, 2004, compared with $74.0 million, or $0.71 per share, in the first nine months of 2003. On a three month basis, Terasen reported a loss of $1.4 million in the third quarter of 2004, as compared with a loss of $7.6 million in the third quarter of 2003.

“We had a very strong third quarter, primarily driven by increased earnings from our petroleum transportation businesses,” said John Reid, Terasen Inc. president and CEO.

The high levels of throughput on the Trans Mountain mainline and Express System, along with the contribution from the Corridor Pipeline, resulted in increased earnings this quarter, he said.

“We see continued potential in the Alberta oil sands that will positively impact our earnings and future pipeline expansion opportunities. We are actively developing new pipeline opportunities that will add value for both our customers and shareholders.”

Terasen Gas continues to achieve significant efficiencies through integrating its mainland and Vancouver Island utilities. These efficiencies are shared equally between shareholders and customers, and offset the impact of the lower allowed return on equity, Reid said.

The water and utility services division also continues to grow and increase its earnings contributions.

“This division successfully integrated recent acquisitions and we expect it to become an increasingly important contributor to our earnings picture,” Reid added.

“We are continuing our strategy of low-risk, steady growth and we are encouraged by our progress to date and future expansion opportunities.”

The tables below set out the contribution to earnings per share by operating segment for the three months and nine months ended September 30, 2004 and 2003. All per share data has been restated to reflect the two-for-one stock split, which took effect in June, 2004.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts	2004		2003	
Three months ended September 30		Per Share[1]		Per Share[1]
Natural gas distribution				
Terasen Gas	$(24.8)	$ (0.24)	$(25.5)	$ (0.25)
Terasen Gas (Vancouver Island)	6.8	0.07	7.1	0.07
	(18.0)	(0.17)	(18.4)	(0.18)
Petroleum transportation				
Trans Mountain	8.8	0.08	7.9	0.08
Corridor	3.9	0.04	3.8	0.03
Express System	3.8	0.04	2.8	0.03
	16.5	0.16	14.5	0.14
Water and utility services	3.3	0.03	2.2	0.02
Other activities	(3.2)	(0.03)	(5.9)	(0.05)
Earnings applicable to common shares	$ (1.4)	$ (0.01)	$ (7.6)	$ (0.07)

[1]*All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004*

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts	2004		2003	
Nine months ended September 30		Per Share[1]		Per Share[1]
Natural gas distribution				
Terasen Gas	$ 27.4	$ 0.26	$ 27.3	$ 0.26
Terasen Gas (Vancouver Island)	19.8	0.19	18.9	0.18
	47.2	0.45	46.2	0.44
Petroleum transportation				
Trans Mountain	28.2	0.27	25.8	0.25
Corridor	11.8	0.11	6.7	0.06
Express System	11.0	0.11	5.8	0.06
	51.0	0.49	38.3	0.37
Water and utility services	5.9	0.06	3.7	0.04
Other activities	(14.3)	(0.14)	(14.2)	(0.14)
Earnings applicable to common shares	$ 89.8	$ 0.86	$ 74.0	$ 0.71

[1]*All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004*

NATURAL GAS DISTRIBUTION

Earnings from natural gas distribution in the first nine months of 2004 were $47.2 million, compared with $46.2 million in the corresponding period in 2003. Operating efficiencies achieved through the integration of the mainland and Vancouver Island operations, which are shared equally between shareholders and customers, were offset by the lower allowed rate of return on equity. There was no sharing mechanism in place in 2003.

PETROLEUM TRANSPORTATION

For the first nine months of 2004, the earnings contribution from petroleum transportation increased by 33% to $51.0 million, from $38.3 million in the same period of 2003. On a three month basis, earnings from petroleum transportation increased by 14% to $16.5 million from $14.5 million in the third quarter of 2003. The strong operating results were due to solid throughput volumes on Trans Mountain and the Express System, and the contribution from the Corridor Pipeline.

Earnings contribution from Trans Mountain for the three months and nine months ended September 30, 2004 were $0.9 million and $2.4 million higher, respectively, than in the corresponding periods of 2003. Increased throughput on Trans Mountain's mainline and lower operating and maintenance costs contributed to the growth in earnings. Throughput on Trans Mountain's mainline remains strong with average throughput in 2004 of 235,100 bbl/day on the Canadian mainline and 92,500 bbl/day on the U.S. mainline.

The Corridor Pipeline contributed $3.9 million in earnings in the third quarter of 2004 for a year-to-date earnings contribution of $11.8 million. The Corridor Pipeline commenced commercial operations on May 1, 2003.

For the three and nine months ended September 30, 2004, the Express System contributed $3.8 million and $11.0 million in earnings, respectively, compared to $2.8 million and $5.8 million in the same period of 2003. The increase in earnings contribution in the third quarter of 2004 as compared with the corresponding quarter of 2003 is primarily a result of higher throughput. The nine-month 2003 earnings contribution from the Express System was impacted by a $3.8 million foreign exchange loss, which was recorded in the second quarter.

WATER AND UTILITY SERVICES

Water and utility services includes Terasen Waterworks, Terasen Utility Services and Terasen's 30% interest in CustomerWorks LP. Continued growth in the base waterworks and utility service business combined with contributions from Fairbanks and other minor acquisitions contributed to a $2.2 million increase in earnings for the nine months ended September 30, 2004, as compared with the same period of 2003.

OTHER ACTIVITIES

The other activities segment includes Terasen International, Terasen's 44.9% interest in Clean Energy and corporate interest and administration charges. Losses from other activities for the nine months ended September 30, 2004 was substantially unchanged from the corresponding period of 2003. An increase in corporate expenses were offset by a gain in the first nine months of 2004 of $4.3 million, including $2.0 million in the third quarter of 2004, arising from Clean Energy's price risk management activities. The gain was associated with Terasen's share of the mark-to-market accounting of Clean Energy's outstanding natural gas positions. The $2.0 million gain from Clean Energy combined with lower financing costs contributed to the decline in losses from other activities in the third quarter.

DIVIDENDS

The Directors of Terasen Inc. have declared a quarterly dividend of $0.21 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 30th day of November, 2004 to Shareholders of record at the close of business on the 18th day of November, 2004.

Conference Call

Terasen will host a conference call at 12:45 p.m. Pacific time (3:45 p.m. Eastern time) today to discuss the 2004 third quarter results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen's full third quarter 2004 report, including Management's Discussion & Analysis and the notes to the unaudited consolidated financial statements, is available on the Company's website: www.terasen.com.

Due to the seasonal nature of the Company's natural gas distribution and water and utility services operations, quarterly earnings statements are not indicative of earnings on an annual basis.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 866,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER". Further information can be found on Terasen's website at www.terasen.com.

HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2004	2003	**2004**	2003
Financial (in millions)				
Revenues				
Natural gas distribution	**$ 198.8**	$ 193.8	**$ 998.4**	$ 980.3
Petroleum transportation	**56.3**	55.5	**167.0**	140.0
Water and utility services	**62.5**	48.8	**150.3**	119.6
Other activities	**9.5**	6.4	**24.9**	21.0
	$ 327.1	304.5	**$ 1,340.6**	1,260.9
Net earnings	**$ 0.2**	$ (5.9)	**$ 94.7**	$ 79.0
Earnings applicable to common shares	**$ (1.4)**	$ (7.6)	**$ 89.8**	$ 74.0
Capital expenditures	**$ 44.1**	$ 53.6	**$ 104.8**	$ 159.3
Total assets			**$ 4,973.9**	$ 4,820.4
Common share data				
Basic earnings per common share	**$ (0.01)**	$ (0.07)	**$ 0.86**	$ 0.71
Diluted earnings per common share	**$ (0.01)**	$ (0.07)	**$ 0.85**	$ 0.71
Dividends per common share	**$ 0.210**	$ 0.195	**$ 0.615**	$ 0.570
Common equity per share			**$ 12.71**	$ 12.15
Common shares - weighted average (millions)	**104.8**	103.9	**104.6**	103.7
Natural gas distribution				
Number of gas customers			**866,311**	**851,551**
Natural gas volumes (in petajoules)				
Sales volumes	**12.6**	12.0	**80.2**	81.7
Transportation volumes	**14.5**	6.4	**50.5**	44.7
Throughput under fixed-price contracts	**6.0**	11.2	**13.9**	15.9
	33.1	29.6	**144.6**	142.3
Petroleum transportation				
Transportation volumes (barrels per day)				
Trans Mountain Canadian mainline	**241,100**	233,100	**235,100**	215,300
Trans Mountain U.S. mainline	**86,900**	55,700	**92,500**	53,600
Express System	**178,200**	**174,700**	**175,200**	170,300

CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

In millions of dollars, except per share amounts	*Three months ended September 30* **2004**	2003	*Nine months ended September 30* **2004**	2003
Revenues				
Natural gas distribution	**$ 198.8**	$ 193.8	**$ 998.4**	$ 980.3
Petroleum transportation	**56.3**	55.5	**167.0**	140.0
Water and utility services	**62.5**	48.8	**150.3**	119.6
Other activities	**9.5**	6.4	**24.9**	21.0
	327.1	304.5	**1,340.6**	1,260.9
Expenses				
Cost of natural gas	**95.3**	90.8	**573.0**	556.1
Operation and maintenance	**81.1**	78.1	**244.9**	224.3
Depreciation and amortization	**36.7**	34.8	**110.5**	97.5
Property and other taxes	**17.1**	17.5	**52.7**	52.0
Cost of revenues from water and utility services and other activities	**42.0**	34.4	**101.4**	81.9
	272.2	255.6	**1,082.5**	1,011.8
Operating income	**54.9**	48.9	**258.1**	249.1
Financing costs	**39.5**	45.6	**122.3**	128.7
Earnings before share of earnings of Express System and income taxes	**15.4**	3.3	**135.8**	120.4
Share of earnings of Express System (note 5(b))	**3.7**	2.3	**10.4**	4.5
Earnings before income taxes	**19.1**	5.6	**146.2**	124.9
Income taxes	**18.9**	11.5	**51.5**	45.9
Net earnings (loss)	**0.2**	(5.9)	**94.7**	79.0
Capital securities distributions, net of income taxes	**1.6**	1.7	**4.9**	5.0
Earnings (loss) applicable to common shares	**$ (1.4)**	$ (7.6)	**$ 89.8**	$ 74.0
Common shares – weighted average (millions)	**104.8**	103.9	**104.6**	103.7
Basic earnings (loss) per common share (notes 3 and 9)	**$ (0.01)**	$ (0.07)	**$ 0.86**	$ 0.71
Diluted earnings (loss) per common share (notes 3 and 9)	**$ (0.01)**	$ (0.07)	**$ 0.85**	$ 0.71

Consolidated Statements of Retained Earnings
(unaudited)

In millions of dollars *Nine months ended September 30*	**2004**	2003
Retained earnings, beginning of period	**$ 355.5**	$ 302.2
Net earnings	**94.7**	79.0
	450.2	381.2
Dividends on common shares	**64.3**	59.1
Capital securities distributions, net of income taxes	**4.9**	5.0
	69.2	64.1
Retained earnings, end of period	**$ 381.0**	$ 317.1

Consolidated Statements of Financial Position

In millions of dollars	**September 30 2004** (UNAUDITED)	December 31 2003
Assets		
Current assets		
Cash and short-term investments	**$ 97.7**	$ 1.5
Accounts receivable	**218.4**	404.3
Inventories of gas in storage and supplies	**234.6**	142.4
Prepaid expenses	**6.7**	13.4
Income and other taxes recoverable	**1.8**	-
Current portion of rate stabilization accounts	**16.5**	15.4
	575.7	577.0
Property, plant and equipment	**3,909.8**	3,882.4
Investment in Express System (note 5(b))	**214.4**	204.6
Goodwill	**130.0**	101.9
Rate stabilization accounts	**70.6**	75.7
Other assets	**73.4**	73.5
	$ 4,973.9	$ 4,915.1
Liabilities and shareholders' equity		
Current liabilities		
Short-term notes	**$ 383.0**	$ 553.9
Accounts payable and accrued liabilities	**303.7**	366.6
Income and other taxes payable	**-**	43.9
Current portion of long-term debt	**446.1**	51.8
	1,132.8	1,016.2
Long-term debt	**2,196.3**	2,301.1
Other long-term liabilities and deferred credits	**112.4**	102.8
Future income taxes	**74.4**	67.5
	3,515.9	3,487.6
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares (note 3)	**879.5**	868.7
Contributed surplus (note 8)	**132.2**	131.4
Retained earnings	**381.0**	355.5
Cumulative currency translation adjustment (note 2 (c))	**(8.7)**	(2.1)
	1,509.0	1,478.5
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,458.0	1,427.5
	$ 4,973.9	$ 4,915.1

Consolidated Statements of Cash Flows

(Unaudited)

In millions of dollars	*Three months ended September 30* **2004**	2003	*Nine months ended September 30* **2004**	2003
Cash flows provided by (used for)				
Operating activities				
Net earnings	**$ 0.2**	$ (5.9)	**$ 94.7**	$ 79.0
Adjustments for non-cash items				
Depreciation and amortization	**36.7**	34.8	**110.5**	97.5
Share of earnings from Express System, net of (in excess of) cash distributions	**(2.7)**	(2.3)	**(9.8)**	2.7
Future income taxes	**3.1**	3.4	**5.2**	8.3
Other	**3.4**	2.2	**8.3**	6.9
	40.7	32.2	**208.9**	194.4
Decrease (increase) in rate stabilization accounts	**(9.7)**	(25.4)	**4.0**	8.2
Changes in non-cash working capital	**(69.9)**	(36.2)	**0.1**	(55.5)
	(38.9)	(29.4)	**213.0**	147.1
Investing activities				
Property, plant and equipment	**(44.1)**	(53.6)	**(104.8)**	(159.3)
Acquisition of water and utility businesses (note 5 (a))	**(57.9)**	-	**(57.9)**	-
Acquisition of Express System (note 5(b))	**-**	-	**-**	(212.7)
Proceeds on the sale of natural gas distribution assets	**-**	-	**7.6**	-
Other assets	**(3.0)**	4.5	**(11.8)**	13.8
	(105.0)	(49.1)	**(166.9)**	(358.2)
Financing activities				
Increase (decrease) in short-term notes	**132.0**	35.5	**(170.9)**	83.5
Increase in long-term debt	**125.8**	150.4	**337.6**	460.1
Reduction of long-term debt	**(11.9)**	(53.0)	**(58.2)**	(245.5)
Issue of common shares, net of issue costs	**1.9**	0.7	**10.8**	6.6
Dividends and distributions on common shares and capital securities	**(23.5)**	(22.0)	**(69.2)**	(64.1)
	224.3	111.6	**50.1**	240.6
Net increase in cash	**80.4**	33.1	**96.2**	29.5
Cash at beginning of period	**17.3**	1.5	**1.5**	5.1
Cash at end of period	**$ 97.7**	$ 34.6	**$ 97.7**	$ 34.6
Supplemental cash flow information				
Interest paid in the period	**$ 42.1**	$ 47.8	**$ 124.0**	$ 137.6
Income taxes paid in the period	**26.5**	7.2	**70.7**	39.0

Cash is defined as cash or bank indebtedness.

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News Release

FOR IMMEDIATE RELEASE

JULY 29, 2004

Terasen Inc. Reports Second Quarter Earnings

Terasen Inc. reported earnings of $91.2 million, or $0.87 per share, for the six months ended June 30, 2004, compared with $81.6 million, or $0.79 per share, in the first six months of 2003. On a three month basis, Terasen reported earnings of $10.6 million, or $0.10 per share, for the second quarter ended June 30, 2004, up from $8.2 million, or $0.08 per share, in the second quarter of 2003.

"All of our operating businesses delivered solid performances in the second quarter," said John Reid, Terasen president and CEO.

"Earnings growth was again driven by our petroleum transportation business, which is benefiting from the high levels of throughput on the Trans Mountain mainline and Express System, and the contribution from the Corridor Pipeline. Our core markets, particularly in the U.S., continue to drive demand for oil products from the Alberta oil sands. This has a positive impact on our current earnings and the outlook for future pipeline expansion opportunities."

Terasen Gas has achieved significant efficiencies through the integration of its mainland and Vancouver Island utilities, thereby offsetting the impact of its lower allowed return on equity and the recently implemented earnings sharing mechanism, Reid said.

Our water and utility services division continues to expand and has successfully integrated some minor acquisitions, he added.

"We continue to follow our strategy of low-risk, steady growth and we are encouraged by our progress to date and future expansion opportunities."

The tables below set out the contribution to earnings per share by operating segment for the three months and six months ended June 30, 2004 and 2003. All per share data has been restated to reflect the two-for-one stock split, which took effect in June, 2004.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts / *Three months ended June 30*	2004	2004 Per Share[1]	2003	2003 Per Share[1]
Natural gas distribution				
Terasen Gas	$ (8.5)	$ (0.08)	$ (8.3)	$ (0.08)
Terasen Gas (Vancouver Island)	6.3	0.06	5.8	0.06
	(2.2)	(0.02)	(2.5)	(0.02)
Petroleum transportation				
Trans Mountain	9.0	0.08	9.6	0.09
Corridor	4.0	0.04	2.9	0.03
Express System	3.2	0.03	(0.3)	0.00
	16.2	0.15	12.2	0.12
Water and utility services	2.6	0.02	2.1	0.02
Other activities	(6.0)	(0.05)	(3.6)	(0.04)
Earnings applicable to common shares	$ 10.6	$ 0.10	$ 8.2	$ 0.08

[1] *All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004*

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

In millions of dollars, except per share amounts / *Six months ended June 30*	2004	2004 Per Share[1]	2003	2003 Per Share[1]
Natural gas distribution				
Terasen Gas	$ 52.2	$ 0.50	$ 52.8	$ 0.51
Terasen Gas (Vancouver Island)	13.0	0.12	11.8	0.11
	65.2	0.62	64.6	0.62
Petroleum transportation				
Trans Mountain	19.4	0.18	17.9	0.17
Corridor	7.9	0.08	2.9	0.03
Express System	7.2	0.07	3.0	0.03
	34.5	0.33	23.8	0.23
Water and utility services	2.6	0.02	1.5	0.02
Other activities	(11.1)	(0.10)	(8.3)	(0.08)
Earnings applicable to common shares	$ 91.2	$ 0.87	$ 81.6	$ 0.79

[1] *All per share amounts have been restated to reflect the 2-for-1 share split, which took effect in June 2004*

NATURAL GAS DISTRIBUTION

Earnings from natural gas distribution in the six months of 2004 were $65.2 million, compared with $64.6 million in the corresponding period in 2003. Operating efficiencies achieved through the integration of the mainland and Vancouver Island operations were offset by the lower allowed rate of return on equity and implementation of a 50/50 over-earnings sharing mechanism for Terasen Gas. There was no sharing mechanism in place in 2003.

Petroleum Transportation

For the first six months of 2004, the earnings contribution from petroleum transportation increased by 45% to $34.5 million, from $23.8 million in the same period of 2003. On a three month basis, earnings from petroleum transportation increased by 33% to $16.2 million from $12.2 million in the second quarter of 2003. The strong operating results were due to solid throughput volumes on Trans Mountain and the Express System, and the contribution from the Corridor Pipeline.

The earnings contribution from Trans Mountain increased by $1.5 million in the first six months of 2004 to $19.4 million, as compared with $17.9 million in 2003. Trans Mountain's earnings in the second quarter were $9.0 million, down $0.6 million from the second quarter of 2003 as a result of a lower effective toll. Throughput on Trans Mountain's mainline remains strong with average throughput in 2004 of 231,900 bbl/day on the Canadian mainline and 95,300 bbl/day on the U.S. mainline.

The Corridor Pipeline contributed $4.0 million in earnings in the second quarter of 2004 for a year-to-date earnings contribution of $7.9 million. The Corridor Pipeline commenced commercial operations on May 1, 2003.

For the six month period and three month period ended June 30, 2004, the Express System contributed $7.2 million and $3.2 million in earnings, respectively, compared to $3.0 million and ($0.3) million in the same period of 2003. Second quarter 2003 earnings from the Express System were impacted by a $3.8 million foreign exchange loss.

Water and Utility Services

Water and utility services includes Terasen Waterworks, Terasen Utility Services and Terasen's 30% interest in CustomerWorks LP. Earnings contribution from water and utility services was $2.6 million in the first half of 2004, up 73% from the $1.5 million contribution in the first six months of 2003. Increased earnings were a result of growth in the base waterworks and utility service business, as well as contributions from minor acquisitions.

Other Activities

The other activities segment includes Terasen International, Terasen's 44.6% interest in Clean Energy and corporate interest and administration charges. For the first six months of 2004, the losses from other activities increased to $11.1 million from a loss of $8.3 million in 2003. An increase in interest expense and income tax was partially offset by a gain in the first half of 2004 of $2.3 million, including $0.6 million in the second quarter of 2004, arising from Clean Energy's price risk management activities. The gain was associated with Terasen's share of the mark-to-market accounting of Clean Energy's outstanding natural gas positions.

Dividends

The Directors of Terasen Inc. have declared a quarterly dividend of $0.21 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 31st day of August, 2004 to Shareholders of record at the close of business on the 17th day of August, 2004.

Stock Split

During the quarter, the Company effected a two-for-one stock split by way of a stock dividend. The stock dividend was paid on June 14, 2004 to shareholders of record on June 7, 2004. All current and historical financial results presented in this report have been restated to reflect the stock split.

Conference Call

Terasen will host a conference call at 1:00 p.m. Pacific time (4:00 p.m. Eastern time) today to discuss the 2004 second quarter results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen's full second quarter 2004 report, including Management's Discussion & Analysis and the notes to the unaudited consolidated financial statements, is available on the Company's website: www.terasen.com.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 862,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER". Further information can be found on the Terasen's website at www.terasen.com.

HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2004	2003	**2004**	2003
Financial (in millions)				
Revenues				
Natural gas distribution	**$ 248.1**	$ 299.2	**$ 799.6**	$ 786.5
Petroleum transportation	**54.9**	50.3	**110.7**	84.5
Water and utility services	**53.6**	42.5	**87.8**	70.8
Other activities	**9.2**	8.4	**19.2**	14.6
	$ 365.8	$ 400.4	**$ 1,017.3**	$ 956.4
Net earnings	**$ 12.3**	$ 9.8	**$ 94.5**	$ 84.9
Earnings applicable to common shares	**$ 10.6**	$ 8.2	**$ 91.2**	$ 81.6
Capital expenditures	**$ 31.8**	$ 62.2	**$ 60.7**	$ 105.7
Total assets			**$ 4,778.3**	$ 4,738.0
Common share data				
Basic earnings per common share	**$ 0.10**	$ 0.08	**$ 0.87**	$ 0.79
Diluted earnings per common share	**$ 0.10**	$ 0.08	**$ 0.87**	$ 0.78
Dividends per common share	**$ 0.21**	$ 0.195	**$ 0.405**	$ 0.375
Common equity per share			**$ 13.00**	$ 12.42
Common shares - weighted average (millions)	**104.7**	103.8	**104.6**	103.6
Natural gas distribution				
Number of gas customers			**862,752**	851,261
Natural gas volumes (in petajoules)				
Sales volumes	**18.3**	22.8	**67.6**	69.7
Transportation volumes	**14.1**	17.3	**36.0**	38.3
Throughput under fixed-price contracts	**3.7**	3.1	**7.9**	4.7
	36.1	43.2	**111.5**	112.7
Petroleum transportation				
Transportation volumes (barrels per day)				
Trans Mountain Canadian mainline	**223,500**	210,600	**231,900**	206,200
Trans Mountain U.S. mainline	**97,400**	55,300	**95,300**	52,600
Express System	**176,200**	167,300	**173,800**	168,100

Consolidated Statements of Earnings
(Unaudited)

In millions of dollars, except per share amounts	*Three months ended June 30* **2004**	2003	*Six months ended June 30* **2004**	2003
Revenues				
Natural gas distribution	**$ 248.1**	$ 299.2	**$ 799.6**	$ 786.5
Petroleum transportation	**54.9**	50.3	**110.7**	84.5
Water and utility services	**53.6**	42.5	**87.8**	70.8
Other activities	**9.2**	8.4	**19.2**	14.6
	365.8	400.4	**1,017.3**	956.4
Expenses				
Cost of natural gas	**125.8**	176.5	**477.7**	465.3
Operation and maintenance	**82.0**	75.1	**163.8**	146.2
Depreciation and amortization	**37.8**	33.1	**73.8**	62.7
Property and other taxes	**17.5**	17.2	**35.6**	34.5
Cost of revenues from water and utility services and other activities	**40.5**	30.2	**63.2**	47.5
	303.6	332.1	**814.1**	756.2
Operating income	**62.2**	68.3	**203.2**	200.2
Financing costs	**40.2**	43.8	**82.8**	83.1
Earnings before share of earnings of Express System and income taxes	**22.0**	24.5	**120.4**	117.1
Share of earnings of Express System (note 5)	**2.9**	(0.7)	**6.7**	2.2
Earnings before income taxes	**24.9**	23.8	**127.1**	119.3
Income taxes	**12.6**	14.0	**32.6**	34.4
Net earnings	**12.3**	9.8	**94.5**	84.9
Capital securities distributions, net of income taxes	**1.7**	1.6	**3.3**	3.3
Earnings applicable to common shares	**$ 10.6**	$ 8.2	**$ 91.2**	$ 81.6
Common shares – weighted average (millions)	**104.7**	103.8	**104.6**	103.6
Basic earnings per common share (notes 3 and 9)	**$ 0.10**	$ 0.08	**$ 0.87**	$ 0.79
Diluted earnings per common share (notes 3 and 9)	**$ 0.10**	$ 0.08	**$ 0.87**	$ 0.78

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(UNAUDITED)

In millions of dollars *Six months ended June 30*	**2004**	2003
Retained earnings, beginning of period	**$ 355.5**	$ 302.2
Net earnings	**94.5**	84.9
	450.0	387.1
Dividends on common shares	**42.4**	38.8
Capital securities distributions, net of income taxes	**3.3**	3.3
	45.7	42.1
Retained earnings, end of period	**$ 404.3**	$ 345.0

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	June 30 2004 (UNAUDITED)	December 31 2003
Assets		
Current assets		
Cash and short-term investments	**$ 17.3**	$ 1.5
Accounts receivable	**280.1**	404.3
Inventories of gas in storage and supplies	**135.1**	142.4
Prepaid expenses	**8.5**	13.4
Current portion of rate stabilization accounts	**11.8**	15.4
	452.8	577.0
Property, plant and equipment	**3,874.5**	3,882.4
Investment in Express System (note 5)	**211.7**	204.6
Goodwill	**108.2**	101.9
Rate stabilization accounts	**65.6**	75.7
Other assets	**65.5**	73.5
	$ 4,778.3	$ 4,915.1
Liabilities and shareholders' equity		
Current liabilities		
Short-term notes	**$ 251.0**	$ 553.9
Accounts payable and accrued liabilities	**303.2**	364.5
Income and other taxes payable	**38.9**	43.9
Current portion of long-term debt	**96.2**	51.8
	689.3	1,014.1
Long-term debt	**2,422.2**	2,301.1
Other long-term liabilities and deferred credits	**109.4**	102.8
Future income taxes	**69.6**	67.5
	3,290.5	3,485.5
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares (note 3)	**877.6**	868.7
Contributed surplus	**131.9**	131.4
Retained earnings	**404.3**	355.5
	1,538.8	1,480.6
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,487.8	1,429.6
	$ 4,778.3	$ 4,915.1

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

In millions of dollars	Three months ended June 30 **2004**	Three months ended June 30 2003	Six months ended June 30 **2004**	Six months ended June 30 2003
Cash flows provided by (used for)				
Operating activities				
Net earnings	**$ 12.3**	$ 9.8	**$ 94.5**	$ 84.9
Adjustments for non-cash items				
Depreciation and amortization	**37.8**	33.1	**73.8**	62.7
Share of earnings from Express System, net of (in excess of) cash distributions	**(3.2)**	7.9	**(7.1)**	5.0
Future income taxes	**(0.2)**	2.5	**2.1**	4.9
Other	**2.0**	3.6	**4.9**	4.7
	48.7	56.9	**168.2**	162.2
Decrease in rate stabilization accounts	**2.2**	23.1	**13.7**	33.6
Changes in non-cash working capital	**32.8**	(17.8)	**70.0**	(19.3)
	83.7	62.2	**251.9**	176.5
Investing activities				
Property, plant and equipment	**(31.8)**	(62.2)	**(60.7)**	(105.7)
Acquisition of Express System (note 5)	**-**	-	**-**	(212.7)
Proceeds on the sale of natural gas distribution assets	**-**	-	**7.6**	-
Other assets	**(2.7)**	(0.4)	**(8.8)**	9.3
	(34.5)	(62.6)	**(61.9)**	(309.1)
Financing activities				
Increase (decrease) in short-term notes	**(181.5)**	73.0	**(302.9)**	48.0
Increase in long-term debt	**150.5**	114.5	**211.8**	309.7
Reduction of long-term debt	**(10.9)**	(187.2)	**(46.3)**	(192.5)
Issue of common shares, net of issue costs	**1.2**	3.6	**8.9**	5.9
Dividends and distributions on common shares and capital securities	**(23.8)**	(21.8)	**(45.7)**	(42.1)
	(64.5)	(17.9)	**(174.2)**	129.0
Net increase (decrease) in cash	**(15.3)**	(18.3)	**15.8**	(3.6)
Cash at beginning of period	**32.6**	19.8	**1.5**	5.1
Cash at end of period	**$ 17.3**	$ 1.5	**$ 17.3**	$ 1.5
Supplemental cash flow information				
Interest paid in the period	**$ 37.2**	$ 41.1	**$ 81.9**	$ 89.8
Income taxes paid in the period	**10.4**	6.7	**44.2**	31.8

Cash is defined as cash or bank indebtedness.

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News Release

FOR IMMEDIATE RELEASE

APRIL 22, 2004

Terasen Inc. reports first quarter earnings

Earnings applicable to common shares for Terasen Inc. were $80.6 million for the three months ended March 31, 2004 according to financial reports the company released today. Terasen had comparable earnings of $73.4 million for the same period last year. Earnings per share for the first quarter of 2004 were $1.54, up eight per cent from the $1.42 per share reported in the first quarter of 2003.

"Our first quarter operating performance was very positive," said John Reid, Terasen president and CEO. "In particular, our petroleum transportation business delivered excellent growth driven by high levels of throughput on the Trans Mountain mainline and the contribution from the Corridor Pipeline. Increased demand for oil from the Alberta oil sands, particularly in the U.S. markets, means that Terasen has significant growth potential for future pipeline expansion opportunities."

The company's natural gas distribution business performed well in achieving significant efficiencies through integration of our mainland and Vancouver Island utilities. These efficiencies overall have offset the impact of the utilities' lower allowed return on equity and the recently implemented sharing mechanism, he added.

"We also achieved a key milestone in the water and utility services business as we announced our agreement to purchase an interest in Fairbanks Sewer & Water," Reid said. "Fairbanks provides a model for other opportunities in Western North America as a successful example of a municipality that has transferred its water utility to private ownership and operation.

"Our focus on strengthening and expanding our base businesses continues to generate attractive infrastructure growth opportunities."

The tables below set out the contribution to earnings per share by operating segment for the three months ended March 31, 2004 and 2003. The segmented operating results have been restated to reflect the increasing significance of Terasen's water and utility services business. The water and utility services segment, which was previously included in other activities, includes Terasen Waterworks and Terasen Utility Services, as well as Terasen's 30 per cent share of CustomerWorks LP.

Earnings (Loss) Applicable To Common Shares

In millions of dollars, except per share amounts	Three months ended March 31 2004	2004 Per Share	2003	2003 Per Share
Natural gas distribution				
Terasen Gas	$ 60.7	$ 1.16	$ 61.1	$ 1.18
Terasen Gas (Vancouver Island)	6.7	0.13	6.0	0.12
	67.4	1.29	67.1	1.30
Petroleum transportation				
Trans Mountain	10.4	0.20	8.3	0.16
Corridor	3.9	0.07	-	-
Express System	4.0	0.08	3.3	0.06
	18.3	0.35	11.6	0.22
Water and utility services	0.0	0.00	(0.6)	(0.01)
Other activities	(5.1)	(0.10)	(4.7)	(0.09)
Earnings applicable to common shares	$ 80.6	$ 1.54	$ 73.4	$ 1.42

NATURAL GAS DISTRIBUTION

Earnings from natural gas distribution in the first quarter of 2004 were $67.4 million, compared with $67.1 million in the corresponding quarter of 2003. Operating efficiencies achieved through the integration of the mainland and Vancouver Island operations were offset by the lower allowed rate of return on equity and implementation of a 50/50 over-earnings sharing mechanism for Terasen Gas. There was no sharing mechanism in place prior to a new performance-based rate settlement coming into effect in January 2004.

PETROLEUM TRANSPORTATION

In the first quarter of 2004, earnings from petroleum transportation were $18.3 million, up from $11.6 million in the first quarter of 2003. The solid operating earnings were due to strong throughput volumes on Trans Mountain and the contribution from the Corridor Pipeline.

The earnings contribution from Trans Mountain increased by $2.1 million in the first quarter of 2004 to $10.4 million as compared with $8.3 million in 2003. The increase in earnings was mainly as a result of higher throughput levels on the Canadian and U.S. mainlines. In the first quarter of 2004, total throughput on the Trans Mountain Canadian mainline increased by 19% and total throughput on the U.S. mainline increased by 87% as compared with the first quarter of 2003.

The Corridor Pipeline contributed $3.9 million in earnings in the first quarter of 2004. The Corridor Pipeline commenced commercial operations on May 1, 2003. The Express System contributed $4.0 million in earnings in the first quarter of 2004, compared with $3.3 million in the same quarter of 2003.

WATER AND UTILITY SERVICES

Operating results for water and utility services were break-even in the first quarter of 2004, an improvement from a loss of $0.6 million in the same quarter of 2003. Earnings from Terasen water and utility services are typically weaker in the first and fourth quarters, reflecting seasonal patterns of new construction.

Recently, Terasen announced that it entered into an agreement to acquire a 50 per cent interest in Fairbanks Sewer and Water Inc. (FSW). FSW, which is privately held, provides water and wastewater treatment and water distribution services to Fairbanks, Alaska, a city of 82,000 residents. Terasen is paying approximately US$30 million for its 50 per cent interest, and has an option to acquire the remaining 50 per cent at fair market value in 2009. The transaction is subject to regulatory approvals, and is expected to be finalized in the summer of 2004.

OTHER ACTIVITIES

The other activities segment includes Terasen International, Terasen's 44.2% interest in Clean Energy and corporate interest and administration charges. During the quarter the loss from other activities increased to $5.1 million from $4.7 million in the same quarter of 2003. An increase in interest expense and income tax was partially offset by a gain of $1.7 million arising from Clean Energy's price risk management activities. The gain was associated with Terasen's share of the mark-to-market accounting of Clean Energy's outstanding natural gas positions.

DIVIDENDS

The Directors of Terasen Inc. have declared a quarterly dividend of $0.42 per share on the issued and outstanding common shares of Terasen Inc. This represents a 7.7% increase over the previous rate of $0.39. The dividend is payable on the 31st day of May, 2004 to Shareholders of record at the close of business on the 17th day of May, 2004.

STOCK SPLIT

The Board of Directors has approved a two-for-one stock split. The stock split will be effected by a stock dividend of one new share for each common share held, payable on June 14, 2004 to shareholders of record on June 7, 2004. The stock split and dividend increase reflect Terasen's achievements over the past several years, and our confidence in the company's future prospects. No income tax will be payable by Canadian residents in respect of the stock dividend and non-resident shareholders will not be subject to any Canadian withholding tax on the stock dividend.

Terasen will host a conference call at 1:30 p.m. Pacific time (4:30 p.m. Eastern time) today to discuss the 2004 first quarter results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), the company distributes natural gas to more than 862,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER".

Terasen Inc.

HIGHLIGHTS

	Three months ended March 31	
	2004	2003
FINANCIAL (*in millions*)		
Revenues		
Natural gas distribution	**$ 551.5**	$ 487.3
Petroleum transportation	**55.8**	34.2
Water and utility services	**34.2**	28.3
Other activities	**10.0**	6.2
	$ 651.5	$ 556.0
Net earnings	**$ 82.2**	$ 75.1
Earnings applicable to common shares	**$ 80.6**	$ 73.4
Capital expenditures	**$ 28.9**	$ 43.5
Total assets	**$ 4,843.6**	$ 4,832.3
COMMON SHARE DATA		
Basic earnings per common share	**$ 1.54**	$ 1.42
Diluted earnings per common share	**$ 1.53**	$ 1.41
Dividends per common share	**$ 0.39**	$ 0.36
Common equity per common share	**$ 26.24**	$ 25.06
Common shares - weighted average *(millions)*	**52.2**	51.7
NATURAL GAS DISTRIBUTION		
Number of gas customers	**862,631**	851,922
Natural gas volumes *(in petajoules)*		
Sales volumes	**49.3**	46.9
Transportation volumes	**21.9**	21.0
Throughput under fixed-price contracts	**4.2**	1.6
	75.4	69.5
PETROLEUM TRANSPORTATION		
Transportation volumes *(barrels per day)*		
Trans Mountain Canadian mainline	**240,400**	201,700
Trans Mountain U.S. mainline (included in Canadian mainline)	**93,300**	49,900
Express System	**171,300**	168,900

Terasen Inc.

CONSOLIDATED STATEMENTS OF EARNINGS – unaudited

In millions of dollars, except per share amounts	Three months ended March 31 **2004**	2003
REVENUES		
Natural gas distribution	**$ 551.5**	$ 487.3
Petroleum transportation	**55.8**	34.2
Water and utility services	**34.2**	28.3
Other activities	**10.0**	6.2
	651.5	556.0
EXPENSES		
Cost of natural gas	**351.9**	288.8
Operation and maintenance	**81.8**	71.1
Depreciation and amortization	**36.0**	29.6
Property and other taxes	**18.1**	17.3
Cost of revenues from water and utility services and other activities	**22.7**	17.3
	510.5	424.1
OPERATING INCOME	**141.0**	131.9
Financing costs	**42.6**	39.3
Earnings before share of earnings of Express System and income taxes	**98.4**	92.6
Share of earnings of Express System (note 4)	**3.8**	2.9
Earnings before income taxes	**102.2**	95.5
Income taxes	**20.0**	20.4
NET EARNINGS	**82.2**	75.1
Capital securities distributions, net of income taxes	**1.6**	1.7
EARNINGS APPLICABLE TO COMMON SHARES	**$ 80.6**	$ 73.4
Common shares – weighted average (millions)	**52.2**	51.7
BASIC EARNINGS PER COMMON SHARE (note 7)	**$ 1.54**	$ 1.42
DILUTED EARNINGS PER COMMON SHARE (note 7)	**$ 1.53**	$ 1.41

Terasen Inc.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS – unaudited

In millions of dollars	Three months ended March 31 **2004**	 2003
Retained earnings, beginning of period	**$ 355.5**	$ 302.2
Net earnings	**82.2**	75.1
	437.7	377.3
Dividends on common shares	**20.3**	18.6
Capital securities distributions, net of income taxes	**1.6**	1.7
	21.9	20.3
Retained earnings, end of period	**$ 415.8**	$ 357.0

Terasen Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	**March 31 2004 (unaudited)**	December 31 2003
ASSETS		
Current assets		
Cash and short-term investments	**$ 32.6**	$ 1.5
Accounts receivable	**386.0**	404.3
Inventories of gas in storage and supplies	**75.0**	142.4
Prepaid expenses	**10.1**	13.4
Current portion of rate stabilization accounts	**13.5**	15.4
	517.2	577.0
Property, plant and equipment	**3,869.9**	3,882.4
Investment in Express System (note 4)	**208.5**	204.6
Goodwill	**107.8**	101.9
Rate stabilization accounts	**66.1**	75.7
Other assets	**74.1**	73.5
	$ 4,843.6	$ 4,915.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes	**$ 432.5**	$ 553.9
Accounts payable and accrued liabilities	**311.7**	364.5
Income and other taxes payable	**44.9**	43.9
Current portion of long-term debt	**91.4**	51.8
	880.5	1,014.1
Long-term debt	**2,287.4**	2,301.1
Other long-term liabilities and deferred credits	**108.1**	102.8
Future income taxes	**69.8**	67.5
	3,345.8	3,485.5
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares	**876.4**	868.7
Contributed surplus	**131.6**	131.4
Retained earnings	**415.8**	355.5
	1,548.8	1,480.6
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,497.8	1,429.6
	$ 4,843.6	$ 4,915.1

Terasen Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - unaudited

In millions of dollars	Three months ended March 31 **2004**	2003
Cash flows provided by (used for)		
OPERATING ACTIVITIES		
Net earnings	**$ 82.2**	$ 75.1
Adjustments for non-cash items		
Depreciation and amortization	**36.0**	29.6
Share of earnings from Express System, net of (in excess of) cash distributions	**(3.9)**	(2.9)
Future income taxes	**2.3**	2.4
Other	**2.9**	1.1
	119.5	105.3
Decrease in rate stabilization accounts	**11.5**	10.5
Changes in non-cash working capital	**37.2**	(1.5)
	168.2	114.3
INVESTING ACTIVITIES		
Property, plant and equipment	**(28.9)**	(43.5)
Acquisition of Express System (note 4)	**-**	(212.7)
Proceeds on the sale of natural gas distribution assets	**7.6**	-
Other assets	**(6.1)**	9.7
	(27.4)	(246.5)
FINANCING ACTIVITIES		
Decrease in short-term notes	**(121.4)**	(25.0)
Increase in long-term debt	**61.3**	195.2
Reduction of long-term debt	**(35.4)**	(5.3)
Issue of common shares, net of issue costs	**7.7**	2.3
Dividends and distributions on common shares and capital securities	**(21.9)**	(20.3)
	(109.7)	146.9
Net increase in cash	**31.1**	14.7
Cash at beginning of period	**1.5**	5.1
Cash at end of period	**$ 32.6**	$ 19.8
Supplemental cash flow information		
Interest paid in the period	**$ 44.7**	$ 48.7
Income taxes paid in the period	**33.8**	25.1

Cash is defined as cash or bank indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - unaudited:

1. BASIS OF PRESENTATION

The accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Company's year end audited consolidated financial statements of December 31, 2003, except as set out in note 2. These consolidated financial statements do not include all disclosures required for annual financial statements, and therefore these statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2003, as set out in the 2003 Annual Report.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Asset Retirement Obligations

On January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants (CICA) new standard for recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. Under the new standard the fair value of a liability for an asset retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset, which is then expensed over the asset's estimated useful life. The liability is accreted over the estimated useful life of the asset through charges to expenses.

As the fair value of future removal and site restoration costs are not currently determinable, the adoption of this policy does not result in the recording of an asset retirement liability and therefore the financial statements have not been impacted by this new standard. In addition, for regulated operations there is a reasonable expectation that asset retirement costs would be recoverable through future rates.

(b) Hedging Relationships

Effective January 1, 2004, the Company adopted the new accounting guideline on hedging relationships which specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation, and effectiveness of hedges. The guideline also identifies situations where hedge accounting is to be discontinued. The Company has met the criteria for all designated hedging relationships. The accounting treatment for financial instruments substantially conforms with those used in the Company's most recent annual consolidated financial statements.

3. SEGMENT DISCLOSURES

Three months ended March 31 *(in millions of dollars)*

2004	Natural gas distribution	Petroleum transportation	Water & utility services	Other activities	Total
Revenues	$ 551.5	$ 55.8	$ 34.2	$ 10.0	$ 651.5
Net earnings (loss)	67.4	18.3	-	(3.5)	82.2
Earnings (loss) applicable to common shares	67.4	18.3	-	(5.1)	80.6
Total assets	3,305.0	1,331.2	141.3	66.1	4,843.6
2003					
Revenues	$ 487.3	$ 34.2	$ 28.3	$ 6.2	$ 556.0
Net earnings (loss)	67.1	11.6	(0.6)	(3.0)	75.1
Earnings (loss) applicable to common shares	67.1	11.6	(0.6)	(4.7)	73.4
Total assets	3,328.2	1,317.4	116.1	70.6	4,832.3

The segmented disclosures in these quarterly consolidated financial statements have been changed from the December 31, 2003 annual financial statements and now include the water and utility services business as a separate reportable segment. This segment was previously included in other activities and includes Terasen Waterworks and Terasen Utility Services as well as Terasen's 30% share of CustomerWorks LP.

4. ACQUISITION AND RELATED FINANCING OF EXPRESS SYSTEM

On January 9, 2003, a consortium including the Company, Borealis Infrastructure Management Inc. and the Ontario Teachers' Pension Plan Board acquired all of the outstanding shares of Express Pipeline Ltd. and Express Holdings (U.S.A.) Inc. (the "Express System") from EnCana Corporation. Each of the three consortium members owns an equal interest in the Express System. The total purchase price was $1,203.5 million, including assumed debt of $578.8 million. The Company's share of the purchase price was $206.7 million.

The December 2002 issue of common shares, which yielded gross proceeds of $301.4 million, was completed in part to finance the purchase of the Company's share of the Express System.

5. SEASONAL OPERATIONS

Due to the seasonal nature of the Company's natural gas distribution operations, quarterly earnings statements are not indicative of earnings on an annual basis.

6. STOCK-BASED COMPENSATION

In the first quarter of 2004, 365,700 stock options were granted (2003 – 392,200) at an average exercise price of $47.75 (2003 - $39.50) under the Company's Share Option Plan. The Company has applied the fair value based method of accounting for stock options granted after January 1, 2003. Reported earnings for the first quarter of 2004 include a compensation charge of $0.2 million representing the fair value of options granted in 2003 and 2004 amortized over the vesting period, with a corresponding increase to contributed surplus. Had the Company used the fair value based method to account for stock options granted during 2002, pro forma earnings and earnings per share would have been as follows:

		Three months ended March 31	
		2004	2003
Net earnings	As reported	$ 82.2 mil	$ 75.1 mil
	Pro forma	$ 81.9 mil	$ 74.6 mil
Earnings applicable to common shares	As reported	$ 80.6 mil	$ 73.4 mil
	Pro forma	$ 80.3 mil	$ 72.9 mil
Basic earnings per common share	As reported	$ 1.54	$ 1.42
	Pro forma	$ 1.54	$ 1.41
Diluted earnings per common share	As reported	$ 1.53	$ 1.41
	Pro forma	$ 1.52	$ 1.40

A Black-Scholes model was used to calculate stock option fair value for the pro forma results. The weighted average fair value of options granted in the first quarter of 2004 was $4.78 (first quarter of 2003 - $5.53). Significant assumptions in valuing the options are as follows:

	Three months ended March 31, 2004		*Three Months ended March 31, 2003*	
	Regular Options	Performance Based Options	Regular Options	Performance Based Options
Interest rate	3.5%	3.5%	3.8 – 4.2%	4.3 – 4.4%
Expected volatility	15.4%	15.4%	16.8 – 17.8%	16.2 – 17.8%
Expected life	5 years	6 years	5 years	6 years

7. EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the weighted average number of common shares and dilutive stock options outstanding at the beginning of or granted during the period. The Company's performance-based share options are considered to be contingently issuable shares and have been included in the treasury stock method calculation only if all performance criteria of the options have been satisfied. The possible exchange of the $125.0 million Capital Securities into common shares has not been included in the treasury stock method calculation since similar obligations in the past have been paid wholly in cash.

Three months ended March 31, 2004 (in millions, except per share amounts)	Earnings Applicable to Common Shares	Weighted Average Shares	Earnings Per Share
Basic earnings per share (2003 – $1.42)	$ 80.6	52.2	$ 1.54
Add: weighted-average number of shares that would be issued under treasury stock method (2003 – 0.3 million)		0.5	
Diluted earnings per share (2003–$1.41)	$ 80.6	52.7	$ 1.53

SUPPLEMENTARY FINANCIAL INFORMATION
March 31, 2004

Common shares issued and outstanding	56,914,826
Less: Common shares held by Terasen Pipelines (Trans Mountain) Inc.	4,592,094
	52,322,732
Weighted average common shares outstanding *(three months ended March 31, 2004)*	52,203,083
8.0% capital securities issued and outstanding	$125,000,00

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News Release

FOR IMMEDIATE RELEASE

FEBRUARY 17, 2004

Terasen Inc. reports 2003 earnings

Earnings before non-recurring items for Terasen Inc. were $136.1 million in 2003, compared with $105.8 million in 2002, according to financial reports the company released today. Earnings per share before non-recurring items increased by 6.9 per cent to $2.62 per common share in 2003, as compared with $2.45 per common share in 2002. The non-recurring item relates to the restructuring charges associated with the operational integration of Terasen Gas and Terasen Gas (Vancouver Island) in the fourth quarter of 2003. Including the restructuring charge, earnings applicable to common shares were $132.7 million, or $2.56 per common share.

"Our petroleum transportation operations, buoyed by the acquisition of the Express Pipeline system, strong throughput volumes on the Trans Mountain mainline and the start up of the Corridor Pipeline, drove our financial growth in 2003," said John Reid, Terasen Inc. President and CEO. "This combined with solid returns from our other business units allowed us to achieve our financial goals."

Reid said Terasen will continue to focus on the Alberta oil sands and the potential for expanding the company's petroleum transportation business.

"The additional supply coming on line from the oil sands and the increasing demand for petroleum products in the U.S. is creating some exciting opportunities that we look to capitalize on through the expansion of our Express Pipeline, Trans Mountain Pipeline and the proposed Bison Pipeline."

Terasen's natural gas distribution operations negotiated regulatory frameworks in 2003 that Reid said will position the utility to benefit from operating efficiencies achieved by integrating its Vancouver Island and mainland operations in 2004.

"We are also pursuing opportunities to deliver additional gas to Vancouver Island and working with Island communities and stakeholders to support gas-fired power generation," he added.

"Value delivery through low risk investments in growing businesses together with continued focus on the strength of our base businesses remain at the core of our strategic plans," he said.

The tables below set out the contribution to earnings per share by operating segment for the twelve and three months ended December 31, 2003 and 2002.

Terasen Inc.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES:

In millions of dollars, except per share amounts	Twelve months ended December 31 **2003**	**Per Share**	2002	Per Share
Natural gas distribution				
Terasen Gas	**$ 72.6**	**$ 1.40**	$ 69.5	$ 1.61
Terasen Gas (Vancouver Island)	**26.2**	**0.50**	22.9	0.53
	98.8	**1.90**	92.4	2.14
Petroleum transportation				
Trans Mountain	**35.8**	**0.69**	29.3	0.68
Corridor	**10.7**	**0.21**	-	-
Express System	**9.7**	**0.18**	-	-
	56.2	**1.08**	29.3	0.68
Other activities	**(18.9)**	**(0.36)**	(15.9)	(0.37)
Earnings before non-recurring items	**136.1**	**2.62**	105.8	2.45
Non-recurring items	**(3.4)**	**(0.06)**	-	-
Earnings applicable to common shares	**$ 132.7**	**$ 2.56**	$ 105.8	$ 2.45

In millions of dollars, except per share amounts	Three months ended December 31 - unaudited **2003**	**Per Share**	2002	Per Share
Natural gas distribution				
Terasen Gas	**$ 45.3**	**$ 0.87**	$ 44.2	$ 0.97
Terasen Gas (Vancouver Island)	**7.3**	**0.14**	5.8	0.13
	52.6	**1.01**	50.0	1.10
Petroleum transportation				
Trans Mountain	**10.0**	**0.19**	10.5	0.23
Corridor	**4.0**	**0.08**	-	-
Express System	**3.9**	**0.07**	-	-
	17.9	**0.34**	10.5	0.23
Other activities	**(8.4)**	**(0.16)**	(4.5)	(0.10)
Earnings before non-recurring items	**62.1**	**1.19**	56.0	1.23
Non-recurring items	**(3.4)**	**(0.06)**	-	-
Earnings applicable to common shares	**$ 58.7**	**$ 1.13**	$ 56.0	$ 1.23

NATURAL GAS DISTRIBUTION

Earnings before non-recurring items for natural gas distribution were $98.8 million in 2003, as compared with $92.4 million in 2002. Earnings improved due to improved operating results and a lower tax expense. For the three months ended December 31, 2003, operating earnings increased to $52.6 million from $50.0 million in 2002. During the fourth quarter, natural gas distribution incurred a $3.4 million restructuring charge associated with the integration of mainland and Vancouver Island operations, which is included in non-recurring items.

PETROLEUM TRANSPORTATION

Petroleum transportation earnings increased to $56.2 million in 2003 from $29.3 million in 2002. Growth in earnings was a result of strong throughput volumes on Trans Mountain, the acquisition of a one-third interest in the Express System in January 2003 and the commencement of commercial operations of the Corridor Pipeline in May 2003.

In 2003, earnings from Trans Mountain increased to $35.8 million from $29.3 million in 2002. The year-over-year growth in revenues was a result of strong throughput during 2003, as well as operating efficiencies the company was able to achieve. Throughput on Trans Mountain averaged 216,100 barrels per day, compared with average throughput of 201,200 barrels per day in 2002. Earnings for the fourth quarter declined to $10.0 million, relative to the $10.5 million reported in the fourth quarter of 2002, primarily as a result of higher operating and maintenance costs.

On May 1, 2003, the Corridor Pipeline commenced commercial operations and began to contribute to Terasen's earnings. Earnings since commencement of shipping and for the three months ended December 31, 2003 were $10.7 million and $4.0 million, respectively.

The Express System's contribution to earnings was $9.7 million in 2003 and $3.9 million in the fourth quarter of 2003. The full-year results from the Express System include a foreign exchange loss of $3.6 million arising from the impact of the significant depreciation of the U.S. dollar on working capital and future income tax balances. A foreign exchange hedging transaction has been implemented to reduce future volatility in the earnings contribution from the Express System.

OTHER ACTIVITIES

Other activities include non-regulated energy and utility services as well as corporate interest and administration charges. Losses from this segment increased to $18.9 million in 2003 from $15.9 million in 2002. Improved performance in waterworks and utility services were offset by higher corporate expenses and increased financing costs associated with the company's new investments. In the fourth quarter of 2003, the company incurred a $1.8 million after-tax write-down on its investment in Westport Innovations Ltd. Terasen took a $4.1 million after-tax write-down of its Westport investment in the third quarter of 2002.

DIVIDENDS

The Directors of Terasen Inc. have declared a quarterly dividend of $0.39 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 29th day of February 2004 to Shareholders of record at the close of business on the 25th day of February 2004.

Terasen will host a conference call at 7:00 a.m. Pacific time (10:00 a.m. Eastern time) on February 18th to discuss the 2003 financial results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 859,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER”.

Terasen Inc.

HIGHLIGHTS

	Twelve months ended December 31	
FINANCIAL (*in millions*)	**2003**	2002
Revenues		
Natural gas distribution	**$ 1,497.9**	$ 1,402.7
Petroleum transportation	**200.0**	136.0
Other activities	**178.7**	168.5
	$ 1,876.6	$ 1,707.2
Net earnings	**$ 139.4**	$ 112.5
Earnings before non-recurring items	**$ 136.1**	$ 105.8
Earnings applicable to common shares	**$ 132.7**	$ 105.8
Capital expenditures	**$ 222.9**	$ 395.7
Total assets	**$ 4,915.1**	$ 4,522.4
COMMON SHARE DATA		
Basic earnings per common share before non-recurring items	**$ 2.62**	$ 2.45
Basic earnings per common share	**$ 2.56**	$ 2.45
Diluted earnings per common share	**$ 2.53**	$ 2.43
Dividends per common share	**$ 1.53**	$ 1.41
Common equity per common share	**$ 25.05**	$ 24.00
Common shares - weighted average *(millions)*	**51.9**	43.2
NATURAL GAS DISTRIBUTION		
Number of gas customers	**859,183**	850,699
Natural gas volumes *(in petajoules)*		
Sales volumes	**125.6**	137.2
Transportation volumes	**62.3**	66.7
Throughput under fixed-price contracts	**22.5**	24.6
	210.4	228.5
PETROLEUM TRANSPORTATION		
Transportation volumes *(barrels per day)*		
Trans Mountain Canadian mainline	**216,100**	201,200
Trans Mountain U.S. mainline (included in Canadian mainline)	**54,600**	47,800
Express System (2002 shown for reference)	**171,200**	167,000

Terasen Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

In millions of dollars, except per share amounts	Three months ended December 31 **2003**	Three months ended December 31 2002	Twelve months ended December 31 **2003**	Twelve months ended December 31 2002
	(unaudited)			
REVENUES				
Natural gas distribution	**$ 517.6**	$ 425.6	**$1,497.9**	$1,402.7
Petroleum transportation	**60.0**	38.5	**200.0**	136.0
Other activities	**38.1**	38.9	**178.7**	168.5
	615.7	503.0	**1,876.6**	1,707.2
EXPENSES				
Cost of natural gas	**333.6**	245.0	**889.7**	807.2
Operation and maintenance	**89.3**	76.6	**313.6**	289.3
Depreciation and amortization	**35.9**	28.3	**133.4**	115.6
Property and other taxes	**17.9**	16.5	**69.9**	66.1
Cost of revenues from other activities	**21.7**	19.5	**103.6**	92.5
	498.4	385.9	**1,510.2**	1,370.7
OPERATING INCOME	**117.3**	117.1	**366.4**	336.5
Financing costs	**47.3**	38.9	**176.0**	160.8
Earnings before share of earnings of Express System and income taxes	**70.0**	78.2	**190.4**	175.7
Share of earnings of Express System (note 2)	**3.5**	-	**8.0**	-
Earnings before income taxes	**73.5**	78.2	**198.4**	175.7
Income taxes	**13.1**	20.4	**59.0**	63.2
NET EARNINGS	**60.4**	57.8	**139.4**	112.5
Capital securities distributions, net of income taxes	**1.7**	1.8	**6.7**	6.7
EARNINGS APPLICABLE TO COMMON SHARES	**$ 58.7**	$ 56.0	**$ 132.7**	$ 105.8
Common shares – weighted average (millions)	**52.0**	45.6	**51.9**	43.2
BASIC EARNINGS PER COMMON SHARE (note 5)	**$ 1.13**	$ 1.23	**$ 2.56**	$ 2.45
DILUTED EARNINGS PER COMMON SHARE (note 5)	**$ 1.12**	$ 1.22	**$ 2.53**	$ 2.43

Terasen Inc.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In millions of dollars	Twelve months ended December 31 **2003**	2002
Retained earnings, beginning of year	**$ 302.2**	$ 271.0
Net earnings	**139.4**	112.5
	441.6	383.5
Dividends on common shares	**79.4**	59.8
Capital securities distributions, net of income taxes	**6.7**	6.7
Share issue costs, net of income taxes	**-**	13.8
Share options purchased	**-**	1.0
	86.1	81.3
Retained earnings, end of year	**$ 355.5**	$ 302.2

Terasen Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	**December 31 2003**	December 31 2002
ASSETS		
Current assets		
Cash and short-term investments	**$ 1.5**	$ 5.1
Accounts receivable	**404.3**	299.2
Inventories of gas in storage and supplies	**142.4**	98.2
Prepaid expenses	**13.4**	11.1
Current portion of rate stabilization accounts	**15.4**	69.3
	577.0	482.9
Property, plant and equipment	**3,882.4**	3,779.2
Investment in Express System (note 2)	**204.6**	-
Goodwill	**101.9**	101.0
Rate stabilization accounts	**75.7**	72.5
Other assets	**73.5**	86.8
	$ 4,915.1	$ 4,522.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes	**$ 553.9**	$ 440.0
Accounts payable and accrued liabilities	**364.5**	298.1
Income and other taxes payable	**43.9**	31.9
Current portion of long-term debt	**51.8**	108.9
	1,014.1	878.9
Long-term debt	**2,301.1**	2,123.4
Other long-term liabilities and deferred credits	**102.8**	96.4
Future income taxes	**67.5**	58.1
	3,485.5	3,156.8
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares	**868.7**	858.6
Contributed surplus	**131.4**	130.8
Retained earnings	**355.5**	302.2
	1,480.6	1,416.6
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,429.6	1,365.6
	$ 4,915.1	$ 4,522.4

Terasen Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of dollars	Three months ended December 31 **2003**	Three months ended December 31 2002	Twelve months ended December 31 **2003**	Twelve months ended December 31 2002
	(unaudited)			
Cash flows provided by (used for)				
OPERATING ACTIVITIES				
Net earnings	**$ 60.4**	$ 57.8	**$ 139.4**	$ 112.5
Adjustments for non-cash items				
Depreciation and amortization	**35.9**	28.3	**133.4**	115.6
Share of earnings from Express System, net of (in excess of) cash distributions	**(0.6)**	-	**2.1**	-
Future income taxes	**1.1**	8.3	**9.4**	10.6
Other	**1.1**	3.7	**8.0**	5.3
	97.9	98.1	**292.3**	244.0
Decrease in rate stabilization accounts	**42.5**	31.2	**50.7**	66.9
Changes in non-cash operating working capital	**(17.7)**	(26.5)	**(73.2)**	7.2
	122.7	102.8	**269.8**	318.1
INVESTING ACTIVITIES				
Property, plant and equipment	**(63.6)**	(89.3)	**(222.9)**	(395.7)
Acquisition of Express System (note 2)	**6.0**	-	**(206.7)**	-
Acquisition of Terasen Gas (Vancouver Island)	**-**	-	**-**	(305.2)
Proceeds on sale of natural gas distribution assets	**-**	23.8	**-**	23.8
Other assets	**(16.1)**	(26.1)	**(2.3)**	(33.8)
	(73.7)	(91.6)	**(431.9)**	(710.9)
FINANCING ACTIVITIES				
Increase (decrease) in short-term notes	**30.4**	(87.0)	**113.9**	135.0
Increase in long-term debt	**1.3**	0.7	**461.4**	84.5
Reduction of long-term debt	**(95.3)**	(206.6)	**(340.8)**	(231.4)
Issue of common shares, net of issue costs	**3.5**	289.5	**10.1**	475.2
Dividends and distributions on common shares and capital securities	**(22.0)**	(17.5)	**(86.1)**	(66.5)
Share options purchased	**-**	-	**-**	(1.0)
	(82.1)	(20.9)	**158.5**	395.8
Net increase (decrease) in cash	**(33.1)**	(9.7)	**(3.6)**	3.0
Cash at beginning of period	**34.6**	14.8	**5.1**	2.1
Cash at end of period	**$ 1.5**	$ 5.1	**$ 1.5**	$ 5.1
Supplemental cash flow information				
Interest paid in the period	**$ 47.1**	$ 41.1	**$ 184.7**	$ 180.8
Income taxes paid in the period	**8.9**	2.2	**47.9**	19.7

Cash is defined as cash or bank indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS: (unaudited)

1. BASIS OF PRESENTATION

The accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Company's year end audited consolidated financial statements of December 31, 2002, except as set out in notes 2 and 3. These consolidated financial statements do not include all disclosures required for annual financial statements, and therefore these statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, as set out in the 2002 Annual Report.

2. ACQUISITION AND RELATED FINANCING OF EXPRESS SYSTEM

On January 9, 2003 a consortium including the Company, Borealis Infrastructure Management Inc. and the Ontario Teachers' Pension Plan Board acquired all of the outstanding shares of Express Pipeline Ltd. and Express Holdings (U.S.A.) Inc. (the "Express System") from EnCana Corporation. Each of the three consortium members owns an equal interest in the Express System. The total purchase price was $1,203.5 million, including assumed debt of $578.8 million. The Company's share of the purchase price was $206.7 million.

The December 2002 issue of common shares, which yielded gross proceeds of $301.4 million, was completed in part to finance the purchase of the Company's share of the Express System.

The Company exercises significant influence over the Express System and, accordingly, accounts for its one-third investment in the Express System using the equity method. Under the equity method the investment is initially recorded at cost, and subsequently adjusted to recognize the Company's share of earnings of the Express System and reduced by distributions.

3. STOCK-BASED COMPENSATION

In 2003, 435,672 stock options were granted (2002 – 653,230) at an average exercise price of $38.02 (2002 - $34.64) under the Company's Share Option Plan. The Company has applied the fair value based method of accounting for stock options granted after January 1, 2003. Reported earnings for 2003 include a compensation charge of $0.6 million representing the fair value of the vested 2003 grant, with a corresponding increase to contributed surplus. Had the Company used the fair value based method to account for stock options granted during 2002, pro forma earnings and earnings per share would have been as follows:

		Twelve months ended December 31		Three months ended December 31	
		2003	2002	2003	2002
Net earnings	As reported	$ 139.4 mil	$ 112.5 mil	$ 60.4 mil	$ 57.8 mil
	Pro forma	$ 138.2 mil	$ 111.2 mil	$ 60.1 mil	$ 57.4 mil
Earnings applicable to common shares	As reported	$ 132.7 mil	$ 105.8 mil	$ 58.7 mil	$ 56.0 mil
	Pro forma	$ 131.5 mil	$ 104.5 mil	$ 58.4 mil	$ 55.6 mil
Basic earnings per common share	As reported	$ 2.56	$ 2.45	$ 1.13	$ 1.23
	Pro forma	$ 2.53	$ 2.42	$ 1.12	$ 1.22
Diluted earnings per common share	As reported	$ 2.53	$ 2.43	$ 1.12	$ 1.22
	Pro forma	$ 2.51	$ 2.40	$ 1.11	$ 1.21

A Black-Scholes model was used to calculate stock option fair value for the pro forma results. The weighted average fair value of options granted in 2003 was $5.02 (2002 - $5.89). Significant assumptions in valuing the options are as follows:

	Regular Options	Performance Based Options
Interest rate	3.8 – 4.2%	4.3 – 4.4%
Expected volatility	16.8 – 17.8%	16.2 – 17.8%
Expected life	5 years	6 years

4. SEGMENT DISCLOSURES

Twelve months ended December 31 *(in millions of dollars)*

2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 1,497.9	$ 200.0	$ 178.7	$ 1,876.6
Net earnings (loss)	95.4	56.2	(12.2)	139.4
Earnings (loss) applicable to common shares	95.4	56.2	(18.9)	132.7
Total assets	3,416.4	1,337.6	161.1	4,915.1
2002				
Revenues	$ 1,402.7	$ 136.0	$ 168.5	$ 1,707.2
Net earnings (loss)	92.4	29.3	(9.2)	112.5
Earnings (loss) applicable to common shares	92.4	29.3	(15.9)	105.8
Total assets	3,282.5	1,078.6	161.3	4,522.4

Three months ended December 31 *(in millions of dollars)*

2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 517.6	$ 60.0	$ 38.1	$ 615.7
Net earnings (loss)	49.2	17.9	(6.7)	60.4
Earnings (loss) applicable to common shares	49.2	17.9	(8.4)	58.7
2002				
Revenues	$ 425.6	$ 38.5	$ 38.9	$ 503.0
Net earnings (loss)	50.0	10.5	(2.7)	57.8
Earnings (loss) applicable to common shares	50.0	10.5	(4.5)	56.0

5. EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the weighted average number of common shares and dilutive stock options outstanding at the beginning of or granted during the period. The Company's performance-based share options are considered to be contingently issuable shares and have been included in the treasury stock method calculation only if all performance criteria of the options have been satisfied. The possible exchange of the $125.0 million Capital Securities into common shares has not been included in the treasury stock method calculation since similar obligations in the past have been paid wholly in cash.

Year ended December 31, 2003 (in millions, except per share amounts)	Earnings Applicable to Common Shares	Weighted Average Shares	Earnings Per Share
Basic earnings per share (2002 - $2.45)	$ 132.7	51.9	$ 2.56
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 - 0.4 million)		0.5	
Diluted earnings per share (2002 - $2.43)	$ 132.7	52.4	$ 2.53

Three months ended December 31, 2003 (in millions, except per share amounts)	Earnings Applicable to Common Shares	Weighted Average Shares	Earnings Per Share
Basic earnings per share (2002 – $1.23)	$ 58.7	52.0	$ 1.13
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 – 0.3 million)		0.5	
Diluted earnings per share (2002–$1.22)	$ 58.7	52.5	$ 1.12

SUPPLEMENTARY FINANCIAL INFORMATION
December 31, 2003

Common shares issued and outstanding	56,669,471
Less: Common shares held by Terasen Pipelines (Trans Mountain) Inc.	4,592,094
	52,077,377
Weighted average common shares outstanding *(twelve months ended December 31, 2003)*	51,899,515
8.0% capital securities issued and outstanding	$125,000,000

For further information:

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News Release

FOR IMMEDIATE RELEASE

NOVEMBER 5, 2003

Terasen Inc. Reports Third Quarter Earnings

Earnings applicable to common shares for Terasen Inc. were $74.0 million for the nine months ended September 30, 2003 according to financial reports the company released today. Terasen had comparable earnings of $49.8 million for the same period last year. Earnings per share for the first nine months of 2003 were $1.43, compared to $1.17 in 2002.

Improved results for both the three month and nine month periods ending September 2003 were primarily due to strong petroleum transportation earnings, the acquisition of a one-third interest in the Express Pipeline System on January 9, 2003, and the commencement of commercial shipping on the Corridor Pipeline on May 1, 2003.

"Our third quarter financial results reflect the ongoing strength of all of our operating businesses. In particular, our petroleum transportation business results are strong and have significant growth potential," said John Reid, Terasen president and CEO.

"Increasing supply from the Alberta oil sands coupled with increasing U.S. demand are creating exciting future growth opportunities," Reid said, pointing to expansions on the Trans Mountain and Express pipelines and the proposed Bison pipeline, as well as the potential twinning of the Trans Mountain pipeline.

The company's natural gas distribution operations continue to perform well and the current integration of the mainland and Vancouver Island utilities should improve efficiencies and position the company for future growth, he added.

"We are pursuing opportunities to deliver additional gas to Vancouver Island and working with Island communities and stakeholders to support gas-fired power generation" Reid said.

"Our focus on strengthening and expanding our base businesses continues to generate attractive growth opportunities while maintaining our low risk profile."

The tables below set out the contribution to earnings per share by operating segment for the nine months and three months ended September 30, 2003 and 2002.

Terasen Inc.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES:

In millions of dollars, except per share amounts	Nine months ended September 30 2003	Per Share	2002	Per Share
Natural gas distribution				
Terasen Gas	$ 27.3	$ 0.53	$ 25.3	$ 0.60
TGVI	18.9	0.36	17.1	0.40
	46.2	0.89	42.4	1.00
Petroleum transportation				
Trans Mountain	25.8	0.50	18.8	0.44
Corridor	6.7	0.13	-	-
Express System	5.8	0.11	-	-
	38.3	0.74	18.8	0.44
Other activities	(10.5)	(0.20)	(11.4)	(0.27)
Earnings applicable to common shares	$ 74.0	$ 1.43	$ 49.8	$ 1.17

In millions of dollars, except per share amounts	Three months ended September 30 2003	Per Share	2002	Per Share
Natural gas distribution				
Terasen Gas	$ (25.5)	$ (0.49)	$ (27.0)	$ (0.62)
TGVI	7.1	0.13	5.6	0.13
	(18.4)	(0.36)	(21.4)	(0.49)
Petroleum transportation				
Trans Mountain	7.9	0.16	6.7	0.15
Corridor	3.8	0.07	-	-
Express System	2.8	0.05	-	-
	14.5	0.28	6.7	0.15
Other activities	(3.7)	(0.07)	(4.4)	(0.10)
Earnings applicable to common shares	$ (7.6)	$ (0.15)	$ (19.1)	$ (0.44)

NATURAL GAS DISTRIBUTION

Earnings for natural gas distribution were $46.2 million in the first nine months of 2003, as compared with $42.4 million in the corresponding period of 2002. Terasen Gas contributed $2.0 million to the increase due mainly to improved operating efficiencies.

For the three months ended September 30, the loss for natural gas distribution decreased from $21.4 million in 2002 to $18.4 million in 2003 as a result of the factors noted previously.

PETROLEUM TRANSPORTATION

Petroleum transportation operating results for the nine months ended September 30, 2003 increased by $19.5 million compared to the corresponding period in 2002. The higher earnings were due to the strong throughput volumes on Trans Mountain, the acquisition of a one-third interest in the Express System on January 9, 2003 and the commencement of commercial operations of the Corridor Pipeline.

The earnings contribution from Trans Mountain in the first nine months of 2003 increased by $7.0 million mainly as a result of higher throughput levels on the Canadian and U.S. mainlines and improved operating efficiencies. For the quarter, Trans Mountain reported earnings of $7.9 million versus $6.7 million in the corresponding quarter of 2002. Capacity on the Trans Mountain system declined by approximately 130,000 barrels during the month of August 2003 as a result of forest fires in the interior of British Columbia, which caused a temporary power outage to certain Trans Mountain pump stations.

On May 1, 2003, the Corridor Pipeline commenced commercial operations and began to contribute to Terasen's earnings. Earnings since commencement of shipping and for the three months ended September 30, 2003 were $6.7 million and $3.8 million, respectively.

For the first nine months of 2003, the total contribution from the Express System was $5.8 million. For the third quarter, earnings from the Express System were $2.8 million. The nine-month results from the Express System include a foreign exchange loss of $3.6 million arising from the impact of the significant depreciation of the U.S. dollar on working capital and future income tax balances. A foreign exchange hedging transaction has been implemented to reduce future volatility in the earnings contribution from the Express System.

OTHER ACTIVITIES

Other activities include non-regulated energy and utility services as well as corporate interest and administration charges. Results from this segment for the first nine months of 2003 improved by $0.9 million compared with the corresponding period of 2002. A decrease in earnings related to the completion of the Sharjah project was more than offset by strong results in the water and related services business.

The B.C. provincial government has recently introduced legislation which, if enacted, would remove various legislative restrictions on Terasen, including director residency requirements and share ownership restrictions. These changes are consistent with the government's efforts to streamline provincial regulations.

DIVIDENDS

The Directors of Terasen Inc. have declared a quarterly dividend of $0.39 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 30th day of November, 2003 to Shareholders of record at the close of business on the 18th day of November, 2003.

Terasen will host a conference call at 1:00 p.m. Pacific time (4:00 p.m. Eastern time) today to discuss the 2003 third quarter results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 851,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER".

Terasen Inc.

HIGHLIGHTS

FINANCIAL (*in millions*)	Nine months ended September 30 **2003**	2002
Revenues		
Natural gas distribution	**$ 980.3**	$ 977.1
Petroleum transportation	**140.0**	97.5
Other activities	**140.6**	129.6
	$ 1,260.9	$ 1,204.2
Net earnings	**$ 79.0**	$ 54.7
Earnings applicable to common shares	**$ 74.0**	$ 49.8
Capital expenditures	**$ 159.3**	$ 309.6
Total assets	**$ 4,820.4**	$ 4,394.2
COMMON SHARE DATA		
Basic earnings per common share	**$ 1.43**	$ 1.17
Diluted earnings per common share	**$ 1.41**	$ 1.16
Dividends per common share	**$ 1.14**	$ 1.05
Common equity per common share	**$ 24.29**	$ 20.72
Common shares - weighted average *(millions)*	**51.9**	42.4
NATURAL GAS DISTRIBUTION		
Number of gas customers	**851,551**	847,466
Natural gas volumes *(in petajoules)*		
Sales volumes	**81.7**	95.7
Transportation volumes	**44.7**	49.3
Throughput under fixed-price contracts	**15.9**	17.9
	142.3	162.9
PETROLEUM TRANSPORTATION		
Transportation volumes *(barrels per day)*		
Trans Mountain Canadian mainline	**215,300**	194,400
Trans Mountain U.S. mainline (included in Canadian mainline)	**53,600**	47,200
Express System (2002 shown for reference)	**170,300**	167,500

Terasen Inc.

CONSOLIDATED STATEMENTS OF EARNINGS – unaudited

In millions of dollars, except per share amounts	Three months ended September 30 **2003**	2002	Nine months ended September 30 **2003**	2002
REVENUES				
Natural gas distribution	**$ 193.8**	$ 186.6	**$ 980.3**	$ 977.1
Petroleum transportation	**55.5**	33.7	**140.0**	97.5
Other activities	**55.2**	52.9	**140.6**	129.6
	304.5	273.2	**1,260.9**	1,204.2
EXPENSES				
Cost of natural gas	**90.8**	87.1	**556.1**	562.2
Operation and maintenance	**78.1**	71.3	**224.3**	212.7
Depreciation and amortization	**34.8**	29.7	**97.5**	87.3
Property and other taxes	**17.5**	15.6	**52.0**	49.6
Cost of revenues from other activities	**34.4**	34.2	**81.9**	73.0
	255.6	237.9	**1,011.8**	984.8
OPERATING INCOME	**48.9**	35.3	**249.1**	219.4
Financing costs	**45.6**	39.5	**128.7**	121.9
Earnings (loss) before share of earnings of Express System and income taxes	**3.3**	(4.2)	**120.4**	97.5
Share of earnings of Express System (note 2)	**2.3**	-	**4.5**	-
Earnings (loss) before income taxes	**5.6**	(4.2)	**124.9**	97.5
Income taxes	**11.5**	13.2	**45.9**	42.8
NET EARNINGS (LOSS)	**(5.9)**	(17.4)	**79.0**	54.7
Capital securities distributions, net of income taxes	**1.7**	1.7	**5.0**	4.9
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	**$ (7.6)**	$ (19.1)	**$ 74.0**	$ 49.8
Common shares – weighted average (millions)	**51.9**	43.7	**51.9**	42.4
BASIC EARNINGS (LOSS) PER COMMON SHARE (note 5)	**$ (0.15)**	$ (0.44)	**$ 1.43**	$ 1.17
DILUTED EARNINGS (LOSS) PER COMMON SHARE (note 5)	**$ (0.15)**	$ (0.44)	**$ 1.41**	$ 1.16

Terasen Inc.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS – unaudited

In millions of dollars	Nine months ended September 30 **2003**	2002
Retained earnings, beginning of period	**$ 302.2**	$ 271.0
Net earnings	**79.0**	54.7
	381.2	325.7
Dividends on common shares	**59.1**	44.1
Capital securities distributions, net of income taxes	**5.0**	4.9
Share issue costs, net of income taxes	**-**	6.2
Share options purchased	**-**	1.0
	64.1	56.2
Retained earnings, end of period	**$ 317.1**	$ 269.5

Terasen Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	**September 30 2003 (unaudited)**	December 31 2002
ASSETS		
Current assets		
Cash and short-term investments	**$ 34.6**	$ 5.1
Accounts receivable	**221.3**	299.2
Inventories of gas in storage and supplies	**194.6**	98.2
Prepaid expenses	**12.5**	11.1
Current portion of rate stabilization accounts	**52.3**	69.3
	515.3	482.9
Property, plant and equipment	**3,851.9**	3,779.2
Investment in Express System (note 2)	**209.8**	-
Goodwill	**103.5**	101.0
Rate stabilization accounts	**81.3**	72.5
Other assets	**58.6**	86.8
	$ 4,820.4	$ 4,522.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes	**$ 523.5**	$ 440.0
Accounts payable and accrued liabilities	**287.9**	298.1
Income and other taxes payable	**6.3**	31.9
Current portion of long-term debt	**58.2**	108.9
	875.9	878.9
Long-term debt	**2,388.7**	2,123.4
Other long-term liabilities and deferred credits	**102.3**	96.4
Future income taxes	**66.4**	58.1
	3,433.3	3,156.8
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares	**865.2**	858.6
Contributed surplus	**130.8**	130.8
Retained earnings	**317.1**	302.2
	1,438.1	1,416.6
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,387.1	1,365.6
	$ 4,820.4	$ 4,522.4

Terasen Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - unaudited

In millions of dollars	Three months ended September 30 **2003**	2002	Nine months ended September 30 **2003**	2002
Cash flows provided by (used for)				
OPERATING ACTIVITIES				
Net earnings (loss)	**$ (5.9)**	$ (17.4)	**$ 79.0**	$ 54.7
Adjustments for non-cash items				
Depreciation and amortization	**34.8**	29.7	**97.5**	87.3
Cash distributions from Express System, less share of earnings	**(2.3)**	-	**2.7**	-
Future income taxes	**3.4**	-	**8.3**	2.3
Other	**2.2**	0.7	**6.9**	6.8
	32.2	13.0	**194.4**	151.1
Decrease (increase) in rate stabilization accounts	**(25.4)**	(11.7)	**8.2**	35.7
Changes in non-cash operating working capital	**(36.2)**	(66.7)	**(55.5)**	32.9
	(29.4)	(65.4)	**147.1**	219.7
INVESTING ACTIVITIES				
Property, plant and equipment	**(53.6)**	(103.3)	**(159.3)**	(309.6)
Acquisition of Express System (note 2)	**-**	-	**(212.7)**	-
Acquisition of Terasen Gas (Vancouver Island)	**-**	-	**-**	(305.2)
Other assets	**4.5**	(7.4)	**13.8**	(9.6)
	(49.1)	(110.7)	**(358.2)**	(624.4)
FINANCING ACTIVITIES				
Increase in short-term notes	**35.5**	216.0	**83.5**	222.0
Increase in long-term debt	**150.4**	48.2	**460.1**	214.1
Reduction of long-term debt	**(53.0)**	(101.5)	**(245.5)**	(154.4)
Issue of common shares, net of issue costs	**0.7**	1.3	**6.6**	185.7
Dividends and distributions on common shares and capital securities	**(22.0)**	(17.4)	**(64.1)**	(49.0)
Share options purchased	**-**	-	**-**	(1.0)
	111.6	146.6	**240.6**	417.4
Net increase (decrease) in cash	**33.1**	(29.5)	**29.5**	12.7
Cash at beginning of period	**1.5**	44.3	**5.1**	2.1
Cash at end of period	**$ 34.6**	$ 14.8	**$ 34.6**	$ 14.8
Supplemental cash flow information				
Interest paid in the period	**$ 47.8**	$ 38.7	**$ 137.6**	$ 139.7
Income taxes paid in the period	**7.2**	4.7	**39.0**	17.5

Cash is defined as cash and short-term investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - unaudited:

1. BASIS OF PRESENTATION

The accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the company's year end audited consolidated financial statements of December 31, 2002, except as set out in note 2. These consolidated financial statements do not include all disclosures required for annual financial statements, and therefore these statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, as set out in the 2002 Annual Report.

2. ACQUISITION AND RELATED FINANCING OF EXPRESS SYSTEM

On January 9, 2003 a consortium including the company, Borealis Infrastructure Management Inc. and the Ontario Teachers' Pension Plan Board acquired all of the outstanding shares of Express Pipeline Ltd. and Express Holdings (U.S.A.) Inc. (the "Express System") from EnCana Corporation. Each of the three consortium members owns an equal interest in the Express System. The purchase price was approximately $1,175.0 million, including assumed debt of approximately $582.0 million, subject to closing and post-closing adjustments. The company's share of the purchase price was approximately $212.7 million subject to finalization of adjustments.

The December 2002 issue of common shares, which yielded gross proceeds of $301.4 million, was completed in part to finance the January 2003 purchase of the company's interest in the Express System.

The company exercises significant influence over the Express System and, accordingly, accounts for its one-third investment in the Express System using the equity method. Under the equity method the investment is initially recorded at cost, and subsequently adjusted to recognize the company's share of earnings of the Express System and reduced by distributions.

3. SEASONAL OPERATIONS

Due to the seasonal nature of the company's natural gas distribution operations, interim earnings statements are not indicative of earnings on an annual basis.

4. SEGMENT DISCLOSURES

Nine months ended September 30 *(in millions of dollars)*

2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 980.3	$ 140.0	$ 140.6	$ 1,260.9
Net earnings (loss)	46.2	38.3	(5.5)	79.0
Earnings (loss) applicable to common shares	46.2	38.3	(10.5)	74.0
Total assets	3,271.4	1,350.2	198.8	4,820.4
2002				
Revenues	$ 977.1	$ 97.5	$ 129.6	$ 1,204.2
Net earnings (loss)	42.4	18.8	(6.5)	54.7
Earnings (loss) applicable to common shares	42.4	18.8	(11.4)	49.8
Total assets	3,180.9	1,032.1	181.2	4,394.2

Three months ended September 30 *(in millions of dollars)*

2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 193.8	$ 55.5	$ 55.2	$ 304.5
Net earnings (loss)	(18.4)	14.5	(2.0)	(5.9)
Earnings (loss) applicable to common shares	(18.4)	14.5	(3.7)	(7.6)
2002				
Revenues	$ 186.6	$ 33.7	$ 52.9	$ 273.2
Net earnings (loss)	(21.4)	6.7	(2.7)	(17.4)
Earnings (loss) applicable to common shares	(21.4)	6.7	(4.4)	(19.1)

5. EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the weighted average number of common shares and stock options outstanding at the beginning of or granted during the period. The company's performance-based share options are considered to be contingently issuable shares and have been included in the treasury stock method calculation only if all performance criteria of the options have been satisfied. The possible exchange of the $125.0 million Capital Securities into common shares has not been included in the treasury stock method calculation since similar obligations in the past have been paid wholly in cash.

5. EARNINGS PER SHARE (CONTINUED)

Nine months ended September 30, 2003 *(in millions, except per share amounts)*

	Earnings Applicable to Common Shares	Weighted Average Shares	Earnings Per Share
Basic earnings per share (2002 - $1.17)	$ 74.0	51.9	$ 1.43
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 - 0.4 million)		0.4	
Diluted earnings per share (2002 - $1.16)	$ 74.0	52.3	$ 1.41

Three months ended September 30, 2003 *(in millions, except per share amounts)*

	Loss Applicable to Common Shares	Weighted Average Shares	Loss Per Share
Basic loss per share (2002 – $(0.44))	$ (7.6)	51.9	$ (0.15)
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 – nil)		-	
Diluted loss per share (2002–$(0.44))	$ (7.6)	51.9	$ (0.15)

6. STOCK-BASED COMPENSATION

The company accounts for the issue of options under its stock option plans as capital transactions when the options are exercised. During the first three months of 2003, 392,200 stock options were granted at an average exercise price of $39.50 under the company's Stock Option Plan. No further stock options have been granted in 2003. If the company had used the fair-value based method to account for stock-based compensation effective January 1, 2002, pro forma earnings and earnings per share would have been as follows:

		Nine months ended September 30, 2003	Three months ended September 30, 2003
Net earnings (loss)	As reported	$79.0 million	$(5.9) million
	Pro forma	$77.5 million	$(6.4) million
Earnings (loss) applicable to common shares	As reported	$74.0 million	$(7.6) million
	Pro forma	$72.5 million	$(8.1) million
Basic earnings (loss) per common share	As reported	$1.43	$(0.15)
	Pro forma	$1.40	$(0.16)
Diluted earnings (loss) per common share	As reported	$1.41	$(0.15)
	Pro forma	$1.39	$(0.16)

A Black-Scholes model was used to calculate stock option fair value for the pro forma results. Significant assumptions include interest rates of between 4.24% and 4.63% matched to the expected life of the option, expected volatility of 19.40% and an expected dividend yield of 3.98%. There is an expected life of five years on regular share options and an expected life of six years on performance based share options. The weighted average fair value of options granted during the nine months ended September 30, 2003 was $5.53.

SUPPLEMENTARY FINANCIAL INFORMATION
September 30, 2003

Common shares issued and outstanding	56,541,185
Less: Common shares held by Terasen Pipelines (Trans Mountain) Inc.	4,592,094
	51,949,091
Weighted average common shares outstanding *(nine months ended September 30, 2003)*	51,855,368
8.0% capital securities issued and outstanding	$125,000,000

For further information:

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News Release

FOR IMMEDIATE RELEASE

July 31, 2003

Terasen Inc. Reports Second Quarter Earnings

Earnings applicable to common shares for Terasen Inc. were $81.6 million for the six months ended June 30, 2003 according to financial reports the company released today. Terasen had comparable earnings of $68.9 million for the same period last year.

Earnings per share for the first six months of 2003 were $1.58, compared to $1.65 in 2002. Earnings per share declined as a result of an increase in the weighted average number of common shares outstanding, following the new issues of common equity in March and December 2002.

For the three months ended June 30, 2003, earnings applicable to common shares for Terasen Inc. were $8.2 million, or $0.16 per common share, as compared to earnings of $1.1 million, or $0.03 per share, reported in the corresponding quarter of 2002.

Higher earnings for both the three month and six month periods ended June 2003 were primarily a result of strong petroleum transportation results, the acquisition of a one-third interest in the Express Pipeline System on January 9, 2003, and the commencement of commercial shipping on the Corridor Pipeline on May 1, 2003.

"Our work in the petroleum transportation side of our business is paying off and the results are noticeable this quarter," said John Reid, Terasen president and CEO. "The completion of the Corridor Pipeline, which reached full operation May 1, and the strong throughput on the Trans Mountain and Express pipelines validate our strategy of capitalizing on oil sands production growth. We will continue to look at this area for opportunities to expand our petroleum transportation business."

The company also announced that the B.C. Utilities Commission has approved a negotiated settlement reached between Terasen Gas Inc. and representatives of its customers and other stakeholders, with input from the commission staff, for a 2004-2007 Performance Based Rate Plan (PBR settlement). The settlement sets out the process for determining delivery charges for Terasen Gas' 774,000 mainland British Columbia gas customers between 2004 and 2007. Any adjustment in delivery charges will occur no sooner than January 1, 2004. The PBR settlement also has no effect on the commodity price of natural gas, which is a flow-through cost to customers. Regular quarterly reviews of natural gas commodity prices with the BCUC will continue. Details of the agreement are available at www.terasen.com/gas.

"The Performance Based Rate Plan for Terasen Gas is a key building block as we look to strengthen our natural gas distribution business. Both customers and shareholders will benefit from the incentives available to Terasen Gas under this plan," Reid said.

The tables below set out the contribution to earnings per share by operating segment for the six months and three months ended June 30, 2003 and 2002.

Terasen Inc.

EARNINGS (LOSS) APPLICABLE TO COMMON SHARES:

	Six months ended June 30			
	2003		2002	
In millions of dollars, except per share amounts		Per Share		Per Share
Natural gas distribution				
Terasen Gas	$ 52.8	$ 1.02	$ 52.3	$ 1.25
TGVI	11.8	0.23	11.5	0.28
	64.6	1.25	63.8	1.53
Petroleum transportation				
Trans Mountain	17.9	0.34	12.1	0.29
Corridor	2.9	0.06	-	-
Express System	3.0	0.06	-	-
	23.8	0.46	12.1	0.29
Other activities	(6.8)	(0.13)	(7.0)	(0.17)
Earnings applicable to common shares	$ 81.6	$ 1.58	$ 68.9	$ 1.65

	Three months ended June 30			
	2003		2002	
In millions of dollars, except per share amounts		Per Share		Per Share
Natural gas distribution				
Terasen Gas	$(8.3)	$ (0.16)	$ (8.2)	$ (0.19)
TGVI	5.8	0.11	5.2	0.12
	(2.5)	(0.05)	(3.0)	(0.07)
Petroleum transportation				
Trans Mountain	9.6	0.19	5.6	0.13
Corridor	2.9	0.06	-	-
Express System	(0.3)	(0.01)	-	-
	12.2	0.24	5.6	0.13
Other activities	(1.5)	(0.03)	(1.5)	(0.03)
Earnings applicable to common shares	$ 8.2	$ 0.16	$ 1.1	$ 0.03

NATURAL GAS DISTRIBUTION

Earnings for natural gas distribution were $64.6 million in the first half of 2003, as compared with $63.8 million in the corresponding period of 2002. Terasen Gas contributed $0.5 million to the increase due mainly to improved operating efficiencies. The earnings contribution from Terasen Gas Vancouver Island ("TGVI") of $11.8 million was up slightly from the first six months of 2002.

For the three months ended June 30, the loss for natural gas distribution decreased from $3.0 million in 2002 to $2.5 million in 2003, mainly as a result of improved operating efficiencies at both Terasen Gas and TGVI.

The PBR Settlement achieved by Terasen Gas sets forth a process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through sharing of the benefits of efficiencies between the company and its customers. It includes 10 service quality measures designed to ensure the company maintains service levels and sets out the requirements for an annual review process which will provide for a forum for discussion between Terasen Gas and interested parties regarding the company's current and future activities.

PETROLEUM TRANSPORTATION

Petroleum transportation operating results for the six months ended June 30, 2003 increased by $11.7 million compared to the corresponding period in 2002. The higher earnings were due to the strong throughput volumes on Trans Mountain, the acquisition of a one-third interest in the Express System on January 9, 2003 and the commencement of commercial operations of the Corridor Pipeline. The earnings contribution from Trans Mountain in the first six months of 2003 increased by $5.8 million mainly as a result of higher throughput levels on the Canadian and U.S. mainlines and improved operating efficiencies. For the quarter, Trans Mountain reported earnings of $9.6 million versus $5.6 million in the corresponding quarter of 2002.

For the first six months of 2003, the total contribution from the Express System was $3.0 million. For the second quarter, earnings from the Express System were $(0.3) million. Both the three-month and six-month results from the Express System include a foreign exchange loss of $3.8 million arising from the impact of the significant and rapid depreciation of the U.S. dollar on working capital and future income tax balances. Excluding the foreign exchange loss, second quarter and six month earnings from the Express System were $3.5 million and $6.8 million, respectively, reflecting strong throughput levels.

On May 1, 2003, the Corridor Pipeline commenced commercial operations and has begun to contribute to Terasen's earnings. Earnings in May and June 2003 were consistent with expectations.

OTHER ACTIVITIES

Other activities include non-regulated energy and utility services as well as corporate interest and administration charges. Results from this segment for the first six months of 2003 were relatively flat as compared with the corresponding period of 2002. A decrease in earnings related to the completion of the Sharjah project was offset by strong results in the water and related services business.

DIVIDENDS

The Directors of Terasen Inc. have declared a quarterly dividend of $0.39 per share on the issued and outstanding common shares of Terasen Inc. The dividend is payable on the 31st day of August, 2003 to Shareholders of record at the close of business on the 18th day of August, 2003.

Terasen will host a conference call at 1:00 p.m. Pacific time (4:00 p.m. Eastern time) today to discuss the 2003 second quarter results. Analysts and other interested parties wanting to participate in the call can dial 1-877-375-5688. No passcode is required. The call will also be broadcast live on www.terasen.com and will be available for replay following the call.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 851,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER”.

Terasen Inc.

HIGHLIGHTS

In millions of dollars, except per share amounts	Six months ended June 30 **2003**	2002
Revenues		
Natural gas distribution	**$ 786.5**	$ 790.5
Petroleum transportation	**84.5**	63.8
Other activities	**85.4**	76.7
	$ 956.4	$ 931.0
Net earnings	**$ 84.9**	$ 72.1
Earnings applicable to common shares	**$ 81.6**	$ 68.9
Capital expenditures	**$ 105.7**	$ 206.3
Total assets	**$ 4,738.0**	$ 4,306.3
COMMON SHARE DATA		
Basic earnings per common share	**$ 1.58**	$ 1.65
Diluted earnings per common share	**$ 1.56**	$ 1.64
Dividends per common share	**$ 0.75**	$ 0.69
Common equity per common share	**$ 24.83**	$ 21.51
Common shares - weighted average *(millions)*	**51.8**	41.7
NATURAL GAS DISTRIBUTION		
Number of gas customers	**851,261**	843,932
Natural gas volumes *(in petajoules)*		
Sales volumes	**69.7**	73.5
Transportation volumes	**33.1**	36.8
Throughput under fixed-price contracts	**9.9**	9.9
	112.7	120.2
PETROLEUM TRANSPORTATION		
Transportation volumes *(barrels per day)*		
Trans Mountain Canadian mainline	**206,200**	191,200
Trans Mountain U.S. mainline (included in Canadian mainline)	**52,600**	46,600
Express System (2002 shown for reference)	**168,100**	162,900

Terasen Inc.

CONSOLIDATED STATEMENTS OF EARNINGS – unaudited

In millions of dollars, except per share amounts	Three months ended June 30 **2003**	2002	Six months ended June 30 **2003**	2002
REVENUES				
Natural gas distribution	**$ 299.2**	$ 262.0	**$ 786.5**	$ 790.5
Petroleum transportation	**50.3**	30.7	**84.5**	63.8
Other activities	**50.9**	58.5	**85.4**	76.7
	400.4	351.2	**956.4**	931.0
EXPENSES				
Cost of natural gas	**176.5**	141.4	**465.3**	475.1
Operation and maintenance	**75.1**	77.9	**146.2**	141.4
Depreciation and amortization	**33.1**	29.9	**62.7**	57.6
Property and other taxes	**17.2**	17.0	**34.5**	34.0
Cost of revenues from other activities	**30.2**	27.3	**47.5**	38.8
	332.1	293.5	**756.2**	746.9
OPERATING INCOME	**68.3**	57.7	**200.2**	184.1
Financing costs	**43.8**	41.7	**83.1**	82.4
Earnings before share of earnings of Express System and income taxes	**24.5**	16.0	**117.1**	101.7
Share of earnings (loss) of Express System (note 2)	**(0.7)**	-	**2.2**	-
Earnings before income taxes	**23.8**	16.0	**119.3**	101.7
Income taxes	**14.0**	13.3	**34.4**	29.6
NET EARNINGS	**9.8**	2.7	**84.9**	72.1
Capital securities distributions, net of income taxes	**1.6**	1.6	**3.3**	3.2
EARNINGS APPLICABLE TO COMMON SHARES	**$ 8.2**	$ 1.1	**$ 81.6**	$ 68.9
Common shares – weighted average (millions)	**51.9**	43.6	**51.8**	41.7
BASIC EARNINGS PER COMMON SHARE (note 5)	**$ 0.16**	$ 0.03	**$ 1.58**	$ 1.65
DILUTED EARNINGS PER COMMON SHARE (note 5)	**$ 0.16**	$ 0.03	**$ 1.56**	$ 1.64

Terasen Inc.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS – unaudited

In millions of dollars	Six months ended June 30 **2003**	2002
Retained earnings, beginning of period	**$ 302.2**	$ 271.0
Net earnings	**84.9**	72.1
	387.1	343.1
Dividends on common shares	**38.8**	28.4
Capital securities distributions, net of income taxes	**3.3**	3.2
Share issue costs, net of income taxes	**-**	6.2
Share options purchased	**-**	1.0
	42.1	38.8
Retained earnings, end of period	**$ 345.0**	$ 304.3

Terasen Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of dollars	**June 30 2003 (unaudited)**	December 31 2002
ASSETS		
Current assets		
Cash and short-term investments	**$ 1.5**	$ 5.1
Accounts receivable	**279.4**	299.2
Inventories of gas in storage and supplies	**122.2**	98.2
Prepaid expenses	**19.0**	11.1
Current portion of rate stabilization accounts	**31.0**	69.3
	453.1	482.9
Property, plant and equipment	**3,823.0**	3,779.2
Investment in Express System (note 2)	**207.7**	-
Goodwill	**103.5**	101.0
Rate stabilization accounts	**77.2**	72.5
Other assets	**73.5**	86.8
	$ 4,738.0	$ 4,522.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term notes	**$ 488.0**	$ 440.0
Accounts payable and accrued liabilities	**275.1**	298.1
Income and other taxes payable	**47.7**	31.9
Current portion of long-term debt	**108.6**	108.9
	919.4	878.9
Long-term debt	**2,240.9**	2,123.4
Other long-term liabilities and deferred credits	**100.4**	96.4
Future income taxes	**63.0**	58.1
	3,323.7	3,156.8
Shareholders' equity		
Capital securities	**125.0**	125.0
Common shares	**864.5**	858.6
Contributed surplus	**130.8**	130.8
Retained earnings	**345.0**	302.2
	1,465.3	1,416.6
Less cost of common shares held by Terasen Pipelines (Trans Mountain) Inc.	**51.0**	51.0
	1,414.3	1,365.6
	$ 4,738.0	$ 4,522.4

Terasen Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - unaudited

In millions of dollars	Three months ended June 30 **2003**	2002	Six months ended June 30 **2003**	2002
Cash flows provided by (used for)				
OPERATING ACTIVITIES				
Net earnings	**$ 9.8**	$ 2.7	**$ 84.9**	$ 72.1
Adjustments for non-cash items				
Depreciation and amortization	**33.1**	29.9	**62.7**	57.6
Cash distributions from Express System, less share of earnings	**7.9**	-	**5.0**	-
Future income taxes	**2.5**	1.7	**4.9**	2.3
Other	**3.6**	2.1	**4.7**	6.1
	56.9	36.4	**162.2**	138.1
Decrease in rate stabilization accounts	**23.1**	3.1	**33.6**	47.4
Changes in non-cash operating working capital	**(17.8)**	60.6	**(19.3)**	99.6
	62.2	100.1	**176.5**	285.1
INVESTING ACTIVITIES				
Property, plant and equipment	**(62.2)**	(115.6)	**(105.7)**	(206.3)
Acquisition of Express System (note 2)	**-**	-	**(212.7)**	-
Acquisition of Terasen Gas (Vancouver Island)	**-**	-	**-**	(305.2)
Other assets	**(0.4)**	(2.4)	**9.3**	(2.2)
	(62.6)	(118.0)	**(309.1)**	(513.7)
FINANCING ACTIVITIES				
Increase in short-term notes	**73.0**	11.5	**48.0**	6.0
Increase in long-term debt	**114.5**	75.8	**309.7**	165.9
Reduction of long-term debt	**(187.2)**	(2.1)	**(192.5)**	(52.9)
Issue of common shares, net of issue costs	**3.6**	1.5	**5.9**	184.4
Dividends and distributions on common shares and capital securities	**(21.8)**	(17.3)	**(42.1)**	(31.6)
Share options purchased	**-**	(0.3)	**-**	(1.0)
	(17.9)	69.1	**129.0**	270.8
Net increase (decrease) in cash	**(18.3)**	51.2	**(3.6)**	42.2
Cash (bank indebtedness) at beginning of period	**19.8**	(6.9)	**5.1**	2.1
Cash at end of period	**$ 1.5**	$ 44.3	**$ 1.5**	$ 44.3
Supplemental cash flow information				
Interest paid in the period	**$ 41.1**	$ 38.7	**$ 89.8**	$ 89.7
Income taxes paid in the period	**6.7**	4.6	**31.8**	12.8

Cash is defined as cash and short-term investments or bank indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - unaudited:

1. BASIS OF PRESENTATION

The accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Company's year end audited consolidated financial statements of December 31, 2002, except as set out in note 2. These consolidated financial statements do not include all disclosures required for annual financial statements, and therefore these statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, as set out in the 2002 Annual Report.

2. ACQUISITION AND RELATED FINANCING OF EXPRESS SYSTEM

On January 9, 2003 a consortium including the Company, Borealis Infrastructure Management Inc. and the Ontario Teachers' Pension Plan Board acquired all of the outstanding shares of Express Pipeline Ltd. and Express Holdings (U.S.A.) Inc. (the "Express System") from EnCana Corporation. Each of the three consortium members owns an equal interest in the Express System. The purchase price was approximately $1,175.0 million, including assumed debt of approximately $582.0 million, subject to closing and post-closing adjustments. The Company's share of the purchase price was approximately $212.7 million subject to finalization of adjustments.

The December 2002 issue of common shares, which yielded gross proceeds of $301.4 million, was completed to finance, in part, the January 2003 purchase of the Company's interest in the Express System.

The Company exercises significant influence over the Express System and, accordingly, accounts for its one-third investment in the Express System using the equity method. Under the equity method the investment is initially recorded at cost, and subsequently adjusted to recognize the Company's share of earnings of the Express System and reduced by distributions.

3. SEASONAL OPERATIONS

Due to the seasonal nature of the Company's natural gas distribution operations, interim earnings statements are not indicative of earnings on an annual basis.

4. SEGMENT DISCLOSURES

Six months ended June 30

in millions of dollars 2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 786.5	$ 84.5	$ 85.4	$ 956.4
Net earnings (loss)	64.6	23.8	(3.5)	84.9
Earnings (loss) applicable to common shares	64.6	23.8	(6.8)	81.6
Total assets	3,224.9	1,332.0	181.1	4,738.0
2002				
Revenues	$ 790.5	$ 63.8	$ 76.7	$ 931.0
Net earnings (loss)	63.8	12.1	(3.8)	72.1
Earnings (loss) applicable to common shares	63.8	12.1	(7.0)	68.9
Total assets	3,131.5	988.3	186.5	4,306.3

Three months ended June 30

in millions of dollars 2003	Natural gas distribution	Petroleum transportation	Other activities	Total
Revenues	$ 299.2	$ 50.3	$ 50.9	$ 400.4
Net earnings (loss)	(2.5)	12.2	0.1	9.8
Earnings (loss) applicable to common shares	(2.5)	12.2	(1.5)	8.2
2002				
Revenues	$ 262.0	$ 30.7	$ 58.5	$ 351.2
Net earnings (loss)	(3.0)	5.6	0.1	2.7
Earnings (loss) applicable to common shares	(3.0)	5.6	(1.5)	1.1

5. EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the weighted average number of common shares and stock options outstanding at the beginning of or granted during the period. The Company's performance based share options are considered to be contingently issuable shares and have been included in the treasury stock method calculation only if all performance criteria of the options have been satisfied. The possible exchange of the $125.0 million Capital Securities into common shares has not been included in the treasury stock method calculation since similar obligations in the past have been paid wholly in cash.

(in millions, except per share amounts)	Earnings Applicable to Common Shares		Weighted Average Shares	Earnings Per Share	
Six months ended June 30, 2003					
Basic earnings per share (2002 - $1.65)	$	81.6	51.8	$	1.58
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 – 0.4 million)			0.4		
Diluted earnings per share (2002 - $1.64)	$	81.6	52.2	$	1.56

(in millions, except per share amounts)	Earnings Applicable to Common Shares		Weighted Average Shares	Earnings Per Share	
Three months ended June 30, 2003					
Basic earnings per share (2002 – $0.03)	$	8.2	51.9	$	0.16
Add: weighted-average number of net shares that would be issued under treasury stock method (2002 – 0.4 million)			0.3		
Diluted earnings per share (2002 – $0.03)	$	8.2	52.2	$	0.16

6. STOCK-BASED COMPENSATION

The Company accounts for the issue of options under its stock option plans as capital transactions when the options are exercised. During the six months ended June 30, 2003, 392,200 stock options were granted at an average exercise price of $39.50 under the Company's Stock Option Plan. If the Company had used the fair-value based method to account for stock-based compensation, pro forma earnings and earnings per share would have been as follows:

		Six months ended June 30, 2003	Three months ended June 30, 2003
Net earnings	As reported	$84.9 million	$9.8 million
	Pro forma	$83.9 million	$9.3 million
Earnings applicable to common shares	As reported	$81.6 million	$8.2 million
	Pro forma	$80.6 million	$7.7 million
Basic earnings per common share	As reported	$1.58	$0.16
	Pro forma	$1.56	$0.15
Diluted earnings per common share	As reported	$1.56	$0.16
	Pro forma	$1.54	$0.15

A Black-Scholes model was used to calculate stock option fair value for the pro forma results. Significant assumptions include interest rates of between 4.24% and 4.63% matched to the expected life of the option, expected volatility of 19.40% and an expected dividend yield of 3.98%. There is an expected life of five years on regular share options and an expected life of six years on performance based share options. The weighted average fair value of options granted during the three months ended June 30, 2003 was $5.53.

SUPPLEMENTARY FINANCIAL INFORMATION
June 30, 2003

Common shares issued and outstanding	56,519,545
Less: Common shares held by Terasen Pipelines (Trans Mountain) Inc.	4,592,094
	51,927,451
Weighted average common shares outstanding *(six months ended June 30, 2003)*	51,812,520
8.0% capital securities issued and outstanding	$125,000,000

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BC Gas Inc. reports first quarter earnings

April 25, 2003

FOR IMMEDIATE RELEASE

Earnings applicable to common shares for BC Gas Inc. were $73.4 million in the three months ended March 31, 2003 according to financial reports the company released today. BC Gas had comparable earnings of $67.8 million for the same period last year. The increase in earnings for the first quarter of 2003 was primarily a result of improved operating results and the acquisition of a one-third interest in the Express Pipeline System on January 9, 2003.

Earnings per share for the first three months of 2003 were $1.42, as compared to $1.70 in 2002. Earnings per share declined as a result of an increase in the weighted average number of common shares outstanding following new issues of common equity in March and December 2002. BC Gas' earnings are typically higher during the first and fourth quarters, resulting in higher dilution of earnings per share during those quarters compared to the second and third quarters. In addition, the proceeds from these financings were used in part to finance the Corridor Pipeline, which will begin to contribute to earnings on May 1, 2003.

"With the acquisition of the Express Pipeline System, the commencement of earnings from the Corridor Pipeline and contributions from each of our other business units, we are well positioned to sustain our minimum annual earnings per share growth objective of six per cent in 2003," said John Reid, BC Gas Inc. president and CEO.

"Now that the Corridor Pipeline has achieved full operations, we have reached a significant milestone for our company. This project is a key link in our strategy of participating in Alberta's oil sands development."

Reid said the company is also making good progress in renewing an incentive regulatory arrangement for BC Gas Utility.

"A proposal for a new multi-year settlement has recently been filed with the B.C. Utilities Commission, and we are optimistic that we will be able to negotiate a settlement with stakeholders that will deliver long-term benefits to both customers and shareholders," he added.

"Overall, we have delivered a strong first quarter. Our recently acquired one-third interest in the Express System is delivering earnings growth as expected and we have received solid performances from our other businesses."

BC Gas Inc. Reports Third Quarter Earnings

November 6, 2002

FOR IMMEDIATE RELEASE

Earnings applicable to common shares for BC Gas Inc. were $49.8 million for the nine months ended September 30, 2002 according to financial reports the company released today.

BC Gas had comparable earnings of $35.6 million for the same period last year. Earnings per share for the first nine months of 2002 were $1.17, as compared to $0.93 in 2001.

The increase in earnings for the first nine months of 2002 was primarily a result of the acquisition of Centra Gas British Columbia Inc. (Centra BC). The earnings from Centra BC are included in BC Gas' results as of January 1, 2002.

"These third quarter results represent continued solid performance from our various business units and we remain on track to deliver on our full year financial targets," said John Reid, BC Gas president and CEO.

"The acquisition of Centra Gas is delivering the expected results and I am particularly pleased with the improved financial performance of our energy and utility services businesses, including our water services and international consulting businesses."

A key focus for BC Gas Utility and Centra Gas in the next quarter is the ongoing processes to establish rates for 2003 and develop multi-year regulatory settlements, Reid added.

"Fair, incentive-based regulation will deliver substantial benefits for shareholders and customers. I am optimistic that we will be able to work with the B.C. Utilities Commission to develop an agreement that will align customer and shareholder interests and allow us to continue providing value to our customers across British Columbia."

Full News Release

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BC Gas Inc. Reports Second Quarter Earnings

July 31, 2002

FOR IMMEDIATE RELEASE

Earnings applicable to common shares for BC Gas Inc. were $68.9 million for the six months ended June 30, 2002 according to financial reports the company released today. BC Gas had comparable earnings of $57.9 million for the same period last year. Earnings per share for the first six months of 2002 were $1.65, as compared to $1.51 in 2001.

The increase in earnings for the first half of 2002 was primarily a result of the acquisition of Centra Gas British Columbia Inc. (Centra BC). The earnings from Centra BC are included in BC Gas' results as of January 1, 2002.

"Our solid second quarter results again demonstrate the value in our focused, low risk business strategy," said John Reid, BC Gas president and CEO. "We remain on track to achieve our 2002 financial and business objectives."

Reid noted that construction on the Corridor Pipeline project is over 90 per cent complete, and commissioning on the pipeline is proceeding as expected.

"Although oil pipeline throughput to date in 2002 has been disappointing, Trans Mountain is taking steps to meet its financial targets. Our energy and utility services businesses are delivering strong results and the recently announced agreement with Accenture will see CustomerWorks move forward and continue to thrive," Reid said.

"We are continuing our strategy of strengthening and expanding our base businesses, and growing in a measured way from our core competencies. Although there currently is a great deal of turmoil in the energy sector throughout North America, our disciplined and focused strategy allows us to deliver solid results for shareholders without taking on the risk that has affected other companies in the energy sector."

Full News Release

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BC Gas Inc. Reports First Quarter Earnings

April 25, 2002

FOR IMMEDIATE RELEASE

Earnings applicable to common shares for BC Gas Inc. were $67.8 million in the three months ended March 31, 2002 according to financial reports the company released today. BC Gas had comparable earnings of $61.0 million for the same period last year. Earnings per share for the first three months of 2002 were $1.70, as compared to $1.59 in 2001.

The increase in earnings for the first quarter of 2002 was primarily a result of the acquisition of Centra Gas British Columbia Inc. (Centra BC). The earnings from Centra BC were included in BC Gas' results as of January 1, 2002.

"Our first quarter results show that we are on track to achieve our objectives in 2002," said John Reid, BC Gas president and CEO. "Our acquisition of Centra BC is delivering earnings growth as expected, and we have also achieved improved operating performance across our other businesses. At the same time, we are also making progress towards our strategic objectives."

"The recently announced sale of our wholesale water supply business is right on track with strategy and will allow us to sharpen our focus on the water services side of our multi-utility business," Reid said. He pointed out that the Corridor Pipeline project is on time and on budget, and that the filling of diluent in the pipeline has commenced.

"Our tight focus on our core businesses is delivering continued growth with low business risk. BC Gas is well positioned to meet the growing needs of natural gas and petroleum producers and end users for cost-effective, reliable transportation and services."

Full News Release

BC Gas Inc. Reports 2002 Earnings

February 14, 2003

FOR IMMEDIATE RELEASE

Earnings per share for BC Gas Inc. were $2.45 for the year ended December 31, 2002 according to financial reports the company released today. BC Gas had comparable earnings per share of $2.21 for the same period in 2001.

Earnings applicable to common shares for 2002 were $105.8 million, as compared to $84.6 million in 2001.

"Each of our business units delivered improved financial performance in 2002, helping us achieve our strategic and financial goals," said John Reid, BC Gas Inc president and CEO.

He listed the completion of the Corridor Pipeline on time and on budget, closing the acquisition of Centra Gas, and the acquisition of a one-third interest in the Express Pipeline as the key accomplishments of the year.

"The Express Pipeline acquisition is an excellent strategic fit that will deliver immediate shareholder value and provide opportunities for significant future growth through pipeline expansion," Reid said.

With the Corridor, Trans Mountain and Express pipelines, BC Gas can provide producers in Alberta with access to each of the key markets for growing oil sands production.

Full News Release

BC Gas Inc. Reports Third Quarter Earnings

November 8, 2001

FOR IMMEDIATE RELEASE

Earnings per share before non-recurring items for BC Gas Inc. were $0.93 in the nine months ended September 30, 2001 according to financial reports the company released today. BC Gas had comparable earnings per share of $1.07 for the same period last year.

Earnings applicable to common shares before non-recurring items for the first nine months of 2001 were $35.6 million, as compared to $40.8 million in 2000. See our news release to find out more.

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BC Gas Inc. Reports Second Quarter Earnings

July 30, 2001

FOR IMMEDIATE RELEASE

Earnings per share before non-recurring items for BC Gas Inc. were $1.51 in the six months ended June 30, 2001 according to financial reports the company released today. BC Gas had comparable earnings per share of $1.41 for the same period last year.

Earnings applicable to common shares before non-recurring items for the first six months of 2001 were $57.9 million, as compared to $54.0 million in 2000.

Earnings in the first half of 2000 included non-recurring items of $15.8 million, or $0.41 per share, related to income tax benefits associated with the Williams Lake Power Plant, which the company monetized in 1999. Including these non-recurring benefits, earnings applicable to common shares for the six months ended June 30, 2000 amounted to $69.8 million, or $1.82 per share.

"Our second quarter included significant progress against our strategic plan, coupled with solid financial results that remain on track to achieve our financial objectives," said John Reid, BC Gas president and CEO.

"By entering into strategic partnerships and mergers this past quarter, we have made significant progress that will position us at the forefront in key areas of our business. Our joint venture with Enbridge Inc. created CustomerWorks, the largest provider of customer management services to Canadian utilities, while merging BCG eFuels Inc. with Pickens Fuel Corp. created the largest provider of natural gas fuels for vehicles in North America."

Reid noted that Trans Mountain Pipe Line also continued to generate positive results. Taking advantage of high demand for petroleum products in B.C. and the western U.S., Trans Mountain moved a high volume of crude oil and refined products through its system.

Reid also expressed satisfaction with progress on BC Gas's Inland Pacific Connector pipeline. "The recently concluded open season confirmed our belief that additional pipeline expansion is needed to meet growing demand for natural gas in the region. The Inland Pacific Connector is a cost-effective means of trying to ensure that British Columbia gas consumers avoid dramatic price increases like those experienced last winter."

Full News Release

BC Gas Inc. Reports First Quarter Earnings

April 26, 2001

FOR IMMEDIATE RELEASE

Earnings per share for BC Gas Inc. were $1.59 in the three months ending March 31, 2001 according to financial reports the company released today. BC Gas had earnings per share of $1.60 for the same period last year.

Earnings applicable to common shares for the first quarter of 2001 were $61.0 million, as compared to $61.3 million in 2000.

Earnings in the first quarter of 2000 included non-recurring items of $7.9 million, or $0.21 per share, related to income tax benefits associated with the Williams Lake Power Plant, which the company monetized in 1999. Excluding these non-recurring benefits, earnings applicable to common shares for the three months ended March 31, 2000 amounted to $53.4 million, or $1.39 per share.

"Increasing natural gas prices continue to make this a very difficult environment in which to operate a gas delivery business," said John Reid, BC Gas president and CEO. "The dramatic increases in natural gas prices in recent months are creating real challenges for our customers and increasing our costs of doing business."

"Our petroleum transportation business is delivering solid results under its new incentive toll settlement, and our investment in the Southern Crossing Pipeline is delivering earnings growth for natural gas distribution operations."

Reid cautioned that first quarter earnings traditionally appear higher because BC Gas Utility tends to sell more natural gas during the winter months. First quarter earnings from natural gas distribution are typically followed by losses in the second and third quarters.

Full News Release

BC Gas Inc. reports 2001 earnings per share

February 14, 2002

FOR IMMEDIATE RELEASE

Earnings per share before non-recurring items for BC Gas Inc. were $2.21 for the year ended December 31, 2001 according to financial reports the company released today. BC Gas had comparable earnings per share of $2.06 for the same period in 2000.

Earnings applicable to common shares before non-recurring items for 2001 were $84.6 million, as compared to $78.8 million in 2000.

Earnings in 2000 included three non-recurring items. A non-recurring gain of $29.0 million related to income tax benefits associated with the Williams Lake Power Plant, which the company monetized in 1999. A gain of $8.5 million resulted from the effect of income tax rate reductions in 2000 in calculating future income tax liabilities. Offsetting this gain was an after-tax charge of $7.5 million associated with restructuring costs at Trans Mountain Pipe Line. Including these non-recurring items, earnings applicable to common shares for the year ended December 31, 2000 amounted to $108.8 million, or $2.84 per share.

"I am pleased with the progress we made in 2001, " said John Reid, BC Gas Inc president and CEO. "Our business responded well to the many operating challenges we faced, delivering continued solid growth and at the same time laying a strong foundation for future growth."

Reid called the acquisition of Centra Gas British Columbia an excellent strategic fit that will create immediate shareholder value. He pointed out the Corridor Pipeline project in northern Alberta is on time and budget and BC Gas has leveraged its position on Corridor into other opportunities such as the recently announced Bison Pipeline project.

"This builds towards our goal of becoming a leader in providing transportation solutions to producers in the Alberta oil sands," he said.

Reid said BC Gas is focusing its water business on initiatives that complement its strategy of being a leading provider of multi-utility services. It has also created two non-regulated businesses that are leaders in their respective fields.

ENRG, formed by the merger of BCG EFuels with Pickens Fuel, is the largest natural gas fuel provider for vehicles in North America. CustomerWorks, a joint venture with Enbridge, provides state-of-the-art customer management solutions to utilities, municipalities and retail energy companies across Canada.

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Ask for BC Gas ID to avoid imposters

December 13, 2002

FOR IMMEDIATE RELEASE

BC Gas is reminding its customers that all utility employees carry photo identification after an imposter scammed an Armstrong man by claiming to work for BC Gas.

The imposter knocked on the door of an elderly homeowner in Armstrong last week and told the man he owed $40 due to a BC Gas computer error on the homeowner's gas bill. The homeowner handed over the $40 then watched as the imposter tried the same thing on several of his neighbours.

Armstrong RCMP were notified and are now looking for a man about 40 years old, described as scruffy looking and about six feet, four inches and 160 pounds.

"We're very concerned when we hear of incidents like this, especially when the people victimized are seniors," said Ron Jupp, BC Gas Utility vice president of distribution.

"All BC Gas employees carry photo identification and they are happy to show it to our customers when asked. If someone approaches you claiming to work for BC Gas, ask them to show you their identification."

Most BC Gas employees working outside the office wear uniforms with the company logo or drive vehicles marked with the company name and logo.

All BC Gas billing issues are dealt with through the customer's regular gas bill, sent via mail or via email. The utility does not send employees out to collect money from customers, Jupp said.

Customers can call BC Gas at 1-888-224-2710 to verify if a BC Gas service technician has been working in their area. If customers suspect someone is impersonating a utility employee, they should call their local police.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

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B.C. Utilities Commission approves 16 per cent BC Gas rate increase

March 21, 2003

FOR IMMEDIATE RELEASE

The British Columbia Utilities Commission has approved BC Gas' application for an increase in the rates it charges for the natural gas commodity.

The increase will add approximately 16 per cent to the typical residential customer's total gas bill. That works out to an additional $184 per year for a typical Lower Mainland home; $167 per year for a typical home in the Interior and $183 per year for a typical home in the Kootenays.

The increase will take effect April 1, 2003.

Natural gas is a commodity traded on the open market, like oil or gold. In the past six months, the market price of natural gas has increased substantially, driven upwards by heavy demand in the east as a result of a very cold winter. Rising crude oil prices, spurred by civil disruption in Venezuela and uncertainty around the Middle East situation have also served to push natural gas and other energy prices upwards.

BC Gas Utility does not earn a profit on natural gas; the utility's cost is passed on to the customer and any rate change must be approved by the B.C. Utilities Commission.

The cost of the natural gas makes up about two-thirds of the typical residential gas bill. The remaining one-third is composed of delivery charges. Customers can check the rate they pay for natural gas on their BC Gas bill, since it's listed separately from the delivery charges.

Consumers can find more information on how to save energy and reduce gas consumption on the BC Gas web site at http://www.terasen.com/.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 764,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc., a publicly traded company listed on the Toronto Stock Exchange.

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BC Gas Agrees To Lease Agreement With Kelowna For Gas Distribution System

May 1, 2001

FOR IMMEDIATE RELEASE

BC Gas and the City of Kelowna have reached an agreement in principle that will see the city lease BC Gas's gas distribution assets within Kelowna municipal boundaries for $50 million.

The deal includes an initial prepayment of $47.5 million to BC Gas and payment of the balance over the term of the 35-year lease.

BC Gas will then lease back the operation of the gas distribution system from Kelowna, allowing the company to continue operating the system.

"This transaction provides BC Gas with a long-term operating agreement in Kelowna and removes the uncertainty associated with the original franchise agreement that's been in place since 1957," said Don Fairbairn, BC Gas vice-president of business development.

"The structure of this agreement also provides the City of Kelowna with financial benefits."

After 17 years, BC Gas can negotiate a new leasing arrangement with Kelowna or cancel the lease in exchange for a termination payment to the city.

BC Gas will continue to operate the distribution assets in Kelowna and the city agrees to a franchise renewal that does not include an option to purchase the distribution assets from BC Gas. BC Gas customers will see a small reduction in their rates as a result of this transaction.

The proposed transaction is subject to regulatory and municipal approvals. If approved, the transaction would be expected to close in fall 2001.

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BC Gas and BC Hydro to issue separate bills

April 22, 2002

FOR IMMEDIATE RELEASE

Natural gas customers in the Lower Mainland and Fraser Valley will begin receiving a separate bill from BC Gas Utility in July.

Since 1988, most BC Gas Utility customers in the Lower Mainland and Fraser Valley have received a combined bill for natural gas and electricity issued by BC Hydro, although BC Hydro and BC Gas are separately owned and operated companies. BC Hydro has provided billing and customer service functions to BC Gas under contract.

But the need to provide more customer information and the inability of the current billing system to meet future demands has lead BC Gas to begin issuing its own separate bill.

"Consumers today want more choice and product information and in order for us to satisfy those needs, one of the key steps is for us to begin issuing a separate BC Gas bill," said Randy Jespersen, BC Gas Utility president.

"This change comes after extensive negotiations with BC Hydro and an attempt to establish a joint venture to provide billing and customer contact services for both utilities. Ultimately, we both came to the conclusion that our needs are sufficiently different and the best solution is for each utility to issue its own bill."

This move allows BC Gas to provide more information to customers and makes it easier for customers to track and compare home heating costs, Jespersen added.

BC Gas has always issued its own bill throughout the rest of the province. The utility will provide Lower Mainland customers with new gas account numbers and a range of payment options. It will also continue the popular monthly equal payment plan.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

For further information contact:

Media
Dean Pelkey
manager media relations
Phone: (604) 576-7300

Email: dean.pelkey@terasen.com

Customer Information
Call us at 1.866.806.3330

Frequently Asked Questions

Will customers need a new account with BC Gas?
BC Gas will automatically set up new accounts for customers. New account numbers will be on their July BC Gas bill.

Can customers still make one payment for both BC Gas and BC Hydro?
No. Beginning in July, customers will have separate accounts with each utility and will have to make separate payments to BC Gas and BC Hydro. Amounts billed by BC Hydro, including natural gas charges related to service up to July 2002, are payable to BC Hydro. Only amounts billed by BC Gas, starting in July, are payable to BC Gas.

Will customers have to change how they pay their bills?
Payment of the BC Hydro electric bill will not change. BC Gas will begin sending monthly natural gas bills in July. Payment choices for the BC Gas bill include:

- Pre-authorized payment from a bank account.
- Telephone or Internet banking
- Payment at a financial institution
- Mail

Will this change the payments for customers on the monthly equal payment plan?
The current monthly installment amount will be split between the BC Hydro bill and the new BC Gas bill, based on electric and natural gas usage. When split, the total of the two separate amounts will not exceed the current installment amount.

How often will BC Gas issue bills? (Monthly, every two months, every three months?)
BC Gas bills will be issued monthly.

What kind of additional information will the new bill provide?
When customers receive their new BC Gas bill, they will notice the cost of the natural gas commodity is shown separately from the delivery charges

How can customers get more information?
Information inserts will be included with combined BC Hydro / BC Gas bills in May and June. BC Gas will include an insert with the July bill, explaining the new bill and payment options. Customers can also visit www.terasen.com for more information, or call us at 1-866-806-3330.

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BC Gas and Enbridge Join Forces To Provide Customer Services For Utilities, Municipalities

July 19, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. and Enbridge Inc. today announced the creation of a limited partnership to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada.

The new company, CustomerWorks, will be a leading provider of state-of-the-art utility customer management solutions. The venture will support a complete set of business service offerings covering the entire meter-to-cash process including meter reading, billing, call centres, credit and collections, e-commerce, and field work appointment scheduling.

Project work is already under way, and the new company will launch initial operations on August 1, 2001. Full-scale operations are scheduled for January 1, 2002.

CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas Utility, Enbridge Consumers Gas, Enbridge Services Inc. and Enbridge Gas New Brunswick. These entities will contract with the new company for services for a term of five years. The one BC Gas and four existing Enbridge call centres will become key operating sites, and a technology development centre will be based in Vancouver.

An estimated 775 Enbridge employees and 140 BC Gas employees will be transferred to the new company, which will have a staff of approximately 1,000 employees when it begins full operation January 1, 2002.

"From the start, the company will be the largest provider of customer management services to Canadian utilities. By providing the opportunity to create greater operational efficiencies and deliver excellent customer service, we believe CustomerWorks is set to become the supplier of first choice in Canada and one of the most advanced business service providers, " said John Reid, president and CEO of BC Gas Inc.

"This venture demonstrates our desire to continuously improve our operations and work with others to provide leading-edge, low-cost services to our customers," said Patrick D. Daniel, president and CEO of Enbridge Inc. "It also demonstrates our strategic commitment to leveraging information technologies to continually improve our business practices. Our combined strengths and the scale of the customer base provide a competitive advantage in the customer information and management market."

A CustomerWorks executive team is being assembled from the senior management of both partners.

"The team of people coming together will bring a thorough understanding of customer relationship management, connections throughout the Canadian market, and strong technological capability," said Dwight Willett, president and chief operating officer of CustomerWorks and former vice-president and general manager, Enbridge Commercial Services.

"We are in active discussions with other potential partners, and we will work to identify additional customers that can benefit from the investment, momentum and scale of the companies who have already signed on."

About BC Gas

BC Gas Inc. is a leading provider of energy and utility services in western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG". Additional information is available at http://www.terasen.com/.

About Enbridge

Enbridge Inc. is a leader in energy transportation, distribution and services in North America and internationally. The company operates the world's longest crude oil and liquids pipeline system; owns and operates Canada's largest natural gas distribution company, which provides gas to 1.5 million customers in Ontario, Quebec and New York State; and is involved in natural gas transmission. Enbridge also is involved in international investments, the distribution of electricity, and retail energy products and services. Enbridge common shares trade on the Toronto Stock Exchange in Canada under the symbol "ENB" and on the NASDAQ National Market in the U.S. under the symbol "ENBR." Additional information is available at http://www.enbridge.com/.

For Additional Information:

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http://www.terasen.com/

Investment Community:
David Bryson
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Enbridge Contacts:
http://www.enbridge.com/

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Lisa McCarney
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E-mail: lisa.mccarney@cgc.enbridge.com

Investment Community:

Al Monaco
Phone: 403.231.3973
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BC Gas and Natural Resources Canada team up for energy savings

July 29, 2002

FOR IMMEDIATE RELEASE

BC Gas Utility and Natural Resources Canada are teaming up to help BC Gas customers save energy and money with the Great BC Gas Energy Savings Event.

Customers can get a $300 credit on their BC Gas bill if they purchase and install a new natural-gas furnace or boiler that meets the **Energy Star®** high-efficiency criteria with an AFUE rating of 90 per cent or more between August 1 and November 30, 2002.

BC Gas Utility and Natural Resources Canada are each contributing $450,000 to fund the rebates, for a total of $900,000.

"Saving energy helps improve our quality of life. It decreases our use of non-renewable sources of energy and reduces the production of greenhouse gas emissions, a major contributor to climate change," said the Honourable Herb Dhaliwal, Minister of Natural Resources Canada.

"This offer allows our customers to maximize their energy savings and provides a measure of protection against volatile natural gas prices," said Randy Jespersen, BC Gas Utility president.

"Last year more than 1,400 customers took advantage of our high efficiency heating system rebates. We have doubled the rebate this year thanks to Natural Resources Canada and I hope that leads to a doubling of customers who choose to upgrade their home heating system."

BC Gas promotes **Energy Star®** qualified natural gas furnaces and boilers that meet a 90 percent AFUE rating. The AFUE rating tells what percentage of energy is converted to usable heat. **Energy Star®** is an international symbol for energy efficiency. It is administered and promoted in Canada by Natural Resources Canada.

The Great BC Gas Energy Savings Event also includes offers from 17 manufacturers and suppliers with savings of at least $150 on associated work or materials. BC Gas residential customers can also choose to receive a $25 credit on their bill if they have their furnace tuned up by a licensed gas contractor between August 1 and November 30, 2002.

Coupons to claim the incentives will be available in magazines, home delivery inserts, participating home improvement stores, BC Gas bills, and the BC Gas web site http://www.terasen.com/. Some restrictions apply. Customers should consult the coupons for full program details or phone 1-800-561-4427.

Great BC Gas Energy Savings Event Details

BC Gas customers can save on their heating bills by taking advantage of the BC Gas and Natural Resources Canada rebate offer and 17 manufacturer/supplier coupons for the purchase of a high-efficiency natural gas furnace or boiler.

$300 Rebate: BC Gas residential customers receive a $300 credit on their bill on the purchase and installation of a natural gas, high-efficiency (90% AFUE or greater) forced air furnace, boiler or hot water central heating system. Purchase and installation must be between August 1 and Nov. 30, 2002. Customers must return completed coupon with the original bill of sale postmarked by December 16, 2002.

Manufacturer and Supplier Coupons: BC Gas customers will receive 17 coupon offers from our partner manufacturers and suppliers. Each coupon is worth at least $150 in savings for work and/or materials purchased and installed between August 1 and November 30, 2002. Participating manufacturers and suppliers are administrating their offers independently of BC Gas. These offers will not be credited to the customer's BC Gas bill. See individual coupons for details and guidelines.

$25 Rebate: BC Gas residential customers can receive a $25 credit on their bill if they have their furnace or boiler tuned up by a licensed gas contractor registered with the province of British Columbia. Offer is valid for service performed between August 1 and November 30, 2002. Customers must return the completed coupon with their original invoice postmarked by December 16, 2002.

- Rebates are *not* open to new construction or commercial applications. All offers are available to existing BC Gas customers for residential retrofit projects only. All work must be completed by a B.C.-licensed gas fitter acting on behalf of a contractor registered with the Province of British Columbia Gas Safety Program. The $300 rebate cannot be combined with the $25 tune up rebate.

To claim the BC Gas rebates, customers must fill out the coupon, attach an invoice or work order and mail it to the address listed below by December 16, 2002:

Great BC Gas Energy Savings Event
P.O. Box 48449
595 Burrard Street
Vancouver, B.C. V7X 1A2

Media
BC Gas Utility
Dean Pelkey
Manager, Media Relations
604.576.7300
dean.pelkey@terasen.com

Joyce Wagenaar
Community Relations Manager
604.592.7682
joyce.wagenaa@terasen.com

Natural Resources Canada
Heather Bala
Director of Communication
Office of the Minister

613.996.7252

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BC Gas Announces Summer Furnace Tune-Up Offer

May 22, 2001

FOR IMMEDIATE RELEASE

BC Gas is offering customers a $25 rebate when they have their furnace tuned up by a licensed gas contractor.

The rebate program, available between May 22 and September 15, 2001, is part of BC Gas's efforts to help customers deal with the increased cost of natural gas by improving the efficiency of their furnaces.

"While we can't control the price of gas, we can help people control their bills. Regular maintenance of gas appliances is a little thing that can make a big difference to performance, safety and efficiency over time," said Michael Sharp, BC Gas senior vice-president for residential customers.

Regular and professional maintenance by a registered gas contractor helps ensure a furnace is operating at or near its design efficiency level.

Coupons to claim the incentive will be available through newspaper and magazine inserts, at selected area home supply and hardware stores, in BC Gas bills and on http://www.terasen.com/ the BC Gas web site.

To claim the $25 incentive, customers must fill out the coupon and mail it with a copy of the contractor's receipt or work order by September 15, 2001 to:

Summer Furnace Tune-up Offer
P.O. Box 48449
595 Burrard Street
Vancouver, B.C. V7X 1A2

The tune-up must be done by a gas contractor registered with the provincial British Columbia Gas Safety Program. The $25 rebate will be credited to the customer's BC Gas bill.

BC Gas does not offer furnace tune-ups or furnace service. To take advantage of this offer, customers should call a registered heating contractor. A list of contractors is available in the Yellow Pages under "Furnaces, Heating" or "Heating Contractors."

Customers with questions about the program can call 1-800-561-4427.

Furnace Helpful Hints

1. **Inspection and tune-up** – regular inspections and maintenance will help ensure your safety and keep your heating system operating at optimum efficiency. A qualified gas contractor should inspect and service your heating system at the intervals recommended in your owner's manual, typically once a year.

2. **Furnace operating and maintenance** – read and follow the instructions in the owner's manual. Also consider the following suggestions:

- To ensure adequate air circulation through your furnace, change or clean filters at least every three months and keep the fan compartment door tightly closed. Filters are located at or near the blower compartment of the furnace and are usually held in place by a simple clip.
- If your furnace has a fan belt, inspect it for cracks or signs of wear (replace if necessary) at the same time you change the furnace filters.
- Keep vents and air returns clear of obstructions like furniture, lint, dust or pet hair.
- Check the chimney and appliance vent system at least once a year to ensure that the pipe is connected securely, that there are no signs of corrosion or damage, and that nothing has fallen into the base of the chimney or into the flue.
- If your furnace motor has oiling points, apply one or two drops of SAE 20 non-detergent oil every heating season. Avoid over-oiling.
- If you enclose the furnace, do so with the assistance of a licensed gas contractor to ensure the furnace will operate safely and reliably.

3. **Furnace Sizing** – To maximize comfort and economy, your new furnace must be the correct size for your home. Factors such as the size, construction and heat loss of your home, local winter temperatures, ductwork design, filter system, venting and space limitations should all be taken into consideration. Furnace size should be determined only after your heating contractor has completed a "design heat loss" calculation for your home.

4. **Installation** – A furnace must be properly installed to achieve its maximum efficiency. The duct system (supply, return air duct, heating outlets, grills and registers) must also be properly sized.

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BC Gas Applies To Cut Natural Gas Charges By 15 Per Cent

September 12, 2001

FOR IMMEDIATE RELEASE

BC Gas asked the BC Utilities Commission Tuesday to allow it to reduce the commodity charge for natural gas by 15 per cent starting October 1.

This translates into a 10 per cent reduction in the total bill for typical residential customers and an 11 to 13 per cent reduction in the total bill for commercial and small industrial customers.

If approved, the decrease would provide the typical B.C. homeowner with a $145 saving on an annual gas bill of $1,450. Actual savings will vary for individual customers depending on how much gas they use.

"With the commodity price of natural gas decreasing in recent months, we can now pass these savings on to our customers" said John Reid, BC Gas president and CEO.

"We hope there will be further opportunities for additional reductions but energy markets remain volatile and commodity prices could quickly turn around and increase again."

The cost of the natural gas commodity makes up about two-thirds to three-quarters of a typical residential gas bill. BC Gas does not earn a profit on the commodity price of the natural gas. The price of natural gas is passed directly on to the customer without mark up.

Although the price of natural gas rose dramatically last winter, BC Gas did not pass on the full amount of the increase. Consequently, the company incurred a deficit on behalf of its customers that it continues to pay off.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

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BC Gas asks for further reductions in natural gas charges

December 14, 2001

FOR IMMEDIATE RELEASE

BC Gas Utility Ltd. has applied to the BC Utilities Commission for a 10 per cent reduction in the commodity charge for natural gas to take effect January 1, 2002.

BC Gas last reduced its commodity charge on October 1 when the BCUC approved a reduction that saw customers' bills decrease by approximately 11 per cent.

"We are being cautious with this price adjustment since the volatility in the market that drove up prices last year still exists," said Randy Jespersen, BC Gas senior vice president of energy delivery services.

The commodity decrease will go into effect along with an adjustment to the delivery charges that will provide for a decrease in usage charges and a corresponding increase in the basic monthly charge. These changes do not increase BC Gas revenues. A rider that provided customers with a refund due to a Revenue Canada tax ruling will also be removed.

The net effect of these changes will give the typical BC Gas customer a four per cent reduction on their gas bill. This translates into a $59 savings on an annual gas bill of $1300. Actual savings will vary for individual customers depending on how much gas they use.

"The adjustment in delivery charges reflects the actual day to day costs of maintaining our gas pipelines and providing meter reading services. But the overall effect is revenue neutral," Jespersen said. "At the end of the day, BC Gas customers will see an overall decrease in their bills."

Although the price of natural gas rose dramatically last winter, BC Gas did not pass on the full increase in gas costs. Consequently, the company incurred a deficit on behalf of its customers. The recovery of this deficit partially offsets this latest reduction in gas costs.

The cost of the natural gas commodity makes up about two-thirds of a typical residential gas bill. BC Gas does not earn a profit on the commodity price of the natural gas. The price of natural gas is passed directly on to the customer without mark up.

BC Gas regularly reviews natural gas prices with the BC Utilities Commission. The next review will occur in March 2002.

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BC Gas Utility Ltd. is a wholly-owned subsidiary of BC Gas Inc.

BC Gas assures customers its pipeline system is safe

November 8, 2002

FOR IMMEDIATE RELEASE

BC Gas is concerned that today's news reports about last summer's house explosion on Giant's Head Road in Summerland may cause undue alarm among homeowners who use natural gas.

"We want to reassure our customers that our distribution system is safe and reliable," said Randy Jespersen, BC Gas Utility president.

"The explosion that destroyed the Morrison home and the resulting deaths of George and Colleen Morrison was tragic. Our condolences go out to the family and community."

An extreme lightning storm appears to have played a significant role in this explosion. The circumstances that lead to this incident are extremely rare and unlikely to be duplicated. BC Gas customers should not be alarmed, Jespersen added.

The Fire Commissioner's report looking into the cause of the explosion HAS NOT been publicly released and news reports circulated today are NOT based on a review of the report.

"It would be irresponsible for us to comment on the report until we have an opportunity to review it in full," Jespersen said.

But two important questions still need to be answered to fully understand how the explosion occurred, he said.

- How did the gas get into the house?
- Why did the residents not smell the gas and call for assistance?

BC Gas adds an odourant to natural gas, giving it a distinctive, rotten egg smell. This is a safety measure to allow anyone to easily identify a gas leak. If you smell natural gas, call BC Gas' emergency line at 1-800-663-9911.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

For more information contact:

Dean Pelkey

Manager, Media Relations
604.576.7300

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BC Gas Calling For Expressions Of Interest On Proposed New Pipeline (Inland Pacific Connector)

May 7, 2001

FOR IMMEDIATE RELEASE

BC Gas is looking for companies interested in obtaining capacity to ship natural gas on its proposed new Inland Pacific Connector Pipeline.

The company today announced an open season on the proposed pipeline that would link the recently built Southern Crossing Pipeline in Oliver to the regional marketing hub in Huntingdon.

An "open season" is a process where interested parties can review the costs, terms and conditions for transportation service on the pipeline and decide if they want to make a commitment to purchase capacity on the line.

"This open season will help us determine the extent of the demand for additional natural gas in the Lower Mainland and U.S. Pacific Northwest and allow us to move ahead with public consultation and planning for the construction of the new pipeline," said Rich Ballantyne, BC Gas director of transmission and project development.

"Once built, the Inland Pacific Connector will increase the supply of natural gas to the Lower Mainland and help prevent dramatic price increases like those experienced last winter."

The 246-kilometre Inland Pacific Connector Pipeline and related facilities will cost approximately $495 million. Once regulatory approvals are obtained, BC Gas hopes to have the pipeline in service by late 2003.

Companies can e-mail BC Gas at ipc_info@terasen.com to obtain an information package about capacity on the Inland Pacific Connector Pipeline.

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BC Gas completes purchase of Centra

March 7, 2002

FOR IMMEDIATE RELEASE

BC Gas Inc. announced today that it has completed its purchase of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. from Westcoast Energy Inc.

"The addition of Vancouver Island, the Sunshine Coast and Whistler is a logical extension of BC Gas Utility's service territory and will provide us with excellent opportunities that align with our strategic plan of low risk, steady growth," said John Reid, BC Gas Inc. president and CEO.

"Centra Gas will be operated as a separate company for the foreseeable future and I'd like to welcome all Centra Gas employees to the BC Gas family."

According to Jac Kreut, Centra Gas president and CEO, the change in ownership will be seamless to Centra Gas customers.

"It's business as usual. We remain committed to providing our customers with safe, reliable gas service."

The Vancouver Island and Whistler utilities will continue to operate under the Centra Gas name.

Michael Phelps, Westcoast Energy chairman and CEO, praised Centra Gas employees.

"Over the past 10 years, Centra Gas B.C. has grown and expanded on Vancouver Island and gained a reputation as a safe and efficient distributor of natural gas to its growing customer base. This is a direct result of the commitment of the employees of Centra Gas B.C."

Based in Victoria, Centra Gas serves 72,000 customers on Vancouver Island and the Sunshine Coast with natural gas and distributes piped propane gas to over 2,000 customers in Whistler.

BC Gas Inc. is a leading provider of energy and utility services in Western Canada through its operating subsidiaries and a number of non-regulated related businesses. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG." Information about BC Gas is available on the company's Web site at http://www.terasen.com/.

For further information, please contact:

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Dean Pelkey, manager, media relations
604-576-7300

David Bryson, assistant treasurer
604-443-6527

Centra Gas B.C.
Ian Anderson, vice-president, finance
250-480-4367 (Victoria)

Mike Corrigan, director, business development &
customer care
250-480-4312 (Victoria)

Westcoast Energy Inc.
Bob Foulkes, vice president, corporate communications
604-488-8093

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BC Gas Compressor Station Vents Gas Prematurely; Media Reports of Gas Explosion Incorrect

June 19, 2001

FOR IMMEDIATE RELEASE

A relief valve at BC Gas's Langley compressor station on 48th Avenue accidentally released more than 10 million cubic feet of natural gas into the air early Tuesday morning.

There was no gas explosion, no fire and no one was injured. Media reports saying a gas explosion occurred are wrong.

BC Gas personnel and the Langley Fire Department were on the scene within 20 minutes. Some local residents voluntarily evacuated the area but returned to their homes shortly after the gas was shut off at approximately 1:00 a.m.

BC Gas assures people living near the compressor station that we are doing everything to ensure that station operates in a safe and effective manner. BC Gas also apologizes to the area residents for this morning's disturbance.

As a safety mechanism, three relief valves in the compressor station are designed to vent gas into the air through a four-metre pipe if pressure on the system exceeds a specified level. When the gas is vented in this manner, it creates a great deal of noise, similar to a jet engine, as it escapes the pipe into the atmosphere.

Since natural gas is lighter than air, it rises and dissipates quickly. Gas vented in this manner does not pose a safety hazard.

BC Gas is investigating the incident.

The compressor station is six months old and is designed to increase compression on the gas pipeline to ensure gas pressure is maintained during the winter when demand for gas is high.

BC Gas drops request for two per cent rate increase

November 26, 2001

FOR IMMEDIATE RELEASE

BC Gas has withdrawn its application for a rate increase that would have increased natural gas bills by approximately two per cent in 2002.

Pointing to a number of questions and regulatory issues relating to BC Gas' pending acquisition of Centra Gas B.C., John Reid, BC Gas president and CEO, said it makes sense to hold back on the rate increase at this time.We need to gain a better understanding of how the acquisition of Centra will affect the costs and operations of BC Gas Utility and how the two utilities will work together," Reid said.

This also works better with respect to the timing of the provincial government's intention to announce an energy policy for B.C. at the end of February. When we have seen the direction that policy is taking the province with respect to gas and electricity, we will be better positioned to put our application in perspective of the province's economic goals."

The proposed increase was requested to pay for improvements to BC Gas' delivery system, changes to customer service and billing operations, increased property taxes, and environmental restoration following construction of the Southern Crossing Pipeline. It would have increased the delivery charges by seven per cent, which works out to a two per cent increase on a customer's total gas bill.

BC Gas reduced rates for the natural gas commodity in October. The commodity price will be reviewed again in December which could lead to a further rate adjustment in January. The cost of the natural gas commodity makes up about two-thirds to three-quarters of a typical residential gas bill. BC Gas does not earn a profit on the commodity price of the natural gas.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

BC Gas Extends 'Open Season' Deadline (Inland Pacific Connector)

June 6, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. is allowing companies wanting to purchase capacity on its proposed Inland Pacific Connector Pipeline an extra week to submit their bids.

The deadline for the open season on the proposed new pipeline has been extended to June 14.

An "open season" is a process where interested parties can review the costs, terms and conditions for transportation service on the pipeline and decide if they want to make a commitment to purchase capacity on the line.

"Interest in our open season has been very high but several shippers have told us more time was needed to prepare a proper submission. We want to be flexible and responsive to customer needs so we are extending the deadline until June 14," said Rich Ballantyne, BC Gas director of transmission and project development.

The proposed Inland Pacific Connector Pipeline will link the recently-built Southern Crossing Pipeline in Oliver to the regional marketing hub in Huntingdon. This new pipeline would increase the supply of natural gas to the Lower Mainland and help prevent dramatic price increases like those experienced last winter.

The 246-kilometre Inland Pacific Connector Pipeline and related facilities will cost approximately $495 million. Once regulatory approvals are obtained, BC Gas hopes to have the pipeline in service by late 2003.

Companies can e-mail BC Gas at ipc_info@terasen.com to obtain an information package about capacity on the Inland Pacific Connector Pipeline.

BC Gas Inc. is a leading provider of energy and utility services in western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers.

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BC Gas Files Shelf Prospectuses

November 13, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. has filed with Canadian regulatory authorities a base shelf prospectus under which it is authorized to issue up to $1 billion of Debentures or Subordinated Debt Securities over a two-year period. BC Gas Inc. expects to file a Prospectus Supplement which will authorize up to $700 million of the $1 billion base shelf prospectus amount to be issued as Medium Term Note Debentures. Net proceeds from the issuance of the Debentures or Subordinated Debt Securities will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time.

Separately, BC Gas Utility Ltd. has filed with Canadian regulatory authorities a shelf prospectus under which it is authorized to issue up to $500 million of Medium Term Note Debentures over a two-year period. Net proceeds from the issuance of the Notes will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time. The Agents for the Note program are BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc.

In addition, Moody's Investors Service has assigned first-time credit ratings to BC Gas Inc. and BC Gas Utility Ltd. These credit ratings are in addition to the existing credit ratings assigned to BC Gas by Dominion Bond Rating Service and Standard & Poor's. The following ratings have been assigned by Moody's:

BC Gas Inc.

- (P) A3 senior unsecured (Medium Term Note Debentures)
- Baa1 Capital Securities

BC Gas Utility Ltd.

- A1 senior secured (Purchase Money Mortgages)
- A2 senior unsecured (Medium Term Note Debentures)

BC Gas Inc. is a leading provider of energy and utility services in western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility Ltd. is the largest distributor of natural gas in British Columbia, serving 764,000 customers in more than 100 communities. BC Gas common shares are traded on The Toronto Stock

Exchange under the symbol "BCG".

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BC Gas gets approval for further rate reductions

December 21, 2001

FOR IMMEDIATE RELEASE

The B.C. Utilities Commission this week approved BC Gas rate adjustments that will see a typical residential customer's gas bill decrease by about five per cent or $73 annually, depending on gas consumption.

The new rates will go into effect January 1, 2002.

The rate reductions are the result of adjustments to both commodity charges and delivery charges:

- Rates for the natural gas commodity decreased;
- Usage charges have decreased;
- The basic monthly charge has increased;
- A one-year tax refund rider has been removed.

Changes to the usage and basic monthly charge are revenue-neutral and are designed to more accurately reflect the cost of maintaining the gas pipelines. These changes do not provide additional revenue to BC Gas. The one-year tax rider provided customers with a refund due to a Canada Customs and Revenue Agency tax ruling.

The cost of the natural gas commodity makes up about two-thirds of a typical residential gas bill. BC Gas does not earn a profit on the commodity price of the natural gas. The price of natural gas is passed on directly to the customer without mark up.

Although the price of natural gas rose dramatically last winter, BC Gas did not pass on the full increase in gas costs. Consequently, the company incurred a deficit on behalf of its customers. The recovery of this deficit partially offsets this latest reduction in gas costs.

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BC Gas Gets Approval to Reduce Natural Gas Charges

September 28, 2001

FOR IMMEDIATE RELEASE

The B.C. Utilities Commission this week approved a BC Gas application to reduce the commodity charge for natural gas by 15 per cent starting October 1.

This means BC Gas customers will see reductions in their natural gas bills ranging from 10 to 13 per cent depending on the volume of gas they use. For a typical residential customer, the decrease will save them $100 to $160 per year.

The cost of the natural gas commodity makes up about two-thirds to three-quarters of a typical residential gas bill. BC Gas does not earn a profit on the commodity price of the natural gas. The price of natural gas is passed on directly to the customer without mark-up.

Although the price of natural gas rose dramatically last winter, BC Gas did not pass on the full amount of the increase. Consequently, the company incurred a deficit on behalf of its customers that it continues to pay off.
BC Gas will continue to review natural gas prices with the B.C. Utilities Commission on a quarterly basis. These reviews could result in further rate adjustments in January 2002.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly-owned subsidiary of BC Gas Inc.

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BC Gas Inc. announces it will not proceed with waterworks supply business disposition

July 23, 2002

FOR IMMEDIATE RELEASE

BC Gas Inc. announced today it will not proceed with the sale to Emco Limited of the wholesale waterworks supply business of BCG Services Inc., a wholly-owned subsidiary of BC Gas.

BC Gas announced on April 9, 2002 that it had signed a purchase and sale agreement to sell the business to Emco and enter into a partnering arrangement with Emco for space sharing and materials supply. The transaction was subject to the completion of a due diligence review and obtaining required regulatory and other approvals.

BC Gas and Emco have determined that proceeding with this transaction would not be in the best interests of either party and have agreed to terminate the purchase and sale agreement.

BC Gas Inc. is a leading provider of energy and utility services in western Canada. Through BC Gas Utility and Centra Gas British Columbia, the company distributes natural gas to 842,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Corridor Pipeline (currently under construction) and Trans Mountain Pipe Line, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Edmonton to British Columbia and Washington State. BC Gas common shares are traded on The Toronto Stock Exchange under the symbol "BCG."

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BC Gas Inc. closes $300 million equity offering

December 10, 2002

FOR IMMEDIATE RELEASE

BC Gas Inc. (BCG: TSX) announced today that it has completed its public offering of 5,300,000 common shares at a price of $38.00 per common share for aggregate gross proceeds of $201.4 million, as announced on November 22, 2002. BC Gas has also completed a previously announced private placement of 2,631,600 common shares at a price of $38.00 per common share for aggregate gross proceeds of $100.0 million.

The net proceeds of the offering and the private placement will be used in part to fund the Company's previously announced acquisition of a one-third interest in the Express Pipeline System from EnCana Corporation. Proceeds of the offering will also be used to repay indebtedness in Corridor Pipeline Limited, a subsidiary of the Company, and for general corporate purposes.

This news release shall not constitute an offer to sell shares or the solicitation of an offer to buy the securities in any jurisdiction. The Common Shares will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from registration requirement.

BC Gas Inc. is a leading provider of energy and utility services in western Canada. Through BC Gas Utility and Centra Gas British Columbia, the company distributes natural gas to 847,000 customers, representing more than 95% of natural gas consumers in British Columbia. Through Corridor Pipeline (currently being commissioned) and Trans Mountain Pipe Line, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Edmonton to British Columbia and Washington State. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG".

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http://www.terasen.com/

BC Gas Inc. completes acquisition of Centra Gas B.C. - Subscription Receipts to be converted into Common Shares

March 7, 2002

FOR IMMEDIATE RELEASE

BC Gas Inc. (BCG: TSE) announced today that it has completed its acquisition of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. from Westcoast Energy Inc.

As a result of the completion of the acquisition, an aggregate of 5,208,000 Common Shares of BC Gas Inc. will be issued to the holders of the outstanding Subscription Receipts without further payment. Subscription Receipts may be exchanged for Common Shares by delivery of the duly completed Subscription Receipt Certificate to the Escrow Agent, CIBC Mellon Trust Company in accordance with the terms of the Subscription Receipts. The transfer register for the Subscription Receipts will close at 5:00 p.m. local time on March 14, 2002.

Pursuant to the terms of the BC Gas Inc. Subscription Receipts, an amount of $0.33 per Subscription Receipt was paid to the Escrow Agent on the 28th day of February, 2002. Upon the exchange of the Subscription Receipts for Common Shares of the company, that amount, together with accrued interest, will be paid to holders exchanging their Subscription Receipts.

BC Gas is a leading provider of energy and utility services in Western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 767,000 customers. BC Gas Common Shares are traded on the Toronto Stock Exchange under the symbol "BCG". Information about BC Gas is available on the company's web site at http://www.terasen.com/.

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BC Gas Inc. consortium to acquire Express Pipeline System from EnCana Corporation

November 19, 2002

FOR IMMEDIATE RELEASE

A consortium formed by BC Gas Inc. has entered into an agreement to acquire the Express Pipeline System, including the Platte Pipeline, from EnCana Corporation. The Express Pipeline System is a major export pipeline for Canadian petroleum production, transporting crude oil from Hardisty, Alberta to Casper, Wyoming, and on to the Wood River, Illinois area via the Platte Pipeline.

The consortium includes BC Gas Inc., Borealis Infrastructure Management Inc. (Borealis Infrastructure) acting on behalf of OMERS, and Ontario Teachers' Pension Plan. Each partner holds an equal one-third ownership interest in the consortium. Trans Mountain Pipe Line Company Ltd., a subsidiary of BC Gas Inc., will operate and manage the Express Pipeline System. The consortium is paying approximately Can$1,175 million for the Express Pipeline System, including assumed debt of approximately Can$582 million.

"The Express Pipeline System is a key addition to BC Gas' petroleum transportation business," said John Reid, BC Gas president and CEO. "Our Trans Mountain Pipe Line is the major connection for petroleum products between Alberta and British Columbia and into the U.S. Northwest. The Corridor line connects bitumen in Fort McMurray with refining in the Edmonton region. The addition of the Express System allows us to connect product from Alberta into major markets in the U.S. Rockies and Midwest. The purchase reflects our commitment to establish our pipelines group as a major link between petroleum producers and their markets."

Robert Watters, Senior Vice President of Borealis Infrastructure said "The acquisition of the Express Pipeline System represents both a vital link to Alberta's oil production and a quality infrastructure investment that will provide steady long-term returns and cash flows, over the economic life of the pipeline."

"The Express Pipeline System is an attractive asset for us as it provides stable long-term cash flows that are ideally suited to the indexed pensions we pay Ontario's teachers," said Leo de Bever, Teachers' Senior Vice-President of Research and Economics. "Teachers' Infrastructure Group is pleased to enter the petroleum transportation sector with such strong operating and financial partners."

The 2,747 kilometre (1,717 mile) Express Pipeline System consists of two major pipelines: Express and Platte. The 24-inch Express pipeline runs 1,256 kilometres (785 miles) from Alberta's oil transportation hub at Hardisty to Casper, Wyoming. It delivers up to 172,000 barrels per day of Canadian crude to the U.S. Rocky Mountain states of Montana, Wyoming and Utah. The 20-inch Platte Pipeline, 1,491 kilometres (932 miles) in length, has a delivery capacity of up to 150,000 barrels per day of oil from Casper to Wood River, Illinois, serving refineries in Colorado, Kansas and Illinois. The Express pipeline, from Hardisty to Casper, can be expanded to 280,000 barrels per day with a comparatively modest investment in pumping stations.

The transaction is subject to regulatory approvals, and is expected to be finalized in January, 2003.

BC Gas Inc. is a leading provider of energy and utility services in western Canada. Through BC Gas Utility and Centra Gas British Columbia, the company distributes natural gas to 847,000 customers, representing more than 95% of natural gas consumers in British Columbia. Through Corridor Pipeline (currently being commissioned) and Trans Mountain Pipe Line, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Edmonton to British Columbia and Washington State. BC Gas common shares are traded on The Toronto Stock Exchange under the symbol "BCG".

Borealis Infrastructure manages infrastructure investments on behalf of OMERS (Ontario Municipal Employees Retirement System) and other Canadian pension plans. OMERS is the pension plan for more than 300,000 active and retired local government employees in Ontario and one of Canada's largest funds with nearly $34 billion in assets.

The Ontario Teachers' Pension Plan, with assets of $68 billion, invests to secure the retirement income of over 300,000 teachers and their families in Ontario. Teachers' has invested over $1.7 billion in infrastructure including toll roads, airports and electricity transmission systems worldwide.

BC Gas will host a conference call and webcast for analysts and investors at 5:15 a.m. Pacific time (8:15 a.m. Eastern) on November 20, 2002 to discuss this transaction. The live webcast of the call, replay and presentation slides will be available at http://www.terasen.com/, under "Investor". Investors and analysts can also participate in the conference by calling 1-866-546-6145.

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BC Gas Inc. to Acquire Centra Gas from Westcoast Energy Inc.

October 22, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. has entered into an agreement to acquire the common shares of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. from Westcoast Energy Inc. for $208 million.

"We believe the acquisition of Centra Gas is a unique opportunity to expand our core business and create shareholder value," said John Reid, BC Gas president and CEO. "Centra Gas has excellent growth potential, including the expansion of natural gas service to residential and commercial customers and the opportunity to service gas-fired electricity generating plants on Vancouver Island. This purchase is consistent with our strategy of delivering growth through investments in stable, regulated businesses."

"This sale provides us with good value for our investment in Centra Gas and allows us to re-deploy the funds from the sale to certain high-growth pipeline projects as part of our ongoing strategy to harvest certain assets and invest in others while minimizing requirements for external capital. It also gives us a positive contribution to net income of $33 million which will be booked at close," said Michael Phelps, Chairman and CEO of Westcoast.

The deal gives BC Gas control of all Centra Gas's Vancouver Island and Sunshine Coast assets, including 615 kilometres of high-pressure transmission mains and more than 3,000 km of intermediate-pressure transmission and distribution mains. Centra Gas currently provides natural gas to 70,000 homes and businesses and seven pulp mills on Vancouver Island and the Sunshine Coast.

Centra's transmission pipeline begins in Coquitlam, runs north to Squamish and along the north shore of Howe Sound to Sechelt where it travels under the Strait of Georgia to Texada Island. At Texada's northern tip, the pipeline re-enters the ocean and branches off to Powell River and Vancouver Island where it comes ashore in the Courtenay-Comox area. It then heads north to Campbell River and south to Victoria. Centra Gas Whistler provides piped propane to 2,000 customers in the Resort Municipality of Whistler.

"As a B.C.-based company, we're ideally situated to take advantage of this opportunity to expand our customer base. Over the long term, we believe the synergies created by merging our operations will provide us with additional opportunities to enhance the services we deliver to British Columbians," Reid said.

In addition to the acquisition of the common shares of Centra Gas, BC Gas will pay $32 million at closing and $52 million as a deferred payment to purchase the preferred shares of

Centra Gas. BC Gas will also assume Centra Gas's debt of approximately $298 million. BC Gas intends to finance the common and preferred share purchase price with approximately $180 million raised through a new public common equity offering and $60 million of new debt, consistent with BC Gas's existing capital structure.

The transaction is subject to provincial government and regulatory approvals. The purchase is expected to be finalized by January 1, 2002.

BC Gas Inc. is a leading provider of energy and utility services in Western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG." Information about BC Gas is available on the company's web site at http://www.terasen.com/.

Westcoast Energy Inc., headquartered in Vancouver, B.C., is a leading North American energy company with assets of approximately $15 billion. The company's interests include natural gas gathering, processing, transmission, storage and distribution, as well as power generation, international energy businesses, and financial, information technology and energy services businesses. More information is available at http://www.westcoastenergy.com/.

BC Gas will host a conference call and webcast for analysts and investors at 10:00 a.m. Pacific time (1:00 p.m. Eastern) on October 22, 2001 to discuss this transaction. The live webcast of the call, replay and presentation slides will be available on our Financial Webcast page. Investors and analysts can also participate in the conference by calling 1-800-273-9672.

BC Gas Inc. to issue common shares

November 22, 2002

FOR IMMEDIATE RELEASE

BC Gas Inc. (BCG: TSE) announced today it has entered into an agreement with a syndicate of underwriters co-led by RBC Dominion Securities Inc. and Scotia Capital Inc. for the sale of 5,300,000 Common Shares at a price of $38.00 per Common Share for aggregate gross proceeds of $201.4 million. The underwriters have also been granted an over-allotment option for up to an additional 526,316 Common Shares. Closing of the offering is expected on or about December 10, 2002.

Separately, BC Gas Inc. has entered into an agreement with a Canadian institutional investor for the sale of 2,631,600 common shares at a price of $38.00 per Common Share for aggregate gross proceeds of approximately $100 million by way of a private placement. Closing of the private placement is expected on or about December 10, 2002.

The offering and the private placement are subject to the receipt by BC Gas of all required regulatory approvals.

The net proceeds of the offering and the private placement will be used in part to fund the Company's $198 million acquisition of a one-third interest in the Express Pipeline System from EnCana Corporation (the "Acquisition"). Proceeds of the offering will also be used to repay indebtedness in Corridor Pipeline Limited, a subsidiary of the Company, and for general corporate purposes.

This news release shall not constitute an offer to sell shares or the solicitation of an offer to buy the securities in any jurisdiction. The Common Shares will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from registration requirement.

BC Gas Inc. is a leading provider of energy and utility services in western Canada. Through BC Gas Utility and Centra Gas British Columbia, the company distributes natural gas to 847,000 customers, representing more than 95% of natural gas consumers in British Columbia. Through Corridor Pipeline (currently being commissioned) and Trans Mountain Pipe Line, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Edmonton to British Columbia and Washington State. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG".

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BC Gas Inc. to Issue Subscription Receipts

October 25, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. (BCG: TSE) announced today that it has entered into an agreement with a syndicate of underwriters co-led by RBC Dominion Securities Inc. and Scotia Capital Inc. for the sale of 5,208,000 Subscription Receipts at $36.15 per Subscription Receipt for aggregate gross proceeds of $188,269,200. Closing of the offering is expected on or about November 20, 2001.

The net proceeds of the offering will be used to partially fund the purchase of the common shares of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. from Westcoast Energy Inc. (the "Acquisition"). Upon the closing of the Acquisition, each Subscription Receipt will be automatically converted into one BC Gas Common Share. In the event that the Acquisition does not close before March 28, 2002, BC Gas will repay the Subscription Receipts in full with applicable interest.

This news release shall not constitute an offer to sell shares or the solicitation of an offer to buy the securities in any jurisdiction. The Common Shares will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from registration requirement. BC Gas is a leading provider of energy and utility services in Western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non- regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG". Information about BC Gas is available on the company's web site at http://www.terasen.com/.

BC Gas Inc. to sell wholesale waterworks supply business and focus on waterworks services in Western Canada

April 9, 2002

FOR IMMEDIATE RELEASE

Vancouver, B.C., April 9, 2002 - BC Gas Inc. announced today it has signed a purchase and sale agreement to sell the wholesale waterworks supply business of bcgSERVICES Inc. to Emco Limited.

A wholly-owned subsidiary of BC Gas Inc., bcgSERVICES is focused on the water and wastewater market in British Columbia and Alberta. It is currently comprised of a wholesale waterworks supply business and waterworks services business.

BC Gas intends to keep and grow the waterworks services business. The sale of the wholesale waterworks supply portion of the business will facilitate growth in the waterworks service business by allowing BC Gas to focus on its core competencies. BC Gas will become a strategic customer of Emco, subleasing a portion of some of its existing facilities from Emco and ensuring a continuing source of product by entering into a supply agreement with Emco.

The purchase is expected to close in the second quarter of 2002, subject to the completion of a due diligence review and subject to obtaining required regulatory and other approvals.

"This agreement allows BC Gas to continue to grow from core competencies into the water business by focusing on the services part of the business while entering into a multi-year waterworks supply agreement with Emco," said Gordon Barefoot, Senior Vice-President of Multi-Utility Services for BC Gas Inc.

BC Gas Inc. is a leading provider of energy and utility services in western Canada. Through BC Gas Utility and Centra Gas British Columbia, the company distributes natural gas to 840,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Corridor Pipeline (under construction) and Trans Mountain Pipe Line, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Edmonton to British Columbia and Washington State. BC Gas common shares are traded on The Toronto Stock Exchange under the symbol "BCG".

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BC Gas Inc. updates progress on Centra Gas B.C. acquisition approvals

December 28, 2001

FOR IMMEDIATE RELEASE

BC Gas Inc. today announced an update on its progress in obtaining the necessary approvals for its previously announced acquisition of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. from Westcoast Energy Inc.

The approval of the Canadian Competition Bureau has been received in the form of an Advance Ruling Certificate. An application has been filed with the B.C. Utilities Commission, and BC Gas anticipates receiving approval from the BCUC on a timely basis.

The Province of British Columbia, whose approval is also required, has advised BC Gas that a minor legislative amendment is required for the sale to be completed. The Minister of Energy and Mines has indicated an intention to recommend introduction of the required amendment at the next sitting of the Legislature of the Province of British Columbia in February 2002.

BC Gas remains very confident that the various approvals needed for the closing of the Centra Gas acquisition will be received on a timely basis. Given the time required to pass the necessary legislation, BC Gas anticipates that closing will take place in early March 2002. The Centra Gas acquisition agreement provides that the earnings of Centra Gas are for the account of BC Gas effective January 1, 2002. The earnings of Centra Gas will therefore be included in BC Gas' earnings from that date.

BC Gas Inc. is a leading provider of energy and utility services in Western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG." Information about BC Gas is available on the company's web site at http://www.terasen.com/.

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BC Gas International and Enbridge Technology Sign Agreement To Operate Omani Natural Gas Transmission System

May 30, 2001

FOR IMMEDIATE RELEASE

A consortium consisting of BC Gas International Inc., a wholly-owned subsidiary of BC Gas Inc., and Enbridge Technology Inc., a wholly-owned subsidiary of Enbridge Inc., has been awarded a five-year contract to operate and maintain the natural gas transmission system owned by Oman Gas Company in the Sultanate of Oman.

The two companies will be responsible for operating and maintaining Oman's growing natural gas pipeline system that soon will include approximately 1,800 kilometres of pipeline. There is an existing 800-kilometre pipeline system that currently delivers natural gas to various industrial customers and power plants, and two new gas pipelines totaling approximately 1,000 kilometres in length are under construction.

A new Omani company called Canadian Energy Services L.L.C., a joint venture between Enbridge Technology, BC Gas International and OHI Petroleum & Energy Services L.L.C., a subsidiary of one of the largest publicly-traded companies in Oman, has been established in Muscat.

"We are delighted to have this opportunity to assist Oman Gas Company in the continued expansion of Oman's natural gas transmission system," said Bill Paine, BC Gas International president.

"As a company playing a leading role in natural gas distribution infrastructure development in the Gulf region for over three years, BC Gas International is excited to be joining with our partners Enbridge Technology Inc. and OHI in this important undertaking. We also see excellent potential in related opportunities in the expanding natural gas sector in Oman."

"We are pleased to be part of this project," said Mel F. Belich, Group Vice-President, International for Enbridge Inc. and Chairman of Enbridge Technology Inc. "Enbridge is a leader in the operation and maintenance of liquids and natural gas pipelines and we look forward to applying our expertise in Oman. We also look forward to furthering our strong working relationships in Oman and pursuing other opportunities in the area, including possible investments in pipelines, gas plants and other energy infrastructure."

BC Gas International, a subsidiary of BC Gas Inc., provides a variety of services related to natural gas distribution and transmission to customers around the world. BC Gas Inc. is a leading provider of energy and utility services through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas common shares are traded on The

Toronto Stock Exchange under the symbol "BCG". For more information, visit our web site at http://www.terasen.com/

Enbridge Inc. is a leader in energy transportation, distribution and services in North America and internationally. The Company operates the world's longest crude oil and liquids pipeline system; owns and operates Canada's largest natural gas distribution company — which provides gas in Ontario, Quebec and New York State — and is involved in natural gas transmission. Enbridge is also involved in international investments such as the OCENSA crude oil pipeline in Colombia, the distribution of electricity. and retail energy products and services. Enbridge common shares trade on the Toronto Stock Exchange in Canada under the symbol "ENB" and on the NASDAQ National Market in the U.S. under the symbol "ENBR." Information about Enbridge is available on the Company's web site at http://www.enbridge.com/.

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BC Gas Looks At Rate Adjustments

August 30, 2001

FOR IMMEDIATE RELEASE

BC Gas is preparing to ask the BC Utilities Commission for rate adjustments to cover changes to the commodity price of natural gas and to recover increasing costs and investment in the utility's gas transmission and distribution system.

Based on current gas commodity prices, BC Gas anticipates applying for a decrease in the residential and commercial rates as early as October 1 to reflect the falling price of natural gas. BC Gas has also filed an application with the BCUC for a January 2002 rate increase of 1.95 per cent to cover additional delivery costs.

If commodity prices for natural gas remain at current levels, the projected rate adjustments would provide customers with a decrease in the gas commodity charge, which makes up two-thirds or more of the gas bill. This would be partially offset by a slight increase in delivery charges. Customers will likely see a net decrease in their total gas bill for 2002 if the BCUC approves the projected rate adjustments.

BC Gas does not earn a profit on the commodity price of the natural gas. The price of natural gas is passed directly on to the customer without mark up.

BC Gas has applied for the increase in the delivery charges to cover improvements to the gas delivery system, changes to the customer service and billing operations, increased property taxes, and environmental restoration following construction of the Southern Crossing Pipeline.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly-owned subsidiary of BC Gas Inc.

BC Gas Offers Customers Two More Rebates

September 17, 2001

FOR IMMEDIATE RELEASE

BC Gas is introducing two more money-saving offers to help customers save energy and reduce their heating costs this winter.

Customers can receive a $150 credit on their BC Gas bill if they purchase and install a natural-gas high-efficiency (90 per cent AFUE or greater) forced air furnace, boiler or hot water central heating system between September 15 and November 30, 2001. Customers can also receive a $25 credit on their BC Gas bill when they purchase and install $75 worth of qualifying ceiling insulation or draft-proofing materials.

The Winter Bill Saver promotion also includes 15 offers from our partner manufacturers and suppliers providing savings of at least $150 on work or materials to make your home more energy efficient.

"These rebates encourage homeowners to maximize their energy savings while helping them save money," said Michael Sharp, BC Gas senior vice-president for residential customers.

"I believe our customers will embrace these latest offers with the same enthusiasm they showed to our summer furnace tune-up rebate."

Coupons to claim the incentives will be available through magazine and home delivery inserts, at participating home improvement stores, in some BC Gas bills and on the BC Gas web site http://www.terasen.com/.

To claim the BC Gas rebates, customers must fill out the coupon and mail it with required information postmarked by December 14, 2001 to:

Winter Bill Saver Program
P.O. Box 48449
595 Burrard Street
Vancouver, B.C. V7X 1A2

Some restrictions apply. Customers should consult the coupons for full program details or phone 1-800-561-4427.

Winter Bill Saver Details
We're offering BC Gas customers a number of ways to save on heating bills: two BC Gas rebate offers and fifteen manufacturer/supplier coupons for the purchase of a high-

efficiency natural gas furnace or boiler.

Offer One: BC Gas residential customers receive a $25 credit on their bill if they purchase $75 or more of qualifying ceiling insulation and/or draft proofing materials for exterior windows and doors. Offer is valid for materials only purchased and installed between September 15 and November 30, 2001.
To qualify, the customer must return the completed coupon with their original receipt and product UPC codes postmarked by December 14, 2001.
Qualifying products are: fibreglass batts and loose fill ceiling insulation approved for use in Canada, sweeps for entry doors, sliding doors and garage doors, threshold kits and replacement seals, exterior window storm kits, replacement seals, weather stripping tape, foam tape and removable caulking, exterior grade caulking and caulking cord. Caulking and weather stripping products must be for exterior doors and windows.

Offer Two: BC Gas residential customers receive a $150 credit on their bill on the purchase and installation of a natural gas, high-efficiency (90% AFUE or greater) forced air furnace, boiler or hot water central heating system. Purchase and installation must be between Sept. 15 and Nov. 30, 2001.
To qualify, the customer must return completed coupon with the original bill of sale postmarked by December 14, 2001.
This rebate is not open to new construction or commercial applications. Offer is available to existing BC Gas customers for residential retrofit projects only. All work must be completed by a B.C.-licensed gas fitter acting on behalf of a B.C.-registered gas contractor.

Manufacturer and Supplier Coupons: BC Gas customers will receive 15 coupon offers from our partner manufacturers and suppliers. Each coupon is worth at least $150 in savings for work and/or materials purchased and installed between September 15 and November 30, 2001. Participating manufacturers and suppliers are administrating their offers independently of BC Gas. These offers will not be credited to the customer's BC Gas bill. See individual coupons for details and guidelines.

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BC Gas Reduces Propane Rates In Revelstoke

July 12, 2001

FOR IMMEDIATE RELEASE

BC Gas is reducing propane rates for its Revelstoke customers effective July 1, 2001.

A typical residential customer will see annual savings of 8.5 per cent while a typical commercial customer will save about 10 per cent on a yearly bill.

"The price of propane on the open market has fallen recently and we are able to pass these reductions on to our Revelstoke customers," said Michael Sharp, BC Gas senior vice president of residential customers. "This means a typical Revelstoke household could save $106 on its annual propane bill."

Actual savings will vary for individual customers depending on how much propane they use, he added.

BC Gas purchases propane from propane suppliers and sells to Revelstoke customers at cost. Although propane prices escalated last winter, BC Gas did not pass on the full range of the increase. Consequently, the company incurred a deficit on behalf of its customers. These new rates will still allow BC Gas to pay off that debt.

Customers on the equal payment plan will have their monthly installments adjusted during the next quarterly review.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly-owned subsidiary of BC Gas Inc.

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BC Gas shareholders approve name change to Terasen

April 25, 2003

FOR IMMEDIATE RELEASE

BC Gas is now known as Terasen.

Shareholders in the Vancouver-based energy and utility services company approved a motion at its annual general meeting today to change the company name.

"Over the past 10 years, our core businesses have increased significantly to the point where we have simply outgrown the BC Gas name," said John Reid, Terasen Inc. president and CEO. "Terasen gives us a name and identity that allows us to pursue our goal of becoming one of North America's leading energy companies."

Since its creation in 1988 when Inland Natural Gas purchased BC Hydro's Lower Mainland gas division, BC Gas has expanded well beyond the B.C. border, to Alberta, Saskatchewan the U.S., Europe and the Middle East. The company has become much more than a natural gas utility. Its various subsidiaries own and operate extensive petroleum pipelines, install and operate water and propane distribution systems, install and read water and gas meters, and provide natural gas consulting expertise. Today BC Gas delivers more than 60 per cent of the energy consumed in British Columbia.

The name Terasen was created by combining the Latin word for earth, "Terra" and the word "send." Together they represent "sent from the earth," an accurate description that connects the natural gas, water and petroleum transportation businesses of Terasen Inc.

"Some people found the BC Gas name confusing and many people believed we were a Crown Corporation or tied to the provincial government. This change signals to investors and customers that we are one company sharing our skills and expertise," Reid said.

"The Terasen brand will come to represent our core strengths and reflect the fact we are a clearly-defined company focussed on the delivery of energy and water."

As part of the name change, all subsidiary companies will also take on a variation of the Terasen name. All name changes will be in use for the next business day, April 28, 2003.

Existing name	New name
BC Gas Inc.	Terasen Inc.
BC Gas Utility	Terasen Gas

Centra Gas	Terasen Gas (Vancouver Island)
Squamish Gas	Terasen Gas (Squamish)
BCG Services	Terasen Waterworks and Terasen Utility Services
BC Gas International	Terasen International
Trans Mountain Pipe Line	Terasen Pipelines (Trans Mountain)
Corridor Pipeline	Terasen Pipelines (Corridor)

(Note: Trans Mountain Pipe Line and Corridor Pipeline changed their names to Terasen Pipelines in early 2003 as part of the acquisition of the Express and Platte Pipelines).

The name change means customers of BC Gas Utility, Centra Gas and Squamish Gas will begin receiving a bill from Terasen Gas, rather than the individual gas utility. Natural gas customers who pay over the Internet or through their bank will not have to make any changes to their accounts.

"I want to assure all our gas utility customers that changing our name will not affect their rates. There is no rate increase associated with this change," Reid said.

The change also means the company's trading symbol on the Toronto Stock Exchange will change to "TER" from "BCG" effective May 5, 2003. The company's web site address will also change to http://www.terasen.com/ from http://www.bcgas.com/

Terasen Inc. (formerly BC Gas Inc.) is a leading provider of energy and utility services. Through Terasen Gas (formerly BC Gas Utility and Centra Gas British Columbia), the company distributes natural gas to more than 852,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines (formerly Trans Mountain Pipe Line), the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest.

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BC Gas Utility Ltd. Amendment To Medium Term Note Debenture Prospectus

April 23, 2001

FOR IMMEDIATE RELEASE

BC Gas Utility Ltd. has filed with Canadian regulatory authorities an amendment to its shelf prospectus dated November 30, 1999 providing for the issuance of Medium Term Note Debentures (MTN Debentures). The amendment increases the amount of MTN Debentures which the Company is authorized to issue from $500,000,000 to $800,000,000.

Net proceeds from the issuance of the additional MTN Debentures, when issued, will be added to the general funds of the Company and may be used to reduce short-term indebtedness which may be outstanding from time to time.
The Agents for the Note program are BMO Nesbitt Burns Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc.

BC Gas Utility Ltd. is a wholly-owned subsidiary of BC Gas Inc., a leading provider of energy and utility services in British Columbia. BC Gas Utility Ltd. is the largest distributor of natural gas in British Columbia, serving 762,000 customers in more than 100 communities. BC Gas Inc. common shares are traded on The Toronto Stock Exchange under the symbol "BCG"

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BC Gas Utility public hearing starts today

November 12, 2002

FOR IMMEDIATE RELEASE

BC Gas Utility began a public hearing today before the British Columbia Utilities Commission into its application to establish new natural gas delivery rates effective January 1, 2003.

This application was filed with the BCUC on June 17, 2002. The utility is requesting an increase of approximately 1.6 per cent of overall revenue ($18/year) for the typical residential customer. This is a 4.6 per cent increase to the delivery portion of the bill.

"This increase pertains only to the cost of delivering the gas which, since July, is identified separately on customers' bills," said Randy Jespersen, utility president.

The utility's rate application does not include any potential changes to gas commodity rates that might result on January 1, 2003 from the utility being charged lower or higher prices by gas producers for the natural gas commodity. BC Gas Utility's gas commodity rates are reviewed on a quarterly basis by the BCUC.

BC Gas Utility serves approximately 770,000 customers in British Columbia in more than 100 communities. It is a subsidiary of BC Gas Inc., an investor-owned company whose common shares are traded on the Toronto Stock Exchange.

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BC Gas Utility Pursuing Expansion Of Southern Crossing Pipeline

March 30, 2001

FOR IMMEDIATE RELEASE

To meet the growing demands for natural gas in British Columbia and the U.S. Pacific Northwest, BC Gas Utility Ltd is actively pursuing an expansion of its Southern Crossing Pipeline to Huntingdon, British Columbia.

BC Gas plans to seek expressions of interest from parties looking to contract for transportation service on the expanded pipeline dring April 2001. The Inland Pacific Connector project will be approximately 260 kilometres in length, is estimated to cost $460 million, and could have an in-service date of as early as late 2003. Additional analysis will be needed to confirm the cost estimates and construction timetable.

Additional pipeline capacity to southern B.C. and the U.S. Pacific Northwest is clearly required to meet rising demands for natural gas, particularly from gas-fired power plants. Expanding the Southern Crossing Pipeline would help to meet new demand in a cost effective manner, while increasing the diversity of supply sources for all gas consumers. New capacity and supply diversity will help alleviate some of the high costs of buying natural gas for consumers in B.C.

Any decision to proceed with the expansion of Southern Crossing would be subject to obtaining commitments from third party shippers for transportation capacity as well as necessary regulatory approvals.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 762,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc.

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BC Gas, Pickens Fuel Corp and Westport Innovations Form Largest Natural Gas Provider For Vehicles In North America

June 14, 2001

FOR IMMEDIATE RELEASE

BCG eFuels Inc. of Vancouver, British Columbia and Pickens Fuel Corp. of Seal Beach, California have merged to create the largest natural gas fuel provider for vehicles in North America.

The new company provides vehicular natural gas — both compressed natural gas (CNG) and liquefied natural gas (LNG) — and related services in key markets throughout North America. The initial combined customer base includes more than 25,000 fleet vehicles fueling at more than 75 locations.

The combined revenues of BCG eFuels Inc. and Pickens Fuel Corp. in 2000 were approximately $45 million Cdn ($30 million US).

BCG eFuels Inc, is jointly owned by BC Gas Inc, a leading provider of energy and utility services in B.C. and Westport Innovations of Vancouver, a leading developer of natural gas fuel systems for diesel engines. Pickens Fuel Corp was founded by legendary oilman Boone Pickens. It is a leading American company promoting the use of natural gas vehicles and building natural gas refuelling stations.

"This new enterprise allies natural gas fuelling and infrastructure resources with alternative fuel vehicles and alternative fuel engine technology. It allows us to present a complete package to fleet customers seeking to convert to more economic and advanced technologies," said Gordon Barefoot, BC Gas senior vice-president of planning and development.

"We intend to increase sales in markets we now serve, as well as in new key markets in both the United States and Canada. In time, we may extend our reach beyond those borders as other countries recognize the need for alternative fuel strategies," said Andrew Littlefair, PFC president.

"The new company will assist our natural gas vehicle engine customers by providing them with a complete infrastructure solution," said David Demers, Westport president and CEO.

The merged company will be based in Seal Beach, CA with Littlefair as president and CEO and Al Basham, formerly president of BCG eFuels, as executive vice-president.

BC Gas Inc. is a leading provider of energy and utility services in western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line

Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers. BC Gas common shares are traded on the Toronto Stock Exchange under the symbol "BCG." Information about BC Gas is available on the company's web site at http://www.terasen.com/ .

Westport Innovations is a developer of fuel systems that allow diesel engines to run on gaseous fuels such as natural gas. Its technology is intended to reduce emissions while retaining the performance, power and fuel efficiency of the traditional diesel engine. Westport's strategy is to develop its natural gas technology through key strategic alliances with diesel engine manufacturers. To that end, Westport recently formed a joint venture with Cummins Inc., the world's largest manufacturer of commercial diesel engines over 50 horsepower, to develop and market low-emissions, high performance alternative fuel engines. Westport shares are traded on the Toronto Stock Exchange under the symbol "WPT."

Pickens Fuel Corporation is a private company founded in 1997. It has grown to be the U.S. leader in alternative fuel services with principal operations in Southern California, the nation's largest market for these services. PFC owns and operates more than 30 natural gas fueling stations in Southern California and Arizona. In California, the PFC network spans from the north in San Francisco to Southern Orange County and east to Riverside and San Bernardino Counties. In Arizona, PFC owns four stations in the greater Phoenix area, including a state-of-the-art liquefied natural gas (LNG) fueling station in Tempe.

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Check For ID to Avoid Meter Reader Impersonators

August 7, 2001

FOR IMMEDIATE RELEASE

BC Gas is urging customers to ask for identification from anyone claiming to be a meter reader.

This warning comes after BC Gas became aware of separate incidents in Kamloops and Maple Ridge recently where local residents found strangers in their yards claiming to be reading the gas meter. In both cases, the individuals were neither BC Gas employees nor meter readers.

"If someone claims to be a meter reader for BC Gas, ask them for identification. All our meter readers carry corporate identification and are happy to show it to our customers," said Michael Sharp, BC Gas senior vice president of residential customers.

In the Interior, BC Gas meter readers wear high visibility vests with a BC Gas logo on the back and front. In the Lower Mainland, BC Hydro employees wearing uniforms with the BC Hydro logo read both gas and electricity meters. All meter readers carry identification and work during normal business hours during the day.

"This doesn't appear to be a wide-spread problem, but we urge people to be cautious. Our meter readers are professionals who can be readily identified," Sharp said.

People should consider calling their local police if they find someone suspicious lurking in their yard, he added.

Customers can call BC Gas at 1-888-224-2710 to verify if a BC Gas meter reader has been working in their area.

Pictures and descriptions of equipment worn by BC Gas meter readers can be found on our web site at http://www.terasen.com/home/youraccount_int_bill_mr.html. BC Hydro's web site also has pictures of the uniform worn by its meter readers.

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Check For Natural Gas Lines Before Digging

April 24, 2001

FOR IMMEDIATE RELEASE

With longer days and warmer weather, spring is a time when many people begin home renovation or yard improvement projects.

Whether you're doing the job yourself or hiring a contractor, if the project involves excavation on private or public property, BC Gas reminds you to check for buried natural gas lines before you dig.

You can get free information on the location of buried pipelines and cables by calling BC One Call at 1.800.474.6886 or cellular *6886.

BC One Call is a partnership of utility companies, including BC Gas, and municipalities that offers a toll free phone number to get information on buried pipelines and cables.

Workers' Compensation Board regulations require the location of all underground utility services in the area to be accurately determined and any danger to workers from the services must be controlled before drilling or excavating with power tools or equipment can begin. The Provincial Gas Safety Act also requires gas pipe locations be confirmed by hand digging.

If you strike a natural gas line during excavation and the pipe is jarred or pulled or the wrapping or pipe surface is damaged, stop all work and contact BC Gas at 1.800.663.9911. Check for the smell or sound of escaping gas. Don't backfill — BC Gas must physically check the integrity on the piping system and repair any damage.

Hitting a natural gas line can be dangerous — and expensive if you have to pay for repairs. So remember, before you begin excavation, call before you dig.

For more information, visit our web site at http://www.terasen.com/ or call the BC Gas Info Line at 1.800.561.4427 and ask for a copy of the Excavation Safety brochure.

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Interest in Proposed BC Gas Pipeline Spurs Further Development

June 25, 2001

FOR IMMEDIATE RELEASE

Development of BC Gas's proposed Inland Pacific Connector Pipeline will continue after a recent open season closed with significant interest from a number of parties seeking to purchase capacity on the pipeline.

"Although the available capacity is not fully subscribed at this time, there is enough interest to warrant continued development of the pipeline," said Rich Ballantyne, BC Gas director of transmission and project development.

BC Gas is pursuing contract negotiations with the interested companies. Names of the companies and the volumes they are interested in contracting for on the pipeline will remain confidential until agreements are in place. This should occur by the end of December 2001.

"Our development of this project has spurred other players in the market to develop additional pipeline capacity that will help with some of the supply problems in the short term," Ballantyne said. "However, we remain convinced that the long-term demand for natural gas in the Lower Mainland, Vancouver Island, Fraser Valley and Pacific Northwest remains high and the Inland Pacific Connector will absolutely be required no later than 2004."

The 246-kilometre Inland Pacific Connector Pipeline will link the recently built Southern Crossing Pipeline in Oliver to the regional marketing hub in Huntingdon. Total cost of the project is estimated as $495 million. The new pipeline will increase the supply of natural gas to the Lower Mainland and help prevent dramatic price increases like those experienced last winter.

BC Gas has determined a preferred route for the pipeline that is intended to minimize the impact on the environment, taking into account safety, land use issues and project costs. BC Gas is engaged in pre-application consultation with the B.C. Environmental Assessment Office and involved government agencies regarding the provincial environmental review. The company has also filed preliminary information with the Canadian Environmental Assessment Agency in order to initiate the federal environmental review of the project.

During the past month BC Gas held extensive meetings and open houses in the Fraser Valley and South Okanagan in order to hear from the public, land owners, First Nations, and government officials. This consultation process will continue as the choice of the pipeline route is examined.

"The public input has been informed and helpful. People are very interested in this project and we are working to address the concerns they have raised," Ballantyne said.

For more information on the project, visit the BC Gas website at http://www.terasen.com/.

BC Gas Inc. is a leading provider of energy and utility services in western Canada through its two principal operating subsidiaries, BC Gas Utility Ltd. and Trans Mountain Pipe Line Company Ltd., and through a number of non-regulated related businesses. BC Gas Utility is the largest distributor of natural gas in British Columbia, serving 764,000 customers.

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Larry Bell Resigns As BC Gas Director

August 9, 2001

FOR IMMEDIATE RELEASE

Larry Bell has resigned as a director of BC Gas.

Mr. Bell advised BC Gas by letter that he has resigned effective immediately from the boards of BC Gas Inc. and of Trans Mountain Pipe Line Company, a wholly-owned subsidiary of BC Gas.

The provincial government has announced that Mr. Bell has agreed to become chairman and CEO of BC Hydro.

"We are very sorry to lose Mr. Bell from our board of directors. He has made many valuable contributions to the success of our company since he joined the board in 1993," said John Reid, BC Gas president and CEO.

"We believe British Columbia is fortunate that a man of Mr. Bell's stature and experience has agreed to chair the board of our largest and most vital crown corporation. We wish him every success in his new endeavour."

Lower than expected rate increase keeps natural gas competitive

March 14, 2003

FOR IMMEDIATE RELEASE

BC Gas Utility applied to the British Columbia Utilities Commission today for a rate increase that will add approximately 16 per cent to the typical residential customer's total gas bill.

The increase is less than the amount BC Gas Utility needs to purchase gas for its customers in the coming year. The utility estimates the full impact of increased commodity prices would add almost 22 per cent to the typical residential customer's bill.

"We are asking to pass on only part of the increased cost of the commodity at this time so we can maintain the economic advantage of natural gas relative to electricity rates which remain frozen by provincial legislation. The proposed rates remain very attractive compared to propane or home heating oil whose costs have escalated significantly in past months," said Randy Jespersen, BC Gas Utility president.

"We have held the line on commodity costs as long as possible thanks to our gas purchasing strategy where we locked in the majority of our gas supply for the winter at lower prices. This proposal allows us to run part of the increased costs through a deferral account that customers will pay back over a longer period of time when our purchase costs are expected to decline."

BC Gas Utility does not earn a profit on natural gas; the utility's cost is passed on to the customer. Any rate change must be approved by the BC Utilities Commission, the provincial regulatory agency.

Natural gas is a commodity traded on the open market, like oil or gold. In the past six months, the market price of natural gas has increased substantially, driven upwards by heavy demand in the east as a result of a very cold winter. Rising crude oil prices, spurred by civil disruption in Venezuela and uncertainty around the Middle East situation have also served to push natural gas and other energy prices upwards.

The cost of the natural gas makes up about two-thirds of the typical residential gas bill. The remaining one-third is composed of delivery charges. If approved, this increase will add approximately $185 to the annual bill of a Lower Mainland customer and $161 to an Interior customer. The application asks to have the increase take effect April 1, 2003.

BC Gas Utility Ltd. is the largest distributor of natural gas serving British Columbia, with 764,000 residential, commercial and industrial customers in more than 100 communities. BC Gas Utility Ltd. is a wholly owned subsidiary of BC Gas Inc., a publicly traded company listed on the Toronto Stock Exchange.

What consumers can do: 10 Hot Tips for Energy Savings

1. Turn down your thermostat to 20 during the day and 17 at night. You'll save up to 15 per cent on your heating costs.
2. Seal off drafts and leaks around windows, doors, and ceilings with caulking, weather-stripping or insulation and trap heat inside.
3. Change or clean your furnace filters (as recommended by the manufacturer) during the heating season.
4. Tune up for peak performance. A well-tuned furnace saves energy and money over time.
5. Stabilize monthly bills by participating in BC Gas Utility's equal payment plan.
6. Trap heat inside. Close the drapes when the sun goes down to keep the heat inside and insulate your water heater.
7. Control the flow. Use ceiling fans to push warm air down to where you need it.
8. Recycle heat when you can. Run consecutive loads in your natural gas dryer to take advantage of accumulated heat.
9. Save heat room by room. Use your natural gas fireplace for "zone heating" and only heat the area you need to heat – instead of heating the whole house.
10. Upgrade your logset. If you have a gas logset in a masonry fireplace, fireplace, consider replacing it with an efficient insert unit.

More information on how to save energy and reduce gas consumption can be found on the BC Gas web site at http://www.terasen.com/.

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Safety advisory: Keep gas meters clear of snow and ice

January 28, 2002

FOR IMMEDIATE RELEASE

With winter weather in full force in many parts of the province, BC Gas reminds homeowners to maintain access to their gas meters and keep them clear of snow and ice.

Gas meters are designed to withstand winter weather conditions, but heavy or hard-packed snow and ice or icicles falling from your eaves on your meter can present a safety hazard. And in case of an emergency, crews may need to be able to get to the meter.

A build up of snow or ice on a meter can stress the piping and block the regulator vent, possibly leading to a gas leak or abnormal gas pressure.

"If you're shovelling snow from your driveway, take some time to clear the area around your gas meter," said Barry Cavens, BC Gas manager of customer safety.

To avoid problems:

- Never let snow completely cover your meter;
- Do not shovel snow against your meter;
- NEVER kick or hit the gas meter or its piping to break away built-up snow or ice;
- Remove icicles from overhangs and protect the meter from water dripping from the roof or eaves trough;
- Check that chimneys and vents are not blocked so products of combustion, which could contain carbon monoxide, don't spill into your home.

If you think you have a problem with your gas meter, call BC Gas at 1-888-224-2710. For more gas safety information, visit the BC Gas website at http://www.terasen.com/.

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Shut off gas supply if meter or appliances threatened by floodwaters

May 24, 2002

FOR IMMEDIATE RELEASE

With a flood alert issued for areas of the Kootenays, BC Gas reminds homeowners to take precautions with their gas appliances in case they are forced to evacuate their homes.

Before the flood hits

If you have enough advance warning before a flood strikes and it appears water levels could reach your natural gas appliances:

- Shut off the gas supply valve to the appliance (usually found on the gas line to the appliance);
- Have a licensed gas fitter remove the electric motor, burner and controls from your natural gas appliances; or
- Have a licensed gas fitter remove the gas appliances from your building.
- Any gas appliance that is removed must have the open end of the pipe leading from the valve to the appliance capped or plugged. This is to prevent the release of natural gas or back flow of floodwater into the gas piping system.

Shut off your gas valve at the meter if you must evacuate your home in a hurry. You can turn your gas off at the main shut-off valve on the inlet pipe next to your gas meter. Using a wrench or other suitable tool, give the valve a quarter turn in either direction so that it is crosswise to the pipe.

What to do after a flood

If water levels were enough to cover the gas meter, call BC Gas to check your meter and regulator before using your gas system. Floodwaters may have shifted your home or caused other stresses to the gas piping, possibly resulting in a gas leak.

CAUTION: If you notice a gas odour, or if there is other evidence of a gas leak, do not enter the premises. Call the BC Gas 24-hour Emergency Line at 1-800-663-9911.

If flooding has been severe, gas appliances should not be used until inspected by a licensed gas fitter. However, the cost of restoring some appliances to a safe operating condition may exceed the cost of a new appliance.

Do not attempt to place natural gas appliances back in service yourself. A licensed gas fitter will check, clean, repair and pressure test all gas pipes which have been clogged with mud or debris.

Damage could also occur to switches, controls, thermostats, furnace heat exchangers, burner and pilot parts and rusting metals parts, to name a few. Again, any reconditioning or repair work to natural gas appliances must be performed by a licensed gas fitter.

For more gas safety information, visit our website at www.terasen.com

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Still Time To Take Advantage of Furnace Tune-Up Offer

August 28, 2001

FOR IMMEDIATE RELEASE

There's still time to have your furnace tuned up and receive a $25 rebate from BC Gas before the popular rebate program ends on September 15, 2001.

"The response to our offer has been very positive. People are enthusiastic about taking steps to conserve energy and save money on their monthly heating bills," said Michael Sharp, BC Gas senior vice-president for residential customers.

BC Gas announced the offer in May as part of an effort to help customers improve the efficiency of their furnaces in order to deal with the increased cost of natural gas. Regular and professional maintenance by a registered gas contractor helps ensure a furnace is operating at or near its design efficiency level.

So far, approximately 13,000 customers have taken advantage of the offer. The offer is limited to the first 20,000 customers who mail in their coupons.

Coupons to claim the incentive are available at participating building supply and hardware stores and on bcgas.com the BC Gas web site.

To claim the $25 incentive, customers must fill out the coupon and mail it with a copy of the contractor's receipt or work order by September 15, 2001 to:

Summer Furnace Tune-up Offer
P.O. Box 48449
595 Burrard Street
Vancouver, B.C.
V7X 1A2

The tune up must be done by a gas contractor registered with the provincial British Columbia Gas Safety Program. The $25 rebate will be credited to the customer's BC Gas bill.

BC Gas does not offer furnace tune-ups or furnace service. To take advantage of this offer, customers should call a registered heating contractor. A list of contractors is available in the Yellow Pages under "Furnaces, Heating" or "Heating Contractors." Customers with questions about the program can call 1.800.561.4427.

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Strapping Down Water Heater A Good Precaution In Case of Earthquake

May 9, 2001

FOR IMMEDIATE RELEASE

Strapping down a home's water heater to prevent water and gas lines from breaking during an earthquake is a simple precaution homeowners can take to help minimize any potential damage caused by an earthquake, BC Gas advises.

"The March earthquake that shook the Lower Mainland and Seattle focussed people's attention on preparing for emergency situations. But the urgency to be ready fades as time passes," said Amy Hennessy, BC Gas emergency program manager.

"May 7 to 13 is Emergency Preparedness Week and we're reminding people about some simple and effective precautions they can take to prepare their home in case of an earthquake."

Hennessy points out that a water heater can weigh more than 180 kilograms and if it moves during an earthquake, it can cause water or gas lines to break resulting in severe damage to your home, as well as the loss of a valuable source of fresh water.

"Strapping down the water heater is required on all new construction. But many hot water heaters in existing homes aren't secured."

Some key points to consider when strapping down a water heater:

- The water heater should be restrained to keep it from moving side to side, back and forth and up and down.
- Use steel strapping, brackets or supports attached to the frame of the home with steel screws or lagbolts. Plasterboard anchors are not strong enough.
- Strap the heater in at least two locations - one in the upper one-third of the unit, and the other in the lower one-third. The lower strap must be a minimum distance of 10 centimetres (four inches) above the gas controls.

"People should also familiarize themselves with the location of their gas meter and the shut-off valve in case of an emergency," Hennessy adds.

BC Gas recently produced a new booklet, Shakedown, that provides tips on how to prepare for an earthquake and what to do if the big one hits. The booklet is available free on the BC Gas web site at http://www.terasen.com/ or by calling 1.800.561.4427.

Backgrounder - Earthquake Safety Tips

The best way to protect you and your family in an earthquake is to plan ahead.

- Put together earthquake kits for your home, car and office.
- Ask your children's school how it plans to cope with an emergency.
- Familiarize yourself with your employer's emergency plans.
- A major earthquake can last anywhere from several seconds to several minutes and may be followed by a number of aftershocks. Be alert for danger and keep your safety and the safety of your family uppermost in your mind.

Here are some of the key tips included in Shake Down, the new booklet on earthquake preparation from BC Gas.

- Use your senses - after an earthquake, listen and smell for escaping gas. Do not operate electrical switches or other ignition sources.
- If you detect a gas leak, fire or other hazard, turn off your gas supply at your meter.
- Inspect your gas appliances, piping and venting for damage.
- If you do not smell gas or don't have severe damage to your home, you may not have to shut the gas off. It's your decision. IT MAY BE YOUR ONLY SOURCE OF ENERGY FOR SOME TIME. You will need your gas service to keep warm, sterilize water and cook food. Once your gas supply is turned off, pilot lights are extinguished. It can be dangerous for you to turn the gas supply back on after an earthquake without having the gas piping, venting and appliances inspected. Leave it to an expert. Once the gas is turned off, it should be turned back on by a registered gas contractor who can check out the piping, appliances and venting.
- If there are no gas leaks but the vent of an appliance (i.e. your furnace, water heater or fireplace) is broken or disconnected, turn off the gas supply to that appliance. Each appliance is equipped with its own shut-off valve. In the "off" position, the handle of the valve is at a right angle to the pipe.
- Do not operate a gas appliance with a broken or damaged vent - dangerous levels of carbon monoxide can result.
- Do not leave your home unless it is unsafe to stay there.

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Terasen acquires interest in Fairbanks sewer and water utility

April 20, 2004

FOR IMMEDIATE RELEASE

Terasen Inc. (TSX: TER) announced today that it has entered into an agreement to acquire a 50 per cent interest in Fairbanks Sewer and Water Inc. (FSW). FSW, which is privately held, provides water and wastewater treatment and water distribution services to Fairbanks, Alaska, a city of 82,000 residents. Terasen is paying approximately US$30 million for its 50 per cent interest of which US$8.6 million will be used to reduce FSW's debt. Terasen also has an option to acquire the remaining 50 per cent at fair market value in 2009. FSW is regulated by the Regulatory Commission of Alaska.

The acquisition builds on Terasen's existing presence in Alaska, where Terasen has been operating the Fairbanks gas distribution system since 2001 under an operating contract with the owner of the gas utility.

“Our participation in Fairbanks Sewer and Water is a key milestone for our waterworks and utility services business,” said John Reid, Terasen President and CEO.

Fairbanks is a successful example of a municipality that has transferred its water utility to private ownership and operation, and we believe that it will provide a model for other opportunities in Western North America.

“We are partnering with an experienced management team with whom we plan to pursue additional business opportunities in Alaska. Terasen can add value to the business through our financial strength and synergies with our existing waterworks and utility services business.”

The transaction is subject to regulatory approvals and is expected to be finalized in the summer of 2004.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 862,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto

Stock Exchange under the symbol “TER.”

Terasen Utility Services – a subsidiary of Terasen Inc. – is the largest private sector provider of water treatment services in Western Canada, operating more than 50 water and wastewater treatment systems in British Columbia and Alberta. Terasen Utility Services designs, builds and operates water, wastewater and energy systems.

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Terasen donates $50,000 to tsunami relief

January 5, 2005

The cataclysmic results of the recent tsunami in Southeast Asia have seized the attention of people everywhere in the world including everyone working within the Terasen group of companies. After the initial shock of learning of the disaster, our natural response is to wonder what we can do to help.

Terasen is contributing $50,000 to the international aid effort. In the interest of timeliness, the company's contribution will be made through the auspices of a single agency, the Red Cross. This contribution is not made on a matching basis to employee contributions.

There are a number of agencies involved in giving assistance to the suffering in the various countries and Terasen encourages its employees to make individual contributions in the manner most appropriate to their personal interests and concerns.

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Terasen improves community investment with online application process

January 10, 2005

A new online application process will help community groups gain faster and easier access to funding provided through Terasen's community investment program.

"Terasen has always believed that supporting locally-based projects and programs helps build strong and vibrant communities," said Kathi Thompson, Terasen Inc.'s community investment manager.

"Over the years, we have supported numerous initiatives and organizations that stimulate economic development and help improve the quality of life in communities across Western Canada. Now this our new online application form will help us support community groups much more efficiently."

In past years, Terasen has received a high volume of requests for funding through many different channels. Reviewing and assessing all requests has often been a slow process.

"Unfortunately, we can't provide money for every group that applies. The new online application spells out our funding criteria and will help us make decisions more quickly for groups that fit within our three key areas," Thompson added.

The three specific areas of community investment Terasen supports are:

Environment – projects supporting clean air and water;

Education – support of engineering, trades and the sciences; and

Community development – projects promoting economic development and recognition of volunteers and volunteer organizations helping build strong and vibrant communities.

Community investment funding is provided through Terasen Inc., and its subsidiaries, Terasen Gas, Terasen Pipelines, and Terasen Utility Services. The online application forms and all criteria for applying for Terasen grants are available at Terasen Inc., Terasen Gas and Terasen Pipelines.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas and piped propane to more than 866,000 customers in 125 communities across British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the

U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER.”

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Terasen Inc. adds to Board of Directors

March 18, 2004

Terasen Inc. is pleased to announce two appointments to its Board of Directors.

Mark L. Cullen has been named Chairman of the Board while Eric P. Newell has been appointed to the Board for the first time.

Mr. Cullen has been a corporate director since his retirement in 1998 as Vice Chairman of RBC Dominion Securities Inc. He joined the Terasen Board in that year and was appointed Acting Chairman in June 2003. Mr. Cullen also serves as a director of British Columbia Ferry Services Inc., Canfor Corporation and Wajax Limited. In the Lower Mainland, he has had extensive involvement with community and charitable organizations including St. Paul's Hospital and the United Way. Mr. Cullen is a graduate of the Richard Ivey School of Business and the University of Ottawa.

Mr. Newell is a retired business executive with an extensive history of corporate leadership, including 17 years spent with Alberta's Syncrude Canada Ltd., the world's largest producer of crude oil from sand. He performed various roles there, including Chief Executive Officer, Chairman and President. Mr. Newell also held positions with Esso Petroleum Canada and Imperial Oil Limited, and was named Energy Person of the Year for 2003. Mr. Newell holds a Masters of Science in Management Studies from the University of Birmingham, a Bachelor of Applied Science in Chemical Engineering from the University of British Columbia and honourary Doctorates from various universities. He also serves as Director of Canfor Corporation; Chairman of Careers: The Next Generation Foundation; Director of Nexen Inc; Director of the C.D. Howe Institute; and Policy Advisor to The Learning Partnership.

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Terasen Inc. announces new appointments

January 5, 2004

FOR IMMEDIATE RELEASE

As a further step in the continued strengthening of its overall business development capability, Terasen Inc. today announced that Stephen Swaffield, formerly of RBC Capital Markets, will be joining the company as Senior Vice President, Corporate Development. Gordon Barefoot, presently Senior Vice President, Multi-Utility Services, is appointed Senior Vice President, Finance & CFO and David Bryson is appointed Treasurer.

These changes will be effective immediately. Concurrent with these appointments, the present CFO and Treasurer, Milt Woensdregt, will be leaving the company to pursue other opportunities.

“At Terasen we are actively pursuing an increasing number of business growth opportunities and these executive changes will add to the collective in-house skill sets we bring to bear on these opportunities,” said John Reid, Terasen Inc. President and CEO.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 851,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER.”

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Visit our web site at http://www.terasen.com/

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Terasen Inc. announces stock split and increases dividend rate

April 22, 2004

FOR IMMEDIATE RELEASE

Terasen Inc. (TSX: TER) announced that its Board of Directors has approved a two-for-one stock split of the company's common shares outstanding. The two-for-one stock split will take the form of a stock dividend. The Board has also approved a 7.7 per cent increase in Terasen's quarterly cash dividend.

John Reid, President and CEO of Terasen, said, "The stock split and dividend increase reflect Terasen's achievements over the past several years, and our confidence the Company's future prospects. We expect that the stock split will increase the accessibility of Terasen's common shares for individual investors, who are a significant and valued part of our investor base."

The stock dividend will be payable on June 14, 2004 to shareholders of record at the close of business on June 7, 2004 (the record date), on the basis of one additional common share for each common share held at the record date. Share certificates representing the stock dividend will be mailed to registered shareholders on or after June 14, 2004. Existing share certificates should be retained by the holders and should not be sent to the Company or its transfer agent, CIBC Mellon Trust Company.

The Company's common shares are expected to commence trading on a post-stock dividend basis on June 3, 2004 on the Toronto Stock Exchange. No income tax will be payable by Canadian residents in respect of the stock dividend. Non-resident shareholders will not be subject to any Canadian withholding tax on the stock dividend. All equity-based benefit plans will reflect the additional shares or options resulting from the declaration of the stock split. All share and per share data for future periods will also reflect the stock split.

In addition, a quarterly cash dividend of $0.42 per common share (pre-split), up from $0.39 per common share in the previous quarter, will be paid on May 31, 2004 to shareholders of record at the close of business on May 17, 2004.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 862,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky

Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER.” Visit http://www.terasen.com/ for more information.

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Terasen Inc. appoints acting chairman

June 6, 2003

The Board of Directors of Terasen Inc. (TSX: TER) has appointed Mr. Mark L. Cullen as Acting Chairman of the Board. Mr. Cullen is the former Vice Chairman of RBC Dominion Securities. He is a director of Canfor Corporation, British Columbia Ferry Corporation, MacDonald Dettwiler and Associates Ltd. and Wajax Limited. He joined the Board of Terasen Inc. in 1998.

This action has been taken because Mr. Iain Harris has advised the Board of Directors of Terasen Inc. that he feels that it is in the best interest of the Company that he take a leave of absence until such time as certain allegations that have been made by the Alberta Securities Commission have been dealt with. These allegations are unrelated to Terasen Inc. During this time, Mr. Harris will remain a member of the Board of Directors but will have no active involvement in the direction or management of the Company's operations.

The Board has regretfully accepted Mr. Harris' decision.

Terasen Inc. (formerly BC Gas Inc.) is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 852,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER".

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Terasen Inc. implements shareholder rights protection plan

November 25, 2003

FOR IMMEDIATE RELEASE

Terasen Inc. announced today that its board of directors has approved a shareholder rights plan. This follows the repeal by the B.C. government of the Hydro and Power Authority Privatization Act which removed the restriction on any shareholder holding more than 10 per cent of the outstanding common shares of Terasen Inc. The repeal of the act also removed the restriction on non-Canadian citizens and non-residents of Canada holding, in aggregate, more that 20 per cent of the outstanding common shares of Terasen Inc.

Any purchase of control of the company continues to require the approval of the British Columbia Utilities Commission after determining whether the purchase is in the public interest.

The plan provides the board and Terasen shareholders with time to assess and evaluate any takeover offer and to explore and develop alternatives which maximize shareholder value. The plan is similar to plans adopted by other publicly traded companies and also ensures all Terasen shareholders are treated equally.

The plan will take effect and the rights issued under the plan will be exercisable if an individual or group acquires or attempts to acquire more than 20 per cent of the company's shares without satisfying the conditions for a "permitted bid". The plan was not adopted in response to any specific take-over bid for the company, and the company is not aware of any pending or threatened take-over bid.

The rights issued to shareholders under the plan will entitle the holder to acquire common shares of Terasen at a 50 per cent discount to the prevailing market price upon a person or group acquiring more than 20 per cent of the common shares of Terasen. However, the rights are not exercisable in the event that a "permitted bid" is made.

The plan provides that a permitted bid is a takeover bid which provides for a minimum deposit period of at least 60 days and which is made to all shareholders (regardless of the jurisdiction in which the shareholder resides). A permitted bid must also satisfy certain other conditions, including that a minimum of 50 per cent of the outstanding shares (exclusive of shares held by the offeror) must be tendered into the bid after which time the bid must then be extended for a further period of 10 business days.

The plan is operative for a period of ten years and must be confirmed by Terasen shareholders at the company's next annual general meeting, and at the third and sixth annual meetings following the company's annual and special meeting of shareholders in 2004, unless the rights are earlier redeemed or exchanged.

The rights will be distributed to shareholders of record as of the close of business on November 24, 2003 (the record date). Additional details regarding the plan will be outlined in a summary to be mailed to all shareholders following the record date.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 851,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol "TER".

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Terasen Multi-Utility Services buys Toby Creek Utilities from Intrawest Panorama Mountain Village

October 10, 2003

Terasen Multi-Utility Services Inc., a wholly owned subsidiary of Terasen Utility Services Inc., has purchased the propane, water and wastewater utility assets from Toby Creek Utilities Co. Ltd. at Intrawest's Panorama Mountain Village.

"We have provided various utility services to the Panorama Mountain Village community for several years and are delighted to expand our involvement and commitment to this exceptional lifestyle development," said Brett Hodson, Terasen Utility Services president.

"Since we helped design and build Toby Creek Utilities, it makes sense for us to take an ownership position. This will ensure customers continue receiving the same exceptional service with our emphasis on customer safety."

Hodson said the Toby Creek purchase fits in and compliments Terasen's other operations.

"The sale of the utilities services allows Panorama to focus on its core business," said Gord Ahrens, Panorama's vice-president and general manager.

"The sale of the utility services is consistent with the natural evolution of Panorama Mountain Village. With Terasen ensuring safe and reliable services to Panorama, we can focus our energy on providing memorable recreational experiences."

Terasen Utility Services – a subsidiary of Terasen Inc. – designs, builds and operates water, wastewater and energy systems. In addition, it operates energy systems at several resorts including Silver Star Resort and Sun Peaks and operates more than 50 water and wastewater systems throughout B.C. and Alberta with 40 operators and lab technicians dedicated to these systems.

Terasen Inc. shares are traded on the Toronto Stock Exchange under the symbol "TER." For more information about our services, visit http://www.terasen.com/

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Terasen Pipelines Receives Strong Support To Continue Development Of Its West Coast Pipeline Expansion Project

January 31, 2005

Calgary, Alberta. Terasen Pipelines is pleased to announce that it has received strong support from 17 different parties including existing and new customers to proceed to the next phase of the Trans Mountain system expansion project ("TMX"). The TMX Project will provide additional pipeline capacity to the west coast and offshore markets for growing oil sands production.

Customers who participated in TMX's Expression of Interest process over the past two months have indicated the need for additional capacity out of Alberta by 2008, to serve west coast and offshore markets. Customers have also indicated the need for significant expansion of the Trans Mountain system beyond 2008, which would see the current system's capacity of 225,000 bpd more than double by 2010. This additional capacity can be most effectively brought on-stream using a staged expansion of the existing Trans Mountain oil pipeline system.

"We are very pleased with the support we have received and we are moving full steam ahead with the project," said Rich Ballantyne, President, Terasen Pipelines. "Existing and new customers have indicated that the TMX staged approach offers the right solution to a west coast pipeline expansion. We look forward to bringing this vision to reality."

Pending final commercial arrangements and regulatory approvals, Terasen Pipelines' initial expansion phase -TMx1- will increase the system's capacity from 225,000 bpd to 300,000 bpd by the end of 2008. This initial expansion will be achieved by adding 35,000 bpd of capacity by the end of 2006 through the addition of pump stations along the pipeline system, followed by looping 178 kilometres of its system, providing an additional 40,000 bpd by the end of 2008. Further expansion will see the system's capacity increase to up to 850,000 bpd.

Terasen Pipelines will now move to the next phase to finalize a tolling framework with customers leading to a formal open season expected this summer.

The staged expansion of TMX aligns incremental oil sands production from Alberta with market demands on the West Coast of Canada, the United States and Asia. In line with customers' needs, Terasen Pipelines will undertake additional looping of its Trans Mountain system to existing facilities in Burnaby British Columbia and/or extend the Trans Mountain pipeline to a new terminal on B.C.'s north coast in Kitimat or Prince Rupert. Additional information on the TMX project, is available at: http://pipelines.terasen.com/tmx.

Terasen Pipelines is one of the largest petroleum transportation businesses in North America. The company operates the following pipelines: the Corridor pipeline system that links Albian Sands' Muskeg River Mine to the Scotford Upgrader near Fort Saskatchewan and to Terasen's terminal at the Edmonton hub; the Trans Mountain system from Alberta to British Columbia and Washington State; and the Express/Platte systems from Alberta to the U.S. Rocky Mountain region and the U.S. Midwest. Terasen Pipelines is a wholly-owned subsidiary of Terasen Inc.

Terasen Inc. is a leading provider of energy and utility services in North America through its operating subsidiaries and a number of non-regulated related businesses. Terasen Inc. common shares are traded on the Toronto Stock Exchange under the symbol "TER." Information about Terasen Inc. is available on the company's website at http://www.terasen.com/.

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Terasen Pipelines' Growth Strategy on Track – Phase One of Trans Mountain Expansion filed with National Energy Board

July 12, 2005

Calgary, Alberta. Terasen Pipelines has filed an application with the National Energy Board (NEB) to increase the capacity of the Trans Mountain pipeline system from 225,000 barrels per day to 260,000 barrels per day (bpd).

Supported by Trans Mountain shippers and the Canadian Association of Petroleum Producers, the $210 million expansion will add 35,000 bpd of heavy crude oil capacity by building new and upgrading existing pump stations along the pipeline system between Edmonton, Alberta (AB) and Burnaby, British Columbia (B.C.).

Pending regulatory approval, the new capacity will be available in the first quarter of 2007 and will help alleviate chronic apportionment that the system has experienced for the past two years as a result of growing demand for petroleum products in west coast markets particularly Washington State and California.

This pump station expansion lays the foundation for the multi-phased expansion of the Trans Mountain system. The next phase will occur later this summer when Terasen will be seeking formal commercial support for the construction of a 30-inch pipeline loop between Hinton, Alberta and Valemount B.C.

As Rich Ballantyne, President, Terasen Pipelines states: "West coast and offshore markets are increasingly important to producers as Canada's oil sands develops and production grows. Our expansion plans contemplate staged growth in export pipeline capacity to meet corresponding growth in oil sands production. This pump station expansion is an important first step to seeing either a full twinning of the Trans Mountain system to the lower mainland of B.C. or should markets develop in the Asia Pacific region, the construction of a new pipeline from Valemount, B.C. to a deep-water port in Kitimat or Prince Rupert."

Terasen Pipelines is a leader in the petroleum transportation industry, shipping over 680,000 bpd of petroleum products to markets in western North America and offshore through a 4,500 kilometre network of pipeline systems. Strongly positioned for growth, Terasen Pipelines manages a current asset base of over $2.5 billion and has $4 billion of growth opportunities under development.

In addition to operating the Trans Mountain pipeline system, the company operates the following pipelines: the Corridor system that links Albian Sands' Muskeg River Mine to the

Scotford Upgrader near Fort Saskatchewan and to Terasen's terminal at the Edmonton hub; and the Express/Platte systems from Alberta to the U.S. Rocky Mountain region and the U.S. Midwest.

Terasen Inc. is a leading provider of energy transportation and utility infrastructure management services. Terasen has two strong base businesses - natural gas distribution and petroleum transportation - and an emerging business in water and utility services. Headquartered in Vancouver, Canada, Terasen's common shares trade on the Toronto Stock Exchange (symbol: TER).

For more details on the Trans Mountain Pump Station Expansion project, please go to "What's New" at http://www.terasenpipelines.com./

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Terasen Utility Services signs agreement with First Nations firms

April 15, 2004

FOR IMMEDIATE RELEASE

Terasen Utility Services signed a Memorandum of Understanding today in Tofino with the Ma-Mook Development Corporation and Khowutzun Mustimuhw Contractors signifying their intention to work together on future development opportunities within the Nuu-chah-nulth Nation on central Vancouver Island and the districts of Tofino and Ucluelet.

“This is a significant agreement that lays the groundwork for future opportunities for all parties involved and allows us to participate in a multitude of business options with the First Nations people of central Vancouver Island,” said Brett Hodson, president of Terasen Utilities Services.

“In order to create a strong local economy, communities need a reliable infrastructure that includes water and heating utilities. We are very pleased at the opportunity to work with the Nuu-chah-nulth Nation and Cowichan Tribes in building that infrastructure.”

Terasen Utility Services – a subsidiary of Terasen Inc. – designs, builds and operates water, wastewater and energy systems.

“The economic development that will flow from this agreement will help create jobs and provide expanded opportunities for our people to learn new skills and trades,” said Matthew Lucas, chairman of the Ma-Mook Development Corporation.

The Ma-Mook Development Corporation is owned by the five Central Tribes of the Nuu-chah-nulth Nation. The company is involved in forestry, transportation and other businesses. The Central Tribes are committed to improving their communities through developing and upgrading existing subdivisions, community facilities, infrastructure and homes.

“We are very pleased to have the opportunity to work with the Nuu-chah-nulth Nation. Through this agreement, we are creating a process where First Nations people work with other First Nations people to build their communities,” said Chief Harvey Alphonse, president of Khowutzun Mustimuhw Contractors.

“This is another step towards the creation of a strong, independent Aboriginal business sector.”

Khowutzun Mustimuhw Contractors is owned and operated by the Cowichan Tribes. It is involved in residential, commercial and industrial construction, civil works, natural gas pipeline construction and engineering. In 2003, Terasen Gas signed an extension of a working agreement with Khowutzun Contractors for work on its natural gas distribution system on central Vancouver Island.

The agreement calls for the three organizations to jointly examine development possibilities on the reserve lands of the Central Region Tribes and in the Districts of Tofino and Ucluelet. Key areas to be looked at include housing and commercial construction and the building and operation of water, wastewater and alternate energy facilities.

Terasen Inc. shares are traded on the Toronto Stock Exchange under the symbol "TER." For more information about our services, visit http://www.terasen.com/

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Terasen's Express pipeline system to proceed with expansion

December 22, 2003

FOR IMMEDIATE RELEASE

Calgary, Alberta. December 22, 2003. Terasen Pipelines Inc. is pleased to announce that it has received significant shipper support to proceed with expansion plans for the Express pipeline system. The expansion will increase total system capacity by 108,000 bpd from 172,000 bpd to 280,000 bpd and is scheduled to be ready for service by April 2005.

"We are very pleased by the high level of support shown by both producers and refiners for the expansion," said Rich Ballantyne, President of Terasen Pipelines, operator of the Express pipeline system. "It is certainly an indication of just how important new capacity is for upstream and downstream players alike. The expansion will meet the growing pipeline capacity needs of western Canadian producers and secure delivery options for U.S. refiners who are now spending capital to enhance refinery infrastructure and meet the new low-sulphur regulations."

New commitments totaling 105,000 bpd were received which include 30,000 bpd of existing available capacity and 75,000 bpd of expansion capacity. Originally, a two-phased expansion process was planned, however given the strong shipper support, both phases will be constructed concurrently subject to regulatory approval.

"The outcome of the open season validates our strategy of addressing the transportation needs of shippers and capitalizing on the growth opportunities arising from the Alberta Oil Sands. The successful response from our shipper community on the Express system is a clear indication that Terasen Pipelines is well positioned to provide the necessary pipeline capacity and cost efficient operation that shippers are looking for. It also reinforces Terasen's position as a key transporter of petroleum products from the ever growing oil sands production area of Alberta to key US markets in the Rocky Mountain States and the Midwest," said Ballantyne.

The Express and Platte pipeline systems are owned equally by Terasen Inc. (TER), Borealis Infrastructure Management acting on behalf of the Ontario Municipal Employees Retirement System (OMERS) and the Ontario Teachers' Pension Plan.

The Express pipeline receives a variety of light, medium and heavy crude oil produced in Western Canada at Hardisty, Alberta, a rapidly growing Canadian oil hub, and delivers them to markets in Montana, Wyoming, Utah and Colorado. The Express system interconnects with the Platte Pipeline system at Casper, Wyoming. The Platte system delivers Canadian and local Rocky Mountain production to markets in Kansas and Illinois, and other interconnecting carriers in those areas.

Terasen Inc. is a leading provider of energy and utility services. Through Terasen Gas, the company distributes natural gas to more than 851,000 customers, representing more than 95 per cent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oil sands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. midwest. Terasen common shares are traded on The Toronto Stock Exchange under the symbol “TER”.

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Work of Tsimshian artist Bill Helin on display at Terasen Centre

June 4, 2003

Terasen Inc. is proud to host world renowned Tsimshian aboriginal artist Bill Helin and an exhibition of his work, June 16 to June 20.

The exhibition of Helin's striking carvings and paintings will be on display in the lobby of Terasen Centre, 1111 West Georgia Street in Vancouver. The exhibit coincides with national Aboriginal Day, Saturday, June 21.

Helin is part of a new generation of aboriginal artists whose work reflects traditional Tsimshian legends in today's society. His past work includes designing the crew patch for the 1996 Columbia space shuttle and taking part in carving the world's largest totem pole, built for the XV Commonwealth Games in Victoria in 1994. Helin was also part of the First Nations Canoe Regatta to the Victoria games, paddling the Raven Song, a 40-foot canoe he carved from a cedar log according to traditional Tsimshian standards.

Bill Helin grew up in Prince Rupert and was deeply influenced by his grandfather, Henry William Helin, Chief of the Gitlan tribe, and his grandmother, Maud Helin, Chieftaness of the Gitgeese Tribe. It was through the stories told by his grandmother that Bill Helin learned the legends of the Tsimshian that would inspire his art.

"My grandmother encouraged me to learn the traditions and the art forms of the past so I could pass them on to future generations. As artists, we must feed off our elders and learn from the master carvers in our Tsimshian culture," Helin says.

Beginning as a self-taught artist, Helin has since studied at the 'Ksan First Nations Art and Carving School in Hazelton and the Gemology Institute of America. He works in a variety of mediums, including wood carvings, oil paintings, gold and silver jewellery and his work has been displayed in galleries across North America.

Helin is currently working on the design of individual "Life Crests," traditional animal symbols from Northwest Coast native mythology that personally and spiritually represent a person and their family lineage.

Please join us in honouring National Aboriginal Day and the art of Bill Helin, June 16 – 20.

For more information or to interview Bill Helin, contact:

Dean Pelkey
Terasen Gas Manager of Media Relations
Phone: (604) 576-7300
email: dean.pelkey@terasen.com

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Terasen Utility Services gains rights to new technology for ensuring drinking water quality

August 13, 2003

Terasen Utility Services has signed an agreement with Joule Microsystems Canada Inc. giving it the exclusive right to distribute Joule's on-line biological sensor and monitoring system to water utilities in B.C. and Alberta.

The Joule sensor and monitoring system uses an ultra-sensitive technology to detect bio-matter in drinking water, allowing for around-the-clock monitoring to ensure a community's water supply meets the required health standards. It automatically takes samples when the sensors detect the presence of bio material that could contain pathogens and then alerts the water system operators so corrective action can be taken.

"This system will help make Canada a leader in drinking water protection," said Brett Hodson, President of Terasen Utility Services. "It allows us to offer a higher standard of water monitoring and rapid response services, which will raise the bar for water quality and improve public safety."

Joule's technique takes advantage of the convergence of chemical and biological assays with internet, telephone, and wireless communication technologies. It uses a system known as Water Risk Control Points (WRCP™). WRCP™ are characterized by real time analysis with on-line features such as database functions and remote event monitoring.

Terasen Utility Services plans to make the new service available to water systems of all sizes.

Terasen Utility Services – a subsidiary of Terasen Inc. – designs, builds and operates water, wastewater and energy systems. Terasen Inc. shares are traded on the Toronto Stock Exchange under the symbol TER. For information about our services visit http://www.terasen.com/.

Joule Microsystems Canada Inc. is a private, high tech company based in Delta, BC.

For further information, contact:

Media:
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Phone: 604-575-3340
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Bruce Adams
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Trans Mountain Pipelines
Corridor Pipeline
Express Pipeline
Platte Pipeline
Bison Pipeline

News Release

Wednesday, December 1, 2004

For Immediate Release

Customers to help determine scope and timing of Terasen Pipelines' west coast pipeline expansion

Wednesday, December 1, 2004. Calgary, Alberta - Terasen Pipelines is pleased to announce that Expression of Interest ("EOI") documents for a major capacity expansion of the Trans Mountain pipeline system ("TMX") have been sent today to current and prospective customers. The EOI process allows all prospective shippers to help determine the scope and scale of the Trans Mountain expansion from Alberta to British Columbia's west coast. The EOI begins the process of securing customer support, regulatory approvals and ultimately the construction of the TMX project.

The TMX project leverages off of the existing Trans Mountain system to provide much needed expanded access to west coast markets including the lower mainland of British Columbia, Washington State and California. In addition, the TMX project provides several options to target fast growing Far Eastern markets. The Trans Mountain pipeline system has supplied crude oil and refined products from Alberta to the west coast for the past 50 years.

"Terasen Pipelines' approach to the Trans Mountain expansion is all about options, choice and flexibility to serve our customers," said Rich Ballantyne, President, Terasen Pipelines. "We are working collaboratively with the shipper community to determine their pipeline transportation needs for the future. Concurrently, engineering, environmental studies and discussions of the expansion plans with a variety of stakeholders are taking place. We feel confident that we can meet our customers' requirements and work with all stakeholders to ensure a timely delivery of transportation services to support growing oil sands production."

The TMX project offers the lowest cost and risk pipeline alternative to the west coast combined with the ability to make incremental capacity available sooner than alternative pipeline proposals.

Upon the successful completion of the Expression of Interest process, Terasen Pipelines expects to proceed with a formal open season for expanded capacity on the Trans Mountain system, based on the needs identified by the shipper community. For a more detailed description of the Expression of Interest process, please visit our website at www.terasenpipelines.com and click on "TMX Expression of Interest" under What's New.

more…

Terasen Pipelines

News Release

Terasen Pipelines
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Toll Free: 1 (800) 535-7219
www.terasen.com

Trans Mountain Pipelines
Corridor Pipeline
Express Pipeline
Platte Pipeline
Bison Pipeline

Terasen Pipelines is one of the largest petroleum transportation businesses in North America. The company manages and operates the following pipelines: the Corridor pipeline system that links Albian Sands' Muskeg River Mine to the Scotford Upgrader near Fort Saskatchewan and to Terasen's terminal at the Edmonton hub; the Trans Mountain system from Alberta to British Columbia and Washington State; and the Express/Platte systems from Alberta to the U.S. Rocky Mountain region and the U.S. Midwest. Terasen Pipelines is a wholly-owned subsidiary of Terasen Inc.

Terasen Inc. is a leading provider of energy and utility services in North America through its operating subsidiaries and a number of non-regulated related businesses. Terasen Inc. common shares are traded on the Toronto Stock Exchange under the symbol "TER." Information about Terasen Inc. is available on the company's website at www.terasen.com.

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For further information:

Media Inquiries
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Investor Inquiries
Terasen Inc.
David Bryson, Treasurer
Phone: (604) 443-6527
E-mail: david.bryson@terasen.com

APPENDIX 1.4

Amendment #1 dated April 20, 2001 to the
Short Form Shelf Prospectus Dated November 30, 1999

This amendment, together with the short form prospectus dated November 30, 1999, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered under the short form prospectus, as amended hereby, and any representation to the contrary is an offence.

The Medium Term Note Debentures (the "MTN Debentures") offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exceptions, the MTN Debentures offered hereby may not be offered or sold in the United States of America, and the short form prospectus as amended hereby does not constitute an offer to sell or a solicitation of an offer to buy any of the MTN Debentures offered hereby within the United States.

BC GAS UTILITY LTD.

The short form prospectus of BC Gas Utility Ltd. dated November 30, 1999 relating to the offering of up to $500,000,000 aggregate principal amount of Medium Term Note Debentures is hereby amended to increase the maximum offering set forth on the face page of the prospectus to:

$800,000,000
Medium Term Note Debentures
(unsecured)

The last paragraph on the face page of the prospectus is amended to read:

"The MTN Debentures will be issued from time to time as and when funds are required by the Company in an aggregate principal amount of up to $800 million (or the equivalent thereof in foreign currencies or currency units) during the two year period from the date of this short form prospectus. The MTN Debentures will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company and will be issued under a trust indenture. This offering is a continuation of the Company's Canadian medium term note program which commenced in November, 1992. As of February 28, 2001 a total of $808 million of MTN Debentures were issued and outstanding."

The first sentence in the first paragraph under "Use of Proceeds" in the prospectus is amended to read:

"The MTN Debentures will be issued from time to time at the discretion of the Company in an aggregate principal amount of up to $800 million during the two year period from the date of this short form prospectus."

The first paragraph under "Details of the Offering" in the prospectus is amended to read:

"This offering is a continuation of the Company's medium term note debenture program, which replaced the Company's medium term notes offering commenced in November, 1992. Pursuant to this program, $808 million of MTN Debentures are outstanding as of February 28, 2001. MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $800 million."

The third paragraph under "Details of the Offering – General" in the prospectus is amended to read:

"The MTN Debentures will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company. As at January 31, 2001, there was approximately $229.9 million aggregate principal amount of Debentures outstanding under the Indenture, other than MTN Debentures. The MTN Debentures will rank junior to any outstanding First Mortgage Bonds issued under a trust deed and secured by substantially all of the Company's assets and the Purchase Money Mortgages which are secured under a trust deed over the assets of the Company acquired as part of its acquisition of the Coastal Division. Currently there are no First Mortgage Bonds outstanding. There are $275 million principal amount of Purchase Money Mortgages presently held by the public and $150 million presently held by a subsidiary of the Company pending securitization. The Purchase Money Mortgages were issued to finance the Company's acquisition of the Coastal Division."

RECENT DEVELOPMENTS

Allowed Return on Equity (ROE).

The Company is regulated by the British Columbia Utilities Commission (the "BCUC"). In the past, rates have been set using the traditional rate base and rate of return approach to utility regulation. Since 1996, incentive-based regulation has been incorporated into the rate setting process in order to enhance both value to customers and returns to shareholders.

The Company's 2000 allowed ROE of 9.50% was determined based on a formula that applied a risk premium to a forecast of long-term Government of Canada bond yields. The increase from 9.25% in 1999 was a result of an increase in forecast long-term bond yields. For 2001, the Company's allowed ROE has been set at 9.25%, reflecting lower forecasted long-term bond yields compared to the 2000 ROE calculation.

1998-2000 Revenue Requirement Decision

In June 1997, the Company and other interested parties reached a negotiated settlement to set the revenue requirements for the Company for the years 1998-2000, which was approved by the BCUC on July 23, 1997. During 2000, BC Gas negotiated a one year extension of the 1998-2000 settlement with customer representatives and other stakeholders. The one year extension was approved by the BCUC on May 4, 2000.

The key points of the settlement and extension are as follows:

- Targets were set for productivity gains in operation and maintenance costs of 2% in each of 1998 and 1999, 3% in 2000 and 1% in 2001. To the extent that these productivity targets are exceeded, the Company has the opportunity to earn higher returns on equity. Restructuring costs of up to $3 million associated with achieving these productivity targets were deferred and recovered in customer rates. By implementing a restructuring program and other initiatives, the Company has taken steps to reach and exceed these productivity targets in each year of the settlement.

- New incentives for demand side management activities and capital expenditure efficiency were made available. To the extent that demand side management programs exceed targets, and to the extent that unit costs of certain classes of capital expenditures are lower than the allowed level, the Company has opportunities to earn higher returns. These incentives have not had a material impact on earnings.

- An earnings sharing mechanism is incorporated whereby variances in achieved return on equity from that allowed by the BCUC in a given year are to be shared equally with customers. Earnings from the established incentive programs are not included in this earnings sharing mechanism. This incentive has resulted in significant positive benefits for both customers and shareholders.

- The ratio of overheads capitalized has been reduced from 22.5% of gross operation and maintenance costs in 1997 to 20% in 1998 and 1999, and to 16% in 2000 and 2001.

- The allowed common equity component is to remain at 33% of capitalization, and $150 million of outstanding first preference shares were redeemed and have been refinanced with long-term debt in 1999 and 2000.

- Through an annual review process, rates for the upcoming year are adjusted to reflect projected changes in factors such as customer growth, industrial revenues, cost of natural gas, interest rates, and taxes.

In addition to the incentives noted above, the Gas Supply Mitigation Incentive Plan provides an incentive for the Company to reduce gas supply costs to customers.

Southern Crossing Pipeline Project

In 1999, the BCUC granted a Certificate of Public Convenience and Necessity ("CPCN") to BC Gas for the Southern Crossing Pipeline project ("SCP"). The SCP includes 303 kilometres of 24 inch (610 mm) pipeline from Yahk, B.C. in the south-eastern corner of the province to Oliver, B.C. at the south end of the Okanagan Valley, as well as related compression facilities. The pipeline was put into service on November 29, 2000. To December 31, 2000, $350.4 million has been spent on the project. Including restoration and right of way repair costs and contingencies that will be incurred in 2001, BC Gas currently expects that total costs will be approximately $410 million.

As part of the approval from the BCUC, project costs that exceed a threshold amount will not be included in rate base. It is not anticipated that this requirement will have a material impact on the Company's earnings, provided that total project costs do not exceed $410 million.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF BC GAS UTILITY LTD.

Dated: April 20, 2001

The foregoing, together with the documents incorporated herein by reference, as of the date of each supplement hereto, will constitute full, true and plain disclosure of all material facts relating to the securities offered by the short form prospectus dated November 30, 1999, as amended by this amendment, and such supplement as required by the securities laws of each of the provinces of Canada, and the short form prospectus dated November 30, 1999, as amended by this amendment, as supplemented by the permanent information record, will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Quebec) and the regulation thereunder.

Chief Executive Officer	Chief Financial Officer
John M. Reid President and Chief Executive Officer	Milton C. Woensdregt Senior Vice President, Finance and Chief Financial Officer and Treasurer

On behalf of the Board

R. Laird Cliff Director	Iain J. Harris Director

CERTIFICATE OF THE AGENTS

Dated: April 20, 2001

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, as of the date of each supplement hereto, will constitute full, true and plain disclosure of all material facts relating to the securities offered by the short form prospectus dated November 30, 1999, as amended by this amendment, and such supplement, as required by the securities laws of each of the provinces of Canada, and the short form prospectus dated November 30, 1999, as amended by this amendment, as supplemented by the permanent information record, will not contain any misrepresentation which is likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Quebec) and the regulation thereunder.

BMO NESBITT BURNS INC.	CIBC WORLD MARKETS INC.
By: Graeme N. Falkowsky	By: Alan Wallace
MERRILL LYNCH CANADA INC.	NATIONAL BANK FINANCIAL INC.
By: Christopher M. Burley	By: Charles Addison
RBC DOMINION SECURITIES INC.	SCOTIA CAPITAL INC.
By: Steve Swaffield	By: Mark Scott

TD SECURITIES INC.

By: James M.I. Bruce

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of:

BMO NESBITT BURNS INC.: a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of a Canadian chartered bank;

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.;

NATIONAL BANK FINANCIAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

SCOTIA CAPITAL INC.: a wholly-owned subsidiary of a Canadian chartered bank; and

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

Short Form Base Shelf Prospectus dated December 10, 2003.

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

TERASEN GAS INC.
$700,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

MTN Debentures offered hereunder will have maturities of not less than one year and will be either interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures. The MTN Debentures will be issued at rates of interest or at prices determined by the Company from time to time based on a number of factors, including advice from the Dealers. All references to currency in this short form prospectus are references to Canadian dollars. See “Details of the Offering”.

The specific terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealers' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms of MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The MTN Debentures will be issued from time to time as and when funds are required by the Company in an aggregate principal amount of up to $700 million (or the equivalent thereof in foreign currencies or currency units) during the 25 month period from the date of this short form prospectus. The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company and will be issued under a trust indenture. This offering is a continuation of the Company's Canadian medium term note program. As of October 31, 2003 a total of $933 million of MTN Debentures were issued and outstanding.

There is currently no market through which these securities may be sold.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible for investment under those statutes set forth under the heading “Eligibility for Investment”.

Rates on Application

The MTN Debentures may be offered by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. pursuant to the dealer agreement referred to under the heading “Plan of Distribution”, or such other investment dealers as may be selected from time to time by the Company (the “Dealers”). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement and will be set forth in a pricing supplement which will accompany this short form prospectus. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exceptions, the MTN Debentures offered hereby may not be offered or sold in the United States of America, and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the MTN Debentures offered hereby within the United States. See “Plan of Distribution”.

The offering is subject to approval of all legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, Vancouver, and on behalf of the Dealers by Stikeman Elliott LLP, Vancouver.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Terasen Gas Inc. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (Telephone (604) 443-6500). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Terasen Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of Terasen Gas Inc. ("Terasen Gas" or the "Company") dated April 28, 2003 including Management's Discussion and Analysis incorporated therein;

(b) the audited consolidated financial statements of the Company for the years ended December 31, 2002 and 2001, together with the auditors' report thereon;

(c) the unaudited interim consolidated financial statements of the Company as at September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003 and 2002, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) BCF 51-903F under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of the Company dated April 25, 2003 except for the section headed "Executive Compensation".

Any annual information form, material change reports (excluding confidential reports), unaudited interim consolidated financial statements (including notes thereto), audited consolidated financial statements and information circulars as well as any prospectus supplements disclosing additional or updated information filed with a provincial securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, shall be deemed to be incorporated by reference into this short form prospectus.

A pricing supplement or other prospectus supplement containing the specific variable terms of an offering of MTN Debentures will be delivered to purchasers of such MTN Debentures together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such supplement and only for the purposes of the offering of the MTN Debentures covered by that supplement.

Upon a new annual information form and the related audited consolidated financial statements being filed by the Company with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous audited consolidated financial statements, all interim unaudited consolidated financial statements, material change reports and information circulars filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of securities hereunder.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

THE COMPANY

The Company (formerly BC Gas Utility Ltd.) was formed by the amalgamation under the *Company Act* (British Columbia) on July 1, 1989 of Inland Natural Gas Co. Ltd. ("Inland"), B.C. Gas Inc., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. On July 1, 1993 pursuant to an arrangement between the Company and a subsidiary, the Company changed its name to "BC Gas Utility Ltd." Effective April 25, 2003, the Company changed its name to "Terasen Gas Inc." The head office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4. The principal office of the Company is at 16705 Fraser Highway, Surrey, British Columbia, V3S 2X7. The "Company" or "Terasen Gas" includes its subsidiary companies, as the context so requires. The Company is a wholly-owned subsidiary of Terasen Inc. ("Terasen"), formerly BC Gas Inc.

The Company transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the Greater Vancouver and Fraser Valley areas of British Columbia.

The Company owns 100% of the shares of Terasen Gas (Squamish) Inc. ("Squamish Gas") and Inland Energy Corp. Squamish Gas is a distribution operating subsidiary of the Company which carries on business in British Columbia. Inland Energy Corp. holds purchase money mortgages of the Company pending their securitization.

RECENT DEVELOPMENTS

On July 30, 2003 Terasen Gas received the approval from the British Columbia Utilities Commission ("BCUC") for a negotiated settlement of a 2004-2007 Performance Based Rate Plan ("PBR settlement"). The PBR settlement sets forth the process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through the sharing of the benefits of efficiencies between the Company and its customers. It includes 10 service quality measures designed to ensure the Company maintains service levels and sets out the requirements for an annual review process which will provide a forum for discussion between Terasen Gas and interested parties regarding the Company's current and future activities.

Operation and maintenance costs and base capital are subject to an incentive formula reflecting increasing costs due to customer growth and inflation, less a productivity factor based on 50% of inflation during the first two years and 66% of inflation during the last two years. Base capital expenditure amounts are determined based on customer counts and projected customer additions. The PBR settlement provides for a 50/50 sharing mechanism of earnings above or below the allowed return on equity, net of certain incentives.

The PBR settlement also establishes new deferral accounts for insurance premiums and pension costs incurred by Terasen Gas.

Removal of Certain Restrictions

On November 20, 2003 the Province of British Columbia passed legislation, *inter alia*, repealing the *Hydro and Power Authority Privatization Act*, thereby removing various legislative restrictions on the Company including directors residency requirements and share ownership restrictions. The acquisition of a specified percentage of the common shares of the Company would still remain subject to the approval of the BCUC under the *Utilities Commission Act*.

USE OF PROCEEDS

The MTN Debentures will be issued from time to time at the discretion of the Company in an aggregate principal amount of up to $700 million during the 25 month period from the date of this short form prospectus. The net proceeds to be derived from the issue of the MTN Debentures offered hereunder will be the issue price thereof less any commission paid in connection therewith. Such net proceeds cannot be estimated as the amount thereof will depend on the extent to which MTN Debentures are issued hereunder. Unless otherwise specified in the pricing supplement which accompanies this short form prospectus, such net proceeds will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time. Although no proceeds have been specifically allocated for such purpose, at a future point in time proceeds may be used to reduce indebtedness under the Company's credit facilities with its bankers. The expenses of this offering and commissions will be paid out of the Company's general funds.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2002 and the twelve month period ended September 30, 2003, respectively. They do not give effect to the issue of MTN Debentures pursuant to this short form prospectus, since aggregate principal amount of MTN Debentures that will be issued hereunder and the terms of issue are not presently known. The ratio for the twelve month period ended September 30, 2003 is based on unaudited financial information.

The Company's interest requirements on consolidated long term debt amounted to $99.8 million for the year ended December 31, 2002 and $99.8 million for the twelve months ended September 30, 2003, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt and income taxes were $220.9 million for the year ended December 31, 2002, which is 2.21 times the Company's interest requirements on consolidated long term debt for the year then ended, and $218.3 million for the twelve months ended September 30, 2003, which is 2.19 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2002	**September 30, 2003**
Earnings coverage on long term debt	2.21 times	2.19 times

CREDIT RATINGS

The Company has received an A2 rating from Moodys Investors Services Inc. ("Moodys"), an A rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies. "High" or "low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

DETAILS OF THE OFFERING

This offering is a continuation of the Company's medium term note debenture program. Pursuant to this program, $933 million of MTN Debentures are outstanding as of October 31, 2003. MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $700 million.

All references to currency in this short form prospectus are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Dealers make any representation with respect to currency values from time to time.

MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures ("Global Debentures") held by The Canadian Depositary for Securities Limited or a successor (the "Depositary") for its participants. CIBC Mellon Trust Company or a successor will act as the transfer agent and registrar of the MTN Debentures. The Depositary establishes and maintains book entry accounts for its participants having interests in Global Debentures. The interests of participants of the Depositary in Global Debentures, and transfers of interests in the Global Debentures between participants, will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in the MTN Debentures will be effected by entries made in the records maintained by the participants. Purchasers of MTN Debentures in respect of which Global Debentures are issued will not be entitled to receive MTN Debentures in definitive form except in certain stated events including upon the request of holders of not less than 10% of the MTN Debentures upon the happening of any event of default. The issuance of MTN Debentures as Global Debentures will, if applicable, be referred to in the relevant pricing supplement delivered with this short form prospectus.

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealers' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The registered holder of a MTN Debenture may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver, Toronto or Montreal upon which one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the MTN Debenture so transferred, registered in the name or names of the transferee or transferees. No transfer of a MTN Debenture will be registered during the seven business days (a business day for this purpose being a business day in the city of Vancouver) immediately preceding any date fixed for payment of interest on such MTN Debenture.

The following summary of certain provisions of the Indenture (as defined below) and the MTN Debentures does not purport to be complete and is subject to the detailed provisions of the Indenture to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the MTN Debentures.

General

The MTN Debentures will be issued under a trust indenture dated as of November 1, 1977 made between the Company (as successor to Inland Natural Gas Co. Ltd.) and CIBC Mellon Trust Company (formerly called The R-M Trust Company as successor to National Trust Company, Limited), as trustee (the "Trustee"), as supplemented and amended by a first supplemental indenture dated as of November 17, 1981, a second supplemental indenture dated as of July 11, 1984, a third supplemental indenture dated as of December 17, 1986, a fourth supplemental indenture dated as of June 1, 1989, a fifth supplemental indenture dated as of July 1, 1989, a sixth supplemental indenture dated as of June 14, 1990, a seventh supplemental indenture dated as of October 26, 1990, an eighth supplemental indenture dated as of August 1, 1992, a ninth supplemental indenture dated as of July 25, 1993, and a tenth supplemental indenture dated as of November 15, 1993 (the trust indenture as so supplemented and amended from time to time, being herein called the "Indenture" and the said tenth supplemental indenture being herein called the "Supplemental Indenture"). The Indenture will be available for review during normal business hours during the period of distribution of the MTN Debentures at the head office of the Company at 1111 West Georgia Street, Vancouver, British Columbia.

The aggregate principal amount of debentures authorized under the Indenture (the "Debentures") is unlimited. Debentures may be issued thereunder in one or more series. The MTN Debentures are a series of Debentures authorized by the Supplemental Indenture in an unlimited amount, and may be issued on such terms and at such times as may be determined by the Company, subject to the Company meeting certain tests with respect to the issue thereof, as set forth in the Indenture.

The MTN Debentures will rank in equal priority to all other unsecured and unsubordinated indebtedness of the Company. As at October 31, 2003, there was approximately $79.9 million aggregate principal amount of Debentures outstanding under the Indenture, other than MTN Debentures. The MTN Debentures will rank junior to any outstanding First Mortgage Bonds issued under a trust deed and secured by substantially all of the Company's assets and the Purchase Money Mortgages which are secured under a trust deed over the assets of the Company acquired as part of its acquisition of the coastal gas distribution assets of British Columbia Hydro and Power Authority (the "Coastal Division"). Currently there are no First Mortgage Bonds outstanding. There are $274.9 million principal amount of Purchase Money Mortgages presently held by the public and $150 million presently held by a subsidiary of the Company pending securitization. The Purchase Money Mortgages were issued to finance the Company's acquisition of the Coastal Division.

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder appearing on the registers maintained by the Trustee at the close of business on the seventh business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Payments of principal on MTN Debentures will be made against presentation and surrender thereof for cancellation at such places as are designated in the MTN Debentures and in the Indenture.

The payment of principal and interest on a MTN Debenture in accordance with the indenture shall absolutely satisfy and discharge the liability of the Company with respect to such payment under the MTN Debenture, unless in the case of payment by cheque it is not paid upon presentation.

Events of Default

Except as otherwise noted below, the Indenture provides that the following constitute events of default (each an "Event of Default") thereunder;

(a) default in payment of principal on any Debenture when due;

(b) default in payment of any interest due on any Debenture and such default has continued for 30 days;

(c) an order is made or an effective resolution passed for the winding-up or liquidation of the Company (other than pursuant to and in compliance with provisions in the Indenture relating to successor companies);

(d) the Company or any Designated Subsidiary (as defined below) makes a general assignment for the benefit of its creditors, is declared bankrupt, a sequestrator or a receiver or any other officer with similar powers is appointed of, or an encumbrancer takes possession of, the property of the Company or of the property of a Designated Subsidiary, or any substantial part thereof;

(e) any process of execution is enforced or levied upon any property of the Company or a Designated Subsidiary and remains unsatisfied for a period of 30 days, as to moveable or personal property, or 45 days, as to immovable or real property, provided that such process is not in good faith disputed by the Company or such Designated Subsidiary or the Company or such Designated Subsidiary has given adequate security;

(f) default under the mortgage with respect to the First Mortgage Bonds which causes the principal amount of the First Mortgage Bonds to be declared immediately due and payable, provided that if the default is cured and such declaration is rescinded the Event of Default will also be cured; and

(g) the Company neglects to carry out or observe any covenant or condition contained in the Indenture and, after notice has been given by the Trustee to the Company, the Company fails to make good such default within 60 days or such shorter period as would at any time, if continued, render any property of the Company or any of its subsidiaries liable to forfeiture, unless the Trustee has agreed to a longer period, and in such an event, within the period agreed to by the Trustee.

Acceleration on and Waiver of Default

If an Event of Default has occurred under the Indenture, the Trustee may in its discretion and will upon the requisition in writing of the holders of at least 25% of the principal amount of the Debentures issued and outstanding under the Indenture, subject to any waiver of default under the Indenture, by notice in writing to the Company declare the principal and interest on all Debentures then outstanding under the Indenture and other money payable thereunder to be due and payable.

If an Event of Default has occurred under the Indenture (otherwise than by default in payment of principal moneys at maturity) the holders of the Debentures have the power by extraordinary resolution to instruct the Trustee to waive the default (provided that if the Event of Default relates to a covenant applicable to a particular series of Debentures only, then the holders of outstanding Debentures of that series only have the power by extraordinary resolution to instruct the Trustee to waive the default). In addition, the Trustee, so long as it has not become bound to institute any proceedings under the Indenture, has power to waive the default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor.

In the Indenture, "extraordinary resolution" is a resolution passed at a meeting of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures represented at the meeting.

Right of Trustee to Enforce Payment

If the Company fails to pay to the Trustee, on demand, and when due, the principal and interest on all Debentures then outstanding under the Indenture, the Trustee may, in its discretion, and shall upon the request in writing of the holders of not less than 25% of the principal amount of the Debentures issued and outstanding under the Indenture, and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee to obtain or enforce payment of the said principal and interest on all outstanding Debentures together with other amounts due under the Indenture by any remedy or proceeding authorized by the Indenture.

Holders of Debentures issued under the Indenture may not institute any action or proceeding or exercise any other remedy authorized by the Indenture, including an action to enforce the Indenture or the Debentures, except as provided in the Indenture.

Covenants

The Indenture contains, among others, covenants substantially to the following effect:

(a) The Company will not mortgage, pledge, charge or otherwise encumber any of its assets to secure any obligations unless at the same time it shall, in the opinion of counsel, secure or cause to be secured equally and rateably with such obligations all the Debentures then outstanding under the Indenture by the same instrument or by other instrument in form and substance satisfactory to such counsel; provided that this covenant shall not apply to (a) First Mortgage Bonds, (b) Purchase Money Mortgages, (c) permitted encumbrances as defined in the Indenture, or (d) security given (other than on fixed assets) in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others to secure any indebtedness other than Funded Obligations.

(b) The Company will not permit any Designated Subsidiary to create, incur or guarantee any indebtedness, except indebtedness to or of the Company or to a trustee in support of a guarantee of indebtedness of the Company, provided that this shall not apply to (a) Purchase Money Mortgages, or (b) indebtedness incurred in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others, repayable on demand or maturing, including any right of extension or renewal, within 18 months of the date when such indebtedness is incurred, provided such indebtedness is not secured on fixed assets.

(c) The Company or a Designated Subsidiary will not dispose of any indebtedness of a Designated Subsidiary unless all the shares and indebtedness of such Designated Subsidiary are sold to a party dealing with the seller at arm's length, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

(d) The Company will not permit any Designated Subsidiary to issue any shares if, as a result of such issue, such Designated Subsidiary ceases to qualify as such.

(e) The Company will not create or issue any Additional Obligations unless Consolidated Available Net Earnings for any period of 12 consecutive calendar months of the 23 calendar months next preceding the date of issue of such Additional Obligations, which period shall have been selected by the Company, shall have been at least two times the annual interest requirements of all Funded Obligations to be outstanding after the issue of such Additional Obligations and after any retirements of Funded Obligations to be made out of the proceeds thereof or retirement thereof has been otherwise provided for and in respect of which proof has been afforded to the Trustee satisfactory to it that adequate provision has been made assuring that such Funded Obligations will be retired within 45 days after the issue of such Additional Obligations; provided the provisions of this covenant shall not apply to the creation and issue of Additional Obligations for the purpose of refunding the whole of any series of Debentures previously issued under the Indenture provided that (except in the case of refunding all of the MTN Debentures) the aggregate principal amount of the Additional Obligations does not exceed the aggregate principal amount of the Debentures to be refunded.

(f) The Company will, directly or through Designated Subsidiaries, from time to time obtain and at all times maintain facilities for supplies of gas adequate to enable the carrying on of its business.

Modification

The rights of the holders of the MTN Debentures under the Indenture may be modified. For that purpose, among others, the Indenture will contain provisions making binding upon all holders of Debentures outstanding under the Indenture and indentures supplemental thereto, resolutions passed at meetings of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures voted on the resolution or instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of all the outstanding Debentures. In certain cases, modification will require separate assent by the holders of the required percentages of debentures of each series outstanding under the Indenture or any series of MTN Debentures outstanding under the Indenture as determined by the Trustee.

Definitions

The Indenture contains definitions substantially to the following effect:

"A*dditional Obligations*" means bonds, debentures, notes or other debt instruments issued by the Company, the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date of issue but does not include First Mortgage Bonds and Purchase Money Mortgages.

"*Consolidated Available Net Earnings*" for any specified period of 12 months means the net earnings of the Company and its Designated Subsidiaries on a consolidated basis for such period (excluding gains or losses on the disposal of investments or fixed assets in each case in excess of $50,000 in the aggregate and other non-recurring items in excess of $50,000 in the aggregate) before deductions for income taxes, interest on Funded Obligations and on any other indebtedness that since the end of the specified period has been or is about to be refunded by the issue of Funded Obligations and amortization of debt premium, discount and expense, all as determined in accordance with generally accepted accounting principles and reported on by the Company's auditors without, in their opinion, material adverse qualification. In determining Consolidated Available Net Earnings for any period there shall be taken into account the earnings or losses, as the case may be, for the whole of such period of any company or corporation which, prior to or concurrently with the proposed action in respect of which such determination is being made, becomes a Designated Subsidiary. In addition, if the Company or any Designated Subsidiary shall, prior to or concurrently with the proposed action in respect of which such determination is being made, have acquired any business by way of acquisition of assets, the earnings or losses, as the case may be, of such business to the extent that such earnings or losses related to the assets acquired, shall be taken into account for the whole of such period.

"*Designated Subsidiary*" means any company or corporation the majority of the outstanding shares of each class of the capital stock of which having attached to them voting rights under all circumstances are owned by the Company and/or one or more Designated Subsidiaries, provided that the Company shall have, by resolution of its directors, designated such other company or corporation as a Designated Subsidiary; provided that any Designated Subsidiary shall cease to be a Designated Subsidiary upon sale of all its shares and indebtedness owned by the Company and any other Designated Subsidiary, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

"*First Mortgage Bonds*" means all first mortgage bonds or other first mortgage obligations of the Company, whether heretofore or hereafter issued, secured by a first fixed and specific charge on substantially all the fixed assets of the Company (whether or not also secured by a floating charge or by other security).

"*Funded Obligations*" means any indebtedness, whether secured or unsecured, incurred by any one or more of the Company and the Designated Subsidiary by way of creation, guarantee, assumption or otherwise which is not repayable on demand and the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date on which it was incurred, but does not include (i) indebtedness secured by Purchase Money Mortgages and (ii) any liability in respect of any guarantee by any one or more of the Company and the Designated Subsidiaries of the indebtedness of the Company and/or any Designated Subsidiary secured by Purchase Money Mortgages.

"*Purchase Money Mortgages*" means any mortgages, liens or other encumbrances upon property acquired by one or more of the Company and the Designated Subsidiary which were, at the time of such acquisition or concurrently therewith, assumed, created or given to secure all or part of the cost of such property and extensions and renewals thereof upon the same property if the principal amount of the indebtedness secured thereby is not increased.

RISK FACTORS

Prospective investors in a particular offering of MTN Debentures should consider the matters described under the heading "Risk Factors" in the annual information form of the Company that is incorporated by reference herein.

PLAN OF DISTRIBUTION

The MTN Debentures may be offered for sale by any one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. **,** pursuant to a dealer agreement dated December 1, 2003 among such investment dealers and the Company (the "Dealer Agreement"), or by other investment dealers selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealers, acting as principals, to the Company. The Dealer Agreement also provides that in the event a Dealer is purchasing MTN Debentures as principal, the obligation of that Dealer to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company at market rates prevailing from time to time to purchasers pursuant to applicable statutory exemptions and may from time to time be offered at a discount or a premium.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may include MTN Debentures in bearer form that are subject to United States tax law requirements. The MTN Debentures may not be offered, sold or delivered within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any MTN Debentures within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of any MTN Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

TRANSFER AGENT AND REGISTRAR

Registers for the registration and transfer of the MTN Debentures will he kept at the principal corporate trust offices of CIBC Mellon Trust Company in the cities of Vancouver, Toronto and Montreal.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, counsel for the Company, and Stikeman Elliott LLP, Vancouver, counsel for the Dealers, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible investments, or their purchase would not be prohibited, in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending restrictions, policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Standards Act, 1985 (Canada)
Supplemental Pension Plans Act (Quebec)
Pension Benefits Act (Ontario).

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arms length within the meaning of the *Income Tax Act* (Canada)).

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF TERASEN GAS INC.

Dated: December 10, 2003

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) John M. Reid
Vice-Chairman and Chief Executive Officer

(Signed) Milton C. Woensdregt
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) Mark L. Cullen
Director

(Signed) Michael W. O'Brien
Director

CERTIFICATE OF THE DEALERS

Dated: December 10, 2003

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this prospectus by reference will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation which is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.	CIBC WORLD MARKETS INC.
(Signed) Graeme N. Falkowsky	(Signed) Alan C. Wallace
EDWARD JONES	NATIONAL BANK FINANCIAL INC.
(Signed) Kevin E. Sprouse	(Signed) Daniel L. Nocente
RBC DOMINION SECURITIES INC.	SCOTIA CAPITAL INC.
(Signed) Stephen J. Swaffield	(Signed) Murray W. Neal

TD SECURITIES INC.

(Signed) Margaret R. Hyde

AUDITORS' CONSENT

The Board of Directors of Terasen Gas Inc.

We have read the short form base shelf prospectus dated December 10, 2003 relating to the offering of $700,000,000 Medium Term Note Debentures (Unsecured) of the Company. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the short form base shelf prospectus of our report to the shareholders of the Company (formerly BC Gas Utility Ltd.) on the consolidated statements of financial position of the Company as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. Our report is dated February 3, 2003.

(signed) KPMG LLP

Chartered Accountants

Vancouver, Canada
December 10, 2003

SHORT FORM BASE SHELF PROSPECTUS DATED NOVEMBER 21, 2001

This Short Form Prospectus has been filed under legislation in all provinces in Canada that permits certain information about these securities to be determined after this Short Form Prospectus has become final and permits the omission from this Short Form Prospectus of that information. The legislation requires the delivery to purchasers of a Prospectus Supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The Medium Term Note Debentures (the "MTN Debentures") offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exceptions, the MTN Debentures offered hereby may not be offered or sold in the United States of America, and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the MTN Debentures offered hereby within the United States. See "Plan of Distribution".

BC GAS UTILITY LTD.
$500,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

MTN Debentures offered hereunder will have maturities of not less than one year and will be either interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures. The MTN Debentures will be issued at rates of interest or at prices determined by the Company from time to time based on a number of factors, including advice from the Dealers. All references to currency in this short form prospectus are references to Canadian dollars. See "Details of the Offering".

The specific terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealer's commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms of MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The MTN Debentures will be issued from time to time as and when funds are required by the Company in an aggregate principal amount of up to $500 million (or the equivalent thereof in foreign currencies or currency units) during the 25 month period from the date of this short form prospectus. The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company and will be issued under a trust indenture. This offering is a continuation of the Company's Canadian medium term note program. As of October 31, 2001 a total of $908.0 million of MTN Debentures were issued and outstanding.

There is currently no market through which these securities may be sold.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible for investment under those statutes set forth under the heading "Eligibility for Investment".

Rates on Application

The MTN Debentures may be offered by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to the dealer agreement referred to under the heading "Plan of Distribution", or such other investment dealers as may be selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement and will be set forth in a pricing supplement which will accompany this short form prospectus. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The offering is subject to approval of all legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, Vancouver, and on behalf of the Dealers by Stikeman Elliott, Vancouver.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of BC Gas Utility Ltd. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (Telephone (604) 576-7000). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of BC Gas Utility Ltd. at the above-mentioned address and telephone number.*

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of BC Gas Utility Ltd. (the "Company") dated April 26, 2001 including Management's Discussion and Analysis incorporated therein;

(b) the audited consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the auditors' report thereon;

(c) the unaudited interim consolidated financial statements of the Company as at June 30, 2001 for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) BCF 51-903F under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of the Company dated April 26, 2001 except for the section headed "Committee Report on Executive Compensation".

Any annual information form, material change reports (excluding confidential reports), unaudited interim consolidated financial statements (including notes thereto), audited consolidated financial statements and information circulars as well as any prospectus supplements disclosing additional or updated information filed with a provincial securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, shall be deemed to be incorporated by reference into this short form prospectus.

A pricing supplement or other prospectus supplement containing the specific variable terms of an offering of MTN Debentures will be delivered to purchasers of such MTN Debentures together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such supplement and only for the purposes of the offering of the MTN Debentures covered by that supplement.

Upon a new annual information form and the related audited consolidated financial statements being filed by the Company with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous audited consolidated financial statements, all interim unaudited consolidated financial statements, material change reports and information circulars filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of securities hereunder.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

THE COMPANY

The Company was formed by the amalgamation under the *Company Act* (British Columbia) on July 1, 1989 of Inland Natural Gas Co. Ltd. ("Inland") with its wholly owned subsidiaries B.C. Gas Inc., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. On July 1, 1993 amendments were made to the memorandum of the Company pursuant to an arrangement filed with the Registrar of Companies between the Company and 296604 B.C. Ltd. The arrangement was part of a reorganization of the Company (the "Reorganization") whereby the Company disposed of all of its subsidiaries which were not regulated by the British Columbia Utilities Commission (the "BCUC") and changed its name to "BC Gas Utility Ltd." Pursuant to the arrangement holders of Common shares of the Company became holders of common shares of 296604 B.C. Ltd. and the name of 296604 B.C. Ltd. was changed to "BC Gas Inc." All preference shareholders of the Company remained preference shareholders of the Company and all Purchase Money Mortgages and unsecured debentures remained indebtedness of the Company. The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

The Company transmits and distributes natural gas to residential, commercial and industrial customers in the British Columbia interior and in the greater Vancouver and Fraser Valley areas of British Columbia.

RECENT DEVELOPMENTS

Reduction to commodity charge

The BCUC approved an application by the Company to reduce the commodity charge for natural gas by 15 percent effective October 1, 2001. The Company continues to review natural gas prices with the BCUC on a quarterly basis. These reviews could result in further rate adjustments in January 2002.

Third Quarter Results

For the nine months ended September 30, 2001, earnings applicable to common shares of the Company were $20.8 million, compared with $23.8 million for the same period in 2000. The decline in earnings was primarily due to increased seasonality of results resulting from rate base growth.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

USE OF PROCEEDS

The MTN Debentures will be issued from time to time at the discretion of the Company in an aggregate principal amount of up to $500 million during the 25 month period from the date of this short form prospectus. The net proceeds to be derived from the issue of the MTN Debentures offered hereunder will be the issue price thereof less any commission paid in connection therewith. Such net proceeds cannot be estimated as the amount thereof will depend on the extent to which MTN Debentures are issued hereunder. Unless otherwise specified in the pricing supplement which accompanies this short form prospectus, such net proceeds will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time. Although no proceeds have been specifically allocated for such purpose, at a future point in time proceeds may be used to reduce indebtedness under the Company's credit facilities with its bankers. The expenses of this offering and commissions will be paid out of the Company's general funds.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2000 and the twelve month period ended September 30, 2001, respectively. They do not give effect to the issue of MTN Debentures pursuant to this short form prospectus, since aggregate principal amount of MTN Debentures that will be issued hereunder and the terms of issue are not presently known. The ratio for the twelve month period ended September 30, 2001 is based on unaudited financial information.

The Company's interest requirements on consolidated long term debt amounted to $95.1 million for the year ended December 31, 2000 and $101.9 million for the twelve months ended September 30, 2001, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt and income taxes were $186.4 million for the year ended December 31, 2000, which is 1.96 times the Company's interest requirements on consolidated long term debt for the year then ended, and $194.3 million for the twelve months ended September 30, 2001, which is 1.91 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2000	**September 30, 2001**
Earnings coverage on long term debt..	1.96 times	1.91 times

CREDIT RATINGS

The Company has received an A2 rating from Moodys Investors Services Inc. ("Moodys"), an A rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB+ rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies. "High" or "low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

DETAILS OF THE OFFERING

This offering is a continuation of the Company's medium term note debenture program. Pursuant to this program, $908.0 million of MTN Debentures are outstanding as of October 31, 2001. MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $500 million.

All references to currency in this short form prospectus are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Agents make any representation with respect to currency values from time to time.

MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures ("Global Debentures") held by The Canadian Depositary for Securities Limited or a successor (the "Depositary") for its participants. CIBC Mellon Trust Company or a successor will act as the transfer agent and registrar of the MTN Debentures. The Depositary establishes and maintains book entry accounts for its participants having interests in Global Debentures. The interests of participants of the Depositary in Global Debentures, and transfers of interests in the Global Debentures between participants, will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in the MTN Debentures will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in Global Debentures will be represented by entries made in the records maintained by the participants. Purchasers of MTN Debentures in respect of which Global Debentures are issued will not be entitled to receive MTN Debentures in definitive form except in certain stated events including upon the request of holders of not less than 10% of the MTN Debentures upon the happening of any event of default. The issuance of MTN Debentures as Global Debentures will, if applicable, be referred to in the relevant pricing supplement delivered with this short form prospectus.

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Agents, the Agents' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The registered holder of a MTN Debenture may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver, Toronto or Montreal upon which one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the MTN Debenture so transferred, registered in the name or names of the transferee or transferees. No transfer of a MTN Debenture will be registered during the seven business days (a business day for this purpose being a business day in the city of Vancouver) immediately preceding any date fixed for payment of interest on such MTN Debenture.

The following summary of certain provisions of the Indenture (as defined below) and the MTN Debentures does not purport to be complete and is subject to the detailed provisions of the Indenture to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the MTN Debentures.

General

The MTN Debentures will be issued under a trust indenture dated as of November 1, 1977 made between the Company (as successor to Inland Natural Gas Co. Ltd.) and CIBC Mellon Trust Company (formerly called The R-M Trust Company as successor to National Trust Company, Limited), as trustee (the "Trustee"), as supplemented and amended by a first supplemental indenture dated as of November 17, 1981, a second supplemental indenture dated as of July 11, 1984, a third supplemental indenture dated as of December 17, 1986, a fourth supplemental indenture dated as of June 1, 1989, a fifth supplemental indenture dated as of July 1, 1989, a sixth supplemental indenture dated as of June 14, 1990, a seventh supplemental indenture dated as of October 26, 1990, an eighth supplemental indenture dated as of August 1, 1992 a ninth supplemental indenture dated as of July 25, 1993, and a tenth supplemental indenture dated as of November 15, 1993 (the trust indenture as so supplemented and amended from time to time, being herein called the "Indenture" and the said tenth supplemental indenture being herein called the "Supplemental Indenture"). The Indenture will be available for review during normal business hours during the period of distribution of the MTN Debentures at the offices of the Company at 1111 West Georgia Street, Vancouver, British Columbia.

The aggregate principal amount of debentures authorized under the Indenture (the "Debentures") is unlimited. Debentures may be issued thereunder in one or more series. The MTN Debentures are a series of Debentures authorized by the Supplemental Indenture in an unlimited amount, and may be issued on such terms and at such times as may be determined by the Company, subject to the Company meeting certain tests with respect to the issue thereof, as set forth in the Indenture.

The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company. As at October 31, 2001, there was approximately $229.9 million aggregate principal amount of Debentures outstanding under the Indenture, other than MTN Debentures. The MTN Debentures will rank junior to any outstanding First Mortgage Bonds issued under a trust deed and secured by substantially all of the Company's assets and the Purchase Money Mortgages which are secured under a trust deed over the assets of the Company acquired as part of its acquisition of the Coastal Division. Currently there are no First Mortgage Bonds outstanding. There are $274.9 million principal amount of Purchase Money Mortgages presently held by the public and $150 million presently held by a subsidiary of the Company pending securitization. The Purchase Money Mortgages were issued to finance the Company's acquisition of the Coastal Division.

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder appearing on the registers maintained by the Trustee at the close of business on the seventh business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Payments of principal on MTN Debentures will be made against presentation and surrender thereof for cancellation at such places as are designated in the MTN Debentures and in the Indenture.

The payment of principal and interest on a MTN Debenture in accordance with the indenture shall absolutely satisfy and discharge the liability of the Company with respect to such payment under the MTN Debenture, unless in the case of payment by cheque it is not paid upon presentation.

Events of Default

Except as otherwise noted below, the Indenture provides that the following constitute events of default (each an “Event of Default”) thereunder;

(a) default in payment of principal on any Debenture when due;

(b) default in payment of any interest due on any Debenture and such default has continued for 30 days;

(c) an order is made or an effective resolution passed for the winding-up or liquidation of the Company (other than pursuant to and in compliance with provisions in the Indenture relating to successor companies);

(d) the Company or any Designated Subsidiary (as defined below) makes a general assignment for the benefit of its creditors, is declared bankrupt, a sequestrator or a receiver or any other officer with similar powers is appointed of, or an encumbrancer takes possession of, the property of the Company or of the property of a Designated Subsidiary, or any substantial part thereof;

(e) any process of execution is enforced or levied upon any property of the Company or a Designated Subsidiary and remains unsatisfied for a period of 30 days, as to moveable or personal property, or 45 days, as to immovable or real property, provided that such process is not in good faith disputed by the Company or such Designated Subsidiary or the Company or such Designated Subsidiary has given adequate security;

(f) default under the mortgage with respect to the First Mortgage Bonds which causes the principal amount of the First Mortgage Bonds to be declared immediately due and payable, provided that if the default is cured and such declaration is rescinded the Event of Default will also be cured; and

(g) the Company neglects to carry out or observe any covenant or condition contained in the Indenture and, after notice has been given by the Trustee to the Company, the Company fails to make good such default within 60 days or such shorter period as would at any time, if continued, render any property of the Company or any of its subsidiaries liable to forfeiture, unless the Trustee has agreed to a longer period, and in such an event, within the period agreed to by the Trustee.

Acceleration on and Waiver of Default

If an Event of Default has occurred under the Indenture, the Trustee may in its discretion and will upon the requisition in writing of the holders of at least 25% of the principal amount of the Debentures issued and outstanding under the Indenture, subject to any waiver of default under the Indenture, by notice in writing to the Company declare the principal and interest on all Debentures then outstanding under the Indenture and other money payable thereunder to be due and payable.

If an Event of Default has occurred under the Indenture (otherwise than by default in payment of principal moneys at maturity) the holders of the Debentures have the power by extraordinary resolution to instruct the Trustee to waive the default (provided that if the Event of Default relates to a covenant applicable to a particular series of Debentures only, then the holders of outstanding Debentures of that series only have the power by extraordinary resolution to instruct the Trustee to waive the default). In addition, the Trustee, so long as it has not become bound to institute any proceedings under the Indenture, has power to waive the default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor.

In the Indenture, "extraordinary resolution" is a resolution passed at a meeting of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures represented at the meeting.

Right of Trustee to Enforce Payment

If the Company fails to pay to the Trustee, on demand, and when due, the principal and interest on all Debentures then outstanding under the Indenture, the Trustee may, in its discretion, and shall upon the request in writing of the holders of not less than 25% of the principal amount of the Debentures issued and outstanding under the Indenture, and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee to obtain or enforce payment of the said principal and interest on all outstanding Debentures together with other amounts due under the Indenture by any remedy or proceeding authorized by the Indenture.

Holders of Debentures issued under the Indenture may not institute any action or proceeding or exercise any other remedy authorized by the Indenture, including an action to enforce the Indenture or the Debentures, except as provided in the Indenture.

Covenants

The Indenture contains, among others, covenants substantially to the following effect:

(a) The Company will not mortgage, pledge, charge or otherwise encumber any of its assets to secure any obligations unless at the same time it shall, in the opinion of counsel, secure or cause to be secured equally and rateably with such obligations all the Debentures then outstanding under the Indenture by the same instrument or by other instrument in form and substance satisfactory to such counsel; provided that this covenant shall not apply to (a) First Mortgage Bonds, (b) Purchase Money Mortgages, (c) permitted encumbrances as defined in the Indenture, or (d) security given (other than on fixed assets) in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others to secure any indebtedness other than Funded Obligations.

(b) The Company will not permit any Designated Subsidiary to create, incur or guarantee any indebtedness, except indebtedness to or of the Company or to a trustee in support of a guarantee of indebtedness of the Company, provided that this shall not apply to (a) Purchase Money Mortgages, or (b) indebtedness incurred in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others, repayable on demand or maturing, including any right of extension or renewal, within 18 months of the date when such indebtedness is incurred, provided such indebtedness is not secured on fixed assets.

(c) The Company or a Designated Subsidiary will not dispose of any indebtedness of a Designated Subsidiary unless all the shares and indebtedness of such Designated Subsidiary are sold to a party dealing with the seller at arm's length, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

(d) The Company will not permit any Designated Subsidiary to issue any shares if, as a result of such issue, such Designated Subsidiary ceases to qualify as such.

(e) The Company will not create or issue any Additional Obligations unless Consolidated Available Net Earnings for any period of 12 consecutive calendar months of the 23 calendar months next preceding the date of issue of such Additional Obligations, which period shall have been selected by the Company, shall have been at least two times the annual interest requirements of all Funded Obligations to be outstanding after the issue of such Additional Obligations and after any retirements of Funded Obligations to be made out of the proceeds thereof or retirement thereof has been otherwise provided for and in respect of which proof has been afforded to the Trustee satisfactory to it that adequate provision has been made assuring that such Funded Obligations will be retired within 45 days after the issue of such Additional Obligations; provided the provisions of this covenant shall not apply to the creation and issue of Additional Obligations for the purpose of refunding the whole of any series of Debentures previously issued under the Indenture provided that (except in the case of refunding all of the MTN Debentures) the aggregate principal amount of the Additional Obligations does not exceed the aggregate principal amount of the Debentures to be refunded.

(f) The Company will, directly or through Designated Subsidiaries, from time to time obtain and at all times maintain facilities for supplies of gas adequate to enable the carrying on of its business.

Modification

The rights of the holders of the MTN Debentures under the Indenture may be modified. For that purpose, among others, the Indenture will contain provisions making binding upon all holders of Debentures outstanding under the Indenture and indentures supplemental thereto, resolutions passed at meetings of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures voted on the resolution or instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of all the outstanding Debentures. In certain cases, modification will require separate assent by the holders of the required percentages of debentures of each series outstanding under the Indenture or any series of MTN Debentures outstanding under the Indenture as determined by the Trustee.

Definitions

The Indenture contains definitions substantially to the following effect:

"A*dditional Obligations*" means bonds, debentures, notes or other debt instruments issued by the Company, the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date of issue but does not include First Mortgage Bonds and Purchase Money Mortgages.

"*Consolidated Available Net Earnings*" for any specified period of 12 months means the net earnings of the Company and its Designated Subsidiaries on a consolidated basis for such period (excluding gains or losses on the disposal of investments or fixed assets in each case in excess of $50,000 in the aggregate and other non-recurring items in excess of $50,000 in the aggregate) before deductions for income taxes, interest on Funded Obligations and on any other indebtedness that since the end of the specified period has been or is about to be refunded by the issue of Funded Obligations and amortization of debt premium, discount and expense, all as determined in accordance with generally accepted accounting principles and reported on by the Company's auditors without, in their opinion, material adverse qualification. In determining Consolidated Available Net Earnings for any period there shall be taken into account the earnings or losses, as the case may be, for the whole of such period of any company or corporation which, prior to or concurrently with the proposed action in respect of which such determination is being made, becomes a Designated Subsidiary. In addition, if the Company or any Designated Subsidiary shall, prior to or concurrently with the proposed action in respect of which such determination is being made, have acquired any business by way of acquisition of assets, the earnings or losses, as the case may be, of such business to the extent that such earnings or losses related to the assets acquired, shall be taken into account for the whole of such period.

"*Designated Subsidiary*" means any company or corporation the majority of the outstanding shares of each class of the capital stock of which having attached to them voting rights under all circumstances are owned by the Company and/or one or more Designated Subsidiaries, provided that the Company shall have, by resolution of its directors, designated such other company or corporation as a Designated Subsidiary; provided that any Designated Subsidiary shall cease to be a Designated Subsidiary upon sale of all its shares and indebtedness owned by the Company and any other Designated Subsidiary, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

"*First Mortgage Bonds*" means all first mortgage bonds or other first mortgage obligations of the Company, whether heretofore or hereafter issued, secured by a first fixed and specific charge on substantially all the fixed assets of the Company (whether or not also secured by a floating charge or by other security).

"*Funded Obligations*" means any indebtedness, whether secured or unsecured, incurred by any one or more of the Company and the Designated Subsidiary by way of creation, guarantee, assumption or otherwise which is not repayable on demand and the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date on which it was incurred, but does not include (i) indebtedness secured by Purchase Money Mortgages and (ii) any liability in respect of any guarantee by any one or more of the Company and the Designated Subsidiaries of the indebtedness of the Company and/or any Designated Subsidiary secured by Purchase Money Mortgages.

"*Purchase Money Mortgages*" means any mortgages, liens or other encumbrances upon property acquired by one or more of the Company and the Designated Subsidiary which were, at the time of such acquisition or concurrently therewith, assumed, created or given to secure all or part of the cost of such property and extensions and renewals thereof upon the same property if the principal amount of the indebtedness secured thereby is not increased.

RISK FACTORS

Prospective investors in a particular offering of MTN Debentures should consider the matters described under the heading "Risk Factors" in the annual information form of the Company that is incorporated by reference herein.

PLAN OF DISTRIBUTION

The MTN Debentures may be offered for sale by any one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc., pursuant to a dealer agreement dated November 21, 2001 among such investment dealers and the Company (the "Dealer Agreement"), or by other investment dealers selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The Dealer Agreement also provides that in the event a Dealer is purchasing MTN Debentures as principal, the obligation of that Dealer to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may include MTN Debentures in bearer form that are subject to United States tax law requirements. The MTN Debentures may not be offered, sold or delivered within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any MTN Debentures within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of any MTN Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

TRANSFER AGENT AND REGISTRAR

Registers for the registration and transfer of the MTN Debentures will he kept at the principal corporate trust offices of CIBC Mellon Trust Company in the cities of Vancouver, Toronto and Montreal.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, counsel for the Company, and Stikeman Elliott, Vancouver, counsel for the Dealers, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible investments, or their purchase would not be prohibited, in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Standards Act, 1985 (Canada)
Supplemental Pension Plans Act (Quebec)
Pension Benefits Act (Ontario).

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arms length within the meaning of the *Income Tax Act* (Canada)).

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ‘‘anticipate’’, ‘‘believe’’, ‘‘expects’’, ‘‘intend’’ and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to the Company’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF BC GAS UTILITY LTD.

Dated: November 21, 2001

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(signed) JOHN M. REID
President and
Chief Executive Officer

(signed) MILTON C. WOENSDREGT
Senior Vice President, Finance
and Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(signed) RONALD L. CLIFF
Director

(signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE DEALERS

Dated: November 21, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this prospectus by reference will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation which is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.	CIBC WORLD MARKETS INC.
(SIGNED) GRAEME N. FALKOWSKY	(SIGNED) ALAN C. WALLACE
NATIONAL BANK FINANCIAL INC.	RBC DOMINION SECURITIES INC.
(SIGNED) CHARLES J. ADDISON	(SIGNED) STEPHEN J. SWAFFIELD
SCOTIA CAPITAL INC.	TD SECURITIES INC.
(SIGNED) DAVID BUSTOS	(SIGNED) JAMES BRUCE

Preliminary Short Form Base Shelf Prospectus dated December 1, 2003.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

TERASEN GAS INC.
$700,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

MTN Debentures offered hereunder will have maturities of not less than one year and will be either interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures. The MTN Debentures will be issued at rates of interest or at prices determined by the Company from time to time based on a number of factors, including advice from the Dealers. All references to currency in this short form prospectus are references to Canadian dollars. See “Details of the Offering”.

The specific terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealers’ commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms of MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The MTN Debentures will be issued from time to time as and when funds are required by the Company in an aggregate principal amount of up to $700 million (or the equivalent thereof in foreign currencies or currency units) during the 25 month period from the date of this short form prospectus. The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company and will be issued under a trust indenture. This offering is a continuation of the Company’s Canadian medium term note program. As of October 31, 2003 a total of $933 million of MTN Debentures were issued and outstanding.

There is currently no market through which these securities may be sold.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible for investment under those statutes set forth under the heading “Eligibility for Investment”.

Rates on Application

The MTN Debentures may be offered by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. pursuant to the dealer agreement referred to under the heading “Plan of Distribution”, or such other investment dealers as may be selected from time to time by the Company (the “Dealers”). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement and will be set forth in a pricing supplement which will accompany this short form prospectus. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer’s compensation will be increased or decreased by the amount which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exceptions, the MTN Debentures offered hereby may not be offered or sold in the United States of America, and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the MTN Debentures offered hereby within the United States. See "Plan of Distribution".

The offering is subject to approval of all legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, Vancouver, and on behalf of the Dealers by Stikeman Elliott LLP, Vancouver.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Terasen Gas Inc. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (Telephone (604) 443-6500). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Terasen Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of Terasen Gas Inc. ("Terasen Gas" or the "Company") dated April 28, 2003 including Management's Discussion and Analysis incorporated therein;

(b) the audited consolidated financial statements of the Company for the years ended December 31, 2002 and 2001, together with the auditors' report thereon;

(c) the unaudited interim consolidated financial statements of the Company as at September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003 and 2002, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) BCF 51-903F under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of the Company dated April 25, 2003 except for the section headed "Executive Compensation".

Any annual information form, material change reports (excluding confidential reports), unaudited interim consolidated financial statements (including notes thereto), audited consolidated financial statements and information circulars as well as any prospectus supplements disclosing additional or updated information filed with a provincial securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, shall be deemed to be incorporated by reference into this short form prospectus.

A pricing supplement or other prospectus supplement containing the specific variable terms of an offering of MTN Debentures will be delivered to purchasers of such MTN Debentures together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such supplement and only for the purposes of the offering of the MTN Debentures covered by that supplement.

Upon a new annual information form and the related audited consolidated financial statements being filed by the Company with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous audited consolidated financial statements, all interim unaudited consolidated financial statements, material change reports and information circulars filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of securities hereunder.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

THE COMPANY

The Company (formerly BC Gas Utility Ltd.) was formed by the amalgamation under the *Company Act* (British Columbia) on July 1, 1989 of Inland Natural Gas Co. Ltd. ("Inland"), B.C. Gas Inc., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. On July 1, 1993 pursuant to an arrangement between the Company and a subsidiary, the Company changed its name to "BC Gas Utility Ltd." Effective April 25, 2003, the Company changed its name to "Terasen Gas Inc." The head office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4. The principal office of the Company is at 16705 Fraser Highway, Surrey, British Columbia, V3S 2X7. The "Company" or "Terasen Gas" includes its subsidiary companies, as the context so requires. The Company is a wholly-owned subsidiary of Terasen Inc. ("Terasen"), formerly BC Gas Inc.

The Company transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the Greater Vancouver and Fraser Valley areas of British Columbia.

The Company owns 100% of the shares of Terasen Gas (Squamish) Inc. ("Squamish Gas") and Inland Energy Corp. Squamish Gas is a distribution operating subsidiary of the Company which carries on business in British Columbia. Inland Energy Corp. holds purchase money mortgages of the Company pending their securitization.

RECENT DEVELOPMENTS

On July 30, 2003 Terasen Gas received the approval from the British Columbia Utilities Commission ("BCUC") for a negotiated settlement of a 2004-2007 Performance Based Rate Plan ("PBR settlement"). The PBR settlement sets forth the process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through the sharing of the benefits of efficiencies between the Company and its customers. It includes 10 service quality measures designed to ensure the Company maintains service levels and sets out the requirements for an annual review process which will provide a forum for discussion between Terasen Gas and interested parties regarding the Company's current and future activities.

Operation and maintenance costs and base capital are subject to an incentive formula reflecting increasing costs due to customer growth and inflation, less a productivity factor based on 50% of inflation during the first two years and 66% of inflation during the last two years. Base capital expenditure amounts are determined based on customer counts and projected customer additions. The PBR settlement provides for a 50/50 sharing mechanism of earnings above or below the allowed return on equity, net of certain incentives.

The PBR settlement also establishes new deferral accounts for insurance premiums and pension costs incurred by Terasen Gas.

Removal of Certain Restrictions

On November 20, 2003 the Province of British Columbia passed legislation, *inter alia*, repealing the *Hydro and Power Authority Privatization Act*, thereby removing various legislative restrictions on the Company including directors residency requirements and share ownership restrictions. The acquisition of a specified percentage of the common shares of the Company would still remain subject to the approval of the BCUC under the *Utilities Commission Act*.

USE OF PROCEEDS

The MTN Debentures will be issued from time to time at the discretion of the Company in an aggregate principal amount of up to $700 million during the 25 month period from the date of this short form prospectus. The net proceeds to be derived from the issue of the MTN Debentures offered hereunder will be the issue price thereof less any commission paid in connection therewith. Such net proceeds cannot be estimated as the amount thereof will depend on the extent to which MTN Debentures are issued hereunder. Unless otherwise specified in the pricing supplement which accompanies this short form prospectus, such net proceeds will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time. Although no proceeds have been specifically allocated for such purpose, at a future point in time proceeds may be used to reduce indebtedness under the Company's credit facilities with its bankers. The expenses of this offering and commissions will be paid out of the Company's general funds.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2002 and the twelve month period ended September 30, 2003, respectively. They do not give effect to the issue of MTN Debentures pursuant to this short form prospectus, since aggregate principal amount of MTN Debentures that will be issued hereunder and the terms of issue are not presently known. The ratio for the twelve month period ended September 30, 2003 is based on unaudited financial information.

The Company's interest requirements on consolidated long term debt amounted to $99.8 million for the year ended December 31, 2002 and $99.8 million for the twelve months ended September 30, 2003, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt and income taxes were $220.9 million for the year ended December 31, 2002, which is 2.21 times the Company's interest requirements on consolidated long term debt for the year then ended, and $218.3 million for the twelve months ended September 30, 2003, which is 2.19 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2002	**September 30, 2003**
Earnings coverage on long term debt	2.21 times	2.19 times

CREDIT RATINGS

The Company has received an A2 rating from Moodys Investors Services Inc. ("Moodys"), an A rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies.

"High" or "low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

DETAILS OF THE OFFERING

This offering is a continuation of the Company's medium term note debenture program. Pursuant to this program, $933 million of MTN Debentures are outstanding as of October 31, 2003. MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $700 million.

All references to currency in this short form prospectus are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Dealers make any representation with respect to currency values from time to time.

MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures ("Global Debentures") held by The Canadian Depositary for Securities Limited or a successor (the "Depositary") for its participants. CIBC Mellon Trust Company or a successor will act as the transfer agent and registrar of the MTN Debentures. The Depositary establishes and maintains book entry accounts for its participants having interests in Global Debentures. The interests of participants of the Depositary in Global Debentures, and transfers of interests in the Global Debentures between participants, will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in the MTN Debentures will be effected by entries made in the records maintained by the participants. Purchasers of MTN Debentures in respect of which Global Debentures are issued will not be entitled to receive MTN Debentures in definitive form except in certain stated events including upon the request of holders of not less than 10% of the MTN Debentures upon the happening of any event of default. The issuance of MTN Debentures as Global Debentures will, if applicable, be referred to in the relevant pricing supplement delivered with this short form prospectus.

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealers' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The registered holder of a MTN Debenture may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver, Toronto or Montreal upon which one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the MTN Debenture so transferred, registered in the name or names of the transferee or transferees. No transfer of a MTN Debenture will be registered during the seven business days (a business day for this purpose being a business day in the city of Vancouver) immediately preceding any date fixed for payment of interest on such MTN Debenture.

The following summary of certain provisions of the Indenture (as defined below) and the MTN Debentures does not purport to be complete and is subject to the detailed provisions of the Indenture to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the MTN Debentures.

General

The MTN Debentures will be issued under a trust indenture dated as of November 1, 1977 made between the Company (as successor to Inland Natural Gas Co. Ltd.) and CIBC Mellon Trust Company (formerly called The R-M Trust Company as successor to National Trust Company, Limited), as trustee (the "Trustee"), as supplemented and amended by a first supplemental indenture dated as of

November 17, 1981, a second supplemental indenture dated as of July 11, 1984, a third supplemental indenture dated as of December 17, 1986, a fourth supplemental indenture dated as of June 1, 1989, a fifth supplemental indenture dated as of July 1, 1989, a sixth supplemental indenture dated as of June 14, 1990, a seventh supplemental indenture dated as of October 26, 1990, an eighth supplemental indenture dated as of August 1, 1992, a ninth supplemental indenture dated as of July 25, 1993, and a tenth supplemental indenture dated as of November 15, 1993 (the trust indenture as so supplemented and amended from time to time, being herein called the "Indenture" and the said tenth supplemental indenture being herein called the "Supplemental Indenture"). The Indenture will be available for review during normal business hours during the period of distribution of the MTN Debentures at the head office of the Company at 1111 West Georgia Street, Vancouver, British Columbia.

The aggregate principal amount of debentures authorized under the Indenture (the "Debentures") is unlimited. Debentures may be issued thereunder in one or more series. The MTN Debentures are a series of Debentures authorized by the Supplemental Indenture in an unlimited amount, and may be issued on such terms and at such times as may be determined by the Company, subject to the Company meeting certain tests with respect to the issue thereof, as set forth in the Indenture.

The MTN Debentures will rank in equal priority to all other unsecured and unsubordinated indebtedness of the Company. As at October 31, 2003, there was approximately $79.9 million aggregate principal amount of Debentures outstanding under the Indenture, other than MTN Debentures. The MTN Debentures will rank junior to any outstanding First Mortgage Bonds issued under a trust deed and secured by substantially all of the Company's assets and the Purchase Money Mortgages which are secured under a trust deed over the assets of the Company acquired as part of its acquisition of the coastal gas distribution assets of British Columbia Hydro and Power Authority (the "Coastal Division"). Currently there are no First Mortgage Bonds outstanding. There are $274.9 million principal amount of Purchase Money Mortgages presently held by the public and $150 million presently held by a subsidiary of the Company pending securitization. The Purchase Money Mortgages were issued to finance the Company's acquisition of the Coastal Division.

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder appearing on the registers maintained by the Trustee at the close of business on the seventh business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Payments of principal on MTN Debentures will be made against presentation and surrender thereof for cancellation at such places as are designated in the MTN Debentures and in the Indenture.

The payment of principal and interest on a MTN Debenture in accordance with the indenture shall absolutely satisfy and discharge the liability of the Company with respect to such payment under the MTN Debenture, unless in the case of payment by cheque it is not paid upon presentation.

Events of Default

Except as otherwise noted below, the Indenture provides that the following constitute events of default (each an "Event of Default") thereunder;

(a) default in payment of principal on any Debenture when due;

(b) default in payment of any interest due on any Debenture and such default has continued for 30 days;

(c) an order is made or an effective resolution passed for the winding-up or liquidation of the Company (other than pursuant to and in compliance with provisions in the Indenture relating to successor companies);

(d) the Company or any Designated Subsidiary (as defined below) makes a general assignment for the benefit of its creditors, is declared bankrupt, a sequestrator or a receiver or any other officer with similar powers is appointed of, or an encumbrancer takes possession of, the property of the Company or of the property of a Designated Subsidiary, or any substantial part thereof;

(e) any process of execution is enforced or levied upon any property of the Company or a Designated Subsidiary and remains unsatisfied for a period of 30 days, as to moveable or personal property, or 45 days, as to immovable or real property, provided that such process is not in good faith disputed by the Company or such Designated Subsidiary or the Company or such Designated Subsidiary has given adequate security;

(f) default under the mortgage with respect to the First Mortgage Bonds which causes the principal amount of the First Mortgage Bonds to be declared immediately due and payable, provided that if the default is cured and such declaration is rescinded the Event of Default will also be cured; and

(g) the Company neglects to carry out or observe any covenant or condition contained in the Indenture and, after notice has been given by the Trustee to the Company, the Company fails to make good such default within 60 days or such shorter period as would at any time, if continued, render any property of the Company or any of its subsidiaries liable to forfeiture, unless the Trustee has agreed to a longer period, and in such an event, within the period agreed to by the Trustee.

Acceleration on and Waiver of Default

If an Event of Default has occurred under the Indenture, the Trustee may in its discretion and will upon the requisition in writing of the holders of at least 25% of the principal amount of the Debentures issued and outstanding under the Indenture, subject to any waiver of default under the Indenture, by notice in writing to the Company declare the principal and interest on all Debentures then outstanding under the Indenture and other money payable thereunder to be due and payable.

If an Event of Default has occurred under the Indenture (otherwise than by default in payment of principal moneys at maturity) the holders of the Debentures have the power by extraordinary resolution to instruct the Trustee to waive the default (provided that if the Event of Default relates to a covenant applicable to a particular series of Debentures only, then the holders of outstanding Debentures of that series only have the power by extraordinary resolution to instruct the Trustee to waive the default). In addition, the Trustee, so long as it has not become bound to institute any proceedings under the Indenture, has power to waive the default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor.

In the Indenture, "extraordinary resolution" is a resolution passed at a meeting of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures represented at the meeting.

Right of Trustee to Enforce Payment

If the Company fails to pay to the Trustee, on demand, and when due, the principal and interest on all Debentures then outstanding under the Indenture, the Trustee may, in its discretion, and shall upon the request in writing of the holders of not less than 25% of the principal amount of the Debentures issued and outstanding under the Indenture, and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee to obtain or enforce payment of the said principal and interest on all outstanding Debentures together with other amounts due under the Indenture by any remedy or proceeding authorized by the Indenture.

Holders of Debentures issued under the Indenture may not institute any action or proceeding or exercise any other remedy authorized by the Indenture, including an action to enforce the Indenture or the Debentures, except as provided in the Indenture.

Covenants

The Indenture contains, among others, covenants substantially to the following effect:

(a) The Company will not mortgage, pledge, charge or otherwise encumber any of its assets to secure any obligations unless at the same time it shall, in the opinion of counsel, secure or cause to be secured equally and rateably with such obligations all the Debentures then outstanding under the Indenture by the same instrument or by other instrument in form and substance satisfactory to such counsel; provided that this covenant shall not apply to (a) First Mortgage Bonds, (b) Purchase Money Mortgages, (c) permitted encumbrances as defined in the Indenture, or (d) security given (other than on fixed assets) in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others to secure any indebtedness other than Funded Obligations.

(b) The Company will not permit any Designated Subsidiary to create, incur or guarantee any indebtedness, except indebtedness to or of the Company or to a trustee in support of a guarantee of indebtedness of the Company, provided that this shall not apply to (a) Purchase Money Mortgages, or (b) indebtedness incurred in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others, repayable on demand or maturing, including any right of extension or renewal, within 18 months of the date when such indebtedness is incurred, provided such indebtedness is not secured on fixed assets.

(c) The Company or a Designated Subsidiary will not dispose of any indebtedness of a Designated Subsidiary unless all the shares and indebtedness of such Designated Subsidiary are sold to a party dealing with the seller at arm's length, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

(d) The Company will not permit any Designated Subsidiary to issue any shares if, as a result of such issue, such Designated Subsidiary ceases to qualify as such.

(e) The Company will not create or issue any Additional Obligations unless Consolidated Available Net Earnings for any period of 12 consecutive calendar months of the 23 calendar months next preceding the date of issue of such Additional Obligations, which period shall have been selected by the Company, shall have been at least two times the annual interest requirements of all Funded Obligations to be outstanding after the issue of such Additional Obligations and after any retirements of Funded Obligations to be made out of the proceeds thereof or retirement thereof has been otherwise provided for and in respect of which proof has been afforded to the Trustee satisfactory to it that adequate provision has been made assuring that such Funded Obligations will be retired within 45 days after the issue of such Additional Obligations; provided the provisions of this covenant shall not apply to the creation and issue of Additional Obligations for the purpose of refunding the whole of any series of Debentures previously issued under the Indenture provided that (except in the case of refunding all of the MTN Debentures) the aggregate principal amount of the Additional Obligations does not exceed the aggregate principal amount of the Debentures to be refunded.

(f) The Company will, directly or through Designated Subsidiaries, from time to time obtain and at all times maintain facilities for supplies of gas adequate to enable the carrying on of its business.

Modification

The rights of the holders of the MTN Debentures under the Indenture may be modified. For that purpose, among others, the Indenture will contain provisions making binding upon all holders of Debentures outstanding under the Indenture and indentures supplemental thereto, resolutions passed at meetings of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures voted on the resolution or instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of all the outstanding Debentures. In certain cases, modification will require separate assent by the holders of the required percentages of debentures of each series outstanding under the Indenture or any series of MTN Debentures outstanding under the Indenture as determined by the Trustee.

Definitions

The Indenture contains definitions substantially to the following effect:

"A*dditional Obligations*" means bonds, debentures, notes or other debt instruments issued by the Company, the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date of issue but does not include First Mortgage Bonds and Purchase Money Mortgages.

"*Consolidated Available Net Earnings*" for any specified period of 12 months means the net earnings of the Company and its Designated Subsidiaries on a consolidated basis for such period (excluding gains or losses on the disposal of investments or fixed assets in each case in excess of $50,000 in the aggregate and other non-recurring items in excess of $50,000 in the aggregate) before deductions for income taxes, interest on Funded Obligations and on any other indebtedness that since the end of the specified period has been or is about to be refunded by the issue of Funded Obligations and amortization of debt premium, discount and expense, all as determined in accordance with generally accepted accounting principles and reported on by the Company's auditors without, in their opinion, material adverse qualification. In determining Consolidated Available Net Earnings for any period there shall be taken into account the earnings or losses, as the case may be, for the whole of such period of any company or corporation which, prior to or concurrently with the proposed action in respect of which such determination is being made, becomes a Designated Subsidiary. In addition, if the Company or any Designated Subsidiary shall, prior to or concurrently with the proposed action in respect of which such determination is being made, have acquired any business by way of acquisition of assets, the earnings or losses, as the case may be, of such business to the extent that such earnings or losses related to the assets acquired, shall be taken into account for the whole of such period.

"*Designated Subsidiary*" means any company or corporation the majority of the outstanding shares of each class of the capital stock of which having attached to them voting rights under all circumstances are owned by the Company and/or one or more Designated Subsidiaries, provided that the Company shall have, by resolution of its directors, designated such other company or corporation as a Designated Subsidiary; provided that any Designated Subsidiary shall cease to be a Designated Subsidiary upon sale of all its shares and indebtedness owned by the Company and any other Designated Subsidiary, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

"*First Mortgage Bonds*" means all first mortgage bonds or other first mortgage obligations of the Company, whether heretofore or hereafter issued, secured by a first fixed and specific charge on substantially all the fixed assets of the Company (whether or not also secured by a floating charge or by other security).

"*Funded Obligations*" means any indebtedness, whether secured or unsecured, incurred by any one or more of the Company and the Designated Subsidiary by way of creation, guarantee, assumption or otherwise which is not repayable on demand and the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date on which it was incurred, but does not include (i) indebtedness secured by Purchase Money Mortgages and (ii) any liability in respect of any guarantee by any one or more of the Company and the Designated Subsidiaries of the indebtedness of the Company and/or any Designated Subsidiary secured by Purchase Money Mortgages.

"*Purchase Money Mortgages*" means any mortgages, liens or other encumbrances upon property acquired by one or more of the Company and the Designated Subsidiary which were, at the time of such acquisition or concurrently therewith, assumed, created or given to secure all or part of the cost of such property and extensions and renewals thereof upon the same property if the principal amount of the indebtedness secured thereby is not increased.

RISK FACTORS

Prospective investors in a particular offering of MTN Debentures should consider the matters described under the heading "Risk Factors" in the annual information form of the Company that is incorporated by reference herein.

PLAN OF DISTRIBUTION

The MTN Debentures may be offered for sale by any one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. **,** pursuant to a selling agency agreement dated December 1, 2003 among such investment dealers and the Company (the "Dealer Agreement"), or by other investment dealers selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealers, acting as principals, to the Company. The Dealer Agreement also provides that in the event a Dealer is purchasing MTN Debentures as principal, the obligation of that Dealer to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company at market rates prevailing from time to time to purchasers pursuant to applicable statutory exemptions and may from time to time be offered at a discount or a premium.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may include MTN Debentures in bearer form that are subject to United States tax law requirements. The MTN Debentures may not be offered, sold or delivered within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any MTN Debentures within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of any MTN Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

TRANSFER AGENT AND REGISTRAR

Registers for the registration and transfer of the MTN Debentures will he kept at the principal corporate trust offices of CIBC Mellon Trust Company in the cities of Vancouver, Toronto and Montreal.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, counsel for the Company, and Stikeman Elliott LLP, Vancouver, counsel for the Dealers, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible investments, or their purchase would not be prohibited, in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending restrictions, policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)	*Pension Benefits Standards Act, 1985 (Canada)*
Trust and Loan Companies Act (Canada)	*Supplemental Pension Plans Act (Quebec)*
Loan and Trust Corporations Act (Ontario)	*Pension Benefits Act (Ontario).*

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arms length within the meaning of the *Income Tax Act* (Canada)).

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF TERASEN GAS INC.

Dated: December 1, 2003

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) John M. Reid Vice-Chairman and Chief Executive Officer	(Signed) Milton C. Woengdregt Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) Mark L. Cullen Director	(Signed) Michael W. O'Brien Director

CERTIFICATE OF THE DEALERS

Dated: December 1, 2003

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this prospectus by reference will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation which is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

(Signed) Graeme N. Falkowsky

CIBC WORLD MARKETS INC.

(Signed) Alan C. Wallace

EDWARD JONES

(Signed) Kevin E. Sprouse

NATIONAL BANK FINANCIAL INC.

(Signed) Daniel L. Nocente

RBC DOMINION SECURITIES INC.

(Signed) Stephen J. Swaffield

SCOTIA CAPITAL INC.

(Signed) Murray W. Neal

TD SECURITIES INC.

(Signed) Margaret R. Hyde

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS DATED NOVEMBER 9, 2001

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This Short Form Prospectus has been filed under legislation in all provinces in Canada that permits certain information about these securities to be determined after this Short Form Prospectus has become final and permits the omission from this Short Form Prospectus of that information. The legislation requires the delivery to purchasers of a Prospectus Supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of BC Gas Utility Ltd. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (Telephone (604) 576-7000). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of BC Gas Utility Ltd. at the above-mentioned address and telephone number.

The Medium Term Note Debentures (the "MTN Debentures") offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exceptions, the MTN Debentures offered hereby may not be offered or sold in the United States of America, and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the MTN Debentures offered hereby within the United States. See "Plan of Distribution".

BC GAS UTILITY LTD.
$500,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

MTN Debentures offered hereunder will have maturities of not less than one year and will be either interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures. The MTN Debentures will be issued at rates of interest or at prices determined by the Company from time to time based on a number of factors, including advice from the Agents. All references to currency in this short form prospectus are references to Canadian dollars. See "Details of the Offering".

The specific terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Agents, the Agents' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms of MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The MTN Debentures will be issued from time to time as and when funds are required by the Company in an aggregate principal amount of up to $500 million (or the equivalent thereof in foreign currencies or currency units) during the 25 month period from the date of this short form prospectus. The MTN Debentures will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company and will be issued under a trust indenture. This offering is a continuation of the Company's Canadian medium term note program. As of October 31, 2001 a total of $908.0 million of MTN Debentures were issued and outstanding.

There is currently no market through which these securities may be sold.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible for investment under those statutes set forth under the heading "Eligibility for Investment".

Rates on Application

The MTN Debentures may be offered by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to the selling agency agreement referred to under the heading "Plan of Distribution", or such other investment dealers as may be selected from time to time by the Company (the "Agents"). The rate of commission payable in connection with sales by the Agents of MTN Debentures shall be as determined from time to time by mutual agreement but shall not exceed 0.75 of 1% of the principal amount of any MTN Debenture. The MTN Debentures may be purchased from time to time by any of the Agents, as principal, at such prices and with such commissions (subject to the above limitation) as may be agreed between the Company and any such Agents for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. The Agents' compensation will be increased or decreased by the amount which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Agents, acting as principals, to the Company. The MTN Debentures may also be offered directly by the Company at market rates prevailing from time to time to purchasers pursuant to applicable statutory exemptions, at such prices and upon such terms as may be negotiated with any such purchasers, in which case no commission will be paid to the Agents.

The offering is subject to approval of all legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, Vancouver, and on behalf of the Agents by Stikeman Elliott, Vancouver.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of BC Gas Utility Ltd. (the "Company") dated April 26, 2001 including Management's Discussion and Analysis incorporated therein;

(b) the audited consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the auditors' report thereon;

(c) the unaudited interim consolidated financial statements of the Company as at June 30, 2001 for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) Form 28 under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of the Company dated April 26, 2001 except for the section headed "Committee Report on Executive Compensation".

Any annual information form, material change reports (excluding confidential reports), unaudited interim consolidated financial statements (including notes thereto), audited consolidated financial statements and information circulars as well as any prospectus supplements disclosing additional or updated information filed with a provincial securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, shall be deemed to be incorporated by reference into this short form prospectus.

A pricing supplement or other prospectus supplement containing the specific variable terms of an offering of MTN Debentures will be delivered to purchasers of such MTN Debentures together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such supplement and only for the purposes of the offering of the MTN Debentures covered by that supplement.

Upon a new annual information form and the related audited consolidated financial statements being filed by the Company with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous audited consolidated financial statements, all interim unaudited consolidated financial statements, material change reports and information circulars filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of securities hereunder.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

THE COMPANY

The Company was formed by the amalgamation under the *Company Act* (British Columbia) on July 1, 1989 of Inland Natural Gas Co. Ltd. ("Inland") with its wholly owned subsidiaries B.C. Gas Inc., Columbia Natural Gas Limited and Fort Nelson Gas Ltd. On July 1, 1993 amendments were made to the memorandum of the Company pursuant to an arrangement filed with the Registrar of Companies between the Company and 296604 B.C. Ltd. The arrangement was part of a reorganization of the Company (the "Reorganization") whereby the Company disposed of all of its subsidiaries which were not regulated by the British Columbia Utilities Commission (the "BCUC") and changed its name to "BC Gas Utility Ltd." Pursuant to the arrangement holders of Common shares of the Company became holders of common shares of 296604 B.C. Ltd. and the name of 296604 B.C. Ltd. was changed to "BC Gas Inc." All preference shareholders of the Company remained preference shareholders of the Company and all Purchase Money Mortgages and unsecured debentures remained indebtedness of the Company. The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

The Company transmits and distributes natural gas to residential, commercial and industrial customers in the British Columbia interior and in the greater Vancouver and Fraser Valley areas of British Columbia.

RECENT DEVELOPMENTS

Reduction to commodity charge

The B.C. Utilities Commission approved an application by the Company to reduce the commodity charge for natural gas by 15 percent effective October 1, 2001. The Company continues to review natural gas prices with the B.C. Utilities Commission on a quarterly basis. These reviews could result in further rate adjustments in January 2002.

Third Quarter Results

For the nine months ended September 30, 2001, earnings applicable to common shares of the Company were $20.8 million, compared with $23.8 million for the same period in 2000. The decline in earnings was primarily due to increased seasonality of results resulting from rate base growth.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

USE OF PROCEEDS

The MTN Debentures will be issued from time to time at the discretion of the Company in an aggregate principal amount of up to $500 million during the 25 month period from the date of this short form prospectus. The net proceeds to be derived from the issue of the MTN Debentures offered hereunder will be the issue price thereof less any commission paid in connection therewith. Such net proceeds cannot be estimated as the amount thereof will depend on the extent to which MTN Debentures are issued hereunder. Unless otherwise specified in the pricing supplement which accompanies this short form prospectus, such net proceeds will be added to the general funds of the Company and may be used to reduce short term indebtedness which may be outstanding from time to time. Although no proceeds have been specifically allocated for such purpose, at a future point in time proceeds may be used to reduce indebtedness under the Company's credit facilities with its bankers. The expenses of this offering and commissions will be paid out of the Company's general funds.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2000 and the twelve month period ended September 30, 2001, respectively. They do not give effect to the issue of MTN Debentures pursuant to this short form prospectus, since aggregate principal amount of MTN Debentures that will be issued hereunder and the terms of issue are not presently known. The ratio for the twelve month period ended September 30, 2001 is based on unaudited financial information.

The Company's interest requirements on consolidated long term debt amounted to $95.1 million for the year ended December 31, 2000 and $101.9 million for the twelve months ended September 30, 2001, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest and income taxes were $186.4 million for the year ended December 31, 2000, which is 1.96 times the Company's interest requirements on consolidated long term debt for the year then ended, and $194.3 million for the twelve months ended September 30, 2001, which is 1.91 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2000	**September 30, 2001**
Earnings coverage on long term debt..	1.96 times	1.91 times

CREDIT RATINGS

The Company has received an A2 rating from Moodys Investors Services Inc. ("Moodys"), an A rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB+ rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies. “High” or “low” are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

DETAILS OF THE OFFERING

This offering is a continuation of the Company’s medium term note debenture program. Pursuant to this program, $908.0 million of MTN Debentures are outstanding as of October 31, 2001. MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $500 million.

All references to currency in this short form prospectus are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Agents make any representation with respect to currency values from time to time.

MTN Debentures may be issued as registered debentures or in the form of fully registered global debentures (“Global Debentures”) held by The Canadian Depositary for Securities Limited or a successor (the “Depositary”) for its participants. CIBC Mellon Trust Company or a successor will act as the transfer agent and registrar of the MTN Debentures. The Depositary establishes and maintains book entry accounts for its participants having interests in Global Debentures. The interests of participants of the Depositary in Global Debentures, and transfers of interests in the Global Debentures between participants, will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in the MTN Debentures will be effected by entries made in the records maintained by the Depositary. The interests of customers of participants in Global Debentures will be represented by entries made in the records maintained by the participants. Purchasers of MTN Debentures in respect of which Global Debentures are issued will not be entitled to receive MTN Debentures in definitive form except in certain stated events including upon the request of holders of not less than 10% of the MTN Debentures upon the happening of any event of default. The issuance of MTN Debentures as Global Debentures will, if applicable, be referred to in the relevant pricing supplement delivered with this short form prospectus.

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Agents, the Agents’ commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

The registered holder of a MTN Debenture may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver, Toronto or Montreal upon which one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the MTN Debenture so transferred, registered in the name or names of the transferee or transferees. No transfer of a MTN Debenture will be registered during the seven business days (a business day for this purpose being a business day in the city of Vancouver) immediately preceding any date fixed for payment of interest on such MTN Debenture.

The following summary of certain provisions of the Indenture (as defined below) and the MTN Debentures does not purport to be complete and is subject to the detailed provisions of the Indenture to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the MTN Debentures.

General

The MTN Debentures will be issued under a trust indenture dated as of November 1, 1977 made between the Company (as successor to Inland Natural Gas Co. Ltd.) and CIBC Mellon Trust Company (formerly called The R-M Trust Company as successor to National Trust Company, Limited), as trustee (the "Trustee"), as supplemented and amended by a first supplemental indenture dated as of November 17, 1981, a second supplemental indenture dated as of July 11, 1984, a third supplemental indenture dated as of December 17, 1986, a fourth supplemental indenture dated as of June 1, 1989, a fifth supplemental indenture dated as of July 1, 1989, a sixth supplemental indenture dated as of June 14, 1990, a seventh supplemental indenture dated as of October 26, 1990, an eighth supplemental indenture dated as of August 1, 1992 a ninth supplemental indenture dated as of July 25, 1993, and a tenth supplemental indenture dated as of November 15, 1993 (the trust indenture as so supplemented and amended from time to time, being herein called the "Indenture" and the said tenth supplemental indenture being herein called the "Supplemental Indenture"). The Indenture will be available for review during normal business hours during the period of distribution of the MTN Debentures at the offices of the Company at 1111 West Georgia Street, Vancouver, British Columbia.

The aggregate principal amount of debentures authorized under the Indenture (the "Debentures") is unlimited. Debentures may be issued thereunder in one or more series. The MTN Debentures are a series of Debentures authorized by the Supplemental Indenture in an unlimited amount, and may be issued on such terms and at such times as may be determined by the Company, subject to the Company meeting certain tests with respect to the issue thereof, as set forth in the Indenture.

The MTN Debentures will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company. As at October 31, 2001, there was approximately $229.9 million aggregate principal amount of Debentures outstanding under the Indenture, other than MTN Debentures. The MTN Debentures will rank junior to any outstanding First Mortgage Bonds issued under a trust deed and secured by substantially all of the Company's assets and the Purchase Money Mortgages which are secured under a trust deed over the assets of the Company acquired as part of its acquisition of the Coastal Division. Currently there are no First Mortgage Bonds outstanding. There are $274.9 million principal amount of Purchase Money Mortgages presently held by the public and $150 million presently held by a subsidiary of the Company pending securitization. The Purchase Money Mortgages were issued to finance the Company's acquisition of the Coastal Division.

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder appearing on the registers maintained by the Trustee at the close of business on the seventh business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Payments of principal on MTN Debentures will be made against presentation and surrender thereof for cancellation at such places as are designated in the MTN Debentures and in the Indenture.

The payment of principal and interest on a MTN Debenture in accordance with the indenture shall absolutely satisfy and discharge the liability of the Company with respect to such payment under the MTN Debenture, unless in the case of payment by cheque it is not paid upon presentation.

Events of Default

Except as otherwise noted below, the Indenture provides that the following constitute events of default (each an "Event of Default") thereunder;

(a) default in payment of principal on any Debenture when due;

(b) default in payment of any interest due on any Debenture and such default has continued for 30 days;

(c) an order is made or an effective resolution passed for the winding-up or liquidation of the Company (other than pursuant to and in compliance with provisions in the Indenture relating to successor companies);

(d) the Company or any Designated Subsidiary (as defined below) makes a general assignment for the benefit of its creditors, is declared bankrupt, a sequestrator or a receiver or any other officer with similar powers is appointed of, or an encumbrancer takes possession of, the property of the Company or of the property of a Designated Subsidiary, or any substantial part thereof;

(e) any process of execution is enforced or levied upon any property of the Company or a Designated Subsidiary and remains unsatisfied for a period of 30 days, as to moveable or personal property, or 45 days, as to immovable or real property, provided that such process is not in good faith disputed by the Company or such Designated Subsidiary or the Company or such Designated Subsidiary has given adequate security;

(f) default under the mortgage with respect to the First Mortgage Bonds which causes the principal amount of the First Mortgage Bonds to be declared immediately due and payable, provided that if the default is cured and such declaration is rescinded the Event of Default will also be cured; and

(g) the Company neglects to carry out or observe any covenant or condition contained in the Indenture and, after notice has been given by the Trustee to the Company, the Company fails to make good such default within 60 days or such shorter period as would at any time, if continued, render any property of the Company or any of its subsidiaries liable to forfeiture, unless the Trustee has agreed to a longer period, and in such an event, within the period agreed to by the Trustee.

Acceleration on and Waiver of Default

If an Event of Default has occurred under the Indenture, the Trustee may in its discretion and will upon the requisition in writing of the holders of at least 25% of the principal amount of the Debentures issued and outstanding under the Indenture, subject to any waiver of default under the Indenture, by notice in writing to the Company declare the principal and interest on all Debentures then outstanding under the Indenture and other money payable thereunder to be due and payable.

If an Event of Default has occurred under the Indenture (otherwise than by default in payment of principal moneys at maturity) the holders of the Debentures have the power by extraordinary resolution to instruct the Trustee to waive the default (provided that if the Event of Default relates to a covenant applicable to a particular series of Debentures only, then the holders of outstanding Debentures of that series only have the power by extraordinary resolution to instruct the Trustee to waive the default). In addition, the Trustee, so long as it has not become bound to institute any proceedings under the Indenture, has power to waive the default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor.

In the Indenture, "extraordinary resolution" is a resolution passed at a meeting of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures represented at the meeting.

Right of Trustee to Enforce Payment

If the Company fails to pay to the Trustee, on demand, and when due, the principal and interest on all Debentures then outstanding under the Indenture, the Trustee may, in its discretion, and shall upon the request in writing of the holders of not less than 25% of the principal amount of the Debentures issued and outstanding under the Indenture, and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee to obtain or enforce payment of the said principal and interest on all outstanding Debentures together with other amounts due under the Indenture by any remedy or proceeding authorized by the Indenture.

Holders of Debentures issued under the Indenture may not institute any action or proceeding or exercise any other remedy authorized by the Indenture, including an action to enforce the Indenture or the Debentures, except as provided in the Indenture.

Covenants

The Indenture contains, among others, covenants substantially to the following effect:

(a) The Company will not mortgage, pledge, charge or otherwise encumber any of its assets to secure any obligations unless at the same time it shall, in the opinion of counsel, secure or cause to be secured equally and rateably with such obligations all the Debentures then outstanding under the Indenture by the same instrument or by other instrument in form and substance satisfactory to such counsel; provided that this covenant shall not apply to (a) First Mortgage Bonds, (b) Purchase Money Mortgages, (c) permitted encumbrances as defined in the Indenture, or (d) security given (other than on fixed assets) in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others to secure any indebtedness other than Funded Obligations.

(b) The Company will not permit any Designated Subsidiary to create, incur or guarantee any indebtedness, except indebtedness to or of the Company or to a trustee in support of a guarantee of indebtedness of the Company, provided that this shall not apply to (a) Purchase Money Mortgages, or (b) indebtedness incurred in the ordinary course of business and for the purpose of carrying on the same, to any bank or banks or others, repayable on demand or maturing, including any right of extension or renewal, within 18 months of the date when such indebtedness is incurred, provided such indebtedness is not secured on fixed assets.

(c) The Company or a Designated Subsidiary will not dispose of any indebtedness of a Designated Subsidiary unless all the shares and indebtedness of such Designated Subsidiary are sold to a party dealing with the seller at arm's length, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

(d) The Company will not permit any Designated Subsidiary to issue any shares if, as a result of such issue, such Designated Subsidiary ceases to qualify as such.

(e) The Company will not create or issue any Additional Obligations unless Consolidated Available Net Earnings for any period of 12 consecutive calendar months of the 23 calendar months next preceding the date of issue of such Additional Obligations, which period shall have been selected by the Company, shall have been at least two times the annual interest requirements of all Funded Obligations to be outstanding after the issue of such Additional Obligations and after any retirements of Funded Obligations to be made out of the proceeds thereof or retirement thereof has been otherwise provided for and in respect of which proof has been afforded to the Trustee satisfactory to it that adequate provision has been made assuring that such Funded Obligations will be retired within 45 days after the issue of such Additional Obligations; provided the provisions of this covenant shall not apply to the creation and issue of Additional Obligations for the purpose of refunding the whole of any series of Debentures previously issued under the Indenture provided that (except in the case of refunding all of the MTN Debentures) the aggregate principal amount of the Additional Obligations does not exceed the aggregate principal amount of the Debentures to be refunded.

(f) The Company will, directly or through Designated Subsidiaries, from time to time obtain and at all times maintain facilities for supplies of gas adequate to enable the carrying on of its business.

Modification

The rights of the holders of the MTN Debentures under the Indenture may be modified. For that purpose, among others, the Indenture will contain provisions making binding upon all holders of Debentures outstanding under the Indenture and indentures supplemental thereto, resolutions passed at meetings of debentureholders by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures voted on the resolution or instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of all the outstanding Debentures. In certain cases, modification will require separate assent by the holders of the required percentages of debentures of each series outstanding under the Indenture or any series of MTN Debentures outstanding under the Indenture as determined by the Trustee.

Definitions

The Indenture contains definitions substantially to the following effect:

"A*dditional Obligations*" means bonds, debentures, notes or other debt instruments issued by the Company, the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date of issue but does not include First Mortgage Bonds and Purchase Money Mortgages.

"*Consolidated Available Net Earnings*" for any specified period of 12 months means the net earnings of the Company and its Designated Subsidiaries on a consolidated basis for such period (excluding gains or losses on the disposal of investments or fixed assets in each case in excess of $50,000 in the aggregate and other non-recurring items in excess of $50,000 in the aggregate) before deductions for income taxes, interest on Funded Obligations and on any other indebtedness that since the end of the specified period has been or is about to be refunded by the issue of Funded Obligations and amortization of debt premium, discount and expense, all as determined in accordance with generally accepted accounting principles and reported on by the Company's auditors without, in their opinion, material adverse qualification. In determining Consolidated Available Net Earnings for any period there shall be taken into account the earnings or losses, as the case may be, for the whole of such period of any company or corporation which, prior to or concurrently with the proposed action in respect of which such determination is being made, becomes a Designated Subsidiary. In addition, if the Company or any Designated Subsidiary shall, prior to or concurrently with the proposed action in respect of which such determination is being made, have acquired any business by way of acquisition of assets, the earnings or losses, as the case may be, of such business to the extent that such earnings or losses related to the assets acquired, shall be taken into account for the whole of such period.

"*Designated Subsidiary*" means any company or corporation the majority of the outstanding shares of each class of the capital stock of which having attached to them voting rights under all circumstances are owned by the Company and/or one or more Designated Subsidiaries, provided that the Company shall have, by resolution of its directors, designated such other company or corporation as a Designated Subsidiary; provided that any Designated Subsidiary shall cease to be a Designated Subsidiary upon sale of all its shares and indebtedness owned by the Company and any other Designated Subsidiary, resulting in neither the Company nor any other Designated Subsidiary owning any of such Designated Subsidiary.

"*First Mortgage Bonds*" means all first mortgage bonds or other first mortgage obligations of the Company, whether heretofore or hereafter issued, secured by a first fixed and specific charge on substantially all the fixed assets of the Company (whether or not also secured by a floating charge or by other security).

"*Funded Obligations*" means any indebtedness, whether secured or unsecured, incurred by any one or more of the Company and the Designated Subsidiary by way of creation, guarantee, assumption or otherwise which is not repayable on demand and the due date of payment of which, including any right of extension or renewal, is 18 months or more after the date on which it was incurred, but does not include (i) indebtedness secured by Purchase Money Mortgages and (ii) any liability in respect of any guarantee by any one or more of the Company and the Designated Subsidiaries of the indebtedness of the Company and/or any Designated Subsidiary secured by Purchase Money Mortgages.

"*Purchase Money Mortgages*" means any mortgages, liens or other encumbrances upon property acquired by one or more of the Company and the Designated Subsidiary which were, at the time of such acquisition or concurrently therewith, assumed, created or given to secure all or part of the cost of such property and extensions and renewals thereof upon the same property if the principal amount of the indebtedness secured thereby is not increased.

RISK FACTORS

Prospective investors in a particular offering of MTN Debentures should consider the matters described under the heading "Risk Factors" in the annual information form of the Company that is incorporated by reference herein.

PLAN OF DISTRIBUTION

The MTN Debentures may be offered for sale by any one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc., pursuant to a selling agency agreement dated November 9, 2001 among such investment dealers and the Company (the "Selling Agreement"), or by other investment dealers selected from time to time by the Company (the "Agents"). The rate of commission payable in connection with sales by the Agents of MTN Debentures shall be as determined from time to time by mutual agreement but shall not exceed 0.75 of 1% of the principal amount of any MTN Debenture. The MTN Debentures may be purchased from time to time by any of the Agents, as principal, at such prices and with such commissions (subject to the above limitation) as may be agreed between the Company and any such Agents for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Agent's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Agents, acting as principals, to the Company. The Selling Agreement also provides that in the event an Agent is purchasing MTN Debentures as principal, the obligation of that Agent to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company at market rates prevailing from time to time to purchasers pursuant to applicable statutory exemptions and may from time to time be offered at a discount or a premium.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and accordingly may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Agent has agreed that, except as permitted by the Selling Agreement, it will not offer or sell the MTN Debentures within the United States. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

In addition, until 40 days after the commencement of the offering, an offer or sale of MTN Debentures within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

TRANSFER AGENT AND REGISTRAR

Registers for the registration and transfer of the MTN Debentures will he kept at the principal corporate trust offices of CIBC Mellon Trust Company in the cities of Vancouver, Toronto and Montreal.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, counsel for the Company, and Stikeman Elliott, Vancouver, counsel for the Agents, the MTN Debentures offered hereby, if issued on the date hereof, would be eligible investments, or their purchase would not be prohibited, in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Standards Act, 1985 (Canada)
Supplemental Pension Plans Act (Quebec)
Pension Benefits Act (Ontario).

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arms length within the meaning of the *Income Tax Act* (Canada)).

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF BC GAS UTILITY LTD.

Dated: November 9, 2001

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(signed) JOHN M. REID
President and
Chief Executive Officer

(signed) MILTON C. WOENSDREGT
Senior Vice President, Finance
and Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(signed) RONALD L. CLIFF
Director

(signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE AGENTS

Dated: November 9, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this prospectus by reference will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, and will not contain any misrepresentation which is likely to affect the value or the market price of the securities to be distributed.

(signed) Graeme Falkowsky
BMO NESBITT BURNS INC.

(signed) Alan C. Wallace
CIBC WORLD MARKETS INC.

(signed) Charles J. Addison
NATIONAL BANK FINANCIAL INC.

(signed) Stephen J. Swaffield
RBC DOMINION SECURITIES INC.

(signed) David Bustos
SCOTIA CAPITAL INC.

(signed) James Bruce
TD SECURITIES INC.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 2 dated February 22, 2005
(To a Prospectus dated December 10, 2003)

Terasen Gas

Terasen Gas Inc.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$150,000,000
Issue and Delivery Date:	February 25, 2005
Issue Price:	99.457
Commission:	0.500
Net Proceeds to the Company:	C$148,435,500
Maturity Date:	February 26, 2035
Type of Note:	Global Interest Bearing Note Debenture
Coupon Rate:	5.90%
Coupon Payment Date(s):	August 26, February 26
Initial Coupon Payment Date:	August 26, 2005 (long first coupon)
Initial Coupon Payment Amount:	$2.966 per $100 principal amount
Redemption Provisions:	The Medium Term Note Debentures issued hereunder will be redeemable, at the Company's option, in whole at any time or in part from time to time on not more than 60 and less than 30 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the date fixed for redemption.
CUSIP Number:	CA 88078Z AC82
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	TD Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. National Bank Financial Inc. RBC Dominion Securities Inc. Scotia Capital Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the audited consolidated financial statements of the Company for the years ended December 31, 2003 and 2002 together with the auditors' report thereon and management's discussion and analysis filed in connection with such audited consolidated financial statements;

(b) the annual information form of the Company dated April 23, 2004;

(c) the interim unaudited consolidated financial statements of the Company as at September 30, 2004 and for the three-month and nine-month periods ended September 30, 2004 and 2003, together with management's discussion and analysis filed in connection with such interim unaudited consolidated financial statements;

(d) the Prospectus Supplement dated March 11, 2004; and

(e) the Prospectus Supplement dated February 22, 2005.

Definitions

"Canada Yield Price" shall mean a price equal to the price of the Medium Term Note Debentures issued hereunder calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.29% on the business day preceding the date of the resolution authorizing the redemption.

"Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Note Debentures issued hereunder. The Government of Canada Yield, in the case of a redemption of the Medium Term Note Debentures issued hereunder, will be the average of the yields provided by two Canadian investment dealers selected by the Company and approved by the Trustee.

No securities commission or similar authority in Canada has in any way passed upon the merits of these securities and any representation to the contrary is an offence. This prospectus supplement, together with the short form base shelf prospectus dated December 10, 2003 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Prospectus Supplement dated February 22, 2005 to the
Short Form Base Shelf Prospectus dated December 10, 2003

TERASEN GAS INC.
$700,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

Recent Developments

Financial Results for the 12 Months Ended December 31, 2004

Revenue of Terasen Gas Inc. (the "Company") for 2004 was $1,305.2 million, compared with $1,305.6 million in 2003. The decline in revenue in 2004 was attributable to lower gas consumption, which more than offset the increase in the commodity cost recovered by the Company in rates charged to its customers, which became effective in the third quarter of 2004. Earnings for 2004 were $70.8 million, compared with $70.4 million in 2003. In 2004 the Company's allowed return on equity ("ROE") was 9.15%, down from 9.42% in 2003. The Company was able to offset the lower allowed ROE for 2004 by achieving operating efficiencies, which were shared equally with its customers.

Documents Incorporated by Reference

The following documents are, as of the date of this prospectus supplement, deemed to be incorporated by reference into the accompanying short form base shelf prospectus of the Company dated December 10, 2003 solely for the purpose of the MTN Debentures issued thereunder:

1. the audited consolidated financial statements of the Company for the years ended December 31, 2003 and 2002 together with the auditors' report thereon and management's discussion and analysis filed in connection with such audited consolidated financial statements;

2. the annual information form of the Company dated April 23, 2004;

3. the interim unaudited consolidated financial statements of the Company as at September 30, 2004 and for the three-month and nine-month periods ended September 30, 2004 and 2003, together with management's discussion and analysis filed in connection with such interim unaudited consolidated financial statements;

4. the Prospectus Supplement dated March 11, 2004; and

5. this Prospectus Supplement dated February 22, 2005.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 1 dated April 26, 2004
(To a Prospectus dated December 10, 2003)

Terasen Gas Inc.

Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$150,000,000
Issue and Delivery Date:	April 29, 2004
Issue Price:	99.359
Commission:	0.500
Net Proceeds to the Company:	C$148,288,500
Maturity Date:	May 1, 2034
Type of Note:	Global Interest Bearing Note Debenture
Coupon Rate:	6.50%
Coupon Payment Date(s):	November 1, May 1
Initial Coupon Payment Date:	November 1, 2004 (long first coupon)
Initial Coupon Payment Amount:	$3.312 per $100 principal amount
Redemption Provisions:	The Medium Term Note Debentures issued hereunder will be redeemable, at the Company's option, in whole at any time or in part from time to time on not more than 60 and less than 30 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the date fixed for redemption.
CUSIP Number:	CA 88078Z AB00
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	Scotia Capital Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. National Bank Financial Inc. RBC Dominion Securities Inc. TD Securities Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the audited consolidated financial statements of Terasen Gas Inc. for the years ended December 31, 2003 and 2002 together with the auditors' report thereon; and

(b) the Prospectus Supplement dated March 11, 2004.

Definitions

"Canada Yield Price" shall mean a price equal to the price of the Medium Term Note Debentures issued hereunder calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.31% on the business day preceding the date of the resolution authorizing the redemption.

"Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Note Debentures issued hereunder. The Government of Canada Yield, in the case of a redemption of the Medium Term Note Debentures issued hereunder, will be the average of the yields provided by two Canadian investment dealers selected by the Company and approved by the Trustee.

No securities commission or similar authority in Canada has in any way passed upon the merits of these securities and any representation to the contrary is an offence. This prospectus supplement, together with the short form base shelf prospectus dated December 10, 2003 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Prospectus Supplement dated March 11, 2004 to the
Short Form Base Shelf Prospectus dated December 10, 2003

TERASEN GAS INC.
$700,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

Change with respect to Ratings

After reassessing its relationship with Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies (Canada) Corporation (“S&P”), Terasen Gas Inc. (the "Company" or "Terasen Gas") has discontinued the engagement of S&P to provide credit ratings in respect of the Company’s medium term note program, including the medium term note debentures (“MTN Debentures”) to be issued thereunder.

The Company is continuing its engagement of Moody's Investors Services Inc. ("Moody's") and Dominion Bond Rating Service Limited ("DBRS") and the Company’s credit ratings on its MTN Debentures of A2 from Moody’s and A from DBRS have not been changed.

Documents Incorporated by Reference

The following documents are, as of the date of this prospectus supplement, deemed to be incorporated by reference into the accompanying short form base shelf prospectus of Terasen Gas dated December 10, 2003 solely for the purpose of the MTN Debentures issued thereunder:

1. This Prospectus Supplement dated March 11, 2004.

No securities commission or similar authority in Canada has in any way passed upon the merits of these securities and any representation to the contrary is an offence. This prospectus supplement, together with the short form base shelf prospectus dated November 21, 2001 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Prospectus Supplement No. 1 dated September 18, 2003 to the Short Form Base Shelf Prospectus dated November 21, 2001

TERASEN GAS INC.
(formerly BC Gas Utility Ltd.)
$500,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

Change of Name

On April 25, 2003, BC Gas Utility Ltd. changed its name to Terasen Gas Inc. (the "Company" or "Terasen Gas").

Credit Rating Change

On June 26, 2003, Standard & Poor's, a division of McGraw Hills Company ("S&P") changed its credit rating in respect of the Company's medium term note program, including the medium term note debentures ("MTN Debentures") to be issued thereunder from BBB+ to BBB.

The Company's ratings on its MTN Debentures of A2 from Moody's Investors Services Inc. and A from Dominion Bond Rating Service Limited have not been changed.

Regulation

On July 30, 2003 Terasen Gas received the approval from the British Columbia Utilities Commission ("BCUC") of a negotiated settlement of a 2004-2007 Performance Based Rate Plan ("PBR settlement") The PBR settlement sets forth the process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through the sharing of the benefits of efficiencies between the Company and its customers. It includes 10 service quality measures designed to ensure the Company maintains service levels and sets out the requirements for an annual review process which will provide for a forum for discussion between Terasen Gas and interested parties regarding the Company's current and future activities.

Operating and maintenance costs and base capital are subject to an incentive formula reflecting increasing costs due to customer growth and inflation, less a productivity factor based on 50% of inflation during the first two years and 66% of inflation during the last two years. Base capital expenditure amounts are determined based on customer counts and projected customer additions. The PBR settlement provides for a 50/50 sharing mechanism of earnings above or below the allowed return on equity, net of certain incentives.

The PBR settlement also establishes deferral accounts for insurance premiums and pension costs incurred by Terasen Gas.

Documents Incorporated by Reference

The following documents are, as of the date of this prospectus supplement, deemed to be incorporated by reference into the accompanying short form base shelf prospectus of Terasen Gas dated November 21, 2001 solely for the purpose of the Notes issued thereunder:

1. This Prospectus Supplement No. 1 dated September 18, 2003.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority has in any way passed upon the merits of these securities and any representation to the contrary is an offence.

Pricing Supplement No. 5 dated July 25, 2001
(To Prospectus dated November 30, 1999)

BC GAS UTILITY LTD.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$100,000,000
Issue and Delivery Date:	July 30, 2001
Issue Price:	99.868
Commission:	0.35
Net Proceeds to the Company:	C$99,518,000
Maturity Date:	July 31, 2006
Bearer Non-Interest Bearing Notes:	No
Global Interest Bearing Note:	Yes
Interest Rate:	6.15%
Interest Payment Date(s):	January 31, July 31

Redemption Provisions: The Medium Term Note Debentures issued hereunder will be redeemable, at the Company's option, in whole at any time or in part from time to time on not more than 60 and less than 30 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the date fixed for redemption.

CUSIP Number:	05534Z AL 0
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	Scotia Capital Inc. National Bank Financial Inc. CIBC World Markets Inc. TD Securities Inc. RBC Dominion Securities Inc. BMO Nesbitt Burns Inc. Merrill Lynch Canada Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of BC Gas Utility Ltd. for the three months ended March 31, 2001 which include comparative financial statements for the corresponding period in 2000;

(b) the audited consolidated financial statements of BC Gas Utility Ltd. for the years ended December 31, 2000 and 1999 together with the auditors' report thereon;

(c) Form 28 under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of BC Gas Utility Ltd. dated May 15, 2001, except for the section headed "Committee Report on Executive Compensation"; and

(d) the annual information form of BC Gas Utility Ltd. dated April 26, 2001 including Management's Discussion and Analysis incorporated therein by reference.

Definitions

"Canada Yield Price" shall mean a price equal to the price of the Medium Term Note Debentures issued hereunder calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.18% on the business day preceding the date of the resolution authorizing the redemption.

"Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Note Debentures issued hereunder. The Government of Canada Yield, in the case of a redemption of the Medium Term Note Debentures issued hereunder, will be the average of the yields provided by two Canadian investment dealers selected by the Company and approved by the Trustee.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority has in any way passed upon the merits of these securities and any representation to the contrary is an offence.

Pricing Supplement No. 4 dated December 6, 2000
(To Prospectus dated November 30, 1999)

BC Gas

BC GAS UTILITY LTD.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$75,000,000
Issue and Delivery Date:	December 11, 2000
Issue Price:	99.900
Commission:	0.20
Net Proceeds to the Company:	C$74,775,000
Maturity Date:	December 11, 2002
Bearer Non-Interest Bearing Notes:	No
Global Interest Bearing Note:	Yes
Interest Rate:	6.00%
Interest Payment Date(s):	December 11, June 11
CUSIP Number:	05534Z AK 2
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	RBC Dominion Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. Merrill Lynch Canada Inc. National Bank Financial Inc. Scotia Capital Inc. TD Securities Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of BC Gas Utility Ltd. for the three months ended March 31, 2000, the six months ended June 30, 2000 and the nine months ended September 30, 2000 which include comparative financial statements for the corresponding period in 1999;

(b) the audited consolidated financial statements of BC Gas Utility Ltd. for the years ended December 31, 1999 and 1998 together with the auditors' report thereon;

(c) Form 28 under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of BC Gas Utility Ltd. dated May 15, 2000, except for the section headed "Committee Report on Executive Compensation"; and

(d) the annual information form of BC Gas Utility Ltd. dated April 26, 2000 including Management's Discussion and Analysis incorporated therein by reference.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority has in any way passed upon the merits of these securities and any representation to the contrary is an offence.

Pricing Supplement No. 3 dated October 12, 2000
(To Prospectus dated November 30, 1999)

BC Gas

BC GAS UTILITY LTD.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$50,000,000
Issue and Delivery Date:	October 23, 2000
Issue Price:	99.932
Commission:	0.750
Net Proceeds to the Company:	C$49,591,000
Maturity Date:	October 23, 2003
Bearer Non-Interest Bearing Notes:	No
Global Interest Bearing Note:	Yes
Interest Rate:	6.00%
Interest Payment Date(s):	October 23, April 23
CUSIP Number:	05534Z AJ 5
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	National Bank Financial Inc. RBC Dominion Securities Inc. Merrill Lynch Canada Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. TD Securities Inc. Scotia Capital Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of BC Gas Utility Ltd. for the three months ended March 31, 2000 and the six months ended June 30, 2000 which include comparative financial statements for the corresponding period in 1999;

(b) the audited consolidated financial statements of BC Gas Utility Ltd. for the years ended December 31, 1999 and 1998 together with the auditors' report thereon;

(c) Form 28 under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of BC Gas Utility Ltd. dated May 15, 2000, except for the section headed "Committee Report on Executive Compensation"; and

(d) the annual information form of BC Gas Utility Ltd. dated April 26, 2000 including Management's Discussion and Analysis incorporated therein by reference.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority has in any way passed upon the merits of these securities and any representation to the contrary is an offence.

Pricing Supplement No. 1 dated July 17, 2000
(To Prospectus dated November 30, 1999)

BC Gas

BC GAS UTILITY LTD.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$200,000,000
Issue and Delivery Date:	July 20, 2000
Issue Price:	99.175
Commission:	0.350
Net Proceeds to the Company:	C$197,650,000
Maturity Date:	July 20, 2005
Bearer Non-Interest Bearing Notes:	No
Global Interest Bearing Note:	Yes
Interest Rate:	6.50%
Interest Payment Date(s):	July 20, January 20
CUSIP Number:	05534Z AG 1
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	RBC Dominion Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. Merrill Lynch Canada Inc. National Bank Financial Inc. Scotia Capital Inc. TD Securities Inc.

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of BC Gas Utility Ltd. for the three months ended March 31, 2000 which include comparative financial statements for the corresponding period in 1999;

(b) the audited consolidated financial statements of BC Gas Utility Ltd. for the years ended December 31, 1999 and 1998 together with the auditors' report thereon;

(c) Form 28 under the *Securities Act* (British Columbia) and equivalent under other securities legislation, of BC Gas Utility Ltd. dated May 15, 2000, except for the section headed "Committee Report on Executive Compensation"; and

(d) the annual information form of BC Gas Utility Ltd. dated April 26, 2000 including Management's Discussion and Analysis incorporated therein by reference.

Short Form Base Shelf Prospectus dated December 10, 2003.

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

New Issue

TERASEN INC.
$800,000,000
Debentures (unsecured)
Subordinated Debt Securities (unsecured)

Terasen Inc. (the "Company") may from time to time offer for sale unsecured debentures (the "Debentures") and subordinated unsecured debentures, notes or other evidence of subordinated indebtedness (the "Subordinated Debt Securities") (the Debentures and the Subordinated Debt Securities are together called the "Securities") in an aggregate principal amount not to exceed $800,000,000 or its equivalent in any other currency or units based on or relating to foreign currencies, during the 25 month period that this short form prospectus, including any amendments hereto, remains valid. The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

All shelf information permitted under applicable laws to be omitted from this short form prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this short form prospectus. Each prospectus supplement will be incorporated by reference into this short form prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the Securities to which the prospectus supplement pertains.

The Securities may be issued in registered form or bearer form with coupons attached or both. In addition, all or a portion of the Securities of any series may be issuable in permanent registered global form which will be exchangeable in certain circumstances for definitive Securities.

This short form prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may sell the Securities to or through underwriters or dealers, and also may sell the Securities to one or more other purchasers directly or through agents. See "Plan of Distribution". A prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of any Securities, and will set forth the terms of the offering of the Securities, including, to the extent applicable, the initial public offering price, the proceeds to the Company, the principal amounts, if any, to be purchased by underwriters and any underwriting or other discounts or commissions.

Unless specified in the applicable prospectus supplement, the Securities will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell Securities purchased under this short form prospectus.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Terasen Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 443-6500). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Terasen Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 28, 2003, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2002 and 2001, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003 and 2002, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) the management proxy circular dated February 28, 2003 in connection with the annual meeting of shareholders of the Company held on April 25, 2003, except for the sections entitled "Board Committee Reports", "Executive Compensation Report", "Performance Graph" and "Statement of Corporate Governance Practices" and the Appendixes thereto.

Any documents of the type referred to above, and any material change reports (excluding confidential material change reports), which are filed by the Company with the various securities commissions or any similar authorities in the provinces of Canada after the date of this short form prospectus and prior to the termination of the offering under any prospectus supplement shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

A prospectus supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such prospectus supplement and only for the purposes of the distribution of Securities covered by that prospectus supplement.

If the Company files a prospectus supplement with applicable securities regulatory authorities that supplies any additional or updated information that the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment), that prospectus supplement will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Where the Company updates its disclosure of earnings coverage ratios by prospectus supplement, the prospectus supplement filed with the applicable securities regulatory authorities that contains the most recent updated disclosure of earnings coverage ratios will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Upon a new annual information form and the related annual financial statements being filed by the Company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all prospectus supplements filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Securities hereunder.

TERASEN INC.

Terasen Inc. ("Terasen" or the "Company") (formerly BC Gas Inc.) is a holding company holding directly and indirectly 100% of the common shares of Terasen Gas Inc. ("Terasen Gas"), Terasen Gas (Vancouver Island) Inc. ("TGVI"), Terasen Pipelines (Trans Mountain) Inc. ("Trans Mountain") and Terasen Pipelines (Corridor) Inc. ("Corridor"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). In addition, on April 25, 2003, its name was changed from BC Gas Inc. to Terasen Inc. The head and principal office of Terasen is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Name Changes

In late 2002 and early 2003, the corporate names of the Terasen group of companies were changed to reflect the new corporate name, Terasen. A summary of the key name changes is as follows:

New Name	Previous Name
Terasen Inc.	BC Gas Inc.
Terasen Gas Inc.	BC Gas Utility Ltd.
Terasen Gas (Vancouver Island) Inc.	Centra Gas British Columbia Inc.
Terasen Pipelines (Trans Mountain) Inc.	Trans Mountain Pipe Line Company Ltd.
Terasen Pipelines (Corridor) Inc.	Corridor Pipeline Limited
Terasen Waterworks (Supply) Inc.	BCG Services Inc.
Terasen International Inc.	BC Gas International Inc.

Business Of The Terasen Group Of Companies

Terasen acts as a management corporation, providing strategic direction to Terasen's subsidiaries and investments. Terasen holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the Terasen group of companies.

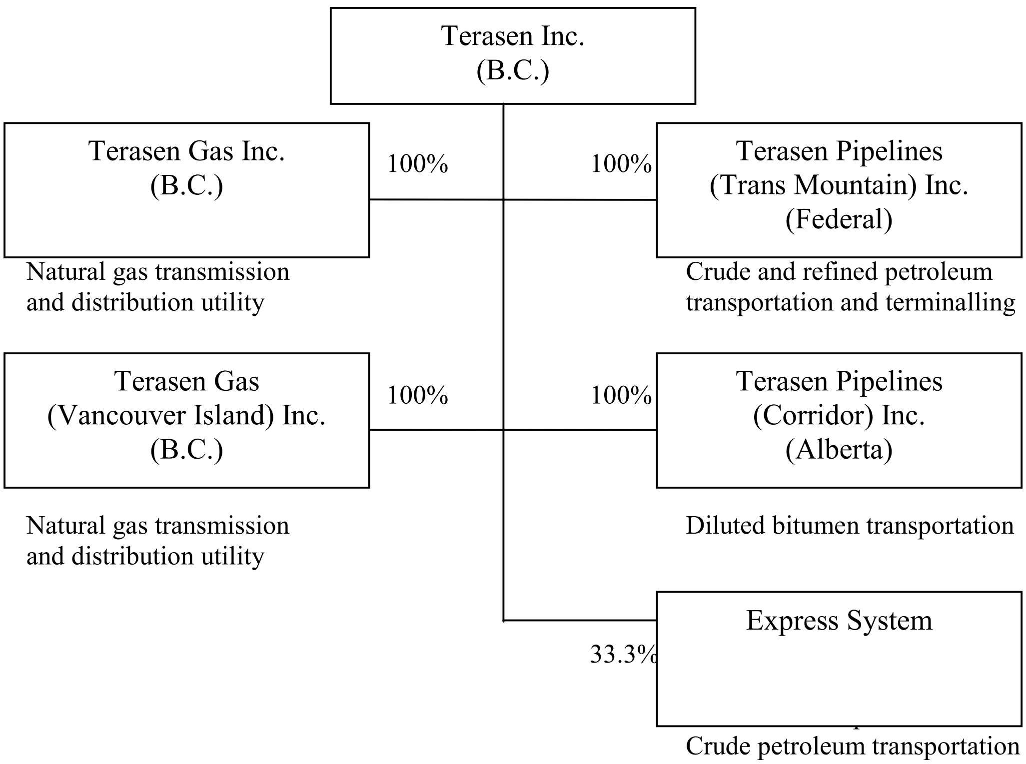
Terasen Gas transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the greater Vancouver and Fraser Valley areas of British Columbia. TGVI transmits and distributes natural gas to residential, commercial and industrial customers in the Sunshine Coast and Vancouver Island areas of British Columbia.

Through Trans Mountain, Terasen owns and operates an oil pipeline from Alberta to the lower mainland of British Columbia and to northwestern Washington State. Terasen owns 100% of the shares of Trans Mountain. Through a wholly-owned subsidiary, Trans Mountain owned approximately 8.1% of the common shares of Terasen as at September 30, 2003. Through Corridor, the Company owns and operates the Corridor Pipeline, a pipeline system which transports diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton, Alberta. In addition, Terasen owns a one-third interest in the Express and Platte Pipelines (collectively, the "Express System"), which transport crude oil from Alberta to Wyoming and on to Illinois.

In addition, Terasen holds interests in energy and utility related subsidiaries including 100% of Terasen Waterworks (Supply) Inc. and Terasen International Inc. Terasen also owns 44.2% of Clean Energy Inc. and 30% of CustomerWorks LP.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2002 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at December 31, 2002. The chart also depicts the Company's one-third ownership interest in the Express System, which is held through several subsidiaries.



RECENT DEVELOPMENTS

Regulation

On July 30, 2003 Terasen Gas received the approval from the British Columbia Utilities Commission ("BCUC") of a negotiated settlement of a 2004-2007 Performance Based Rate Plan ("PBR settlement") The PBR settlement sets forth the process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through the sharing of the benefits of efficiencies between Terasen Gas and its customers. It includes 10 service quality measures designed to ensure the Terasen Gas maintains service levels and sets out the requirements for an annual review process which will provide a forum for discussion between Terasen Gas and interested parties regarding the Terasen Gas' current and future activities.

Operation and maintenance costs and base capital are subject to an incentive formula reflecting increasing costs due to customer growth and inflation, less a productivity factor based on 50% of inflation during the first two years and 66% of inflation during the last two years. Base capital expenditure amounts are determined based on customer counts and projected customer additions. The PBR settlement provides for a 50/50 sharing mechanism of earnings above or below the allowed return on equity, net of certain incentives.

The PBR settlement also establishes new deferral accounts for insurance premiums and pension costs incurred by Terasen Gas.

Removal of Certain Restrictions

On November 20, 2003 the Province of British Columbia passed legislation, *inter alia*, repealing the *Hydro and Power Authority Privatization Act*, thereby removing various legislative restrictions on the Company including directors residency requirements and share ownership restrictions applicable to both the Company and Terasen Gas. Any change of control of the Company would still remain subject to the approval of the BCUC under the *Utilities Commission Act*.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan (the "Rights Plan") pursuant to a Shareholder Rights Plan Agreement dated November 24, 2003 between the Company and CIBC Mellon Trust Corporation. The Rights Plan must be confirmed by the Company's shareholders at its next annual general meeting. The Rights Plan is designed to encourage the fair treatment of shareholders in the event of a takeover bid for the Company.

Rights issued under the Rights Plan become exerciseable in the event that a person acquires or commences a takeover bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the Rights Plan. Should such an event occur, each rights holder, other than the acquiring person will have the right to purchase $450 worth of common shares for $225.

USE OF PROCEEDS

Except as otherwise described in a prospectus supplement, the net proceeds from the sale of Securities will be used to finance the Company's capital expenditure and working capital requirements, to retire commercial paper issued by the Company, to refinance existing indebtedness, to finance investments in subsidiaries and joint ventures and expenses associated with new business ventures, and for other general corporate purposes. All expenses relating to an offering of Securities, including any compensation paid to underwriters or agents, will be paid out of the Company's general funds. The Company may, from time to time, issue debt instruments and incur additional indebtedness other than through the issue of Securities pursuant to this short form prospectus.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2002 and the twelve month period ended September 30, 2003, respectively. They do not reflect the issue of any Securities that may be issued pursuant to this short form prospectus, since the aggregate principal amounts and terms of such Securities are not presently known. The ratio for the twelve month period ended September 30, 2003 is based on unaudited financial information.

Terasen Gas has filed a short form shelf prospectus dated December 10, 2003 relating to the issue of $700 million principal amount of Medium Term Note Debentures. The earnings coverages do not reflect the issue of Medium Term Note Debentures by Terasen Gas, since the aggregate principal amounts and terms of such Medium Term Notes are not presently known.

The Company's interest requirements on consolidated long term debt amounted to $163.8 million for the year ended December 31, 2002 and $158.6 million for the twelve months ended September 30, 2003, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt income taxes and non-controlling interest were $325.7 million for the year ended December 31, 2002, which is 1.99 times the Company's interest requirements on consolidated long term debt for the year then ended, and $349.2 million for the twelve months ended September 30, 2003, which is 2.20 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2002	September 30, 2003
Earnings coverage on long term debt	1.99 times	2.20 times

THE SECURITIES

Securities issued by the Company may consist of any of the following:

(1) Debentures issued pursuant to the trust indenture dated as of November 21, 2001 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the "Trust Indenture"); and

(2) subordinated unsecured debentures, notes or other evidences of indebtedness (the "Subordinated Debentures") issued under one or more trust indentures, including unsecured Subordinated Debentures issued pursuant to the trust indenture dated as of April 19, 2000 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the "Subordinated Debenture Trust Indenture").

Securities will have maturities of not less than one year and will be offered to the public at prices and on terms determined by the Company based on a number of factors, including market conditions at the time of issue.

The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debentures, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

The terms and conditions applicable to Securities issued under a trust indenture other than the Trust Indenture or the Subordinated Debenture Trust Indenture or without benefit of a trust indenture will be as contained in the specific Security, the applicable trust indenture and the applicable prospectus supplement. Such terms and conditions may not be the same as those which apply to Debentures issued under the Trust Indenture.

DESCRIPTION OF THE DEBENTURES

Rank

The Debentures will be direct obligations of the Company ranking equal in priority to all other unsecured and unsubordinated indebtedness of the Company, except as may be provided in the Trust Indenture. The Debentures will not be secured by any mortgage, pledge or other charge.

Debentures

The aggregate principal amount of Debentures that may be issued under the Trust Indenture is unlimited.

The following summary of certain provisions of the Trust Indenture does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture. Certain of the terms used herein are defined under "Definitions" below.

General

The Trust Indenture provides that Debentures may be issued thereunder from time to time in one or more series. Specific terms and conditions which apply to such series will be set out in a supplement to the Trust Indenture. The Debentures will be direct, unconditional and, unless otherwise indicated in the relevant prospectus supplement, unsecured obligations of the Company. As of the date hereof, and a total of $300 million aggregate principal amount of Debentures are outstanding under the Trust Indenture.

The prospectus supplement relating to the particular Debentures offered thereby will describe the terms of such Debentures, including, where applicable:

(i) the designation, aggregate principal amount and denominations of such Debentures;

(ii) the price at which such Debentures will be issued or whether such Debentures will be issued on a non-fixed price basis;

(iii) the date or dates on which such Debentures will mature and the portion (if less than all of the principal amount) of such Debentures to be payable upon declaration of an acceleration of maturity;

(iv) the currency or currencies in which such Debentures are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debentures will be payable, whether the holder of any such Debentures or the Company may elect the currency in which payments thereon are to be made and if so, the manner of such election;

(v) whether the Debentures of such series are interest bearing and, in the case of interest bearing Debentures, the rate or rates (which may be fixed or variable) per annum at which such Debentures will bear interest, if any;

(vi) the date from which interest on such Debentures, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;

(vii) the dates on which and the price or prices at which such Debentures will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

(viii) any special provisions for the payment of additional interest with respect to such Debentures;

(ix) any additional covenants included for the benefit of holders of such Debentures;

(x) the general terms or provisions, if any, pursuant to which such Debentures are to be guaranteed or secured;

(xi) any additional events of default provided with respect to such Debentures;

(xii) any exchange on which Debentures of a series will be listed;

(xiii) terms for any conversion or exchange into other securities;

(xiv) any special tax implications of or any special tax provision, or indemnities relating to Debentures of such series; and

(xv) any other terms of such Debentures.

Payment

Unless otherwise specified in the applicable prospectus supplement, payment of principal (and premium, if any) on Debentures will be made in the designated currency against surrender of such Debentures at the office of the Trustee in Vancouver, British Columbia. Unless otherwise indicated in the prospectus supplement related thereto, payment of any instalment of interest on Debentures will be made to the person in whose name such Debenture is registered immediately prior to the close of business on the record date for such interest by electronic funds transfer.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by another instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Restrictions on Mergers, Amalgamations and Consolidations

The Trust Indenture contains provisions to the effect that the Company will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person (a "Successor"), whether by way of reorganization, consolidation, conveyance, amalgamation, arrangement, merger, transfer, sale or otherwise, (each a "Reorganization Transaction"), provided that the Company may enter into a Reorganization Transaction if the Successor is a corporation existing under the laws of Canada or any province or territory thereof and assumes in a manner satisfactory to the Trustee all obligations and covenants of the Company under the Debentures and the Trust Indenture and no condition or event exists or is continuing at the time of, or after giving effect to, the Reorganization Transaction that does or would after the giving of notice or lapse of time, or both, constitute an event of default.

Modification of the Trust Indenture

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of the aggregate principal amount of such series voted at a duly constituted meeting.

Events of Default

The Trust Indenture provides that any one or more of the following events shall constitute an event of default with respect to any series of Debentures thereunder: (i) a default in the payment of the principal of (or premium, if any, on) any Debentures of such series when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (ii) a default in the payment of interest on any Debentures of such series when the same becomes due and payable or any sinking fund payment prescribed for any Debentures of such series, and such default continues for a period of 30 days; (iii) default in the performance of or breach of any other covenant or agreement of the Company with respect to such series under the Trust Indenture or the Debentures and such default or breach continues for a period of 60 days after written notice to the Company by the Trustee or for such longer period as may be agreed to by the Trustee provided that in no event shall such longer period extend beyond 90 days after receipt of such notice by the Company; (iv) any failure to pay when due or within any applicable grace period, any Indebtedness of the Company or a Subsidiary in an aggregate principal amount in excess of $50 million; (v) any default in respect of any Indebtedness of the Company or any Subsidiary having an aggregate principal amount exceeding $50 million after the expiration of any applicable grace period, if such default has resulted in such Indebtedness in excess of such aggregate principal amount becoming due prior to its stated maturity; (vi) the sale, transfer or other disposition by the Company, by one or more transactions, directly or indirectly, of its undertaking or assets representing, in the aggregate, substantially all of the assets of the Company other than in accordance with the provisions of the Trust Indenture; (vii) one or more final judgements (not subject to appeal) are rendered against any one or more of the Company and its Subsidiaries in an aggregate amount in excess of $50 million (excluding amounts in respect of which the Company or its Subsidiaries are insured) by a court or courts of competent jurisdiction and remain undischarged or unstayed for a period of 60 days after the date on which all rights to appeal have expired; (viii) proceedings are commenced for the winding-up, liquidation or dissolution of the Company or a Material Subsidiary (except as otherwise permitted under the Trust Indenture), a decree or order of a court of competent jurisdiction is entered adjudging the Company or a Material Subsidiary a bankrupt or insolvent, or a petition seeking reorganization, arrangement or readjustment of or in respect of the Company or a Material Subsidiary is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Company or such Material Subsidiary in good faith and are dismissed or stayed within 60 days of commencement; (ix) the Company or a Material Subsidiary makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property which is material to the conduct of its business, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; or (x) a resolution is passed for the winding-up or liquidation of the Company except in the course of carrying out or pursuant to a transaction permitted under the Trust Indenture. The Company is required to file with the Trustee an annual officers' certificate as to the absence of certain defaults under the Trust Indenture.

The Trust Indenture provides that if an event of default (other than an event of default specified in clauses (viii) to (x) above in relation to the Company) shall occur and be continuing with respect to a series of Debentures issued thereunder, the Trustee may in its discretion and shall upon request of the holders of not less than 25% in principal amount of the outstanding Debentures of such series declare the principal of, together with accrued interest on, all Debentures of such series to be due and payable. In certain cases, the holders of 66 2/3% in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may on behalf of the holders of all such Debentures waive any past default or event of default and rescind and annul any such declaration and its consequences.

The Trust Indenture further provides that if an event of default specified in clauses (viii) to (x) in relation to the Company occurs, the principal of and any accrued interest on the Debentures then outstanding shall become immediately due and payable; provided however that at any time after an automatic acceleration with respect to the Debentures has been made, the holders of a majority in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may, under certain circumstances, rescind and annul such acceleration and its consequences.

The Trust Indenture contains a provision entitling the Trustee, subject to its duty during a default to act with the required standard of care, to be indemnified by the holders of Debentures of such series before proceeding to exercise any right or power under the Trust Indenture at the request of such holders. The Trust Indenture will provide that no holder of Debentures of any series may pursue a remedy with respect to the Trust Indenture except in the case of failure of the Trustee to act.

Defeasance

The Company may elect, with respect to any series of Debentures, either to be discharged from its obligations or to be released from its obligations to comply with the terms, provisions or conditions relating to the Debentures of such series or any other covenants or any event of default (other than a default in the payment of principal, interest, if any, or any premium, under such series of Debentures). Following such election the Company will be so discharged, provided: (i) the Company has, at least 91 days prior to such discharge becoming effective, irrevocably deposited with the Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the Trust Indenture with respect to the Debentures of the series affected, (a) funds in the currency or currencies in which such Debentures are payable, and/or (b) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debentures of such series are payable, and that are not subject to prepayment, redemption or call, as will together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (x) the principal of (and premium, if any) and interest on the outstanding Debentures of the particular series on their stated due dates or maturity, as the case may be, and (y) any mandatory prepayments on the day on which such prepayments are due and payable; (ii) such deposit will not result in a breach or violation of, or constitute a default under, the Trust Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (iii) no event of default with respect to the Debentures of such series or event that, with notice or lapse of time, would become such an event of default shall have occurred and be continuing on the date of such deposit; and (iv) the Company shall have delivered to the Trustee an officers' certificate and an opinion of Counsel, each stating that all conditions precedent to the defeasance have been satisfied.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means, Indebtedness including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Material Subsidiary**" means, at any time, a Subsidiary:

(a) the total assets of which (on a consolidated basis) represent more than 20% of the total assets of the Company determined on a consolidated basis as shown in the most recent audited consolidated balance sheet of the Company; or

(b) the total revenues of which represent more than 20% of the total revenues of the Company determined on a consolidated basis as shown in the consolidated statement of income of the Company for the four most recent fiscal quarters of the Company.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the first date of issuance by the Company of any Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown; and

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company;

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its Subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt**,** (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The following description of Subordinated Debt Securities sets forth certain general terms and provisions of the Subordinated Debt Securities in respect of which a prospectus supplement will be filed. The particular terms and provisions of Subordinated Debt Securities offered by any prospectus supplement will be described in the prospectus supplement filed in respect of such Subordinated Debt Securities.

Subordinated Debt Securities will be issued under the Subordinated Debenture Trust Indenture or one or more subsequent trust indentures, in each case between the Company and a financial institution organized under the laws of Canada or of any province thereof or of the United States.

The Subordinated Debt Securities will be direct unsecured obligations of the Company and will be subordinated to other indebtedness of the Company outstanding from time to time. Subordinated Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Company from time to time or as non-interest bearing securities issued at a discount. The Subordinated Debt Securities will be issued in registered form or bearer form with coupons attached and may be represented in the form of fully registered global notes.

The specific variable terms of any offering of Subordinated Debt Securities, including the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of Subordinated Debt Securities being offered, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Subordinated Debt Securities into other securities of the Company, the names of the dealers, underwriters or agents engaged in connection with the offering of the Subordinated Debt Securities, any commission payable, the method of distribution, the actual proceeds to the Company and any other specific terms, will be set forth in a prospectus supplement which will accompany this short form prospectus. The Company reserves the right to set forth in a prospectus supplement specific variable terms of Subordinated Debt Securities and the offering thereof which are not within the options and parameters set forth in this short form prospectus.

RISK FACTORS

Prospective investors in a particular offering of Securities should consider, in addition to information contained in the prospectus supplement relating to that offering or in other documents incorporated by reference herein, the risks described in management's discussion and analysis incorporated by reference into the annual information form of the Company, and the business risk described in management's discussion and analysis included in the interim unaudited comparative consolidated financial statements of the

Company as at September 30, 2003, both of which are incorporated by reference herein as at the date of the prospectus supplement relating to the particular offering of Securities.

PLAN OF DISTRIBUTION

The Securities may be sold through underwriters or dealers purchasing as principals, and may also be sold by the Company directly or through agents designated from time to time. Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

The prospectus supplement relating to the series of Securities offered thereby will identify each underwriter or agent with respect to that series and will set forth the terms of the offering of such series, including the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the proceeds to the Company and any fees payable to underwriters or agents.

In connection with any offering of Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. Each underwriter or agent will agree that it will not offer for sale or sell or deliver the Securities within the United States except in accordance with Rule 144A under the U.S. Securities Act. Each underwriter or agent will agree not to offer and sell securities outside the United States except in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of an offering, any offer or sale of Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: December 10, 2003

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) John M. Reid
President and Chief Executive Officer

(Signed) Milton C. Woensdregt
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) Mark L. Cullen
Director

(Signed) Michael W. O'Brien
Director

AUDITORS' CONSENT

The Board of Directors of Terasen Inc.

We have read the short form base shelf prospectus dated December 10, 2003 relating to the offering of $800,000,000 Debentures (unsecured) and Subordinated Debt Securities (unsecured) of the Company. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the short form base shelf prospectus of our report to the shareholders of the Company (formerly BC Gas Inc.) on the consolidated statements of financial position of the Company as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. Our report is dated February 3, 2003.

(signed) KPMG LLP

Chartered Accountants

Vancouver, Canada
December 10, 2003

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered, sold or delivered within the United States of America including the states and the District of Columbia and its territories and possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S to the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

SHORT FORM PROSPECTUS

New Issue December 3, 2002

BC Gas Inc.™

$201,400,000

5,300,000 Common Shares

The Common Shares are listed on The Toronto Stock Exchange (the "TSX") under the symbol BCG. The closing price of the Common Shares on the TSX on December 2, 2002 was $37.39.

In the opinion of counsel the Common Shares will not, at the date of closing, be precluded as investments under certain statutes. See "Eligibility for Investment".

Price: $38.00 per Common Share

	Price to the Public	Underwriters' Fee(2)	Net Proceeds to the Company(1)
Per Common Share	$38.00	$1.52	$36.48
Total	$201,400,000	$8,056,000	$193,344,000

(1) Before deducting the expenses of this Offering estimated at $200,000, which, together with the Underwriters' fee will be paid by BC Gas Inc. (the "Company") from its general funds.

(2) The Underwriters will also be paid a fee with respect to the concurrent private placement of 2,631,600 Common Shares of $0.76 per share or $2,000,016 in the aggregate. See "Plan of Distribution".

Five of the Underwriters are subsidiaries of Canadian chartered banks or other financial entities which are members of various syndicates of financial institutions or entities that have made credit facilities available to the Company and its subsidiaries. Accordingly, the Company may be considered a connected issuer of such Underwriter under applicable securities laws in certain Canadian provinces. See "Plan of Distribution".

RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Edward Jones, FirstEnergy Capital Corp. and Raymond James Ltd. (collectively, "the Underwriters"), as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Share certificates representing the Common Shares will be available for delivery at closing, which is expected to occur on December 10, 2002, or such other date as may be agreed upon, but no later than December 31, 2002. The Underwriters may effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those that might prevail in the open market. See "Plan of Distribution".

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 443-6500). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or other similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 25, 2002, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2001 and 2000, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at September 30, 2002 and for the three-month and nine-month periods ended September 30, 2002 and 2001, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) the management proxy circular dated March 6, 2002 in connection with the annual meeting of shareholders of the Company held on April 25, 2002, except for the sections entitled "Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices".

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) subsequently filed by the Company with the securities commissions and any similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

BC GAS INC.

BC Gas Inc. (the "Company") is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. ("BC Gas Utility" or the "Utility"), Centra Gas British Columbia Inc. ("Centra BC"), Centra Gas Whistler Inc. ("Centra Whistler") (Centra BC and Centra Whistler are together called "Centra Gas"), Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") and Corridor Pipeline Limited ("CPL"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business of the BC Gas Group of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of BC Gas' other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2001, the Utility and its subsidiaries transmitted and distributed natural gas to over 767,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. Centra BC transmits and distributes natural gas to residential, commercial and industrial customers in the Sunshine Coast and Vancouver Island areas of British Columbia. The transmission and distribution business is carried on under statutes, franchises or operating agreements or leases granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility and Centra BC are regulated by the British Columbia Utilities Commission ("BCUC").

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

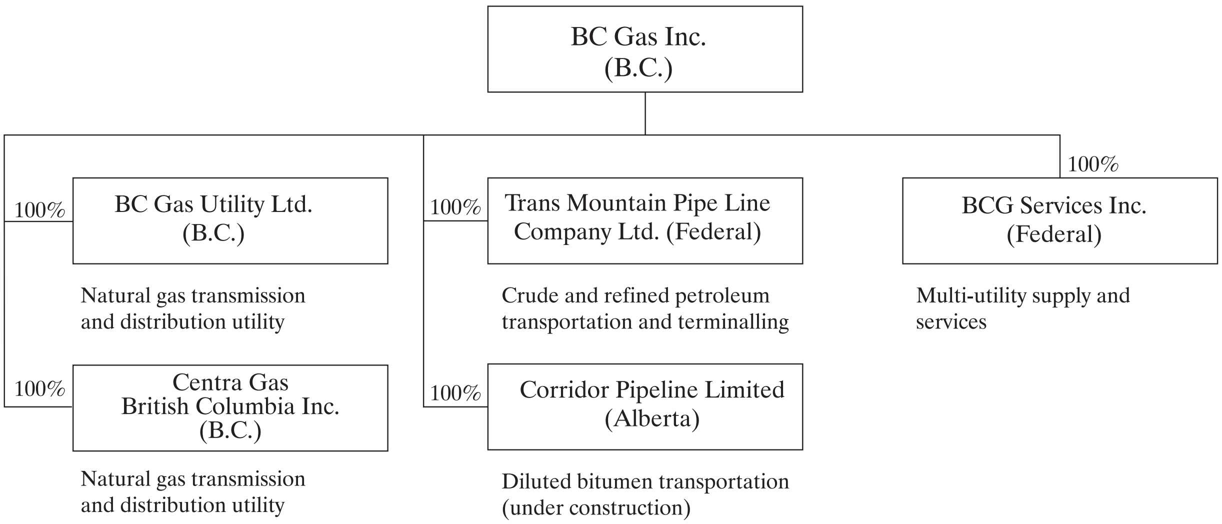
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is completing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton. Construction of this pipeline is 99% complete and commissioning is 90% complete. It is expected that the Corridor Pipeline will commence commercial operations by March 2003.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2001 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2002:



RECENT DEVELOPMENTS

Third Quarter Results

For the nine months ended September 30, 2002, earnings applicable to common shares of the Company were $49.8 million, compared with $35.6 million for the same period in 2001. Earnings per share for the first nine months of 2002 were $1.17, as compared to $0.93 in 2001. The increase in earnings was primarily due to the acquisition of Centra Gas, the results of which are included in the Company's results as of January 1, 2002. The increase in earnings per share also reflects the issuance of 5,208,000 Common Shares of the Company on March 7, 2002 to finance, in part, the acquisition of Centra Gas.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

Regulation

On June 17, 2002, BC Gas Utility filed an application with the BCUC to determine its 2003 revenue requirement application and to initiate a process to establish a multi-year incentive regulatory settlement for BC Gas Utility. A hearing to review the application has been completed. This process will result in the determination of rates for 2003, which the Company anticipates will form the basis for negotiations by the Utility with stakeholders on a multi-year regulatory settlement.

Separately, Centra BC has filed an application with the BCUC for a multi-year regulatory settlement, which is expected to lead to negotiations with key stakeholders later in 2002 for a settlement to take effect January 1, 2003.

Private Placement

On November 21, 2002 the Company entered into an agreement with a Canadian institutional investor under which the Company agreed to sell to that entity 2,631,600 Common Shares at a price of $38.00 per share, for an aggregate consideration of $100,000,800 (the "Private Placement"). The Private Placement is subject to receipt of all regulatory approvals and will close concurrently with this Offering.

THE ACQUISITION

EnCana Corporation and its affiliates assume no responsibility for the disclosure contained under "The Acquisition" and shall have no responsibility or liability for the use of, or reliance on, such disclosure.

Overview

On November 19, 2002, the Company, together with a consortium formed by the Company (the "Consortium"), entered into an agreement with EnCana Corporation ("EnCana") and a number of its subsidiaries (together called the "Vendors") to acquire from them (the "Acquisition") all of the outstanding shares of certain subsidiaries of EnCana which own and operate the Express Pipeline and the Platte Pipeline (together called the "Express System"). The Express System is a major export pipeline for Canadian petroleum production transporting crude oil from Hardisty, Alberta to Casper, Wyoming and to the Wood River, Illinois area via the Platte Pipeline. The total consideration for the Acquisition is approximately $1,175 million, subject to certain adjustments, which includes the assumption of debt of approximately $582 million.

The Consortium includes the Company, Borealis Infrastructure Management Inc. (Borealis Infrastructure) acting on behalf of OMERS (Ontario Municipal Employees Retirement System) and Ontario Teachers' Pension Plan Board. Each partner holds an equal one-third ownership interest in the Consortium. Part of the net proceeds of this Offering and the Private Placement will be used to finance the Company's one-third interest in the Consortium and in the purchase price for the Acquisition, of approximately $197.7 million. See "Use of Proceeds".

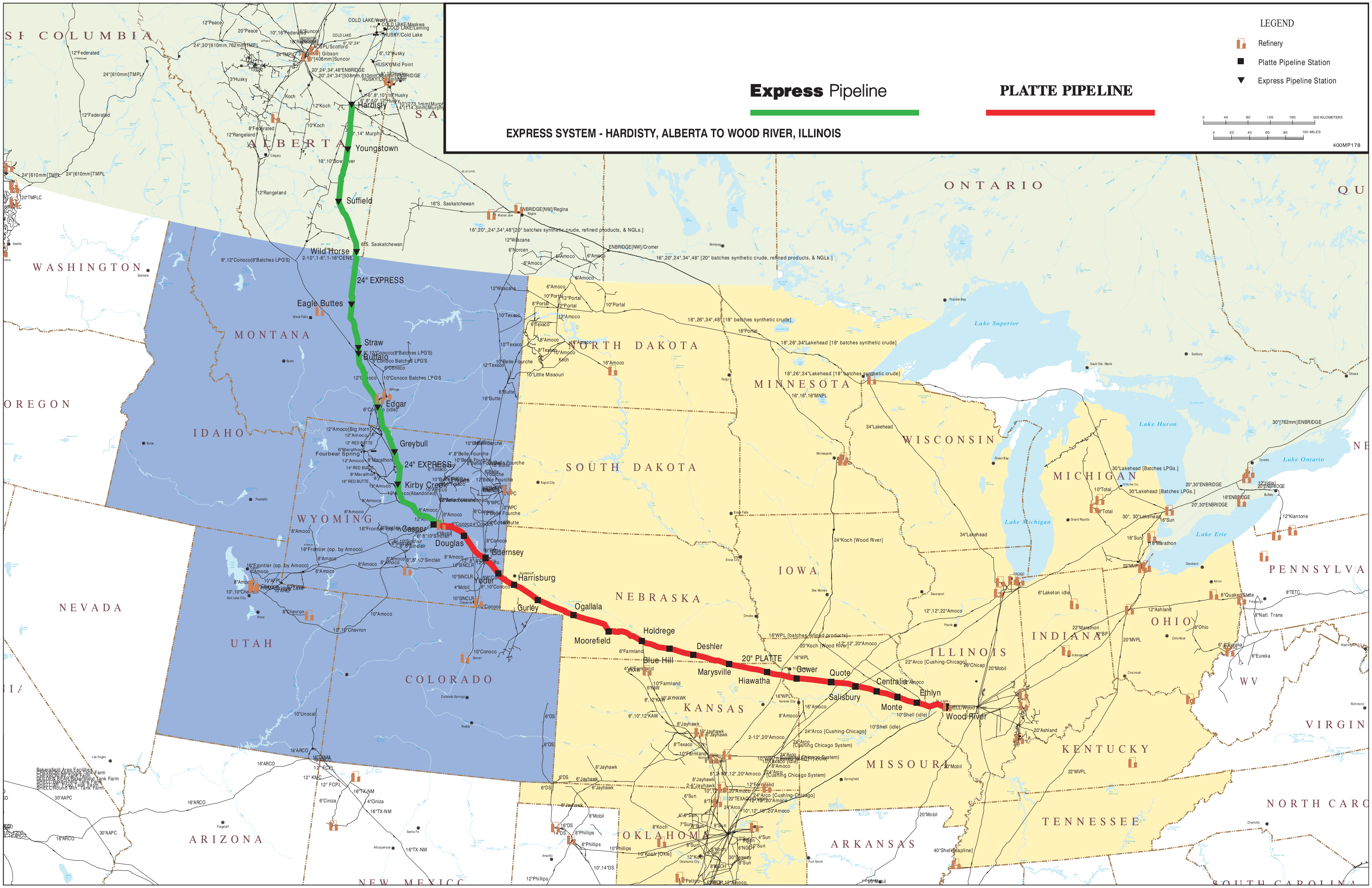
As part of the closing of the Acquisition, a marketing agreement will be entered into with EnCana whereby it will provide marketing services for the Express System. Trans Mountain will operate and manage the Express System for the Consortium.

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. See "Regulatory Matters". The Acquisition closing date is expected to occur in early 2003.

Express System

The Express System is a batch-mode, common-carrier, crude pipeline system comprised of the Express Pipeline and the Platte Pipeline. The Express System transports a wide variety of crude types produced in Alberta to markets in Petroleum Administration Defense District IV, comprised of the states in the Rocky Mountain area of the United States ("PADD IV") and Petroleum Administration Defense District II, comprised of the states in the central area of the United States ("PADD II"). The Express System also transports crude oil produced in PADD IV to downstream delivery points in PADD IV and to PADD II.

The following is a map of the Express System:



PADD IV

PADD II

Express Pipeline

The Express Pipeline is a 1,256 kilometre (785 mile), 24″ diameter pipeline that begins at the crude pipeline hub at Hardisty, Alberta and terminates at the Casper, Wyoming facilities of the Platte Pipeline, and includes related metering and storage facilities (including tanks) and pump stations. At Hardisty, the Express Pipeline receives crude from certain other pipeline systems and terminals, which currently provide access to approximately 1.3 million barrels per day of crude moving through this delivery hub. The Express Pipeline is the major pipeline transporting Alberta crude into PADD IV.

The Express Pipeline has a design capacity of 172,000 barrels per day and can potentially be expanded through additional incremental pumping capacity to 280,000 barrels per day. Throughput between Hardisty and Casper has averaged 166,200 barrels per day during the nine month period ended September 30, 2002.

Platte Pipeline

The Platte Pipeline is a 1,491 kilometre (932 mile), 20″ diameter pipeline that runs from the crude pipeline hub at Casper, Wyoming to refineries and interconnecting pipelines in the Wood River, Illinois area, and includes related pumping and storage facilities (including tanks). The Platte Pipeline transports crude shipped on the Express Pipeline, crude produced in PADD IV and crude received in PADD II, to downstream delivery points. It is currently the only major crude pipeline transporting crude oil from PADD IV to PADD II. Various receipt and delivery points along the Platte Pipeline, with interconnections to other pipelines, enable crude to be moved to various markets in PADD IV and PADD II.

The Platte Pipeline has a capacity of 150,000 barrels per day and has averaged throughput of 136,800 barrels per day during the nine month period ended September 30, 2002.

Shipping Arrangements

The current Express System rate structure is a combination of committed rates and uncommitted rates. The committed rates apply to those shippers who have signed long-term (10- or 15-year) contracts with the Express System to transport crude on a ship-or-pay basis. Uncommitted rates are the rates that apply to uncommitted services whereby shippers transport oil through the Express System without a long-term commitment between the shipper and the Express System.

Committed rates vary according to the destination of shipments and the length of the term of the transportation services agreement, with those shippers committing to longer-term agreements receiving lower rates. Committed rates may be escalated each year by up to 2%. There are currently in place transportation services agreements expiring in 2007 and 2012 with seven shippers for an aggregate of 115,900 barrels per day of crude on a ship-or-pay basis, including contracts with affiliates of EnCana with respect to 70,000 barrels per day.

Uncommitted rates were established on a cost of service basis and can be changed in accordance with applicable regulations discussed below. See "*Regulation*".

Regulation

The Canadian segment of the Express Pipeline is regulated by the National Energy Board ("NEB"), as a Class II pipeline, which results in rates and terms of service being regulated on a complaint basis only.

The U.S. segment of the Express Pipeline and the Platte Pipeline are regulated by the U.S. Federal Energy Regulatory Commission ("FERC"), which regulates the rates and terms of service of a common carrier. FERC has additionally established methods by which pipelines may increase their rates.

Recently, a filing was made on behalf of the Platte Pipeline to increase its local rates to a cost of service level by establishing new ceiling rates. Rates for both the United States segment of the Express

Pipeline and the Platte Pipeline are subject to adjustment in accordance with FERC's indexation formula each year. Presently, the ceiling rates for the Platte Pipeline are in excess of the rates being charged.

Additionally, the Platte Pipeline is regulated by the Wyoming Public Service Commission (the "WPSC"), which regulates the tariffs and terms of service of public utilities that operate in the State of Wyoming. The WPSC standards applicable to rates are similar to those of the FERC and the NEB.

Regulatory Matters

Wyoming Public Utilities Act

Under the provisions of the *Wyoming Public Utilities Act*, the acquisition of or interest of a utility subject to the terms of that Act requires the approval of the WPSC. In order to complete the Acquisition, the Consortium is required to obtain the WPSC approval and is applying for that approval.

Competition Act

The Acquisition is a "notifiable transaction" for the purposes of Part IX of the *Competition Act* (Canada) (the "Competition Act"). As such, the Acquisition may not be completed before the expiration or earlier termination of the applicable waiting period after notice of the Acquisition, together with certain prescribed information, has been provided to the Commissioner of Competition (the "Competition Commissioner") under the Competition Act.

A party to a proposed merger may also apply to the Competition Commissioner for an advance ruling certificate (an "ARC") which may be issued by the Competition Commissioner if he is satisfied that there are not sufficient grounds on which to apply in respect of the transaction to the Competition Tribunal for an order under the merger provisions of the Competition Act.

The Consortium and EnCana will apply to the Competition Commissioner for an ARC in respect of the Acquisition.

Hart-Scott Rodino Antitrust Improvements Act of 1976 (United States)

Under the *Hart-Scott Rodino Antitrust Improvements Act of 1976* (the "HSR Act") and related rules, the Acquisition may not be consummated prior to the expiration or termination of the applicable HSR Act waiting period. EnCana and the Company will each file a Notification and Report Form with the Antitrust Division of the Department of Justice and the Federal Trade Commission and request early termination of the waiting period. At any time before or after the closing of the Acquisition, the Antitrust Division, the Federal Trade Commission or others could take action under the antitrust laws of the United States, including seeking to prevent the Acquisition, to rescind the Acquisition or to require divestiture of assets. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, that it would not be successful.

PRO FORMA CONSOLIDATED CAPITALIZATION

The table below sets forth the consolidated capitalization of the Company, adjusted to give effect to the material changes in the share and loan capital of the Company since the date of the comparative consolidated financial statements for the Company's most recently completed financial year and after giving effect to this Offering and the Private Placement.

	Outstanding at December 31, 2001	Pro forma outstanding at December 31, 2001 after giving effect to material changes since December 31, 2001 and the completion of the Offering and the Private Placement(2)(3)
	(in millions of dollars)	
Long-term debt(1)(3)	$2,151.6	$2,356.4
Shareholders' equity		
Capital Securities	125.0	125.0
Common shares(1)(4)	364.3	854.0
Contributed surplus	130.8	130.8
Retained earnings(1)	271.0	258.0
Common shares held by subsidiary	(51.0)	(51.0)
Total capitalization	$2,991.7	$3,673.2

(1) The pro forma presentation incorporates:

(a) gross proceeds of $301.4 million from the Offering and the Private Placement with expenses of the Offering estimated at $10.3 million ($6.8 million after taxes) charged to retained earnings;

(b) the assumption of $229.6 million of debt with respect to the acquisition of Centra Gas which is included in long-term debt;

(c) the gross proceeds of $188.3 million for the issue of 5,208,000 Common Shares of the Company on March 7, 2002 to finance the acquisition of Centra Gas with net expenses of $6.2 million;

(d) the increase of $120.1 million of long-term debt for construction of the Corridor Pipeline, net of the application of $93.4 million from the net proceeds of the Offering and the Private Placement to pay down long-term debt of CPL; and

(e) the repayment of $100 million and $44.9 million of long-term debt during 2002 by BC Gas Utility and Trans Mountain, respectively.

(2) The acquisition of the Express System will be accounted for in the books of the Company on an equity basis.

(3) All indebtedness except for long-term indebtedness of CPL and Centra Gas and the purchase money mortgages of the Company is unsecured and includes the current portion. The CPL indebtedness is secured by all of the assets of CPL; the Centra Gas indebtedness is secured by all of the assets of Centra Gas; and the purchase money mortgages are secured by the mainland gas division assets of the Company.

(4) At September 30, 2002, an additional 1,670,547 Common Shares were subject to outstanding options to purchase Common Shares.

DETAILS OF THE OFFERING AND DESCRIPTION OF SHARE CAPITAL OF THE COMPANY

The Offering consists of 5,300,000 Common Shares. The holders of Common Shares of the Company are entitled to one vote for each Common Share on all matters to be voted on by the shareholders and are entitled to receive such dividends as may be declared by the directors out of funds legally available therefor. The Common Shares rank junior to the rights of the holders of all outstanding preference shares as to payment of dividends and as to repayment of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation or distribution of assets. There are no preemptive, redemption, purchase or conversion rights attaching to the Common Shares.

The authorized capital of the Company consists of 750,000,000 Common Shares and 100,000,000 First Preference shares and 100,000,000 Second Preference shares, each of which is issuable in series, all of which shares are without par value, of which 48,302,405 Common Shares and 5,000,000 Second Preference shares of the Company were outstanding as at September 30, 2002. The Second Preference shares and 4,592,094 Common Shares are held by subsidiaries of the Company.

DIVIDENDS ON COMMON SHARES

The Company's current quarterly dividend rate is $0.36 per common share. The third quarter dividend will be paid on November 30, 2002 to shareholders of record on November 18, 2002. Purchasers of Common Shares hereunder will not be eligible to receive the fourth quarter dividend, however, those purchasers who are shareholders of record on February 24, 2003 will be eligible to receive the first quarter dividend which is expected to be paid on or about February 28, 2003.

CONSTRAINTS ON SHARE OWNERSHIP

The *Hydro and Power Authority Privatization Act* (British Columbia) (the "Privatization Act"), as amended, contains provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting shares of a company designated as a special company. The Company and BC Gas Utility have been designated as special companies under the Privatization Act. Such provisions provide that:

(a) persons who are not residents or citizens of Canada are not permitted to hold or beneficially own, in the aggregate, directly or indirectly, voting shares to which are attached more than 20% of the total number of outstanding votes relating to the voting shares of the Company; and

(b) the total number of voting shares of the Company that may be held by any one person or group of associated persons shall not exceed 10% of the total number of the issued and outstanding voting shares of the Company.

If voting shares are held by persons in contravention of the above limitations, such persons shall not receive dividends on any voting share held, unless the contravention is inadvertent or is of a technical nature, nor shall they be entitled to cast a vote in respect of any shares of the Company held by them. The Company may, by notice given by mail or by personal service, require a member holding voting shares in excess of the limitation ("excess voting shares") to dispose of the excess voting shares over a period of not less than 60 days. If the excess voting shares are not disposed of as required by the notice, the Company may redeem the excess voting shares by (a) depositing the redemption price of such shares in a special account with a savings institution, and (b) giving notice of such redemption to the member. The redemption price for the excess voting shares will be the lesser of (a) the price on the initial issue of shares of that class, and (b) the lowest closing price per share, on a stock exchange designated by the board of directors, of the voting shares during the twelve month period preceding the date of giving notice of redemption.

The Privatization Act provides in effect that any member (the "designated shareholder") holding, as registered owner or beneficially, in excess of 10% of the outstanding voting shares of the Company on July 1, 1993 may continue to hold such shares, provided that it entered into an agreement under the Privatization Act that the Lieutenant Governor in Council considers protects the public interest. The Company has entered into such an agreement providing for its holding of the common shares of the Utility and has been designated for that purpose under the Privatization Act. Trans Mountain Holdings Ltd. has also entered into an agreement providing for its holding of the Common Shares of the Company and has been designated for that purpose under the Privatization Act. Under the Privatization Act, a person may acquire from a designated shareholder all of the voting shares held by the designated shareholder provided a similar agreement is entered into as directed by the Lieutenant Governor in Council, in its discretion.

The Privatization Act was amended on July 13, 1995 to raise the ownership restriction of the Company and the Utility to 10% of the total number of voting shares held by any one person or group of associated persons. Previously, this had been set at 4%.

Under the *Utilities Commission Act* (British Columbia), the acquisition, directly or indirectly, by any one person, or persons acting jointly, of 20% or more of the outstanding common shares of the Utility is a reviewable transaction requiring the prior approval of the BCUC.

USE OF PROCEEDS

The net proceeds to the Company from this Offering and the Private Placement, after deducting the fees payable to the Underwriters (including the fees payable for the Private Placement) and estimated expenses of the Offering, are expected to be $291.1 million. See "Plan of Distribution". The net proceeds of the Offering and the Private Placement will be used to finance the Company's portion of the consideration payable in respect of the Acquisition, to provide financing for the completion of the Corridor Pipeline including repayment of long-term debt incurred by CPL, and for general corporate purposes. See "Recent Developments — The "Acquisition". If the Acquisition is not completed the net proceeds of this Offering will be used for the completion of the Corridor Pipeline including repayment of long-term debt incurred by CPL, for general corporate purposes and for investments in subsidiaries.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated November 22, 2002 between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Edward Jones, FirstEnergy Capital Corp., and Raymond James Ltd. and such other underwriters as may be added by the Company (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have agreed to purchase, on December 10, 2002 or on such other date as may be agreed upon, subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the 5,300,000 Common Shares, for a total consideration of $201,400,000 payable to the Company against delivery of share certificates for Common Shares. The Company has agreed to pay to the Underwriters an aggregate fee of $8,056,000 ($1.52 per share) for services rendered by them in connection with the Offering. In addition, the Company has agreed to pay the Underwriters an aggregate fee of $2,000,016 ($0.76 per share) with respect to the Common Shares sold under the Private Placement.

Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Common Shares if any of the Common Shares are purchased under the Underwriting Agreement. The Common Shares will be offered for sale by any Underwriter only in those jurisdictions where such Underwriter is lawfully permitted to offer and sell such securities.

The Underwriters propose to offer the Common Shares to the public at the public offering price. After the issuance of the Common Shares, the price and other selling terms at which they will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Common Shares.

Five of the Underwriters are, directly or indirectly, subsidiaries of Canadian chartered banks. Such Canadian chartered banks (the "Lenders") are members of a syndicate or are lenders under credit facilities provided to the Company and certain of its subsidiaries as set forth below:

Borrower	Number of Lenders	Commitment of Lenders	Total Number within Banking Syndicate	Total Commitment under Credit Facility	Term of Credit Facility
Company	1	$200 million	n/a	$200 million	up to 3 years
BC Gas Utility	4	$500 million	4	$500 million	1 year
Trans Mountain	3	$125 million	4	$125 million	up to 3 years
CPL	4	$425 million	9	$700 million	5 years
Centra Gas	4	$213 million	5	$226 million	3 to 6 years

All of the foregoing facilities are undrawn, except for the Centra Gas facilities, and are used for operating purposes or as back stops for commercial paper programs. The Centra Gas facilities are drawn for $226 million which was used to finance improvements to property and plant. All facilities are unsecured except for the CPL and Centra Gas credit facilities, which are secured by all of the assets of CPL and all of the assets of Centra Gas, respectively. The various credit facilities contain representations, covenants, restrictions and events of default that are customary for such agreements, including restrictions on the creation of additional indebtedness, liens and encumbrances, restrictions on payments of dividends (in certain cases) and other amounts on account of capital and adherence to specified financial covenants. The Company or its subsidiaries are in compliance with the terms of these credit facilities. The terms of distribution of the Common Shares was determined through negotiations between the Company and the Underwriters. The Lenders did not have any involvement in such determinations. None of the Underwriters will receive any benefit of this Offering other than its portion of the fees payable by the Company on the subscription price of the Common Shares sold to the Underwriters.

Pursuant to the policy statements of the Ontario Securities Commission and the *Commission des valeurs mobilières du Québec*, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the foregoing exceptions, in connection with the Offering, the Underwriters may over-allot Common Shares or effect transactions intended to stabilize or maintain the market price of the Common Shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during the Offering.

The Common Shares have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. Persons except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Common Shares within the United States except in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement provides that the Underwriters will offer and sell securities outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

The Toronto Stock Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Company fulfilling all of the listing requirements of The Toronto Stock Exchange on or before February 20, 2003.

RISK FACTORS

An investment in the Common Shares offered hereby involves certain risks in addition to those described in the discussion and analysis by management of the Company of the financial condition and results of operations of the Company incorporated by reference in the Company's Annual Information Form dated as of April 25, 2002. Before investing, prospective purchasers of Common Shares should carefully consider, in light of their own financial circumstances, the factors set out below, as well as the other information contained or incorporated by reference in this short form prospectus.

Competitiveness of the Express System

There are committed contracts for delivery of crude for approximately 67% of the capacity on the Express System with the balance of the throughput being uncommitted. There are other alternatives for transporting crude to the Express System's delivery markets. Throughput on the Express System may decline if local crude production or crude transported through alternative systems to those delivery markets is available at a lower cost than the delivered cost of crude through the Express System. Revenues for the Express System may therefore be affected by the ability of the Company to ensure that throughput on the Express System is maximized and in excess of the committed contracts. Any decrease in throughput could affect the revenues of the Company.

Results of Operations and Financing Risks

Management of the Company believes, based on its expectations as to the Company's future performance (which reflects, among other things, the completion of the Acquisition), that the cash flow from its operations and funds available to it under its credit facilities will be adequate to enable the Company to fund its operations, execute its business strategy and maintain an adequate level of liquidity. However, the cost of planned capital expenditures are estimates. Moreover, estimates of cash flow from operations are dependent on regulatory, market and other conditions beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the Company's future performance reflect the current state of its information about the Express System and its operations and there can be no assurance that such information is correct in all material respects.

Management of Expanding Operations

As a result of the Acquisition and the management agreement related thereto, significant demands will be placed on the Company's managerial, operational and financial personnel and systems. No assurance can be given that the Company's systems, procedures and controls will be adequate to support the expansion of the Company's operations resulting from the Acquisition. The Company's future operating results will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational and financial controls and reporting systems.

Non-Realization of Cost Reductions and Synergies

The Acquisition involves the integration of companies which previously operated independently. No assurance can be given that the combined operations resulting from the Acquisition will realize anticipated cost reductions and synergies or that other benefits expected from the Acquisition will be realized.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, the Common Shares, as of the date hereof, are eligible investments, where applicable, without resort to the so-called "basket provisions", or their purchase would not be precluded as investments, subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, regulations or guidelines thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, under the following statutes:

Insurance Companies Act (Canada)
Insurance Act (Alberta)
an Act respecting insurance (Québec) (for insurers other than a guarantee fund corporations)
an Act respecting trust companies and savings companies (Québec) (for a savings company which invests its own funds and a trust company which invests its own funds and deposits it receives)
Loan and Trust Corporations Act (Alberta)
Loan and Trust Corporations Act (Ontario)
Financial Institutions Act (British Columbia)
Pension Benefits Standard Act, 1985 (Canada)
Employment Pension Plans Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
Trustee Act (Ontario)

In addition, in the opinion of such counsel, based on the law as of the date hereof, the Common Shares are qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan.

LEGAL MATTERS

Certain legal matters relating to the Offering of the Common Shares will be passed upon by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters.

As at December 2, 2002, the partners and associates of Farris, Vaughan, Wills & Murphy and the partners and associates of Stikeman Elliott as a group beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, PO Box 10426, Pacific Centre, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3. The registrar and transfer agent for the Common Shares is CIBC Mellon Trust Company at its principal office in the cities of Vancouver, Calgary, Toronto and Montreal.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of this short form prospectus and any amendments thereto. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the short form prospectus and any amendments thereto contain a misrepresentation or are not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: December 3, 2002

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance,
Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) IAIN J. HARRIS
Director

(Signed) MARK L. CULLEN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 3, 2002

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC Dominion Securities Inc.	Scotia Capital Inc.
(Signed) Stephen J. Swaffield	(Signed) David Bustos

TD Securities Inc.

(Signed) Margaret Hyde

CIBC World Markets Inc.	National Bank Financial Inc.
(Signed) Alan C. Wallace	(Signed) Charles J. Addison

BMO Nesbitt Burns Inc.

(Signed) Graeme Falkowsky

Edward Jones	FirstEnergy Capital Corp.	Raymond James Ltd.
(Signed) Gary Reamey	(Signed) John Chambers	(Signed) Edward J. Bereznicki

BC Gas Inc.™

Short Form Base Shelf Prospectus dated November 21, 2001.

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

New Issue

BC Gas Inc.™

$1,000,000,000
Debentures (unsecured)
Subordinated Debt Securities (unsecured)

BC Gas Inc. (the "Company") may from time to time offer for sale unsecured debentures (the "Debentures") and subordinated unsecured debentures, notes or other evidence of subordinated indebtedness (the "Subordinated Debt Securities") (the Debentures and the Subordinated Debt Securities are together called the "Securities") in an aggregate principal amount not to exceed $1,000,000,000 or its equivalent in any other currency or units based on or relating to foreign currencies, during the 25 month period that this short form prospectus, including any amendments hereto, remains valid. The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

All shelf information permitted under applicable laws to be omitted from this short form prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this short form prospectus. Each prospectus supplement will be incorporated by reference into this short form prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the Securities to which the prospectus supplement pertains.

The Securities may be issued in registered form or bearer form with coupons attached or both. In addition, all or a portion of the Securities of any series may be issuable in permanent registered global form which will be exchangeable in certain circumstances for definitive Securities.

This short form prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may sell the Securities to or through underwriters or dealers, and also may sell the Securities to one or more other purchasers directly or through agents. See "Plan of Distribution". A prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of any Securities, and will set forth the terms of the offering of the Securities, including, to the extent applicable, the initial public offering price, the proceeds to the Company, the principal amounts, if any, to be purchased by underwriters and any underwriting or other discounts or commissions.

Unless specified in the applicable prospectus supplement, the Securities will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell Securities purchased under this short form prospectus.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 576-7000). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 26, 2001, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at June 30, 2001 and for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements;

(d) the press release of the Company dated November 8, 2001 relating to the financial statements for the nine-month period ended September 30, 2001; and

(e) the management proxy circular dated March 8, 2001 in connection with the annual meeting of shareholders of the Company held on April 25, 2001, except for the sections entitled “Executive Compensation”, “Performance Graph” and “Statement of Corporate Governance Practices”.

Any documents of the type referred to above, and any material change reports (excluding confidential material change reports), which are filed by the Company with the various securities commissions or any similar authorities in the provinces of Canada after the date of this short form prospectus and prior to the termination of the offering under any prospectus supplement shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

A prospectus supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such prospectus supplement and only for the purposes of the distribution of Securities covered by that prospectus supplement.

If the Company files a prospectus supplement with applicable securities regulatory authorities that supplies any additional or updated information that the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment), that prospectus supplement will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Where the Company updates its disclosure of earnings coverage ratios by prospectus supplement, the prospectus supplement filed with the applicable securities regulatory authorities that contains the most recent updated disclosure of earnings coverage ratios will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Upon a new annual information form and the related annual financial statements being filed by the Company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all prospectus supplements filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Securities hereunder.

BC GAS INC.

BC Gas Inc. (the “Company”) is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. (“BC Gas Utility” or the “Utility”), 100% of the common shares of Trans Mountain Pipe Line Company Ltd. (“Trans Mountain”) and 100% of the common shares of Corridor Pipeline Limited (“CPL”). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of BC Gas is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business Of The BC Gas Group Of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of the Company's other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2000, the Utility and its subsidiaries transmitted and distributed natural gas to over 762,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. The transmission and distribution business is carried on under statutes and franchises or operating agreements granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility is regulated by the British Columbia Utilities Commission (“BCUC”).

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

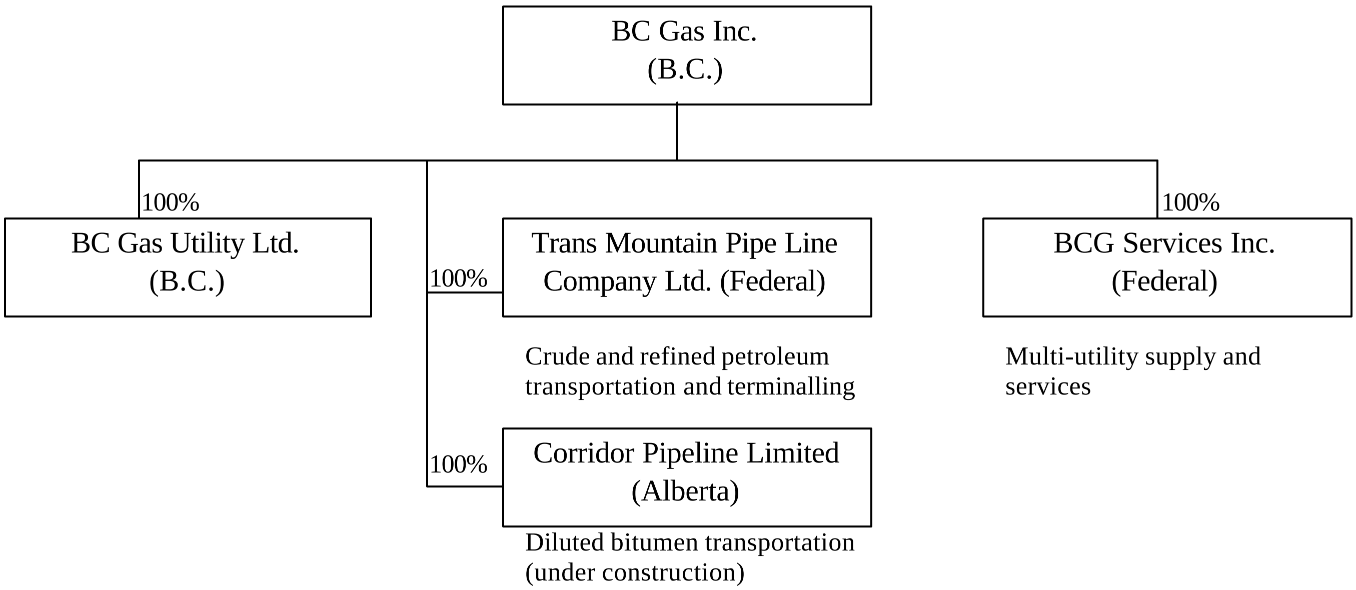
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is constructing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton, Alberta.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2000 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2001:



RECENT DEVELOPMENTS

CustomerWorks Partnership

On July 19, 2001, the Company and Enbridge Inc. announced the creation of a limited partnership, CustomerWorks, to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada. CustomerWorks is to be a leading provider of state-of-the-art utility customer management solutions and will support a complete set of business service offerings covering the entire meter-to-cash process including meter reading, billing, call centres, credit and collections, e-commerce, and field work appointment scheduling. Initial operations were launched on August 1, 2001 and full-scale operations are scheduled for January 1, 2002. CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas Utility, Enbridge Consumers Gas, Enbridge Services Inc. and Enbridge Gas New Brunswick. These entities will contract with CustomerWorks for services for a term of five years. The one existing BC Gas and four existing Enbridge call centres will become key operating sites, and a technology development centre will be based in Vancouver. An estimated 775 Enbridge employees and 140 employees of the Company will be transferred to CustomerWorks, which will have a staff of approximately 1,000 employees when it commences full operation.

Acquisition of Centra Companies

On October 22, 2001, the Company entered into an agreement with Westcoast Energy Inc. (the "Vendor") to acquire from it (the "Acquisition") all of the outstanding common and preferred shares of Centra Gas British Columbia Inc. ("Centra BC"), all of the outstanding common shares of Centra Gas Whistler Inc. ("Centra Whistler") and all indebtedness owed by Centra BC and Centra Whistler to the Vendor. Centra BC and Centra Whistler are together called "Centra Gas". The purchase price for the Acquisition is $362 million in the aggregate with $310 million payable on closing of the Acquisition and $52 million being deferred and paid on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC's service area. The purchase price is subject to certain adjustments.

The Company intends to finance approximately $180.5 million of the purchase price using the net proceeds of an offering of 5,208,000 subscription receipts exchangeable for an equivalent number of common shares of the Company on completion of the Acquisition, which subscription receipts are to be issued on or about November 20, 2001. The remainder of the purchase price is intended to be financed either from funds to be advanced to the Company under a short-term acquisition loan for $325 million arranged by the Company for this purpose (the "Acquisition Loan") or from the proceeds of an issue of Securities by the Company.

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. These regulatory approvals include the approval of the BCUC and the approval of the Competition Commissioner under the *Competition Act* (Canada). The closing of the Acquisition is also subject to obtaining the consent of the Province of British Columbia (the "Province") to the change of control of Centra BC under the provisions of the Vancouver Island Natural Gas Pipeline Agreement (the "VINGPA") as well as a release of the Vendor thereunder. The closing of the Acquisition (the "Acquisition Closing Date") is expected to occur on or about January 10, 2002. Under the agreement, either party thereto may elect to terminate the agreement if the Acquisition is not completed on or before March 28, 2002.

Centra BC

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. It has a designed throughput capacity of 135 million cubic feet per day. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas, and including seven pulp and paper mills on Vancouver Island and the Sunshine Coast. During 2000, Centra BC delivered approximately 26 billion cubic feet of gas through its system.

Centra BC provides gas transportation service to the seven pulp and paper mills under a long term transportation service agreement, the initial term of which continues until January 1, 2006. The owners of the pulp and paper mills have the option to renew the transportation service agreement for a further five years until January 1, 2011. The maximum daily volume of firm transportation service under the agreement is 37,600 gigajoules per day. Centra BC also delivers gas on an interruptible basis to a gas fired cogeneration plant at Elk Falls on Vancouver Island, and has entered into an agreement under which up to 38,000 gigajoules of gas per day will be delivered to that cogeneration plant on a firm basis commencing in 2002.

The Vendor and the Province have entered into the VINGPA to restructure the financial arrangements relating to Centra BC’s pipeline and connected distribution systems. Under the VINGPA, the Province agreed to make quarterly payments from 1996 through 2011 related to natural gas production royalties associated with deemed volumes of natural gas transported through the Vancouver Island pipeline. The royalty related payment recognized in 2000 was $22.7 million.

Under the VINGPA, the Vendor agreed to provide future financial support of up to $120 million over the period from 1996 to 2011 and $17.5 million for 1995 to finance the principal amount of the revenue deficiencies incurred by Centra BC. Annual revenue deficiencies are calculated as the difference between the regulated allowed return on approved rate base and earnings actually derived from sales revenues and expenses. The financial support provided is recorded in a deferral account by Centra BC, and, together with carrying costs at certain agreed rates, will be recoverable through future rates charged by Centra BC to its distribution customers. The amount in the deferral account as at December 31, 2000 was approximately $73 million. This is expected to be approximately $84 million as at December 31, 2001. Upon completion of the Acquisition, the Company will be obligated to provide the required financial support under the VINGPA.

Under the provisions of a special direction issued by the Province to the BCUC in 1995, the cost of natural gas service to the distribution customers of Centra BC is set based upon competitive market pricing for the period from 1996 to 2002. Commencing January 1, 2003, Centra BC's distribution rates are to be fixed by the BCUC in accordance with regulatory principles generally applied by the BCUC to natural gas utilities operating within British Columbia. In 2000, the BCUC commenced a process to establish long term cost allocation principles to be applied in fixing Centra BC's distribution rates in 2003. A rate design application by Centra BC is expected to be filed with the BCUC by spring 2002.

The rate base of Centra BC as at December 31, 2000 was approximately $429 million. For the years 1996 to 2002, the VINGPA provides for a deemed common equity component of rate base of 35% and a return on the common equity component of rate base of 362.5 basis points over the forecast Government of Canada long term bond rate. Commencing in 2003, the common equity component and the return on common equity will be set by the BCUC. The VINGPA also provides for a reduction of Centra BC’s return on common equity of $1.9 million per year for the years 1996 to 2011, resulting in an effective rate of return on common equity of 8.4% for 2000 as compared with 7.8% in 1999.

Centra Whistler

Centra Whistler distributes piped propane gas to approximately 2000 residential and commercial customers in the Whistler area of British Columbia. Centra Whistler owns and operates two propane storage and vapourization plants and approximately 125 kilometres of distribution pipelines serving customers in the Whistler area.

Acquisition Rationale

The Acquisition is a strategic investment opportunity for the Company that is expected to enhance shareholder value. This Acquisition enhances the Company’s natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generation facilities, increased customers and incentive regulation.

Third Quarter Results

For the nine months ended September 30, 2001, earnings applicable to common shares of the Company were $35.6 million, compared with $57.1 million for the same period in 2000. Earnings in the first nine months of 2000 included two non-recurring items. A non-recurring gain of $23.8 million related to income tax benefits associated with the Williams Lake Power Plant, which the Company monetized in 1999. Offsetting this gain was an after-tax charge of $7.5 million associated with restructuring costs at Trans Mountain. Excluding these non-recurring items, earnings applicable to common shares for the nine months ended September 30, 2000 amounted to $40.8 million.

The decline in earnings before non-recurring items was due to increased seasonality of results from natural gas distribution operations. Offsetting this factor was increased throughput on Trans Mountain and rate base growth.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

USE OF PROCEEDS

Except as otherwise described in a prospectus supplement, the net proceeds from the sale of Securities will be used to finance the Company's capital expenditure and working capital requirements, to retire commercial paper issued by the Company, to refinance existing indebtedness, to finance investments in subsidiaries and joint ventures and expenses associated with new business ventures, and for other general corporate purposes. The Company may use up to $130 million of proceeds received from the issue of Securities to pay a portion of the purchase price in connection with the Acquisition. All expenses relating to an offering of Securities, including any compensation paid to underwriters or agents, will be paid out of the Company's general funds. The Company may, from time to time, issue debt instruments and incur additional indebtedness other than through the issue of Securities pursuant to this short form prospectus.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2000 and the twelve month period ended September 30, 2001, respectively. They do not reflect the issue of any Securities that may be issued pursuant to this short form prospectus, since the aggregate principal amounts and terms of such Securities are not presently known. The ratio for the twelve month period ended September 30, 2001 is based on unaudited financial information. BC Gas Utility has filed a short form shelf prospectus dated November 21, 2001 relating to the issue of $500 million principal amount of Medium Term Note Debentures. The earnings coverages do not reflect the issue of any Medium Term Note Debentures by BC Gas Utility since the aggregate principal amounts and terms of such Medium Term Notes are not presently known.

The Company's interest requirements on consolidated long term debt amounted to $106.6 million for the year ended December 31, 2000 and $120.5 million for the twelve months ended September 30, 2001, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt, restructuring costs and income taxes and non-controlling interest were $219.6 million for the year ended December 31, 2000, which is 2.06 times the Company's interest requirements on consolidated long term debt for the year then ended, and $247.2 million for the twelve months ended September 30, 2001, which is 2.05 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2000	**September 30, 2001**
Earnings coverage on long term debt	2.06 times	2.05 times

THE SECURITIES

Securities issued by the Company may consist of any of the following:

(1) Debentures issued pursuant to the trust indenture to be dated as of November 21, 2001 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Trust Indenture”); and

(2) subordinated unsecured debentures, notes or other evidences of indebtedness (the “Subordinated Debentures”) issued under one or more trust indentures, including unsecured Subordinated Debentures issued pursuant to the trust indenture dated as of April 19, 2000 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Subordinated Debenture Trust Indenture”).

Securities will have maturities of not less than one year and will be offered to the public at prices and on terms determined by the Company based on a number of factors, including market conditions at the time of issue.

The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debentures, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

The terms and conditions applicable to Securities issued under a trust indenture other than the Trust Indenture or the Subordinated Debenture Trust Indenture or without benefit of a trust indenture will be as contained in the specific Security, the applicable trust indenture and the applicable prospectus supplement. Such terms and conditions may not be the same as those which apply to Debentures issued under the Trust Indenture.

DESCRIPTION OF THE DEBENTURES

Rank

The Debentures will be direct obligations of the Company ranking equal in priority to all other unsecured and unsubordinated indebtedness of the Company, except as may be provided in the Trust Indenture. The Debentures will not be secured by any mortgage, pledge or other charge.

Debentures

The aggregate principal amount of Debentures that may be issued under the Trust Indenture is unlimited.

The following summary of certain provisions of the Trust Indenture does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture. Certain of the terms used herein are defined under "Definitions" below.

General

The Trust Indenture provides that Debentures may be issued thereunder from time to time in one or more series. Specific terms and conditions which apply to such series will be set out in a supplement to the Trust Indenture. The Debentures will be direct, unconditional and, unless otherwise indicated in the relevant prospectus supplement, unsecured obligations of the Company. As of the date hereof, no Debentures are outstanding under the Trust Indenture.

The prospectus supplement relating to the particular Debentures offered thereby will describe the terms of such Debentures, including, where applicable:

(i) the designation, aggregate principal amount and denominations of such Debentures;

(ii) the price at which such Debentures will be issued or whether such Debentures will be issued on a non-fixed price basis;

(iii) the date or dates on which such Debentures will mature and the portion (if less than all of the principal amount) of such Debentures to be payable upon declaration of an acceleration of maturity;

(iv) the currency or currencies in which such Debentures are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debentures will be payable, whether the holder of any such Debentures or the Company may elect the currency in which payments thereon are to be made and if so, the manner of such election;

(v) whether the Debentures of such series are interest bearing and, in the case of interest bearing Debentures, the rate or rates (which may be fixed or variable) per annum at which such Debentures will bear interest, if any;

(vi) the date from which interest on such Debentures, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;

(vii) the dates on which and the price or prices at which such Debentures will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

(viii) any special provisions for the payment of additional interest with respect to such Debentures;

(ix) any additional covenants included for the benefit of holders of such Debentures;

(x) the general terms or provisions, if any, pursuant to which such Debentures are to be guaranteed or secured;

(xi) any additional events of default provided with respect to such Debentures;

(xii) any exchange on which Debentures of a series will be listed;

(xiii) terms for any conversion or exchange into other securities;

(xiv) any special tax implications of or any special tax provision, or indemnities relating to Debentures of such series; and

(xv) any other terms of such Debentures.

Payment

Unless otherwise specified in the applicable prospectus supplement, payment of principal (and premium, if any) on Debentures will be made in the designated currency against surrender of such Debentures at the office of the Trustee in Vancouver, British Columbia. Unless otherwise indicated in the prospectus supplement related thereto, payment of any instalment of interest on Debentures will be made to the person in whose name such Debenture is registered immediately prior to the close of business on the record date for such interest by electronic funds transfer.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by another instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Restrictions on Mergers, Amalgamations and Consolidations

The Trust Indenture contains provisions to the effect that the Company will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person (a "Successor"), whether by way of reorganization, consolidation, conveyance, amalgamation, arrangement, merger, transfer, sale or otherwise, (each a "Reorganization Transaction"), provided that the Company may enter into a Reorganization Transaction if the Successor is a corporation existing under the laws of Canada or any province or territory thereof and assumes in a manner satisfactory to the Trustee all obligations and covenants of the Company under the Debentures and the Trust Indenture and no condition or event exists or is continuing at the time of, or after giving effect to, the Reorganization Transaction that does or would after the giving of notice or lapse of time, or both, constitute an event of default.

Modification of the Trust Indenture

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of the aggregate principal amount of such series voted at a duly constituted meeting.

Events of Default

The Trust Indenture provides that any one or more of the following events shall constitute an event of default with respect to any series of Debentures thereunder: (i) a default in the payment of the principal of (or premium, if any, on) any Debentures of such series when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (ii) a default in the payment of interest on any Debentures of such series when the same becomes due and payable or any sinking fund payment prescribed for any Debentures of such series, and such default continues for a period of 30 days; (iii) default in the performance of or breach of any other covenant or agreement of the Company with respect to such series under the Trust Indenture or the Debentures and such default or breach continues for a period of 60 days after written notice to the Company by the Trustee or for such longer period as may be agreed to by the Trustee provided that in no event shall such longer period extend beyond 90 days after receipt of such notice by the Company; (iv) any failure to pay when due or within any applicable grace period, any Indebtedness of the Company or a Subsidiary in an aggregate principal amount in excess of $50 million; (v) any default in respect of any Indebtedness of the Company or any Subsidiary having an aggregate principal amount exceeding $50 million after the expiration of any applicable grace period, if such default has resulted in such Indebtedness in excess of such aggregate principal amount becoming due prior to its stated maturity; (vi) the sale, transfer or other disposition by the Company, by one or more transactions, directly or indirectly, of its undertaking or assets representing, in the aggregate, substantially all of the assets of the Company other than in accordance with the provisions of the Trust Indenture; (vii) one or more final judgements (not subject to appeal) are rendered against any one or more of the Company and its Subsidiaries in an aggregate amount in excess of $50 million (excluding amounts in respect of which the Company or its Subsidiaries are insured) by a court or courts of competent jurisdiction and remain undischarged or unstayed for a period of 60 days after the date on which all rights to appeal have expired; (viii) proceedings are commenced for the winding-up, liquidation or dissolution of the Company or a Material Subsidiary (except as otherwise permitted under the Trust Indenture), a decree or order of a court of competent jurisdiction is entered adjudging the Company or a Material Subsidiary a bankrupt or insolvent, or a petition seeking reorganization, arrangement or readjustment of or in respect of the Company or a Material Subsidiary is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Company or such Material Subsidiary in good faith and are dismissed or stayed within 60 days of commencement; (ix) the Company or a Material Subsidiary makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property which is material to the conduct of its business, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; or (x) a resolution is passed for the winding-up or liquidation of the Company except in the course of carrying out or pursuant to a transaction permitted under the Trust Indenture. The Company is required to file with the Trustee an annual officers' certificate as to the absence of certain defaults under the Trust Indenture.

The Trust Indenture provides that if an event of default (other than an event of default specified in clauses (viii) to (x) above in relation to the Company) shall occur and be continuing with respect to a series of Debentures issued thereunder, the Trustee may in its discretion and shall upon request of the holders of not less than 25% in principal amount of the outstanding Debentures of such series declare the principal of, together with accrued interest on, all Debentures of such series to be due and payable. In certain cases, the holders of 66 2/3% in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may on behalf of the holders of all such Debentures waive any past default or event of default and rescind and annul any such declaration and its consequences.

The Trust Indenture further provides that if an event of default specified in clauses (viii) to (x) in relation to the Company occurs, the principal of and any accrued interest on the Debentures then outstanding shall become immediately due and payable; provided however that at any time after an automatic acceleration with respect to the Debentures has been made, the holders of a majority in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may, under certain circumstances, rescind and annul such acceleration and its consequences.

The Trust Indenture contains a provision entitling the Trustee, subject to its duty during a default to act with the required standard of care, to be indemnified by the holders of Debentures of such series before proceeding to exercise any right or power under the Trust Indenture at the request of such holders. The Trust Indenture will provide that no holder of Debentures of any series may pursue a remedy with respect to the Trust Indenture except in the case of failure of the Trustee to act.

Defeasance

The Company may elect, with respect to any series of Debentures, either to be discharged from its obligations or to be released from its obligations to comply with the terms, provisions or conditions relating to the Debentures of such series or any other covenants or any event of default (other than a default in the payment of principal, interest, if any or any premium under such series of Debentures). Following such election the Company will be so discharged, provided: (i) the Company has, at least 91 days prior to such discharge becoming effective, irrevocably deposited with the Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the Trust Indenture with respect to the Debentures of the series affected, (a) funds in the currency or currencies in which such Debentures are payable, and/or (b) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debentures of such series are payable, and that are not subject to prepayment, redemption or call, as will together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (x) the principal of (and premium, if any) and interest on the outstanding Debentures of the particular series on their stated due dates or maturity, as the case may be, and (y) any mandatory prepayments on the day on which such prepayments are due and payable; (ii) such deposit will not result in a breach or violation of, or constitute a default under, the Trust Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (iii) no event of default with respect to the Debentures of such series or event that, with notice or lapse of time, would become such an event of default shall have occurred and be continuing on the date of such deposit; and (iv) the Company shall have delivered to the Trustee an officers' certificate and an opinion of Counsel, each stating that all conditions precedent to the defeasance have been satisfied.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means Indebtedness, including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Material Subsidiary**" means, at any time, a Subsidiary:

(a) the total assets of which (on a consolidated basis) represent more than 20% of the total assets of the Company determined on a consolidated basis as shown in the most recent audited consolidated balance sheet of the Company; or

(b) the total revenues of which represent more than 20% of the total revenues of the Company determined on a consolidated basis as shown in the consolidated statement of income of the Company for the four most recent fiscal quarters of the Company.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the first date of issuance by the Company of any Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown;

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company; and

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its Subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt**,** (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The following description of Subordinated Debt Securities sets forth certain general terms and provisions of the Subordinated Debt Securities in respect of which a prospectus supplement will be filed. The particular terms and provisions of Subordinated Debt Securities offered by any prospectus supplement will be described in the prospectus supplement filed in respect of such Subordinated Debt Securities.

Subordinated Debt Securities will be issued under the Subordinated Debenture Trust Indenture or one or more subsequent trust indentures, in each case between the Company and a financial institution organized under the laws of Canada or of any province thereof or of the United States.

The Subordinated Debt Securities will be direct unsecured obligations of the Company and will be subordinated to other indebtedness of the Company outstanding from time to time. Subordinated Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Company from time to time or as non-interest bearing securities issued at a discount. The Subordinated Debt Securities will be issued in registered form or bearer form with coupons attached and may be represented in the form of fully registered global notes.

The specific variable terms of any offering of Subordinated Debt Securities, including the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of Subordinated Debt Securities being offered, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Subordinated Debt Securities into other securities of the Company, the names of the dealers, underwriters or agents engaged in connection with the offering of the Subordinated Debt Securities, any commission payable, the method of distribution, the actual proceeds to the Company and any other specific terms, will be set forth in a prospectus supplement which will accompany this short form prospectus. The Company reserves the right to set forth in a prospectus supplement specific variable terms of Subordinated Debt Securities and the offering thereof which are not within the options and parameters set forth in this shot form prospectus.

RISK FACTORS

Prospective investors in a particular offering of Securities should consider, in addition to information contained in the prospectus supplement relating to that offering or in other documents incorporated by reference herein, the risks described in management’s discussion and analysis incorporated by reference into the annual information form of the Company that is incorporated by reference herein as at the date of the prospectus supplement relating to the particular offering of Securities.

PLAN OF DISTRIBUTION

The Securities may be sold through underwriters or dealers purchasing as principals, and may also be sold by the Company directly or through agents designated from time to time. Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

The prospectus supplement relating to the series of Securities offered thereby will identify each underwriter or agent with respect to that series and will set forth the terms of the offering of such series, including the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the proceeds to the Company and any fees payable to underwriters or agents.

In connection with any offering of Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the “1933 Act”) or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. Each underwriter or agent will agree that it will not offer for sale or sell or deliver the Securities within the United States except in accordance with Rule 144A under the U.S. Securities Act. Each underwriter or agent will agree not to offer and sell securities outside the United States except in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of an offering, any offer or sale of Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ‘‘anticipate’’, ‘‘believe’’, ‘‘expects’’, ‘‘intend’’ and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to the Company’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: November 21, 2001

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

No securities regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered, sold or delivered within the United States of America including the states and the District of Columbia and its territories and possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S to the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

SHORT FORM PROSPECTUS

New Issue November 9, 2001

BC Gas Inc.™

$188,269,200

5,208,000 Subscription Receipts, each representing the right to receive one Common Share of BC Gas Inc.

The proceeds from the sale of the Subscription Receipts will be held by CIBC Mellon Trust Company, as escrow agent, and invested in short-term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a Province or issued by one or more of the five largest Canadian chartered banks provided that such obligation is rated at least R1 (middle) by DBRS Inc. or an equivalent rating service pending the acquisition by BC Gas Inc. (the "Company" and, together with its subsidiaries, "BC Gas") of the outstanding securities and inter-company debt of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. (together called "Centra Gas"), private companies which own and operate natural gas transmission facilities from Vancouver to Vancouver Island, natural gas distribution facilities on the Sunshine Coast and on Vancouver Island, British Columbia and propane distribution facilities in Whistler, British Columbia (the "Acquisition"). Each Subscription Receipt entitles the holder thereof to receive one Common Share (a "Common Share") of the Company, together with a payment in lieu of dividends, if any, upon closing of the Acquisition without the payment of additional consideration. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts an amount equal to the subscription price thereof, and a pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date, with effect as of 5:00 p.m. (Vancouver time) on the third business day following the Termination Date. See "Details of the Offering".

The Common Shares are listed on The Toronto Stock Exchange (the "TSE"). The closing price of the Common Shares on the TSE on November 8, 2001 was $36.25. The TSE has conditionally approved the listing of the Subscription Receipts. The listing is subject to the Company fulfilling all of the requirements of the TSE on or before January 29, 2002, including distribution of the Subscription Receipts to a minimum number of public security holders. The offering price for the Subscription Receipts has been determined by negotiation between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Raymond James Ltd. (collectively, the "Underwriters" or, individually, an "Underwriter"). See "Plan of Distribution".

The Subscription Receipts and the Common Shares for which they may be exchanged will not, at the date of closing, be precluded as investments under certain statutes. See "Eligibility for Investment".

Price: $36.15 per Subscription Receipt

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Company(2)
Per Subscription Receipt	$36.15	$1.446	$34.704
Total	$188,269,200	$7,530,768	$180,738,432

(1) The total amount of the fee payable to the Underwriters. One-half of such amount is payable upon the completion of the Acquisition and, if the Acquisition is not completed, will be retained by the Company.

(2) Before deducting the expenses of this offering estimated at $200,000, which, together with the Underwriters' fee will be paid by the Company from its general funds, and excluding any accrued interest on the escrowed proceeds of the sale of the Subscription Receipts.

Five of the Underwriters are subsidiaries of Canadian chartered banks or other financial entities which are members of syndicates of financial institutions or entities that have made credit facilities available to the Company and its subsidiaries. One of the Underwriters is a majority-owned subsidiary of a Canadian chartered bank which is one of the Company's bankers and which has committed to provide financing to the Company in connection with the Acquisition. Accordingly, the Company may be considered a connected issuer of such Underwriters under applicable securities laws in certain Canadian provinces. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Subscription Receipts, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Subscription Receipts will be available for delivery at closing, which is expected to occur on November 20, 2001, or such other date as may be agreed upon, but no later than November 30, 2001.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 576-7000). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or other similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 26, 2001, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at June 30, 2001 and for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements;

(d) the press release of the Company dated November 8, 2001 relating to the financial statements for the nine-month period ended September 30, 2001; and

(e) the management proxy circular dated March 8, 2001 in connection with the annual meeting of shareholders of the Company held on April 25, 2001, except for the sections entitled "Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices".

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) subsequently filed by the Company with the securities commissions and any similar authority in Canada after the date of this short form prospectus and prior to the termination of the offering hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this short form prospectus or incorporated by reference herein.

Issuer:	BC Gas Inc. (the "Company" and, together with its subsidiaries, "BC Gas").
Offering:	5,208,000 Subscription Receipts, each representing the right to receive one common share (a "Common Share") of the Company.
Amount:	$188,269,200.
Price:	$36.15 per Subscription Receipt.
Use of Proceeds:	The net proceeds of this offering, after deducting the fee payable to the Underwriters and estimated expenses of the offering, are estimated to be $180.5 million which, together with funds to be advanced to the Company under a short-term acquisition loan arranged by the Company in the amount of $325 million (the "Acquisition Loan") or funds raised by the Company on the issue of subordinated or unsubordinated unsecured debt of the Company in the amount of approximately $129.5 million (the "Acquisition Financing"), will be used to finance the $310 million purchase price payable to Westcoast Energy Inc. (the "Vendor") for the acquisition (the "Acquisition") of all of the outstanding securities and inter-corporate indebtedness of Centra Gas British Columbia Inc. ("Centra BC") and Centra Gas Whistler Inc. ("Centra Whistler") (Centra BC and Centra Whistler are together called "Centra Gas"). The proceeds from the sale of the Subscription Receipts will be held in escrow pending the closing of the Acquisition, which is expected to occur on or about January 10, 2002. See "The Acquisition", "Details of the Offering" and "Use of Proceeds".
Subscription Receipts:	Each Subscription Receipt entitles the holder thereof to receive one Common Share upon the closing of the Acquisition, without payment of additional consideration. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts an amount equal to the subscription price therefor plus their pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date with effect as of the third business day following the Termination Date. If Common Shares are issued in respect of the Subscription Receipts and dividends are declared on the Common Shares by the Company to holders of record on a date during the period from the closing of this offering to the date of issuance of the Common Shares in respect of the Subscription Receipts, a cash payment will be made by the Company to the holders of Subscription Receipts in respect of each Subscription Receipt, in an amount equal to the per share amount of such dividends. See "Details of the Offering".
Risk Factors:	An investment in the Subscription Receipts and the Common Shares issuable upon exchange thereof involves certain risks which should be carefully considered by prospective investors, including there being no market for Subscription Receipts, results of operations and financing risks and the ability to successfully integrate the operations of Centra Gas with those of the Company and realize anticipated cost reductions and synergies. See "Risk Factors".

THE COMPANY

The Company is a holding company providing strategic direction to its subsidiaries and investments. The Company holds three groups of subsidiaries (i) the companies comprising the natural gas transmission and distribution businesses in British Columbia, (ii) the companies comprising the petroleum transportation businesses and (iii) the other energy and utility related subsidiaries, all forming part of the BC Gas group of companies.

THE ACQUISITION

On October 22, 2001, the Company entered into an agreement with the Vendor to acquire all of the outstanding securities and inter-corporate indebtedness of Centra Gas.

The aggregate purchase price payable by the Company on the Acquisition is $362 million, subject to adjustment, with $310 million payable on closing and $52 million as a deferred payment, payable on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC's service area. The Company intends to finance the purchase price from the net proceeds of this offering and either from funds to be advanced to the Company under a $325 million short-term Acquisition Loan or approximately $129.5 million of funds raised under its Acquisition Financing. See "The Acquisition — Financing of the Acquisition" and "Use of Proceeds".

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. The closing of the Acquisition is expected to occur on or about January 10, 2002. Either party to the agreement can elect to terminate the agreement if the closing of the Acquisition is not completed on or before March 28, 2002.

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas. Centra Whistler provides piped propane to approximately 2,000 residential and commercial customers in Whistler.

The Acquisition of Centra Gas enhances the Company's natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generating facilities, increased customers and incentive regulation.

BC GAS INC.

BC Gas Inc. (the "Company") is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. ("BC Gas Utility" or the "Utility"), 100% of the common shares of Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") and 100% of the common shares of Corridor Pipeline Limited ("CPL"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business of the BC Gas Group of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of BC Gas' other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2000, the Utility and its subsidiaries transmitted and distributed natural gas to over 762,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. The transmission and distribution business is carried on under statutes and franchises or operating agreements granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility is regulated by the British Columbia Utilities Commission ("BCUC").

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

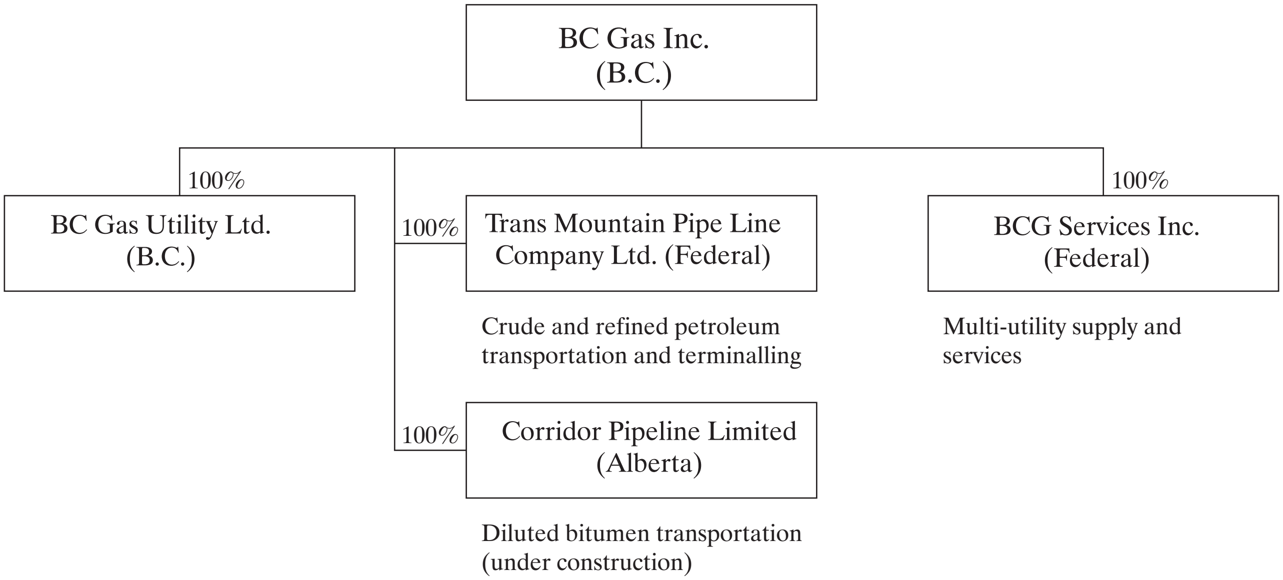
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is constructing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2000 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2001:



RECENT DEVELOPMENTS

CustomerWorks Partnership

On July 19, 2001, the Company and Enbridge Inc. announced the creation of a limited partnership, CustomerWorks, to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada. CustomerWorks is to be a leading provider of state-of-the-art utility customer management solutions and will support a complete set of business service offerings covering the entire meter-to-cash process including meter reading, billing, call centres, credit and collections, e-commerce, and field work appointment scheduling. Initial operations were launched on August 1, 2001 and full-scale operations are scheduled for January 1, 2002. CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas Utility, Enbridge Consumers Gas, Enbridge Services Inc. and Enbridge Gas New Brunswick. These entities will contract with CustomerWorks for services for a term of five years. The one existing BC Gas and four existing Enbridge call centres will become key operating sites, and a technology development centre will be based in Vancouver. An estimated 775 Enbridge employees and 140 BC Gas employees will be transferred to CustomerWorks which will have a staff of approximately 1,000 employees when it commences full operation.

Third Quarter Results

For the nine months ended September 30, 2001, earnings applicable to common shares of the Company were $35.6 million, compared with $57.1 million for the same period in 2000. Earnings in the first nine months of 2000 included two non-recurring items. A non-recurring gain of $23.8 million related to income tax benefits associated with the Williams Lake Power Plant, which the Company monetized in 1999. Offsetting this gain was an after-tax charge of $7.5 million associated with restructuring costs at Trans Mountain. Excluding these non-recurring items, earnings applicable to common shares for the nine months ended September 30, 2000 amounted to $40.8 million.

The decline in earnings before non-recurring items was due to increased seasonality of results from natural gas distribution operations. Offsetting this factor was increased throughput on Trans Mountain and rate base growth.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

THE ACQUISITION

Overview

On October 22, 2001, the Company entered into an agreement with Westcoast Energy Inc. (the "Vendor") to acquire from it (the "Acquisition") all of the outstanding common and preferred shares of Centra Gas British Columbia Inc. ("Centra BC"), all of the outstanding common shares of Centra Gas Whistler Inc. ("Centra Whistler") and all indebtedness owed by Centra BC and Centra Whistler to the Vendor. Centra BC and Centra Whistler are together called "Centra Gas". The purchase price for the Acquisition is $362 million in the aggregate, with $310 million payable on closing of the Acquisition and $52 million being deferred and paid on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC's service area. The purchase price is subject to certain adjustments.

The Company intends to finance the purchase price from the net proceeds of this offering and either from funds to be advanced to the Company under a short-term acquisition loan for $325 million arranged by the Company for this purpose (the "Acquisition Loan") or from the proceeds of an issue of debt by the Company (the "Acquisition Financing"). See "— Financing of the Acquisition" and "Use of Proceeds".

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. See "— Regulatory Matters". The closing of the Acquisition is also subject to obtaining the consent of the Province of British Columbia (the "Province") to the change in control of Centra BC under the provisions of the Vancouver Island Natural Gas Pipeline Agreement (the "VINGPA") as well as a release of the Vendor thereunder. The closing of the Acquisition (the "Acquisition Closing Date") is expected to occur on or about January 10, 2002. Under the agreement, either party thereto may elect to terminate the agreement if the Acquisition is not completed on or before March 28, 2002.

Centra BC

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. It has a designed throughput capacity of 135 million cubic feet per day. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas, and including seven pulp and paper mills on Vancouver Island and the Sunshine Coast. During 2000, Centra BC delivered approximately 26 billion cubic feet of gas through its system.

Centra BC provides gas transportation service to the seven pulp and paper mills under a long term transportation service agreement, the initial term of which continues until January 1, 2006. The owners of the pulp and paper mills have the option to renew the transportation service agreement for a further five years until January 1, 2011. The maximum daily volume of firm transportation service under the agreement is 37,600 gigajoules per day. Centra BC also delivers gas on an interruptible basis to a gas fired cogeneration plant at Elk Falls on Vancouver Island, and has entered into an agreement under which up to 38,000 gigajoules of gas per day will be delivered to that cogeneration plant on a firm basis commencing in 2002.

The Vendor and the Province have entered into the VINGPA to restructure the financial arrangements relating to Centra BC's pipeline and connected distribution systems. Under the VINGPA, the Province agreed to make quarterly payments from 1996 through 2011 related to natural gas production royalties associated with deemed volumes of natural gas transported through the Vancouver Island pipeline. The royalty related payment recognized in 2000 was $22.7 million.

Under the VINGPA, the Vendor agreed to provide future financial support of up to $120 million over the period from 1996 to 2011 and $17.5 million for 1995 to finance the principal amount of the revenue deficiencies incurred by Centra BC. Annual revenue deficiencies are calculated as the difference between the regulated allowed return on approved rate base and earnings actually derived from sales revenues and expenses. The financial support provided is recorded in a deferral account by Centra BC, and, together with carrying costs at certain agreed rates, will be recoverable through future rates charged by Centra BC to its distribution customers.

The amount in the deferral account as at December 31, 2000 was approximately $73 million. This is expected to be approximately $84 million as at December 31, 2001. Upon completion of the Acquisition, the Company will be obligated to provide the required financial support under the VINGPA.

Under the provisions of a special direction issued by the Province to the BCUC in 1995, the cost of natural gas service to the distribution customers of Centra BC is set based upon competitive market pricing for the period from 1996 to 2002. Commencing January 1, 2003, Centra BC's distribution rates are to be fixed by the BCUC in accordance with regulatory principles generally applied by the BCUC to natural gas utilities operating within British Columbia. In 2000, the BCUC commenced a process to establish long term cost allocation principles to be applied in fixing Centra BC's distribution rates in 2003. A rate design application by Centra BC is expected to be filed with the BCUC by spring 2002.

The rate base of Centra BC as at December 31, 2000 was approximately $429 million. For the years 1996 to 2002, the VINGPA provides for a deemed common equity component of rate base of 35% and a return on the common equity component of rate base of 362.5 basis points over the forecast Government of Canada long term bond rate. Commencing in 2003, the common equity component and the return on common equity will be set by the BCUC. The VINGPA also provides for a reduction of Centra BC's return on common equity of $1.9 million per year for the years 1996 to 2011, resulting in an effective rate of return on common equity of 8.4% for 2000 as compared with 7.8% in 1999.

Centra Whistler

Centra Whistler distributes piped propane gas to approximately 2,000 residential and commercial customers in the Whistler area of British Columbia. Centra Whistler owns and operates two propane storage and vapourization plants and approximately 125 kilometres of distribution pipelines serving customers in the Whistler area.

Acquisition Rationale

The Acquisition is a strategic investment opportunity for the Company that is expected to enhance shareholder value. The Acquisition enhances the Company's natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generation facilities, increased customers and incentive regulation.

Financing of the Acquisition

The Company intends to finance the $310 million purchase price payable at the Acquisition Closing Date for the outstanding shares and indebtedness owing to the Vendor of Centra Gas as follows (in millions of dollars):

Estimated net proceeds of this offering	$180.5
Acquisition Loan or Acquisition Financing	129.5
	$310.0

For purposes of the Acquisition, the Company has obtained a commitment from a Canadian chartered bank for the Acquisition Loan. The funding of the Acquisition Loan is subject to the completion of the Acquisition and the execution and delivery of definitive documentation and fulfillment of other customary conditions. The Company may, as an alternative to drawing down on the Acquisition Loan, issue subordinated or unsubordinated unsecured debt of the Company to the public in Canada prior to the Acquisition Closing Date in order to receive net proceeds substantially equivalent to the amount of the Acquisition Loan (the "Acquisition Financing").

Regulatory Matters

Utilities Commission Act (British Columbia)

Under the provisions of the *Utilities Commission Act* (British Columbia) (the "Utilities Act"), the acquisition, directly or indirectly, of voting shares of a utility subject to the terms of the Utilities Act requires the approval of the BCUC. In order to complete the Acquisition, the Company is required under the Utilities Act to obtain the BCUC approval and is applying for that approval. The BCUC may require a public hearing on the Acquisition if it determines it necessary in the public interest.

Competition Act

The Acquisition is a "notifiable transaction" for the purposes of Part IX of the *Competition Act* (Canada) (the "Competition Act"). As such, the Acquisition may not be completed before the expiration or earlier termination of the applicable waiting period after notice of the Acquisition, together with certain prescribed information, has been provided to the Commissioner of Competition (the "Competition Commissioner") under the Competition Act.

A party to a proposed merger may also apply to the Competition Commissioner for an advance ruling certificate (an "ARC") which may be issued by the Competition Commissioner if he is satisfied that there are not sufficient grounds on which to apply in respect of the transaction to the Competition Tribunal for an order under the merger provisions of the Competition Act.

The Company and Centra BC will submit a short-form pre-merger notification filing to the Competition Commissioner in respect of the Acquisition and apply to the Competition Commissioner for an ARC in respect of the Acquisition.

PRO FORMA CONSOLIDATED CAPITALIZATION

The table below sets forth the consolidated capitalization of the Company, adjusted to give effect to the material changes in the share and loan capital of the Company since the date of the comparative consolidated financial statements for the Company's most recently completed financial year and after giving effect to this offering, the Acquisition Financing and the completion of the Acquisition.

	Outstanding at December 31, 2000	Pro forma outstanding at December 31, 2000
	(in millions of dollars)	
Long-term debt	$1,634.4(2)	$2,073.9
Shareholders' equity		
Securities offered hereby	—	180.5
Capital Securities	125.0	125.0
Common shares(3)	364.0	364.0
Contributed surplus	130.8	130.8
Retained earnings	240.7	240.7
Common shares held by subsidiary	(51.0)	(51.0)
Total capitalization	$2,443.9	$3,063.9

(1) The pro forma presentation incorporates:

(a) net proceeds of $180.5 million from this offering after deducting expenses of the offering;

(b) completion of the Acquisition for $362 million;

(c) the assumption of an expected $228 million of debt of Centra Gas on closing;

(d) completion of the Acquisition Financing in the amount of $129.5 million;

(e) inclusion of the $52 million deferred payment to the Vendor in long-term debt on an undiscounted basis;

(f) the repayment of $70 million and the issue of $100 million of long-term debt during 2001 to date by BC Gas Utility.

(2) All indebtedness is unsecured and includes the current portion.

(3) At September 30, 2001, an additional 1,444,036 Common Shares were subject to outstanding options to purchase Common Shares.

DETAILS OF THE OFFERING

Subscription Receipts will be issued at the closing of this offering pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement") dated as of November 20, 2001 among the Company, the Underwriters and CIBC Mellon Trust Company (the "Escrow Agent"), as escrow agent. Each Subscription Receipt entitles the holder thereof to receive one Common Share, without payment of additional consideration, upon surrender of the certificates representing such holder's Subscription Receipts to the Escrow Agent within five business days after the Acquisition Closing Date. If any certificates representing Subscription Receipts have not been surrendered within 15 days after the Acquisition Closing Date, the Escrow Agent will mail certificates representing the Common Shares which holders of such Subscription Receipts are entitled to receive to the holder's last address of record. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts the subscription price therefor plus their pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date, with effect as of the third business day following the Termination Date.

Subscription Receipts will be evidenced by transferable Subscription Receipt certificates in fully registered form. Pursuant to the Subscription Receipt Agreement, the proceeds from the sale of the Subscription Receipts will be delivered to and held by the Escrow Agent and invested in short-term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a Province or issued by one or more of the five largest Canadian chartered banks provided that such obligation is rated at least R1 (middle) by DBRS Inc. or an equivalent rating service pending the closing of the Acquisition.

The Escrow Agent will release the escrowed funds and interest thereon to the Company at the Acquisition Closing Date against (i) an irrevocable direction of the Company to the Escrow Agent (in its capacity as registrar and transfer agent of the Common Shares) to deliver certificates representing Common Shares to holders of record of any Subscription Receipts as at the close of business on the fifth business day following the Acquisition Closing Date upon surrender of Subscription Receipt certificates to the Escrow Agent, and (ii) a joint notice from the Company and RBC Dominion Securities Inc. on behalf of the Underwriters to the Escrow Agent, confirming that the conditions of the exchange of the Subscription Receipts for Common Shares and the finalization of all matters relating to the closing of the Acquisition have been fulfilled to their satisfaction. The transfer register with respect to the Subscription Receipts shall be closed at the close of business on the fifth business day following the Acquisition Closing Date or such earlier time as may be required by the TSE. The Company shall, as soon as practicable, issue a press release setting out the date of the closing of the Acquisition and the date on which the Subscription Receipt transfer register will close.

In the event that the closing of the Acquisition does not occur on or before the Termination Date, holders of Subscription Receipts shall be entitled to receive an amount equal to the subscription price therefor and a pro rata share of accrued interest actually earned thereon with effect as of the third business day following the Termination Date. The issuance of a cheque in the payment of the subscription price and a pro rata share of accrued interest earned thereon for Subscription Receipts will require the surrender of the certificate(s) representing the same at the principal office of the Escrow Agent in Vancouver, British Columbia or in Toronto, Ontario. If any certificates representing Subscription Receipts have not been surrendered one year after the Termination Date, the Escrow Agent will mail the cheques which the holders thereof are entitled to receive to their last addresses of record.

In the event that, prior to the date of issue of a Common Share in respect of a Subscription Receipt, there is a subdivision, consolidation, reclassification or other change of the Common Shares or any reorganization, amalgamation, merger or sale of all or substantially all of the Company's assets, the Subscription Receipt will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on conversion of or in respect of the Common Share to which the holder of a Common Share would have been entitled immediately after such event. Similarly, any distribution to all or substantially all of the holders of Common Shares of rights, options, warrants, evidences of indebtedness or assets will result in an adjustment in the number of Common Shares to be issued to holders of Subscription Receipts. Alternatively, such securities, evidences of indebtedness or assets may, at the option of the Company, be issued to the Escrow Agent and delivered to holders of Subscription Receipts on exercise thereof.

If Common Shares are issued in respect of the Subscription Receipts and dividends are declared on the Common Shares by the Company to holders of record on a date during the period from the closing of this offering to the date of issuance of the Common Shares in respect of the Subscription Receipts, when such Common Shares are issued a cash payment will be made by the Company to the holders of Subscription Receipts in respect of each Subscription Receipt in an amount equal to the per share amount of such dividends.

The Subscription Receipt Agreement provides for modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of an extraordinary resolution. The term "extraordinary resolution" is defined in the Subscription Receipt Agreement to mean, in effect, a resolution passed by the affirmative votes of the holders of not less than 66⅔% of the number of outstanding Subscription Receipts represented and voting at a meeting of Subscription Receipt holders or an instrument or instruments in writing signed by the holders of not less than 66⅔% of the number of outstanding Subscription Receipts.

The holders of Subscription Receipts are not shareholders of the Company. Holders of Subscription Receipts are entitled only to receive Common Shares on surrender of their Subscription Receipts to the Escrow Agent or to require the Company to purchase the Subscription Receipts at the issue price and to be paid a pro rata share of interest accrued thereon as described above.

SHARE CAPITAL OF THE COMPANY

The authorized capital of the Company consists of 750,000,000 Common Shares and 100,000,000 First Preference shares and 100,000,000 Second Preference shares, each of which is issuable in series, all of which shares are without par value, of which 42,935,726 Common Shares and 4,000,000 Second Preference shares of the Company were outstanding as at September 30, 2001. The Second Preference shares and 4,592,094 Common Shares are held by subsidiaries of the Company.

The holders of Common Shares of the Company are entitled to one vote for each Common Share on all matters to be voted on by the shareholders and are entitled to receive such dividends as may be declared by the directors out of funds legally available therefor. The Common Shares rank junior to the rights of the holders of all outstanding preference shares as to payment of dividends and as to repayment of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation or distribution of assets. There are no preemptive, redemption, purchase or conversion rights attaching to the Common Shares.

CONSTRAINTS ON SHARE OWNERSHIP

The *Hydro and Power Authority Privatization Act* (British Columbia) (the "Privatization Act"), as amended, contains provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting shares of a company designated as a special company. The Company and BC Gas Utility have been designated as special companies under the Privatization Act. Such provisions provide that:

(a) persons who are not residents or citizens of Canada are not permitted to hold or beneficially own, in the aggregate, directly or indirectly, voting shares to which are attached more than 20% of the total number of outstanding votes relating to the voting shares of the Company; and

(b) the total number of voting shares of the Company that may be held by any one person or group of associated persons shall not exceed 10% of the total number of the issued and outstanding voting shares of the Company.

If voting shares are held by persons in contravention of the above limitations, such persons shall not receive dividends on any voting share held, unless the contravention is inadvertent or is of a technical nature, nor shall they be entitled to cast a vote in respect of any shares of the Company held by them. The Company may, by notice given by mail or by personal service, require a member holding voting shares in excess of the limitation ("excess voting shares") to dispose of the excess voting shares over a period of not less than 60 days. If the excess voting shares are not disposed of as required by the notice, the Company may redeem the excess voting shares by (a) depositing the redemption price of such shares in a special account with a savings institution, and (b) giving notice of such redemption to the member. The redemption price for the excess voting shares will be the lesser of (a) the price on the initial issue of shares of that class, and (b) the lowest closing price per share, on a stock exchange designated by the board of directors, of the voting shares during the twelve month period preceding the date of giving notice of redemption.

The Privatization Act provides in effect that any member (the "designated shareholder") holding, as registered owner or beneficially, in excess of 10% of the outstanding voting shares of the Company on July 1, 1993 may continue to hold such shares, provided that it entered into an agreement under the Privatization Act that the Lieutenant Governor in Council considers protects the public interest. The Company has entered into such an agreement providing for its holding of the common shares of the Utility and has been designated for that purpose under the Privatization Act. Trans Mountain Holdings Ltd. has also entered into an agreement providing for its holding of the Common Shares of the Company and has been designated for that purpose under the Privatization Act. Under the Privatization Act, a person may acquire from a designated shareholder all of the voting shares held by the designated shareholder provided a similar agreement is entered into as directed by the Lieutenant Governor in Council, in its discretion.

The Privatization Act was amended on July 13, 1995 to raise the ownership restriction of the Company and the Utility to 10% of the total number of voting shares held by any one person or group of associated persons. Previously, this had been set at 4%.

Under the Utilities Act, the acquisition, directly or indirectly, by any one person, or persons acting jointly, of 20% or more of the outstanding common shares of the Utility is a reviewable transaction requiring the prior approval of the BCUC.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed on The Toronto Stock Exchange ("TSE") under the symbol "BCG". The market price range and trading volume of the Common Shares on the TSE for the periods indicated are set forth in the following table:

	Price Per Share		Share Trading Volume
	High	Low	
2000			
First Quarter	$26.50	$21.50	4,743,977
Second Quarter	30.00	24.55	2,317,084
Third Quarter	30.20	26.40	1,803,660
Fourth Quarter	33.50	27.25	2,212,662
2001			
First Quarter	34.75	29.00	2,690,750
Second Quarter	35.10	30.12	3,190,430
Third Quarter	36.50	31.35	2,179,262
October	36.88	33.32	1,093,175
November (to November 8)	36.25	35.04	284,410

USE OF PROCEEDS

The net proceeds to the Company from this offering, after deducting the fee payable to the Underwriters and estimated expenses of the offering, are expected to be $180.5 million. The net proceeds of the offering, together with $129.5 million to be advanced to the Company under the Acquisition Loan or raised under the Acquisition Financing, will be used to finance the $310 million purchase price payable by the Company on the Acquisition Closing Date in respect of the Acquisition. See "The Acquisition". The proceeds from the sale of the Subscription Receipts will be held in escrow pending the closing of the Acquisition. See "Details of the Offering".

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated October 25, 2001 between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Raymond James Ltd. (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have agreed to purchase, on November 20, 2001 or on such other date as may be agreed upon, subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the Subscription Receipts, for a total consideration of $188,269,200 payable to the Company against delivery of a certificate or certificates representing the Subscription Receipts. The Company has agreed to pay to the Underwriters an aggregate fee of 4.0% of the gross proceeds of this offering for services rendered by them in connection with the offering. Of the aggregate fee payable to the Underwriters of $7.53 million, one-half of such amount is payable on the closing of the offering and one-half is payable on the Acquisition Closing Date.

Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Subscription Receipts if any of the Subscription Receipts are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Subscription Receipts to the public at the public offering price. After the issuance of the Subscription Receipts, the price and other selling terms at which they will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Subscription Receipts.

Five of the Underwriters are, directly or indirectly, subsidiaries of Canadian chartered banks. Such Canadian chartered banks (collectively, the "Lenders") are members of a syndicate or are lenders under credit facilities provided to the Company and certain of its subsidiaries as set forth below:

Borrower	Number of Lenders	Commitment of Lenders	Total Number within Banking Syndicate	Total Commitment under Credit Facility	Term of Credit Facility
Company	1	$200 million	n/a	$200 million	up to 3 years
BC Gas Utility	4	$500 million	4	$500 million	1 year
Trans Mountain	3	$150 million	4	$165 million	up to 3 years
CPL	4	$425 million	9	$700 million	5 years

All of the foregoing facilities are undrawn and are used for operating purposes or as back stops for commercial paper programs. All facilities are unsecured except for the CPL credit facility which is secured by all of the assets of CPL. The various credit facilities contain representations, covenants, restrictions and events of default that are customary for such agreements, including restrictions on the creation of additional indebtedness, liens and encumbrances, restrictions on payments of dividends (in certain cases) and other amounts on account of capital and adherence to specified financial covenants. The Company or its subsidiaries are in compliance with the terms of these credit facilities. In addition, one of the Underwriters is a majority owned subsidiary of the chartered bank providing the Acquisition Loan. The terms of distribution of the Subscription Receipts was determined through negotiations between the Company and the Underwriters. The Lenders did not have any involvement in such determinations. None of the Underwriters will receive any benefit of this offering other than its portion of the fees payable by the Company on the subscription price of the Subscription Receipts sold to the Underwriters.

Pursuant to the policy statements of the Ontario Securities Commission and the *Commission des valeurs mobilières du Québec*, the Underwriters may not, throughout the period of distribution, bid for or purchase Subscription Receipts or Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Subscription Receipts or the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the foregoing exceptions, in connection with the offering, the Underwriters may over-allot Subscription Receipts or effect transactions intended to stabilize or maintain the market price of the Subscription Receipts or the Common Shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during the offering.

The Subscription Receipts and the Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. Persons except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Subscription Receipts within the United States except in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement provides that the Underwriters will offer and sell securities outside the United States in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Subscription Receipts within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, the following is a general summary of the principal Canadian federal income tax considerations applicable to a holder who acquires Subscription Receipts pursuant to this offering.

This summary is based upon the current provisions of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and counsel's understanding of the current published administrative and assessing policies of the Canada Customs and Revenue Agency ("CCRA"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations. This summary does not take into account the "mark-to-market" rules contained in the Tax Act and holders who are subject to these rules should consult their own advisors in this regard.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder, and no representations with respect to the tax consequences to any particular holder are made. The income tax consequences of acquiring Subscription Receipts and Common Shares will vary depending upon a number of factors including the legal status of the holder as an individual, corporation, trust or partnership. Prospective holders should consult their own tax advisers with respect to the income tax consequences to them of acquiring Subscription Receipts and Common Shares having regard to their particular circumstances.

This summary is only applicable to a person who acquires Subscription Receipts pursuant to this offering and who, at all relevant times, for the purposes of the Tax Act, is or is deemed to be resident in Canada, holds (or will hold) the Subscription Receipts and any Common Shares as capital property, deals at arm's length with the Company and is not exempt from taxation under Part I of the Tax Act. Generally, the Subscription Receipts and the Common Shares will be considered to be capital property to a holder provided the holder does not hold the Subscription Receipts or Common Shares in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

Exchange of Subscription Receipts

No gain or loss will be realized by a holder on the exchange of a Subscription Receipt for a Common Share. This opinion is based upon the interpretation of Counsel that a Subscription Receipt is an agreement to acquire a Common Share on the satisfaction of certain conditions. This position has not, to the knowledge of Counsel, been the subject of a judicial determination in Canada and Counsel have not applied for advance income tax rulings from the CCRA in respect of the offering.

Payment in Lieu of Interest

As described above under "Details of the Offering", in the event that the closing of the Acquisition does not occur on or before the Termination Date, a holder of Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor and a pro rata share of the interest actually earned thereon while such funds were held by the Escrow Agent. In that event, the equivalent to interest amount received or receivable by a holder of Subscription Receipts (depending upon the method regularly followed by the holder in computing income) must be included in the income of the holder.

Payment in Lieu of Dividend

As described above under "Details of the Offering", if Common Shares are issued in respect of Subscription Receipts and dividends are declared on the Common Shares of the Company to holders of record on a date during the period from the closing of this offering to the date of such issuance of Common Shares, the Company will make a cash payment to the holders of Subscription Receipts in respect of each Subscription Receipt in an amount equal to the per share amount of such dividend. The equivalent to dividend amount, if any, paid to a holder of Subscription Receipts by the Company must be included in the income of the holder.

Other Dispositions of Subscription Receipts

A disposition or deemed deposition by a holder of a Subscription Receipt, other than on the exchange of a Subscription Receipt for a Common Share or a disposition of the Subscription Receipt to the Company in the event the closing of the Acquisition does not occur on or before the Termination Date, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

Issue of Common Shares

The cost of a Common Share issued to a holder of a Subscription Receipt acquired pursuant to this offering will be equal to the cost of the Subscription Receipt to the holder. The adjusted cost base to the holder of the Common Share so acquired will be determined by averaging the cost of such Common Share with the adjusted cost base of all other Common Shares owned at that time by the holder as capital property.

Dividends on Common Shares

Dividends received by an individual on Common Shares must be included in computing the individual's income for purposes of the Tax Act and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends received by a corporation on Common Shares must be included in computing its income but generally will be deductible in computing its taxable income. Private corporations (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual or related group of individuals generally will be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received on Common Shares.

Disposition of Common Shares

On a disposition or deemed disposition of a Common Share the holder generally will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Common Share to the holder immediately before the disposition.

Tax Treatment of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a holder in a taxation year on the disposition or deemed disposition of a Subscription Receipt or Common Share must be included in computing the holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a holder in a taxation year may be deducted from any taxable capital gains realized by the holder in the year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years, subject to and in accordance with the provisions of the Tax Act. Capital gains realized by an individual may give rise to an alternative minimum tax. A Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional 6⅔% refundable tax on certain investment income, including taxable capital gains and interest.

RISK FACTORS

An investment in the Subscription Receipts offered hereby involves certain risks in addition to those described in the discussion and analysis by management of the Company of the financial condition and results of operations of the Company incorporated by reference in the Company's Annual Information Form dated as of April 26, 2001. Before investing, prospective purchasers of Subscription Receipts should carefully consider, in light of their own financial circumstances, the factors set out below, as well as the other information contained or incorporated by reference in this short form prospectus.

Market for Securities

There is currently no market through which the Subscription Receipts may be sold. There can be no assurance that an active trading market will develop for the Subscription Receipts after this offering, or if developed, that such a market will be sustained at the price level of this offering.

Results of Operations and Financing Risks

Management of the Company believes, based on its expectations as to the Company's future performance (which reflects, among other things, the completion of the Acquisition), that the cash flow from its operations and funds available to it under its credit facilities will be adequate to enable the Company to fund its operations, execute its business strategy and maintain an adequate level of liquidity. However, the cost of planned capital expenditures are estimates. Moreover, estimates of cash flow from operations are dependent on regulatory, market and other conditions beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the Company's future performance reflect the current state of its information about Centra Gas and its operations and there can be no assurance that such information is correct in all material respects.

Management of Expanding Operations

As a result of the acquisition of Centra Gas, significant demands will be placed on the Company's managerial, operational and financial personnel and systems. No assurance can be given that the Company's systems, procedures and controls will be adequate to support the expansion of the Company's operations resulting from the Acquisition. The Company's future operating results will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational and financial controls and reporting systems.

Non-Realization of Cost Reductions and Synergies

The Acquisition involves the integration of companies which previously operated independently. No assurance can be given that the combined operations resulting from the Acquisition will realize anticipated cost reductions and synergies or that other benefits expected from the Acquisition will be realized.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, the Subscription Receipts and Common Shares relating thereto, as of the date hereof, are eligible investments, where applicable, without resort to the so-called "basket provisions", or their purchase would not be precluded as investments, subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, regulations or guidelines thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, under the following statutes:

Insurance Companies Act (Canada)
Insurance Act (Alberta)
Insurance Act (Ontario)
an Act respecting insurance (Québec) (for insurers other than a guarantee fund corporations)
Loan and Trust Corporations Act (Alberta)
Loan and Trust Corporations Act (Ontario)
Financial Institutions Act (British Columbia)
an Act respecting trust companies and savings companies (Québec) (for a savings company which invests its own funds and a trust company which invests its own funds and deposits it receives)
Pension Benefits Standard Act, 1985 (Canada)
Employment Pension Plans Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
Trustee Act (Ontario)

In addition, in the opinion of such counsel, based on the law as of the date hereof, the Subscription Receipts and the Common Shares relating thereto are qualified investments under the Tax Act and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan.

LEGAL MATTERS

Certain legal matters relating to the offering of the Subscription Receipts and the Common Shares relating thereto will be passed upon by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters.

As at November 9, 2001, the partners and associates of Farris, Vaughan, Wills & Murphy and the partners and associates of Stikeman Elliott as a group beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, PO Box 10426, Pacific Centre, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3. The registrar and transfer agent for the Common Shares is CIBC Mellon Trust Company at its principal office in the cities of Vancouver and Toronto.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of this short form prospectus and any amendments thereto. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the short form prospectus and any amendments thereto contain a misrepresentation or are not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. Purchasers of Subscription Receipts may no longer have remedies for rescission following the issuance of Common Shares upon surrender of the Subscription Receipts. Purchasers of Subscription Receipts will continue to have civil liability remedies, including remedies for damages that are provided to purchasers under securities legislation, in the event that the purchaser receives Common Shares upon surrender of Subscription Receipts. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: November 9, 2001

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 9, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.	SCOTIA CAPITAL INC.
(Signed) STEPHEN J. SWAFFIELD	(Signed) MARK SCOTT
CIBC WORLD MARKETS INC.	TD SECURITIES INC.
(Signed) ALAN C. WALLACE	(Signed) JAMES M.I. BRUCE

NATIONAL BANK FINANCIAL INC.

(Signed) CHARLES J. ADDISON

BMO NESBITT BURNS INC.	RAYMOND JAMES LTD.
(Signed) GRAEME N. FALKOWSKY	(Signed) EDWARD J. BEREZNICKI

BC Gas Inc.™

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exemptions, the securities may not be offered or sold within the United States or to U.S. persons and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated herein by reference or the permanent information record may be obtained on request without charge from the Secretary of BC Gas Inc. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia V6E 4M4 (Telephone: (604) 443-6500).

New Issue April 11, 2000

BC Gas Inc.™

$125,000,000

8.0% Capital Securities due April 19, 2040
($1,000 principal amount per Security)

This offering ("Offering") consists of a total of $125,000,000 of 8.0% unsecured subordinated debentures (the "Securities") of BC Gas Inc. (the "Company"). Interest on the Securities will accrue from April 19, 2000 and is payable semi-annually in arrears on April 19 and October 19 of each year (an "Interest Payment Date"), commencing October 19, 2000. The terms of the offering were determined by negotiation between the Company and RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., Merrill Lynch Canada Inc., Scotia Capital Inc. and Goepel McDermid Inc. (collectively, the "Underwriters").

The Securities will be subordinated to all of the Company's present and future Senior Indebtedness (as defined herein). The issue of the Securities does not limit the Company's ability to incur additional indebtedness.

The Company has the right to defer, at any time and from time to time, subject to certain conditions, payments of interest on the Securities by extending the interest payment period on the Securities for a period of up to 10 consecutive semi-annual periods.

	Per Security	Total
Price to the Public(1)	$989.47	$123,683,750
Underwriters' Commission(2)(3)	$30.00	$3,750,000
Proceeds, before expenses, to the Company(4)	$959.47	$119,933,750

(1) Plus accrued interest from April 19, 2000, if settlement occurs after that date. The Securities are being offered on a non-fixed price basis. The price to the public may be negotiated with purchasers and may vary as between purchasers and during the period of distribution of the Securities.

(2) The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Securities by a purchaser exceeds or is less than the aggregate price paid to the Company by the Underwriters.

(3) The Company has agreed to pay the Underwriters a commission of $10.00 for each Security sold to certain institutions by closing and $30.00 per Security for all other Securities. Therefore to the extent there are such sales to those certain institutions by closing, the actual amount of the Underwriters' commission will be less than the aggregate amount specified above.

(4) The Company estimates its offering expenses to be $200,000.

The Company may redeem the Securities, in whole, at any time following the issuance of the Securities and prior to April 19, 2010, upon not less than 30 days' and not more than 60 days' prior written notice at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed and (ii) the Canada Yield Price (as defined herein), plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption. The Company may redeem the Securities, in whole, at any time on or after April 19, 2010 on any Interest Payment Date. See "Details of the Offering — Redemption Right" and "Details of the Offering — Early Redemption Right".

At maturity, the Company, subject to stock exchange approval and on at least 40 days' notice, may exchange the whole of the Securities into fully paid, non-assessable common shares of the Company (the "Common Shares"). The number of Common Shares into which such Securities may be exchanged will be determined by dividing $1,000 together with all accrued and unpaid interest to, but excluding, the date of exchange by 90% of the then current Market Price (as defined herein) of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Company".

On or after April 19, 2010, the Securities will be exchangeable at the option of the holder, in whole, on any Interest Payment Date on at least 65 days' prior notice into that number of fully paid, non-assessable Common Shares determined by dividing $1,000 together with all accrued and unpaid interest to the date of exchange by the greater of $1.00 and 90% of the then current Market Price of the Common Shares. If a holder of Securities elects to exchange the Securities held by the holder for Common Shares, the Company may, on at least 40 days' notice prior to the exchange date, elect to redeem such Securities for cash. See "Details of the Offering — Exchange into Common Shares at the Option of the Holder".

Investment in the Securities involves certain risks which should be considered by investors. See "Risk Factors". Investment in the Securities may also involve certain income tax consequences. See "Certain Canadian Income Tax Consequences".

There is currently no market through which the Securities may be sold.

The Underwriters, as principals, conditionally offer the Securities, subject to prior sale, if, as and when issued by the Company and accepted by them, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, and on behalf of the Underwriters by Stikeman Elliott.

Three of the Underwriters, CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc., are subsidiaries of Canadian chartered banks which provide credit facilities to the Company and, consequently, the Company may be considered to be a connected issuer of such Underwriters. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on or about April 19, 2000 but not later than May 31, 2000, and that certificates for the Securities will be ready for delivery in book-entry form through The Canadian Depository for Securities Limited on or about April 19, 2000.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

(a) the audited consolidated financial statements of the Company for the years ended December 31, 1999 and 1998 and the Auditors' Report thereon contained in the 1999 Annual Report of the Company;

(b) the Annual Information Form of the Company dated April 28, 1999 including Management's Discussion and Analysis incorporated therein; and

(c) the Management Information Circular of the Company dated as at March 8, 2000.

Any documents of the type referred to above (except confidential material change reports) filed by the Company with the various securities commissions or other similar authorities in the provinces of Canada, after the date of this Prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, subject to general investment provisions and prudent investment standards of the following statutes (and where applicable, the regulations thereunder), and in certain cases subject to the satisfaction of additional requirements relating to investment or lending policies or goals and in certain circumstances, the filing of such policies and goals, the Securities offered hereby will not at the date of issue be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
The Pension Benefits Act (Manitoba)
The Pension Benefits Act, 1992 (Saskatchewan)
Insurance Act (Ontario)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
an Act respecting insurance (Québec) (in respect of insurers other than guarantee fund corporations)
an Act respecting trust companies and savings companies (Québec) (for a trust company investing its own funds and deposits it receives and a savings company investing its funds)
Supplemental Pension Plans Act (Québec)

Also in the opinion of such counsel, the Securities will be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (other than deferred profit sharing plans for which any of the employers is the Company or a corporation which does not deal at arm's length with the Company), and will not, on the date of issue, be foreign property for the purposes of the Tax Act.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information specified elsewhere in this Prospectus or incorporated by reference herein. Reference in this summary to the Company includes the Company and, unless otherwise indicated, its direct and indirect subsidiaries.

THE OFFERING

Issue: $125,000,000 aggregate principal amount of 8.0% unsecured subordinated debentures of the Company (the "Securities").

Interest Payment Dates: April 19 and October 19 of each year (an "Interest Payment Date"), commencing October 19, 2000, subject to the right of the Company to defer payment of interest as described herein.

Maturity: April 19, 2040

Ranking: The Securities will be issued as unsecured subordinated debentures of the Company. The Securities will be expressly subordinated to all Senior Indebtedness of the Company (as defined herein) and will effectively be subordinated to all indebtedness and other liabilities of the Company's subsidiaries. As at December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness (as defined herein) and the Company's subsidiaries had approximately $1,375.0 million of indebtedness, excluding intercorporate liabilities and trade payables. There are no terms in the Securities that limit the ability of the Company to incur additional indebtedness, including indebtedness that ranks senior to the Securities.

Interest Deferral: The Company has the right to defer, at any time and from time to time, subject to certain conditions, payments of interest on the Securities by extending the interest payment period on the Securities for a period (each such period constituting an "Extension Period") of up to 10 consecutive semi-annual periods provided that no Extension Period may extend beyond the stated maturity of the Securities. Except in certain limited circumstances described herein, the Company shall not pay or declare dividends on any of its capital stock (except by way of stock dividend) or make any payment of interest, principal or premium on any debt securities or indebtedness for borrowed money that ranks *pari passu* with or is subordinated to the Securities at any time when any interest on the Securities is being deferred as contemplated above. There may be multiple Extension Periods of varying lengths, each of up to 10 consecutive semi-annual periods, throughout the term of the Securities, but none of the Extension Periods may extend beyond the stated maturity of the Securities. During an Extension Period, interest will accrue and compound semi-annually at the stated interest rate. The Company may satisfy its obligation to pay Deferred Interest (as defined herein) on any applicable Interest Payment Date by delivering to the Securityholder common shares in the capital of the Company ("Common Shares") determined by dividing the Deferred Interest by 90% of the then current Market Price (as defined herein) of the Common Shares in which event holders of the Securities shall be entitled to receive the Common Shares and any cash from any fractional Common Shares in satisfaction of the Company's obligation to pay such Deferred Interest. See "Details of the Offering — Option to Extend Interest Payment Periods" and "Details of the Offering — Share Payment Election".

Early Redemption Right:	The Company may redeem the Securities in whole, at any time following the issuance of the Securities and prior to April 19, 2010 upon not less than 30 days' and not more than 60 days' prior written notice at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed and (ii) the Canada Yield Price (as defined herein), plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption. See "Details of the Offering — Early Redemption Right".
Redemption Right:	The Securities are redeemable by the Company, in whole, on or after April 19, 2010 on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of the Securities to be redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. See "Details of the Offering — Redemption".
Exchange by the Company:	At maturity, the Securities are exchangeable in whole, at the option of the Company, subject to stock exchange approval, on at least 40 days' notice into that number of Common Shares determined by dividing $1,000 together with accrued and unpaid interest to, but excluding, the date of exchange by 90% of the then current Market Price (as defined herein) of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Company".
Exchange by the Holder:	On or after April 19, 2010, and subject to the Company's right on at least 40 days' notice prior to the exchange date to redeem, the Securities held by any holder are exchangeable in whole, at the option of the holder on any Interest Payment Date on at least 65 days' notice, into that number of Common Shares determined by dividing $1,000 together with accrued and unpaid interest by the greater of $1.00 and 90% of the then current Market Price of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Holder".
Use of Proceeds:	The net proceeds from the Offering will be used to fund investments in subsidiaries of the Company and for general corporate purposes. See "Use of Proceeds".
Governing Law:	The Indenture (as defined herein) and the Securities will be governed by the laws of the Province of British Columbia.
Credit Ratings:	The Securities have been assigned preliminary ratings of BBB by CBRS Inc. and BBB (High)y by Dominion Bond Rating Service Limited. See "Credit Ratings".
Market for the Securities:	There is currently no market through which the Securities may be sold. See "Risk Factors".
Global Securities:	The Securities will be represented by one or more Global Securities (as defined herein) registered in the name of The Canadian Depository for Securities Limited ("CDS") or its nominee. Beneficial interests in the Global Securities representing the Securities will be shown on, and transfers thereof will be effected only through, records maintained by CDS and its direct and indirect participants. Except as described herein, certificates evidencing the Securities in definitive form will not be issued. See "Details of the Offering — The Depositary".

THE COMPANY

Overview

BC Gas Inc. (the "Company") is a holding company holding directly 100% of the common shares in the capital of BC Gas Utility Ltd. ("BC Gas Utility") and 100% of the common shares in the capital of Trans Mountain Pipe Line Company Ltd. ("Trans Mountain"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia V6E 4M4.

References in this Prospectus to the Company include the Company and, unless otherwise indicated, its direct and indirect subsidiaries.

Business of the Company

The Company acts as a management corporation, providing strategic direction to BC Gas Utility and all of the Company's other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other non-regulated energy and utility related subsidiaries.

BC Gas Utility transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the greater Vancouver and Fraser Valley areas of British Columbia. Squamish Gas Co. Ltd. is a wholly-owned, regulated distribution subsidiary of BC Gas Utility.

Through Trans Mountain, the Company operates an oil pipeline from Alberta to the lower mainland of British Columbia and to northwestern Washington State. Through Trans Mountain Holdings Ltd., Trans Mountain owned approximately 10.7% of the outstanding common shares in the capital of the Company (the "Common Shares") as at December 31, 1999.

In addition, the Company holds interests in energy and utility related subsidiaries including, directly or indirectly, 100% of the outstanding shares of BCG Services Inc., Home*works* Inc., Huntingdon International Pipeline Corporation and Sumas International Pipeline Inc.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Company is a summary of information contained in the audited consolidated financial statements of the Company for the periods indicated and this selected information should be read in conjunction with such financial statements.

	Year Ended December 31				
	1999	1998	1997	1996	1995
	(dollar in millions except per share amounts)				
Gross revenues	$1,040.6	$ 925.0	$ 933.9	$ 901.4	$ 894.9
Net earnings	81.2	71.2	50.8	105.6	47.5
Earnings per Common Share	2.12	1.85	1.27	2.53	1.16
Dividends per Common Share	1.165	1.09	0.975	0.90	0.90
Total assets	2,450.5	2,466.1	2,388.1	2,427.1	2,367.3
Long term debt(1)	1,001.8	906.7	993.3	1,033.9	1,003.9
Current portion of long term debt.	77.2	194.8	96.8	10.9	30.1

(1) Excluding current portion of long term debt.

RECENT DEVELOPMENTS

Southern Crossing Pipeline

In May 1999, the British Columbia Utilities Commission approved an application by BC Gas Utility to construct and operate the Southern Crossing Pipeline (the "Southern Crossing Pipeline") for an estimated cost of $376 million. The Southern Crossing Pipeline involves the construction of a gas transmission pipeline to connect the existing ANG pipeline in southeastern British Columbia which is currently used primarily to export Alberta gas to the United States, with existing Company pipeline facilities in the southern Okanagan Valley. The Company intends to complete the project for an in-service date of November 1, 2000, however, the Company may revise the expected date of completion based on the results of bids that the Company is seeking for construction and installation of the pipeline.

Corridor Pipeline Limited

In July 1998, Trans Mountain and the Company entered into an agreement with Shell Canada Limited ("Shell"), Chevron Canada Resources Limited and Western Oil Sands Inc. for the construction and operation of the Corridor pipeline system (the "Corridor Pipeline"). Corridor Pipeline Limited ("CPL") has been established as a direct subsidiary of the Company to own 100% of the Corridor Pipeline. The option of Shell to acquire 49% of the Corridor Pipeline has expired. Trans Mountain will operate the Corridor Pipeline.

The Corridor Pipeline will provide for the pipeline transportation of diluted bitumen produced at Shell's Muskeg River Mine located approximately 70 kilometres north of Fort McMurray, Alberta to a heavy oil upgrader that Shell proposes to construct adjacent to its existing Scotford Refinery near Edmonton, Alberta, a distance of approximately 453 kilometres. A smaller diameter parallel pipeline will transport recovered diluent from the upgrader back to the mine. CPL also proposes to construct two additional pipelines, each 43 kilometers in length, between the proposed Scotford Upgrader and the existing trunk pipeline facilities of Trans Mountain and Enbridge in the Edmonton area.

The estimated cost of the Corridor Pipeline is $688 million. Of this cost $468 million represents a fixed price, quoted to Shell and its partners by the Company, and is comprised of fixed price bid amounts from third party contractors, a contingency amount and other amounts estimated by CPL, subject to certain agreed escalators. The balance of the cost, which includes line fill and interest costs, is comprised of amounts which will be included in the rate base of CPL at cost. Project financing for the Corridor Pipeline will be guaranteed by the Company during construction.

In December 1999, Shell and its partners announced that the Athabasca Oil Sands initiative, which includes the Corridor Pipeline, would be proceeding. Regulatory approvals have been obtained from the Alberta Energy and Utilities Board for the Corridor Pipeline. Shell and its partners have entered into a long term ship or pay agreement with CPL for the transport of a total of 150,000 barrels per day of bitumen in the Corridor Pipeline. Construction on the Corridor Pipeline is scheduled to commence in the second quarter of 2000 and the Corridor Pipeline is expected to be fully operational by the end of 2002.

Other Acquisitions

In December 1999, the Company purchased C.P.I. Equipment Ltd., a British Columbia based company that provides a variety of waterworks products and services to the commercial, industrial, agricultural, acquacultural, mining and municipal markets. This acquisition will facilitate the Company's expansion into the agricultural and acquacultural markets.

In February 2000, the Company signed a memorandum of understanding to purchase International Plastics Ltd. ("IPL"), a waterworks supply company based in Richmond, British Columbia. The acquisition includes IPL and its nine branches in the province of British Columbia, along with its subsidiary company and its single branch operation. It is anticipated that the transaction will close in the second quarter of 2000.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from the Offering are $119,933,750. These proceeds will be used to make investments in subsidiaries of the Company and for general corporate purposes. Expenses of this issue and the fee payable to the Underwriters will be paid by the Company out of the Company's general corporate funds.

INTEREST AND ASSET COVERAGES

The interest and asset coverages are calculated as at December 31, 1999 (in the case of asset coverage) or for the twelve months then ended (in the case of interest coverage). In each case, the as adjusted ratios have been calculated after giving effect to the issue of the Securities. Interest coverage on long term debt is equal to net income before interest expense on long term debt and income taxes divided by annual interest requirements on long term debt (including capitalized interest). Net tangible asset coverage on long term debt is equal to total assets (excluding intangible assets) less current and other liabilities (excluding long term debt) divided by long term debt.

	December 31, 1999	
	Actual	**As Adjusted**
Interest on long term debt coverage(1)	2.29	2.29
Net tangible asset coverage on long term debt(2)		
Before deferred income taxes and deferred credits	1.61	1.72
After deduction of deferred income taxes and deferred credits	1.58	1.69

(1) The interest coverage calculations have been made without including the annual carrying charges relating to the Securities offered hereby. If the Securities were classified as debt, the entire carrying charges of the Securities would be included in interest expense. If these annual carrying charges had been included in the calculations the as adjusted interest coverage would have been 2.08 for the year ended December 31, 1999.

(2) If the entire amount of the Securities offered hereby had been included in long term debt, the as adjusted net tangible asset coverages would have been 1.54 before deferred income taxes and deferred credits and 1.52 after deduction of deferred income taxes and deferred credits as at December 31, 1999.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's consolidated capitalization as at December 31, 1999 and as at December 31, 1999 adjusted to give effect to the issue of the Securities described under "Use of Proceeds". This table should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 1999 and 1998 incorporated by reference into this Prospectus.

	As of December 31, 1999	
	Actual	**As Adjusted**
	(millions of dollars)	
Long term debt(1)	$1,079.00	$1,079.00
Shareholders' Equity		
Securities offered hereby	—	125.00
Common Shares	363.30	363.30
Common Shares held by subsidiary	(51.00)	(51.00)
Retained earnings and other shareholders' equity	314.00	314.00
Total capitalization	$1,705.30	$1,830.30

(1) Includes current portion.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Securities. This summary does not purport to be complete and reference is made to the indenture to be dated as of April 19, 2000 (the

"Indenture") between the Company and CIBC Mellon Trust Company (the "Trustee") for full particulars. For the purposes of this summary, the term "Company" does not include its subsidiaries. Capitalized terms used without definition are deemed to have the meanings ascribed to them in the Indenture.

General

The Securities will be issued as unsecured subordinated debentures under the Indenture and will be limited in aggregate principal amount to $125,000,000. However, the Company may, from time to time, without the consent of the holders of the Securities, issue additional securities under the Indenture in addition to the Securities offered hereby. The Securities are not subject to a sinking fund provision. The principal amount of the Securities plus accrued and unpaid interest thereon will become due on April 19, 2040 (the "Maturity Date").

The Securities will be issued in fully registered form only in denominations of $1,000 and integral multiples thereof. The Securities will be issued in the form of fully registered global securities ("Global Securities") held by The Canadian Depository for Securities Limited ("CDS") or a successor entity for its participants. Under certain limited circumstances, the Securities may be issued in certificated non-book-entry form in exchange for interests in a Global Security. Payments on Securities issued as a Global Security will be made to CDS or a successor depositary. In the event that the Securities are issued in certificated non-book-entry form, principal and interest will be payable, the transfer of such Securities will be registerable and such Securities will be exchangeable for Securities in other denominations of a like aggregate principal amount at the corporate trust office of the Trustee, Suite 1600-1066 West Hastings Street, Vancouver, British Columbia V6E 3X1, (telephone number: (604) 688-4330) or its designated agent. Payment of principal and interest may be made by cheque mailed to the address of the holder entitled thereto. See "The Depositary" and "Transfers of Securities".

Subordination

The Indenture provides that the Securities are subordinated in right of payment to all present and future Senior Indebtedness (as defined herein) of the Company. No payment of principal (including redemption payments) or interest on the Securities may be made if: (i) any Senior Indebtedness of the Company is not paid when due and any applicable grace period with respect to a payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist; or (ii) the maturity of any Senior Indebtedness of the Company has been accelerated because of a default and not rescinded; or (iii) such Senior Indebtedness is not repaid upon maturity in accordance with its terms. Upon any distribution of assets of the Company to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due on all Senior Indebtedness of the Company must be paid in full before the holders of the Securities are entitled to receive or retain any payment.

The term "Senior Indebtedness" means, with respect to the Company: (i) the principal (including redemption payments), premium, if any, interest and other payment obligations in respect of (a) indebtedness of the Company for money borrowed, and (b) indebtedness evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company, including any such securities issued under any deed, indenture or other instrument to which the Company is a party (including, for the avoidance of doubt, indentures pursuant to which subordinated debentures have been or may be issued); (ii) all capital, operating or other lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company, all hedging agreements and agreements of a similar nature thereto and all agreements relating to any such agreements, and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of the Company for reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which the Company is responsible or liable as obligor, guarantor, surety or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), in each case whether outstanding at the date of the Indenture or thereafter incurred, except for (a) any such indebtedness that contains express terms, or is issued under a deed, indenture or other instrument which contains express terms, providing that it is subordinate to or ranks *pari passu* with the

Securities, and (b) any indebtedness between the Company and its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions of the Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness and notwithstanding that no express written subordination agreement may have been entered into between the holders of such Senior Indebtedness and the Trustee or any of the holders of the Securities.

As at December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness outstanding. As at such date, the Company's subsidiaries had approximately $1,375.0 million of indebtedness, excluding intercorporate liabilities and trade payables. The Securities will be effectively subordinated to all indebtedness and other liabilities of the Company's subsidiaries. The Indenture does not limit the aggregate amount of indebtedness, including Senior Indebtedness and indebtedness ranking *pari passu* with the Securities, that may be incurred by the Company or its subsidiaries.

The Indenture and the Securities do not contain any covenants or other provisions designed to afford holders of the Securities protection in the event of a highly leveraged transaction involving the Company or any of its subsidiaries.

Interest

The Securities shall bear interest from April 19, 2000, payable in Canadian dollars, at the rate of 8.0% per annum payable in equal semi-annual instalments of $40.00, except as provided below, on April 19 and October 19 of each year (each an "Interest Payment Date"), commencing October 19, 2000.

The amount of interest payable for any period will be computed on the basis of a 365 day year. In the event that any date on which interest is payable on the Securities is not a business day (being a day other than Saturday, Sunday or any other day on which banking institutions in Vancouver and Toronto are permitted or required by applicable law, regulation or executive order to close), then payment of the interest otherwise due on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, then such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date. Interest payments will be made in an amount equal to the interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid or duly made available for payment) to but excluding the applicable Interest Payment Date.

Option to Extend Interest Payment Periods

The Company shall have the right, at any time and from time to time, subject to certain conditions, to defer payments of interest on the Securities by extending interest payment periods for Extension Periods, each not exceeding 10 consecutive semi-annual periods, provided that during any Extension Period: (i) the Company shall not declare or pay dividends on, or make a distribution with respect to, or redeem, repurchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (a) as a result of an exchange or conversion of any class or series of the Company's capital stock or rights to acquire such stock for any other class or series of the Company's capital stock or rights to acquire such stock, (b) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (c) dividends or distributions made on the Company's capital stock or rights to acquire such capital stock with the Company's capital stock or rights to acquire such stock, (d) purchases, distributions or acquisitions of capital stock of the Company in connection with the satisfaction by the Company of its obligations under any employee benefit or incentive plans, including purchases, distributions or acquisitions under any employee share purchase plan or employee share option plan, provided that such benefit, incentive share purchase plan or share option plan shall have been in existence for at least 180 days prior to the commencement of such Extension Period, or (e) redemptions or repurchases of any rights outstanding under a shareholder rights plan); and (ii) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities or indebtedness for money borrowed, issued or incurred by the Company that ranks *pari passu* with or subordinate to the Securities (excluding, for the avoidance of doubt, Senior Indebtedness, in respect of which such payments, repayments, repurchases and redemptions may be made and also excluding trade payables arising in the ordinary course of business). Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the Extension Period of the Securities, provided, however, that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Maturity Date. Upon the termination of any Extension Period and the payment of all Deferred Interest (as defined herein), the Company may commence a new Extension Period for up to 10 consecutive semi-annual periods, subject to the terms described herein. There may be multiple Extension Periods of various lengths, each of up to 10 consecutive semi-annual periods, throughout the term of the Securities, but none of the Extension Periods may extend beyond the Maturity Date. During an Extension Period, interest will accrue and will compound on a semi-annual basis at the stated interest rate. Each Extension Period shall end on an Interest Payment Date. All interest accrued during an Extension Period ("Deferred Interest") shall be paid on the Interest Payment Date at the end of such Extension Period, and will be paid to the holders in whose names the Securities are registered at the close of business on the record date immediately preceding such Interest Payment Date. No interest payments will be required to be made during an Extension Period except at the end thereof. The Company shall give the holders of the Securities notice of its initiation of any Extension Period at least 20 business days prior to the earlier of: (i) the next succeeding Interest Payment Date; or (ii) the date upon which the Company is required by law to give notice to The Toronto Stock Exchange or other applicable self-regulatory organization or holders of the Securities of the record date or payment date, in each such case with respect to interest payments the payment of which is being deferred.

Share Payment Election

The Company, subject to applicable stock exchange rules, may elect, from time to time, to satisfy its obligation to pay any Deferred Interest on any Interest Payment Date by delivering Common Shares of the Company to the holders of the Securities, in accordance with the Indenture (the "Share Payment Election"). The Indenture provides that, upon such election, the holders of the Securities shall accept delivery of fully paid and non-assessable Common Shares from the Company determined by dividing the Deferred Interest by 90% of the Market Price for the Common Shares (the "Common Share Exchange Price"). The Company shall make a Share Payment Election by delivering written notice (the "Share Election Notice") to the holders no later than the earlier of: (i) the date required by applicable law or the rules of any stock exchange on which the Securities are then listed; or (ii) 40 days prior to the applicable Interest Payment Date to which the Share Payment Election relates. Fractional Common Shares will not be issued on any payment of Deferred Interest but in lieu thereof the Company will make cash payments. Any payment of Deferred Interest by delivery to the holders of Common Shares and any cash as herein set forth for any fractional Common Shares shall satisfy the Company's obligation to pay such Deferred Interest.

"Market Price" means the weighted average trading price of the Common Shares on The Toronto Stock Exchange or such other stock exchange on which the Common Shares are listed, for the period of 20 trading days which ends on the fourth day prior to the date specified for exchange or payment, as the case may be, or, if that fourth day is not a trading day, on the immediately preceding trading day.

Early Redemption Right

The Company may redeem the Securities, in whole and not in part, at any time following the issue of the Securities and prior to April 19, 2010, on not less than 30 days' and not more than 60 days' prior written notice at a price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed, and (ii) the Canada Yield Price, plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption.

"Canada Yield Price" shall mean a price equal to the price of the Securities calculated to provide a yield to April 19, 2010 compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.55% on the business day preceding the date of the resolution authorizing the redemption. "Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to April 19, 2010. The Government of Canada Yield, in the case of a redemption of the

Securities, will be the average of the yields provided by two Canadian investment dealers selected by the Company and approved by the Trustee.

The Company will have the right, at any time, to purchase the Securities at any price in the market or by tender or private contract.

Redemption

The Company may redeem the Securities, in whole and not in part, on or after April 19, 2010 on an Interest Payment Date at a price equal to 100% of the principal amount of the Securities to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

Exchange into Common Shares at the Option of the Company

The Securities will not be exchangeable at the option of the Company prior to maturity. Upon maturity of the Securities, the Company, subject to the applicable rules of The Toronto Stock Exchange and such other stock exchanges on which the Common Shares are then listed, may exchange all of the outstanding Securities into fully paid non-assessable Common Shares of the Company. The number of Common Shares into which each Security may be so exchanged will be determined by dividing $1,000 together with all accrued and unpaid interest on the Securities by the Common Share Exchange Price. Fractional Common Shares will not be issued on any exchange of Securities but in lieu thereof the Company will make cash payments.

Notice of any exchange will be given by the Company at least 40 days prior to the date fixed for exchange.

Exchange into Common Shares at the Option of the Holder

On or after April 19, 2010 all Securities held by a holder will be exchangeable at the option of the holder on any Interest Payment Date (each such date, an "Exchange Date") on prior notice (the "Exchange Notice") given at least 65 days before the Exchange Date into that number of fully paid non-assessable Common Shares of the Company determined by dividing $1,000 together with all accrued and unpaid interest by the greater of $1.00 and the Common Share Exchange Price. Fractional shares will not be issued on any exchange of Securities but in lieu thereof of the Company will make cash payments.

If a holder of Securities gives an Exchange Notice to the Company, the Company may elect to redeem all of the Securities which are the subject of the Exchange Notice. Any such redemption or purchase shall be made by the payment of an amount in cash of $1,000 per Security, together with accrued and unpaid interest to, but excluding, the Exchange Date.

If the Company elects to redeem all of the Securities which are the subject of an Exchange Notice (the "Subject Securities"), the Company shall, not later than 40 days before the Exchange Date, give notice to all holders of Subject Securities stating that the Company will redeem all of the Subject Securities for cash.

Mergers, Consolidations or Amalgamations

The Indenture provides that the Company may not consolidate or amalgamate with or merge into any other company or convey, transfer or lease its properties and assets substantially as an entirety to any other person, unless among other things: (i) the entity formed by such consolidation or amalgamation or into which the Company is merged or the person which shall have acquired or leased such properties or assets shall be a company, partnership or trust organized under the laws of Canada or any province or territory thereof or the United States, any state thereof or the District of Columbia and, unless the Company is the continuing company, such entity shall expressly assume the Company's obligation for the due and punctual payment of the principal of and interest on all the Securities and the performance and observance of every covenant of the Indenture on the part of the Company to be performed or observed; and (ii) immediately after giving effect to such transaction, no Event of Default (as defined herein) or event that after notice or passage of time or both would be an Event of Default shall have occurred and be continuing.

Events of Default

The Indenture provides that any one or more of the following described events which has occurred and is continuing constitutes an "Event of Default" with respect to the Securities:

(a) failure for 30 days to pay interest on the Securities as provided in the Indenture when due, provided that a valid extension of an interest payment period by the Company shall not constitute a default in the payment of interest for this purpose;

(b) failure to pay principal on the Securities as provided in the Indenture when due whether at maturity, upon redemption, by declaration or otherwise;

(c) failure to observe or perform any other covenant contained in the Indenture or the Securities for 60 days after written notice thereof to the Company from the Trustee or the holders of at least 25% in principal amount of the outstanding Securities; or

(d) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency law.

Within 30 days after the occurrence of any Event of Default with respect to any of the Securities, the Trustee must give the holders of the Securities notice of all Events of Default of which it has knowledge and that have not been cured or waived.

The holders of a majority in aggregate principal amount of the outstanding Securities have the separate right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee. The Trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Securities may declare the principal of and the interest on the Securities, including accrued interest, if any, and any other amounts payable under the Indenture to be forthwith due and payable immediately upon an Event of Default, but the holders of a majority in aggregate principal amount of the outstanding Securities may annul such declaration and waive the default if the default has been cured and a sum sufficient to pay all matured instalments of interest and principal due with respect to the Securities otherwise than by acceleration has been deposited with the Trustee.

The holders of a majority in aggregate principal amount of the outstanding Securities may, on behalf of the holders of all Securities, waive any past default and its consequences, except: (i) a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured instalments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or (ii) a default in respect of a covenant or provision of the Indenture which by the express terms of the Indenture cannot be modified or amended without the consent of the holder of each outstanding Security.

The Indenture provides that no holder of the Securities may institute any proceeding with respect to the Indenture unless: (i) such holder shall have previously given to the Trustee written notice of any Event of Default and continuance thereof; (ii) the holders of not less than 25% in aggregate principal amount of the outstanding Securities shall have requested the Trustee to institute such proceeding and shall have offered the Trustee reasonable indemnity in respect thereof; (iii) the Trustee shall not have instituted such proceeding within 60 days of such request; and (iv) the Trustee shall not have received directions inconsistent with such written request by the holders of a majority in aggregate principal amount of the outstanding Securities.

Notwithstanding the foregoing, the holder of any Security will have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Security on the due date thereof (as the same may be deferred in accordance with the provisions of the Indenture) and to institute suit for the enforcement of such payment, and such rights shall not be impaired without the consent of such holder.

The Indenture requires the Company to furnish to the Trustee annual statements as to the fulfilment by the Company of its obligations under the Indenture.

Limitation on Transactions

If: (i) the Company shall exercise its right to defer payment of interest as provided in the Indenture and so long as any Extension Period with respect thereto is continuing; or (ii) there shall have occurred and be continuing any Event of Default; then (a) the Company shall not declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (1) as a result of an exchange or conversion of any class or series of the Company's capital stock or rights to acquire such stock for any other class or series of the Company's capital stock or rights to acquire such stock, (2) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (3) dividends or distributions made on the Company's capital stock or rights to acquire such stock with the Company's capital stock or rights to acquire such stock, (4) purchases, distributions or acquisitions of capital stock of the Company in connection with the satisfaction by the Company of its obligations under any employee benefit or incentive plans, including purchases, distributions or acquisitions under any employee share purchase plan or employee share option plan, provided that such benefit, incentive, share purchase plan or share option plan shall have been in existence for at least 180 days prior to the commencement of such Extension Period, or (5) redemptions or repurchases of any rights outstanding under a shareholder rights plan); and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities or indebtedness for borrowed money issued or incurred by the Company that ranks *pari passu* with or subordinate to the Securities (excluding, for the avoidance of doubt, Senior Indebtedness, in respect of which such payments, repayments, repurchases and redemptions may be made and also excluding trade payables arising in the ordinary course of business, which may be paid).

The Depositary

CDS will act as securities depositary for the Securities. Except as otherwise provided below, the Securities will be issued in "book-entry only" form and beneficial interests therein must be purchased or transferred through participants in the CDS depositary service, which participants include certain securities dealers and brokers, banks and trust companies (the "Participants"). The Securities will be issued only as Global Securities to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of a beneficial interest in a Security will be entitled to a certificate or other instrument from the Company or CDS evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in a Security will be shown on the record maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. The Company expects that each purchaser of a beneficial interest in a security will receive a customer confirmation of purchase from the registered dealer from which such beneficial interest is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants holding beneficial interests in the Securities.

The Company and the Trustee will not have any liability for: (i) the records maintained by CDS relating to beneficial interests in Securities or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given herein with respect to the rules and regulations of CDS or any action to be taken by CDS on its own direction or at the direction of its Participants.

Transfers of Securities

While securities are outstanding in "book-entry only" form, transfers of ownership or beneficial interests in Securities will be effected only through records maintained by CDS or its nominee for such Securities with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of beneficial interests in Securities who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of their beneficial interests in Securities, may do so only through Participants.

Payment of Interest and Principal

Except in the case of payment on maturity or on redemption by the Company of the whole of the Securities outstanding, in which case payment may be made on surrender of a Global Security, payments of interest and principal on each Global Security will be made to CDS as registered holder of such Global Security. Interest payments on each Global Security may be made by cheque dated the date interest is payable and delivered to CDS three business days before the date interest is payable. Payments of interest may also be made by electronic funds transferred to CDS at the option of the Company. Principal payments on each Global Security will be made by cheque dated the Maturity Date delivered to CDS at maturity against receipt of such Global Security. As long as CDS is the registered holder of a Global Security, CDS will be considered the sole owner of such Global Security for the purpose of receiving payment on the Securities and for all other purposes under the Indenture and the Securities.

The Company expects that CDS, upon receipt of any payment of principal or interest in respect of a Global Security, will credit Participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of CDS. The Company also expects that payments of principal and interest by Participants to the owners of beneficial interests in such Global Security held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants. The responsibility and liability of the Company and the Trustee in respect of Securities represented by a Global Security is limited to making payment of any principal and interest due on such Global Security to CDS.

Discontinuance of Depositary's Services

The Securities will be issued in fully registered form to holders or their nominees other than CDS or its nominee if: (i) the Company determines that CDS is no longer willing or able to discharge properly its responsibilities as depositary and the Company is unable to locate a qualified successor and appoint such successor within 90 days; (ii) the Company at its option elects to do so, or is required by law to do so; (iii) CDS's book-entry system ceases to exist; or (iv) there shall have occurred an Event of Default which is continuing. The ability of a person having a beneficial interest in a Security outstanding in "book-entry only" form to pledge such interest or otherwise take action with respect to such interest, other than through a Participant may be limited due to the lack of a physical certificate.

Defeasance and Discharge

Under the terms of the Indenture, the Company will be discharged from any and all obligations in respect of the Securities (except for, among other things, certain obligations with respect to provisions for payment of the Securities and obligations to register the transfer or exchange of the Securities, to replace stolen, lost or mutilated Securities, to maintain paying agencies and to hold moneys for payment in trust) if (i) the Company deposits with the Trustee, in trust, monies or Canadian Government Obligations (as defined in the Indenture) in an amount sufficient to pay all the principal of and interest on the Securities on the dates such payments are due in accordance with the terms of such Securities; (ii) no Default or Event of Default shall have occurred and be continuing on the date of deposit or, with respect to certain events of bankruptcy or insolvency, at any time during the period ending on the 91st day after such deposit; (iii) the defeasance would not result in a breach or violation of the Indenture or any other material agreement by which the Company is bound; and (iv) the Company has delivered to the Trustee an opinion of nationally recognized counsel qualified to practice in Canada or a ruling from Revenue Canada, to the effect that the holders of the Securities will not recognize income, gain or loss for Canadian federal, provincial or territorial income tax or other tax purposes as a result of such defeasance and will be subject to Canadian federal, provincial or territorial income tax and other tax on the same amounts and in the same manner and at the same times as would have been the case had such defeasance not occurred, provided, however, that such counsel shall not be required to provide an opinion in respect of holders of Securities residing outside of Canada. Prior to depositing such amounts, the Company may give the Trustee notice, which shall be irrevocable, of its election to redeem any or all of the Securities at a future date.

Modification of the Indenture and Securities

Without the consent of any holder of Securities, the Company and the Trustee may amend or supplement the Indenture or the Securities, among other things, to cure any ambiguity, defect or inconsistency or to make any change that does not adversely affect the rights of any holder of the Securities in any material aspect. Other modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the Securities affected thereby then outstanding under the Indenture; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Security affected thereby, be made to: (i) change the stated maturity of the principal of, or any instalment of interest on any Security; (ii) reduce the principal amount of Securities or the accrued and unpaid interest thereon, or the rate of interest thereon or the redemption price of any Security; (iii) change the place or currency of payment of principal of or interest on the Securities; (iv) impair the right to institute suit for the enforcement of any payment on or with respect to the Securities on or after the due date thereof; (v) modify the subordination provisions applicable to the Securities or the definition of "Senior Indebtedness" in a manner adverse to the holders thereof; (vi) reduce the percentage in principal amount of outstanding Securities the consent of the holders of which is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or (vii) modify any of the provisions of certain sections as specified in the Indenture including the provisions summarized in this paragraph.

Governing Law

The Indenture and the Securities will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

CREDIT RATINGS

The Securities have been assigned preliminary ratings of BBB by CBRS and BBB (High)y by DBRS (each a "Rating Agency").

Ratings for debt instruments range from AAA, which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Each Rating Agency rates bonds or debentures on the basis that bonds or debentures rated A have maintained a history of adequate assets and earnings protection, are considered to be good quality securities and have favourable long term investment characteristics. The "y" modifier is used to indicate a hybrid security.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Securities by the Rating Agencies are not recommendations to purchase, sell or hold the Securities and may be reviewed or withdrawn at any time by the rating organizations if in its judgment circumstances so warrant.

CERTAIN CANADIAN INCOME TAX CONSEQUENCES

In the opinion of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, the following summary fairly presents the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations") generally applicable to purchasers of Securities pursuant to this Prospectus who, at all relevant times, for the purposes of the Tax Act, are resident in Canada, deal with the Company at arm's length and acquire and hold the Securities and any Common Shares for which the Securities are exchanged or that are issued in payment of any Deferred Interest as capital property (each a "Securityholder"). Securityholders to whom the Securities or Common Shares might not constitute capital property may elect, in certain circumstances, to have the Securities and Common Shares treated as capital property by making the election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to any holder of Securities which is a "financial institution", as defined in Section 142.2 of the Tax Act, or to any holder of Securities an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary is based upon the facts set out in the Prospectus, the current provisions of the Tax Act and the Regulations, all specific proposals (the "Tax Proposals") to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsels' understanding of the current published administrative practices of the Canada Customs and Revenue Agency (the "CCRA"). This summary assumes that the Tax Proposals will be enacted as currently proposed. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

This summary is of a general nature only and is not intended to be and should not be construed to be legal or tax advice to any prospective Securityholder and no representations with respect to the income tax consequences to any such Securityholder are made. Prospective Securityholders should consult their own tax advisors with respect to the tax consequences to them of acquiring, holding and disposing of Securities, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Interest on a Security

A Securityholder that is a company, partnership, unit trust or trust of which a company or partnership is a beneficiary will be required to include in its income for a taxation year all interest on a Security that accrues to the Securityholder to the end of that taxation year or becomes receivable or is received by it before the end of that year, except to the extent that such interest was included in the income of the Securityholder for a preceding taxation year.

Any other Securityholder, including an individual, will be required to include in income for a taxation year any amount received or receivable by the Securityholder in that year as interest on a Security (depending upon the method regularly followed by the Securityholder in computing income) except to the extent that such amount was included in the income of the Securityholder for a preceding taxation year, and, in addition, will be required to include in income any interest accrued on a Security up to any "anniversary day" (as defined in the Tax Act) in that year to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. Accordingly, if the Company exercises its right to defer payments of interest on the Securities, the Securityholder may be required to include in computing its income, interest accruing on the Securities up to such anniversary date, notwithstanding that all or a portion of such interest has not been received. The Company has concluded that the likelihood of it exercising its option to defer the payments of interest on the Securities is remote.

If the Company elects to defer the payment of any interest, and pays such Deferred Interest in Common Shares, the Securityholder will be required to include in income for the taxation year in which such Common Shares are issued to the Securityholder an amount equal to the fair market value of such Common Shares at that time plus the amount of any cash received in lieu of a fractional Common Share, to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. The cost to the Securityholder of any Common Shares received by the Securityholder in payment of Deferred Interest will be equal to the fair market value of such Common Shares at that time, and will be averaged with the cost of all other Common Shares owned at that time by the Securityholder as capital property to determine the adjusted cost base to the Securityholder of each Common Share.

A Securityholder may be required to include an additional amount in computing income in respect of the original issue discount, either in accordance with the deemed interest accrual rules contained in the Tax Act and the Regulations or in the taxation year in which the discount is received or receivable by the Securityholder. Securityholders should consult with their own tax advisors concerning the tax treatment of the original issue discount.

Disposition of a Security

Upon an actual or deemed disposition of a Security by a Securityholder at any time, including upon a redemption of the Security or repayment upon maturity, the Securityholder will be required to include in income for the taxation year in which the disposition occurs an amount equal to the amount of interest that has accrued on the Security to the date of the disposition and which is not payable until after that time, to the extent that such interest was not otherwise included in computing the income of the Securityholder for that or a preceding taxation year.

Upon the redemption of a Security by the Company at a redemption price (exclusive of accrued and unpaid interest) in excess of its principal amount, such excess will generally be deemed to be interest received by the Securityholder.

Upon an actual or deemed disposition of a Security (other than an exchange of the Security for Common Shares by the Securityholder), the Securityholder will also realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Security, net of any amount included in the Securityholder's income as interest and any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base of the Security to the Securityholder.

Three-quarters of the amount of any capital gain (a "taxable capital gain") realized by a Securityholder in a taxation year generally must be included in the income of the Securityholder for that year, and three-quarters of any capital loss (an "allowable capital loss") realized by a Securityholder in a taxation year may be deducted from taxable capital gains realized by the Securityholder in that year. Pursuant to the Tax Proposals, subject to certain transitional rules which apply in certain limited circumstances, for dispositions realized by a Securityholder after February 27, 2000 the taxable capital gain or allowable capital loss inclusion rate will be two-thirds of the amount of any capital gain or capital loss, respectively. Allowable capital losses in excess of taxable capital gains may generally be carried back and deducted in any of the three preceding taxation years (with appropriate adjustment of the inclusion rate pursuant to the Tax Proposals) or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. A Securityholder that is throughout the relevant taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including interest and taxable capital gains.

Exchange of Securities for Common Shares

As described above under "Details of the Offering — Exchange into Common Shares at the Option of the Company" and "Details of the Offering — Exchange into Common Shares at the Option of the Holder", the Securities may be exchanged on or after April 19, 2010 on any Interest Payment Date for Common Shares at the option of a Securityholder, or at maturity at the option of the Company. In either such case, the Securityholder will be required to include in income for the taxation year in which the exchange occurs an amount equal to the fair market value at that time of the Common Shares that are issued in respect of accrued and unpaid interest on the exchanged Securities plus the amount of any cash received in lieu of a fraction of such a Common Share, to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. The cost to the Securityholder of such Common Shares will be equal to their fair market value at that time.

If the exchange is at the option of the Securityholder, the exchange will be deemed not to be a disposition of the Securities and the Securityholder will be deemed to acquire the Common Shares that are issued in respect of the principal amount of the exchanged Securities at a cost equal to the adjusted cost base to the Securityholder of the exchanged Securities. Under the CCRA's current published administrative practice, a Securityholder who receives cash not exceeding $200 in lieu of a fraction of such a Common Share on the exchange will have the option of treating such amount as proceeds of disposition of such fractional Common Share and recognizing a capital gain (or capital loss) on the disposition of such fractional Common Share in computing the Securityholder's income for the taxation year in which the exchange occurs, or, alternatively, reducing the adjusted cost base to the Securityholder of the Common Shares received on the exchange by that amount.

If the exchange is at the option of the Company, the Securityholder will be considered to have disposed of the exchanged Securities and will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount included in the Securityholder's income as interest and any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base of the Securities to the Securityholder. The cost to the Securityholder of Common Shares received on such an exchange will be equal to their fair market value at that time.

The cost to a Securityholder of Common Shares received on an exchange of Securities for Common Shares will be averaged with the cost to the Securityholder of all other Common Shares owned at that time by the Securityholder as capital property to determine the adjusted cost base to the Securityholder of each Common Share.

Dividends on Common Shares

Dividends received on Common Shares by a Securityholder who is an individual will be included in the Securityholder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

A Securityholder that is a corporation will normally include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Securityholder that is a private corporation (within the meaning of the Tax Act) or a corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33⅓% of the amount of such dividends.

Disposition of Common Shares

Upon an actual or deemed disposition of a Common Share, a Securityholder generally will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base to the Securityholder of the Common Share. In the case of a Securityholder that is a corporation, the amount of any such capital loss may be reduced by the amount of any dividends received or deemed to be received by the Securityholder on the Common Share, to the extent and under the circumstances described in the Tax Act.

A Securityholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including taxable capital gains.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated April 11, 2000 (the "Underwriting Agreement"), between the Company and RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., Merrill Lynch Canada Inc., Scotia Capital Inc. and Goepel McDermid Inc. (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have severally agreed, in the proportions set out in the Underwriting Agreement, to purchase, on or about April 19, 2000 or such other date as may be agreed upon, but not later than May 31, 2000 subject to the terms and conditions stated therein, $125,000,000 principal amount of the Securities for an aggregate price of $123,683,750, payable in cash to the Company against delivery of such principal amount of such Securities.

The Underwriting Agreement provides that the Company will pay the Underwriters a commission of up to $3,750,000 on account of underwriting services rendered in connection with the Offering. The Company has agreed to pay the Underwriters a commission of $10.00 for each Security sold to certain institutions by closing and $30.00 per Security for all other Securities. Therefore, to the extent there are such sales to certain institutions by closing, the actual amount of the Underwriters' commission will be less than the aggregate amount specified above.

The Securities will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the Securities will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Securities. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Securities by the purchasers exceeds or is less than the gross proceeds paid by the Underwriters to the Company.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Securities if any Securities are purchased under the Underwriting Agreement.

Three of the Underwriters, CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc., are subsidiaries of Canadian chartered banks which provide credit facilities to the Company. As a result, the Company may be considered to be a "connected issuer" or a "connected party" of CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc. within the meaning of applicable Canadian securities legislation.

These credit facilities are used to support the commercial paper programs of the Company and its subsidiaries and are currently undrawn. The role taken by CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc. in connection with the Offering has not differed from that of the other Underwriters.

Pursuant to the policies of certain securities regulatory authorities, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Securities. The foregoing restriction is subject to certain exemptions, provided the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Securities. These exceptions include a bid or purchase permitted under the by-laws and rules of certain prescribed stock exchanges relating to market stabilization and passive market making activities. In connection with the Offering and subject to the foregoing and applicable law, the Underwriters may over-allot the Securities or effect transactions which stabilize or maintain the market price for the Securities at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

RISK FACTORS

Prospective purchasers of the Securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this Prospectus before purchasing the Securities offered hereby.

Subordination of Securities

The Securities will be issued as unsecured subordinated debentures of the Company. As of December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness outstanding. As at such date, the Company's subsidiaries had approximately $1,375.0 million of indebtedness and other liabilities, excluding intercorporate liabilities and trade payables. The Securities will be expressly subordinated to all Senior Indebtedness of the Company and will effectively be subordinated to all indebtedness and other liabilities of the Company's subsidiaries. The Indenture does not limit the aggregate amount of indebtedness, including Senior Indebtedness and indebtedness ranking *pari passu* with the Securities, that may be incurred by the Company or its subsidiaries. See "Details of the Offering — Subordination".

Option to Extend Interest Payment Period and Tax Consequences

The Company has the right, at any time and from time to time, subject to certain conditions, to defer payments of interest on the Securities by extending the interest payment periods on the Securities for Extension Periods of up to 10 semi-annual periods. Prior to the termination of any Extension Period, the Company may further extend such Extension Period, provided, however, that no Extension Period may exceed 10 semi-annual periods or extend beyond the stated maturity of the Securities. Upon the termination of any Extension Period and the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the above requirements. There may be multiple Extension Periods of varying lengths, each of up to 10 semi-annual periods, throughout the term of the Securities. If the Company exercises its right to defer payments of interest on the Securities, a Securityholder may be required to include in computing its income interest accruing on the Securities during such deferral period, notwithstanding that no cash is received by a Securityholder in respect of such interest during a deferral period. The Company has concluded that the likelihood of its exercising its option to defer the payments of interest on the Securities is remote. See "Details of the Offering — Option to Extend Interest Payment Periods" and "Certain Canadian Income Tax Consequences".

No Market for the Securities

There is currently no market through which the Securities may be sold.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company, at its principal corporate trust offices in Vancouver and Toronto, will maintain the Registers for the registration and transfer of the Securities.

LEGAL MATTERS

The matters referred to under certain "Certain Canadian Income Tax Consequences", "Eligibility for Investment" and certain other legal matters relating to the Securities will be passed upon by Farris, Vaughan, Wills & Murphy, on behalf of the Company and by Stikeman Elliott, on behalf of the Underwriters. As at April 3, 2000 partners and associates of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, as a group, beneficially owned directly and indirectly no more than 1% of any class of securities of the Company.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces securities legislation also provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: April 11, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of the provinces of Canada. For the purposes of the *Securities Act* (Québec) and the Regulations thereunder, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice-President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 11, 2000

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of the provinces of Canada. For the purposes of the *Securities Act* (Québec) and the Regulations thereunder, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

RBC DOMINION SECURITIES INC.

By: (Signed) STEPHEN J. SWAFFIELD

BMO NESBITT BURNS INC.	CIBC WORLD MARKETS INC.	TD SECURITIES INC.
By: (Signed) WILLIAM E. BUTT	By: (Signed) ALAN C. WALLACE	By: (Signed) MARGARET R. HYDE

MERRILL LYNCH CANADA INC.	SCOTIA CAPITAL INC.
By: (Signed) DAVID S. CHAPMAN	By: (Signed) MARK S. SCOTT

GOEPEL MCDERMID INC.

By: (Signed) TRACEY L. MCVICAR

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of:

RBC DOMINION SECURITIES INC.: a direct wholly-owned subsidiary of a Canadian chartered bank;

BMO NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank;

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.;

SCOTIA CAPITAL INC.: a wholly-owned subsidiary of a Canadian chartered bank; and

GOEPEL MCDERMID INC.: owned by K.A Shields, D.E. Roberts, R.E.T. Goepel, K.N. Aune, N. Dargan, G.M. Medland, I.S. Brown, G.L. Goad and M. Hagerman.

BC Gas Inc.™

Preliminary Short Form Base Shelf Prospectus dated December 1, 2003.

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

New Issue

TERASEN INC.
$800,000,000
Debentures (unsecured)
Subordinated Debt Securities (unsecured)

Terasen Inc. (the "Company") may from time to time offer for sale unsecured debentures (the "Debentures") and subordinated unsecured debentures, notes or other evidence of subordinated indebtedness (the "Subordinated Debt Securities") (the Debentures and the Subordinated Debt Securities are together called the "Securities") in an aggregate principal amount not to exceed $800,000,000 or its equivalent in any other currency or units based on or relating to foreign currencies, during the 25 month period that this short form prospectus, including any amendments hereto, remains valid. The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

All shelf information permitted under applicable laws to be omitted from this short form prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this short form prospectus. Each prospectus supplement will be incorporated by reference into this short form prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the Securities to which the prospectus supplement pertains.

The Securities may be issued in registered form or bearer form with coupons attached or both. In addition, all or a portion of the Securities of any series may be issuable in permanent registered global form which will be exchangeable in certain circumstances for definitive Securities.

This short form prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may sell the Securities to or through underwriters or dealers, and also may sell the Securities to one or more other purchasers directly or through agents. See "Plan of Distribution". A prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of any Securities, and will set forth the terms of the offering of the Securities, including, to the extent applicable, the initial public offering price, the proceeds to the Company, the principal amounts, if any, to be purchased by underwriters and any underwriting or other discounts or commissions.

Unless specified in the applicable prospectus supplement, the Securities will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell Securities purchased under this short form prospectus.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Terasen Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 443-6500). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Terasen Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 28, 2003, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2002 and 2001, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at September 30, 2003 and for the three-month and nine-month periods ended September 30, 2003 and 2002, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) the management proxy circular dated February 28, 2003 in connection with the annual meeting of shareholders of the Company held on April 25, 2003, except for the sections entitled “Board Committee Reports”, “Executive Compensation Report”, “Performance Graph” and “Statement of Corporate Governance Practices” and the Appendixes thereto.

Any documents of the type referred to above, and any material change reports (excluding confidential material change reports), which are filed by the Company with the various securities commissions or any similar authorities in the provinces of Canada after the date of this short form prospectus and prior to the termination of the offering under any prospectus supplement shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of

material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

A prospectus supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such prospectus supplement and only for the purposes of the distribution of Securities covered by that prospectus supplement.

If the Company files a prospectus supplement with applicable securities regulatory authorities that supplies any additional or updated information that the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment), that prospectus supplement will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Where the Company updates its disclosure of earnings coverage ratios by prospectus supplement, the prospectus supplement filed with the applicable securities regulatory authorities that contains the most recent updated disclosure of earnings coverage ratios will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Upon a new annual information form and the related annual financial statements being filed by the Company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all prospectus supplements filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Securities hereunder.

TERASEN INC.

Terasen Inc. (“Terasen” or the “Company”) (formerly BC Gas Inc.) is a holding company holding directly and indirectly 100% of the common shares of Terasen Gas Inc. (“Terasen Gas”), Terasen Gas (Vancouver Island) Inc. (“TGVI”), Terasen Pipelines (Trans Mountain) Inc. (“Trans Mountain”) and Terasen Pipelines (Corridor) Inc. (“Corridor”). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). In addition, on April 25, 2003, its name was changed from BC Gas Inc. to Terasen Inc. The head and principal office of Terasen is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Name Changes

In late 2002 and early 2003, the corporate names of the Terasen group of companies were changed to reflect the new corporate name, Terasen. A summary of the key name changes is as follows:

New Name	Previous Name
Terasen Inc.	BC Gas Inc.
Terasen Gas Inc.	BC Gas Utility Ltd.
Terasen Gas (Vancouver Island) Inc.	Centra Gas British Columbia Inc.
Terasen Pipelines (Trans Mountain) Inc.	Trans Mountain Pipe Line Company Ltd.
Terasen Pipelines (Corridor) Inc.	Corridor Pipeline Limited
Terasen Waterworks (Supply) Inc.	BCG Services Inc.
Terasen International Inc.	BC Gas International Inc.

Business Of The Terasen Group Of Companies

Terasen acts as a management corporation, providing strategic direction to Terasen's subsidiaries and investments. Terasen holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the Terasen group of companies.

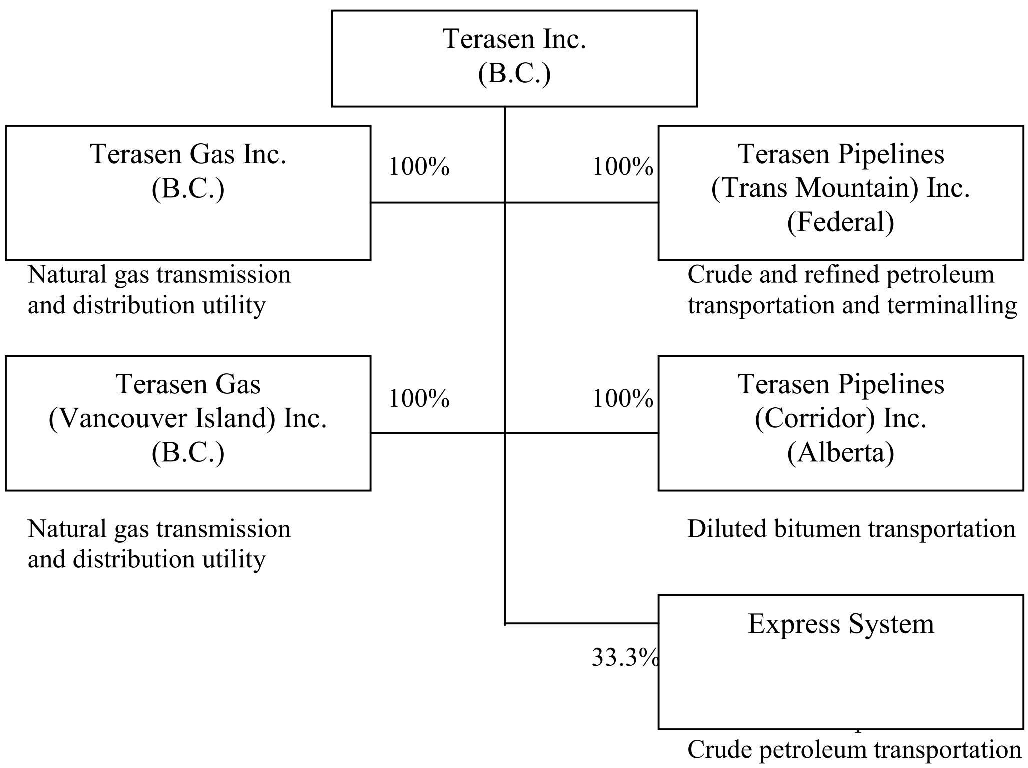
Terasen Gas transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the greater Vancouver and Fraser Valley areas of British Columbia. TGVI transmits and distributes natural gas to residential, commercial and industrial customers in the Sunshine Coast and Vancouver Island areas of British Columbia.

Through Trans Mountain, Terasen owns and operates an oil pipeline from Alberta to the lower mainland of British Columbia and to northwestern Washington State. Terasen owns 100% of the shares of Trans Mountain. Through a wholly-owned subsidiary, Trans Mountain owned approximately 8.1% of the common shares of Terasen as at September 30, 2003. Through Corridor, the Company owns and operates the Corridor Pipeline, a pipeline system which transports diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton, Alberta. In addition, Terasen owns a one-third interest in the Express and Platte Pipelines (collectively, the "Express System"), which transport crude oil from Alberta to Wyoming and on to Illinois.

In addition, Terasen holds interests in energy and utility related subsidiaries including 100% of Terasen Waterworks (Supply) Inc. and Terasen International Inc. Terasen also owns 44.2% of Clean Energy Inc. and 30% of CustomerWorks LP.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2002 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at December 31, 2002. The chart also depicts the Company's one-third ownership interest in the Express System, which is held through several subsidiaries.



RECENT DEVELOPMENTS

Regulation

On July 30, 2003 Terasen Gas received the approval from the British Columbia Utilities Commission ("BCUC") of a negotiated settlement of a 2004-2007 Performance Based Rate Plan ("PBR settlement") The PBR settlement sets forth the process for determining Terasen Gas' delivery charges and incentive mechanisms for improved operating efficiencies. The four-year agreement includes incentives for Terasen Gas to operate more efficiently through the sharing of the benefits of efficiencies between Terasen Gas and its customers. It includes 10 service quality measures designed to ensure the Terasen Gas maintains service levels and sets out the requirements for an annual review process which will provide a forum for discussion between Terasen Gas and interested parties regarding the Terasen Gas' current and future activities.

Operation and maintenance costs and base capital are subject to an incentive formula reflecting increasing costs due to customer growth and inflation, less a productivity factor based on 50% of inflation during the first two years and 66% of inflation during the last two years. Base capital expenditure amounts are determined based on customer counts and projected customer additions. The PBR settlement provides for a 50/50 sharing mechanism of earnings above or below the allowed return on equity, net of certain incentives.

The PBR settlement also establishes new deferral accounts for insurance premiums and pension costs incurred by Terasen Gas.

Removal of Certain Restrictions

On November 20, 2003 the Province of British Columbia passed legislation, *inter alia*, repealing the *Hydro and Power Authority Privatization Act*, thereby removing various legislative restrictions on the Company including directors residency requirements and share ownership restrictions applicable to both the Company and Terasen Gas. Any change of control of the Company would still remain subject to the approval of the BCUC under the *Utilities Commission Act*.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan (the "Rights Plan") pursuant to a Shareholder Rights Plan Agreement dated November 24, 2003 between the Company and CIBC Mellon Trust Corporation. The Rights Plan must be confirmed by the Company's shareholders at its next annual general meeting. The Rights Plan is designed to encourage the fair treatment of shareholders in the event of a takeover bid for the Company.

Rights issued under the Rights Plan become exerciseable in the event that a person acquires or commences a takeover bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the Rights Plan. Should such an event occur, each rights holder, other than the acquiring person will have the right to purchase $450 worth of common shares for $225.

USE OF PROCEEDS

Except as otherwise described in a prospectus supplement, the net proceeds from the sale of Securities will be used to finance the Company's capital expenditure and working capital requirements, to retire commercial paper issued by the Company, to refinance existing indebtedness, to finance investments in subsidiaries and joint ventures and expenses associated with new business ventures, and for other general corporate purposes. All expenses relating to an offering of Securities, including any compensation paid to underwriters or agents, will be paid out of the Company's general funds. The Company may, from time to time, issue debt instruments and incur additional indebtedness other than through the issue of Securities pursuant to this short form prospectus.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2002 and the twelve month period ended September 30, 2003, respectively. They do not reflect the issue of any Securities that may be issued pursuant to this short form prospectus, since the aggregate principal amounts and terms of such Securities are not presently known. The ratio for the twelve month period ended September 30, 2003 is based on unaudited financial information.

Terasen Gas has filed a preliminary short form shelf prospectus dated December 1, 2003 relating to the issue of $700 million principal amount of Medium Term Note Debentures. The earnings coverages do not reflect the issue of Medium Term Note Debentures by Terasen Gas, since the aggregate principal amounts and terms of such Medium Term Notes are not presently known.

The Company's interest requirements on consolidated long term debt amounted to $163.8 million for the year ended December 31, 2002 and $158.6 million for the twelve months ended September 30, 2003, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest on long-term debt income taxes and non-controlling interest were $325.7 million for the year ended December 31, 2002, which is 1.99 times the Company's interest requirements on consolidated long term debt for the year then ended, and $349.2 million for the twelve months ended September 30, 2003, which is 2.20 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2002	September 30, 2003
Earnings coverage on long term debt	1.99 times	2.20 times

THE SECURITIES

Securities issued by the Company may consist of any of the following:

(1) Debentures issued pursuant to the trust indenture dated as of November 21, 2001 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Trust Indenture”); and

(2) subordinated unsecured debentures, notes or other evidences of indebtedness (the “Subordinated Debentures”) issued under one or more trust indentures, including unsecured Subordinated Debentures issued pursuant to the trust indenture dated as of April 19, 2000 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Subordinated Debenture Trust Indenture”).

Securities will have maturities of not less than one year and will be offered to the public at prices and on terms determined by the Company based on a number of factors, including market conditions at the time of issue.

The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debentures, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

The terms and conditions applicable to Securities issued under a trust indenture other than the Trust Indenture or the Subordinated Debenture Trust Indenture or without benefit of a trust indenture will be as contained in the specific Security, the applicable trust indenture and the applicable prospectus supplement. Such terms and conditions may not be the same as those which apply to Debentures issued under the Trust Indenture.

DESCRIPTION OF THE DEBENTURES

Rank

The Debentures will be direct obligations of the Company ranking equal in priority to all other unsecured and unsubordinated indebtedness of the Company, except as may be provided in the Trust Indenture. The Debentures will not be secured by any mortgage, pledge or other charge.

Debentures

The aggregate principal amount of Debentures that may be issued under the Trust Indenture is unlimited.

The following summary of certain provisions of the Trust Indenture does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture. Certain of the terms used herein are defined under “Definitions” below.

General

The Trust Indenture provides that Debentures may be issued thereunder from time to time in one or more series. Specific terms and conditions which apply to such series will be set out in a supplement to the Trust Indenture. The Debentures will be direct, unconditional and, unless otherwise indicated in the relevant prospectus supplement, unsecured obligations of the Company. As of the date hereof, and a total of $300 million aggregate principal amount of Debentures are outstanding under the Trust Indenture.

The prospectus supplement relating to the particular Debentures offered thereby will describe the terms of such Debentures, including, where applicable:

(i) the designation, aggregate principal amount and denominations of such Debentures;

(ii) the price at which such Debentures will be issued or whether such Debentures will be issued on a non-fixed price basis;

(iii) the date or dates on which such Debentures will mature and the portion (if less than all of the principal amount) of such Debentures to be payable upon declaration of an acceleration of maturity;

(iv) the currency or currencies in which such Debentures are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debentures will be payable, whether the holder of any such Debentures or the Company may elect the currency in which payments thereon are to be made and if so, the manner of such election;

(v) whether the Debentures of such series are interest bearing and, in the case of interest bearing Debentures, the rate or rates (which may be fixed or variable) per annum at which such Debentures will bear interest, if any;

(vi) the date from which interest on such Debentures, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;

(vii) the dates on which and the price or prices at which such Debentures will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

(viii) any special provisions for the payment of additional interest with respect to such Debentures;

(ix) any additional covenants included for the benefit of holders of such Debentures;

(x) the general terms or provisions, if any, pursuant to which such Debentures are to be guaranteed or secured;

(xi) any additional events of default provided with respect to such Debentures;

(xii) any exchange on which Debentures of a series will be listed;

(xiii) terms for any conversion or exchange into other securities;

(xiv) any special tax implications of or any special tax provision, or indemnities relating to Debentures of such series; and

(xv) any other terms of such Debentures.

Payment

Unless otherwise specified in the applicable prospectus supplement, payment of principal (and premium, if any) on Debentures will be made in the designated currency against surrender of such Debentures at the office of the Trustee in Vancouver, British Columbia. Unless otherwise indicated in the prospectus supplement related thereto, payment of any instalment of interest on Debentures will be made to the person in whose name such Debenture is registered immediately prior to the close of business on the record date for such interest by electronic funds transfer.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by another instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Restrictions on Mergers, Amalgamations and Consolidations

The Trust Indenture contains provisions to the effect that the Company will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person (a "Successor"), whether by way of reorganization, consolidation, conveyance, amalgamation, arrangement, merger, transfer, sale or otherwise, (each a "Reorganization Transaction"), provided that the Company may enter into a Reorganization Transaction if the Successor is a corporation existing under the laws of Canada or any province or territory thereof and assumes in a manner satisfactory to the Trustee all obligations and covenants of the Company under the Debentures and the Trust Indenture and no condition or event exists or is continuing at the time of, or after giving effect to, the Reorganization Transaction that does or would after the giving of notice or lapse of time, or both, constitute an event of default.

Modification of the Trust Indenture

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of the aggregate principal amount of such series voted at a duly constituted meeting.

Events of Default

The Trust Indenture provides that any one or more of the following events shall constitute an event of default with respect to any series of Debentures thereunder: (i) a default in the payment of the principal of (or premium, if any, on) any Debentures of such series when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (ii) a default in the payment of interest on any Debentures of such series when the same becomes due and payable or any sinking fund payment prescribed for any Debentures of such series, and such default continues for a period of 30 days; (iii) default in the performance of or breach of any other covenant or agreement of the Company with respect to such series under the Trust Indenture or the Debentures and such default or breach continues for a period of 60 days after written notice to the Company by the Trustee or for such longer period as may be agreed to by the Trustee provided that in no event shall such longer period extend beyond 90 days after receipt of such notice by the Company; (iv) any failure to pay when due or within any applicable grace period, any Indebtedness of the Company or a Subsidiary in an aggregate principal amount in excess of $50 million; (v) any default in respect of any Indebtedness of the Company or any Subsidiary having an aggregate principal amount exceeding $50 million after the expiration of any applicable grace period, if such default has resulted in such Indebtedness in excess of such aggregate principal amount becoming due prior to its stated maturity; (vi) the sale, transfer or other disposition by the Company, by one or more transactions, directly or indirectly, of its undertaking or assets representing, in the aggregate, substantially all of the assets of the Company other than in accordance with the provisions of the Trust Indenture; (vii) one or more final judgements (not subject to appeal) are rendered against any one or more of the Company and its Subsidiaries in an aggregate amount in excess of $50 million (excluding amounts in respect of which the Company or its Subsidiaries are insured) by a court or courts of competent jurisdiction and remain undischarged or unstayed for a period of 60 days after the date on which all rights to appeal have expired; (viii) proceedings are commenced for the winding-up, liquidation or dissolution of the Company or a Material Subsidiary (except as otherwise permitted under the Trust Indenture), a decree or order of a court of competent jurisdiction is entered adjudging the Company or a Material Subsidiary a bankrupt or insolvent, or a petition seeking reorganization, arrangement or readjustment of or in respect of the Company or a Material Subsidiary is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Company or such Material Subsidiary in good faith and are dismissed or stayed within 60 days of commencement; (ix) the Company or a Material Subsidiary makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property which is material to the conduct of its business, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; or (x) a resolution is passed for the winding-up or liquidation of the Company except in the course of carrying out or pursuant to a transaction permitted under the Trust Indenture. The Company is required to file with the Trustee an annual officers' certificate as to the absence of certain defaults under the Trust Indenture.

The Trust Indenture provides that if an event of default (other than an event of default specified in clauses (viii) to (x) above in relation to the Company) shall occur and be continuing with respect to a series of Debentures issued thereunder, the Trustee may in its discretion and shall upon request of the holders of not less than 25% in principal amount of the outstanding Debentures of such series declare the principal of, together with accrued interest on, all Debentures of such series to be due and payable. In certain cases, the holders of 66 2/3% in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may on behalf of the holders of all such Debentures waive any past default or event of default and rescind and annul any such declaration and its consequences.

The Trust Indenture further provides that if an event of default specified in clauses (viii) to (x) in relation to the Company occurs, the principal of and any accrued interest on the Debentures then outstanding shall become immediately due and payable; provided however that at any time after an automatic acceleration with respect to the Debentures has been made, the holders of a majority in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may, under certain circumstances, rescind and annul such acceleration and its consequences.

The Trust Indenture contains a provision entitling the Trustee, subject to its duty during a default to act with the required standard of care, to be indemnified by the holders of Debentures of such series before proceeding to exercise any right or power under the Trust Indenture at the request of such holders. The Trust Indenture will provide that no holder of Debentures of any series may pursue a remedy with respect to the Trust Indenture except in the case of failure of the Trustee to act.

Defeasance

The Company may elect, with respect to any series of Debentures, either to be discharged from its obligations or to be released from its obligations to comply with the terms, provisions or conditions relating to the Debentures of such series or any other covenants or any event of default (other than a default in the payment of principal, interest, if any, or any premium, under such series of Debentures). Following such election the Company will be so discharged, provided: (i) the Company has, at least 91 days prior to such discharge becoming effective, irrevocably deposited with the Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the Trust Indenture with respect to the Debentures of the series affected, (a) funds in the currency or currencies in which such Debentures are payable, and/or (b) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debentures of such series are payable, and that are not subject to prepayment, redemption or call, as will together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (x) the principal of (and premium, if any) and interest on the outstanding Debentures of the particular series on their stated due dates or maturity, as the case may be, and (y) any mandatory prepayments on the day on which such prepayments are due and payable; (ii) such deposit will not result in a breach or violation of, or constitute a default under, the Trust Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (iii) no event of default with respect to the Debentures of such series or event that, with notice or lapse of time, would become such an event of default shall have occurred and be continuing on the date of such deposit; and (iv) the Company shall have delivered to the Trustee an officers' certificate and an opinion of Counsel, each stating that all conditions precedent to the defeasance have been satisfied.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means, Indebtedness including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Material Subsidiary**" means, at any time, a Subsidiary:

(a) the total assets of which (on a consolidated basis) represent more than 20% of the total assets of the Company determined on a consolidated basis as shown in the most recent audited consolidated balance sheet of the Company; or

(b) the total revenues of which represent more than 20% of the total revenues of the Company determined on a consolidated basis as shown in the consolidated statement of income of the Company for the four most recent fiscal quarters of the Company.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the first date of issuance by the Company of any Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown; and

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company;

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its Subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt**,** (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The following description of Subordinated Debt Securities sets forth certain general terms and provisions of the Subordinated Debt Securities in respect of which a prospectus supplement will be filed. The particular terms and provisions of Subordinated Debt Securities offered by any prospectus supplement will be described in the prospectus supplement filed in respect of such Subordinated Debt Securities.

Subordinated Debt Securities will be issued under the Subordinated Debenture Trust Indenture or one or more subsequent trust indentures, in each case between the Company and a financial institution organized under the laws of Canada or of any province thereof or of the United States.

The Subordinated Debt Securities will be direct unsecured obligations of the Company and will be subordinated to other indebtedness of the Company outstanding from time to time. Subordinated Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Company from time to time or as non-interest bearing securities issued at a discount. The Subordinated Debt Securities will be issued in registered form or bearer form with coupons attached and may be represented in the form of fully registered global notes.

The specific variable terms of any offering of Subordinated Debt Securities, including the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of Subordinated Debt Securities being offered, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Subordinated Debt Securities into other securities of the Company, the names of the dealers, underwriters or agents engaged in connection with the offering of the Subordinated Debt Securities, any commission payable, the method of distribution, the actual proceeds to the Company and any other specific terms, will be set forth in a prospectus supplement which will accompany this short form prospectus. The Company reserves the right to set forth in a prospectus supplement specific variable terms of Subordinated Debt Securities and the offering thereof which are not within the options and parameters set forth in this short form prospectus.

RISK FACTORS

Prospective investors in a particular offering of Securities should consider, in addition to information contained in the prospectus supplement relating to that offering or in other documents incorporated by reference herein, the risks described in management's discussion and analysis incorporated by reference into the annual information form of the Company, and the business risk described in management's discussion and analysis included in the interim unaudited comparative consolidated financial statements of the Company as at September 30, 2003, both of which are incorporated by reference herein as at the date of the prospectus supplement relating to the particular offering of Securities.

PLAN OF DISTRIBUTION

The Securities may be sold through underwriters or dealers purchasing as principals, and may also be sold by the Company directly or through agents designated from time to time. Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

The prospectus supplement relating to the series of Securities offered thereby will identify each underwriter or agent with respect to that series and will set forth the terms of the offering of such series, including the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the proceeds to the Company and any fees payable to underwriters or agents.

In connection with any offering of Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. Each underwriter or agent will agree that it will not offer for sale or sell or deliver the Securities within the United States except in accordance with Rule 144A under the U.S. Securities Act. Each underwriter or agent will agree not to offer and sell securities outside the United States except in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of an offering, any offer or sale of Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: December 1, 2003

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) John M. Reid
President and Chief Executive Officer

(Signed) Milton C. Woensdregt
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) Mark L. Cullen
Director

(Signed) Michael W. O'Brien
Director

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered, sold or delivered within the United States of America including the states and the District of Columbia and its territories and possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S to the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PRELIMINARY SHORT FORM PROSPECTUS

New Issue November 25, 2002

BC Gas Inc.™

$201,400,000

5,300,000 Common Shares

The Common Shares are listed on The Toronto Stock Exchange (the "TSX") under the symbol BCG. The closing price of the Common Shares on the TSX on November 22, 2002 was $37.80.

In the opinion of counsel the Common Shares will not, at the date of closing, be precluded as investments under certain statutes. See "Eligibility for Investment".

Price: $38.00 per Common Share

	Price to the Public	Underwriters' Fee	Net Proceeds to the Company(1)
Per Common Share	$38.00	$1.52	$36.48
Total(2)	$201,400,000	$8,056,000	$193,344,000

(1) Before deducting the expenses of this Offering estimated at $200,000, which, together with the Underwriters' fee will be paid by BC Gas Inc. (the "Company") from its general funds.

(2) The Company has granted the Underwriters an option (the "Over-Allotment Option") exercisable on or before 5:00 p.m. (EST) November 26, 2002 to purchase up to an additional 525,000 Common Shares on the same terms as set forth above. This short form prospectus also qualifies the distribution of such 525,000 additional Common Shares. If the Underwriters' Over-Allotment Option is exercised in full, the Total Price to the Public, Underwriters' Fee and Net Proceeds to the Company will be $221,350,000, $8,854,000 and $212,496,000, respectively. See "Plan of Distribution".

(3) The Underwriters will also be paid a fee with respect to the concurrent private placement of 2,631,600 Common Shares of $0.76 per share or $2,000,016 in the aggregate. See "Plan of Distribution".

Five of the Underwriters are subsidiaries of Canadian chartered banks or other financial entities which are members of various syndicates of financial institutions or entities that have made credit facilities available to the Company and its subsidiaries. Accordingly, the Company may be considered a connected issuer of such Underwriter under applicable securities laws in certain Canadian provinces. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Share certificates representing the Common Shares will be available for delivery at closing, which is expected to occur on December 10, 2002, or such other date as may be agreed upon, but no later than December 31, 2002. The Underwriters may effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those that might prevail in the open market. See "Plan of Distribution".

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 443-6500). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or other similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 25, 2002, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2001 and 2000, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at June 30, 2002 and for the three-month and six-month periods ended June 30, 2002 and 2001, together with management's discussion and analysis filed in connection with such interim unaudited financial statements;

(d) the press release of the Company dated November 6, 2002 relating to the interim unaudited consolidated financial statements for the three-month and nine-month periods ended September 30, 2002 and 2001; and

(e) the management proxy circular dated March 6, 2002 in connection with the annual meeting of shareholders of the Company held on April 25, 2002, except for the sections entitled "Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices".

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) subsequently filed by the Company with the securities commissions and any similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

BC GAS INC.

BC Gas Inc. (the "Company") is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. ("BC Gas Utility" or the "Utility"), Centra Gas British Columbia Inc. ("Centra BC"), Centra Gas Whistler Inc. ("Centra Whistler") (Centra BC and Centra Whistler are together called "Centra Gas"), Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") and Corridor Pipeline Limited ("CPL"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business of the BC Gas Group of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of BC Gas' other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2001, the Utility and its subsidiaries transmitted and distributed natural gas to over 767,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. Centra BC transmits and distributes natural gas to residential, commercial and industrial customers in the Sunshine Coast and Vancouver Island areas of British Columbia. The transmission and distribution business is carried on under statutes, franchises or operating agreements or leases granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility and Centra BC are regulated by the British Columbia Utilities Commission ("BCUC").

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

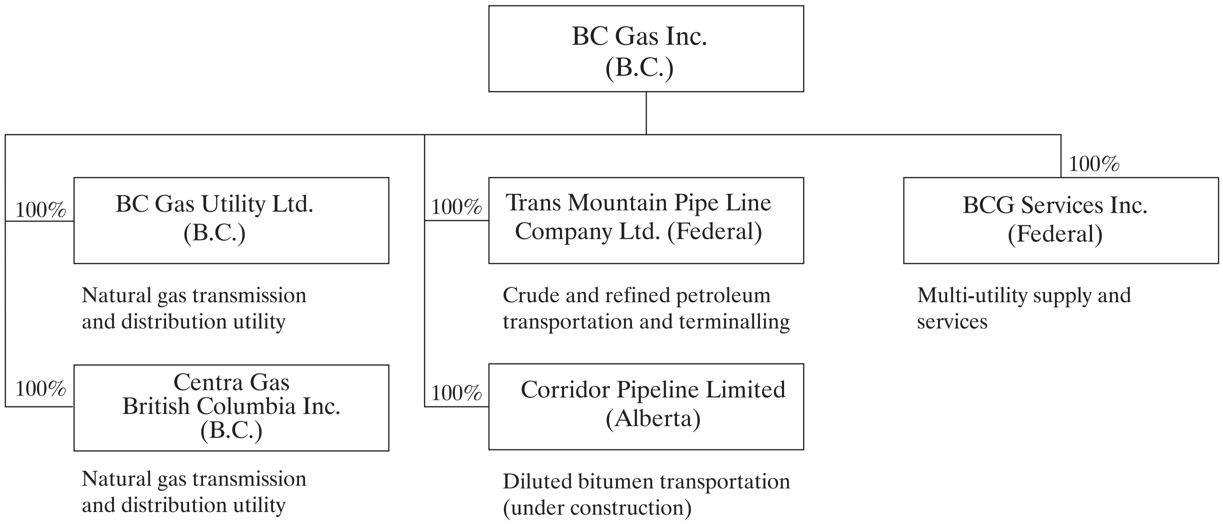
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is completing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton. Construction of this pipeline is 99% complete and commissioning is 90% complete. It is expected that the Corridor Pipeline will commence commercial operations by March 2003.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2001 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2002:



RECENT DEVELOPMENTS

Third Quarter Results

For the nine months ended September 30, 2002, earnings applicable to common shares of the Company were $49.8 million, compared with $35.6 million for the same period in 2001. Earnings per share for the first nine months of 2002 were $1.17, as compared to $0.93 in 2001. The increase in earnings was primarily due to the acquisition of Centra Gas, the results of which are included in the Company's results as of January 1, 2002. The increase in earnings per share also reflects the issuance of 5,208,000 Common Shares of the Company on March 7, 2002 to finance, in part, the acquisition of Centra Gas.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

Regulation

On June 17, 2002, BC Gas Utility filed an application with the BCUC to determine its 2003 revenue requirement application and to initiate a process to establish a multi-year incentive regulatory settlement for BC Gas Utility. A hearing to review the application has been completed. This process will result in the determination of rates for 2003, which the Company anticipates will form the basis for negotiations by the Utility with stakeholders on a multi-year regulatory settlement.

Separately, Centra BC has filed an application with the BCUC for a multi-year regulatory settlement, which is expected to lead to negotiations with key stakeholders later in 2002 for a settlement to take effect January 1, 2003.

Private Placement

On November 21, 2002 the Company entered into an agreement with a Canadian institutional investor under which the Company agreed to sell to that entity 2,631,600 Common Shares at a price of $38.00 per share, for an aggregate consideration of $100,000,800 (the "Private Placement"). The Private Placement is subject to receipt of all regulatory approvals and will close concurrently with this Offering.

THE ACQUISITION

EnCana Corporation and its affiliates assume no responsibility for the disclosure contained under "The Acquisition" and shall have no responsibility or liability for the use of, or reliance on, such disclosure.

Overview

On November 19, 2002, the Company, together with a consortium formed by the Company (the "Consortium"), entered into an agreement with EnCana Corporation ("EnCana") and a number of its subsidiaries (together called the "Vendors") to acquire from them (the "Acquisition") all of the outstanding shares of certain subsidiaries of EnCana which own and operate the Express Pipeline and the Platte Pipeline (together called the "Express System"). The Express System is a major export pipeline for Canadian petroleum production transporting crude oil from Hardisty, Alberta to Casper, Wyoming and to the Wood River, Illinois area via the Platte Pipeline. The total consideration for the Acquisition is approximately $1,175 million, subject to certain adjustments, which includes the assumption of debt of approximately $582 million.

The Consortium includes the Company, Borealis Infrastructure Management Inc. (Borealis Infrastructure) acting on behalf of OMERS (Ontario Municipal Employees Retirement System) and Ontario Teachers' Pension Plan Board. Each partner holds an equal one-third ownership interest in the Consortium. Part of the net proceeds of this Offering and the Private Placement will be used to finance the Company's one-third interest in the Consortium and in the purchase price for the Acquisition, of approximately $197.7 million. See "Use of Proceeds".

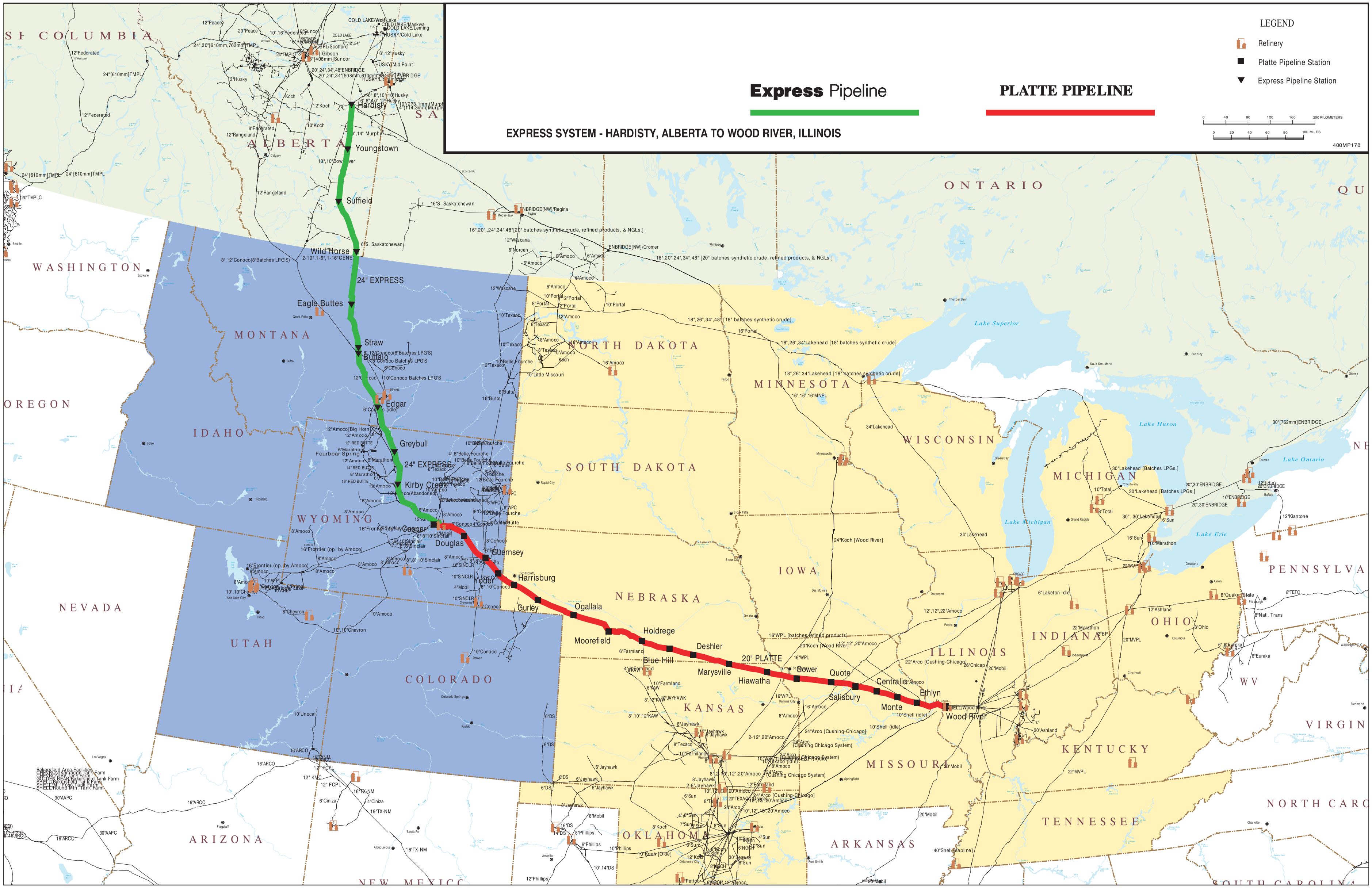
As part of the closing of the Acquisition, a marketing agreement will be entered into with EnCana whereby it will provide marketing services for the Express System. Trans Mountain will operate and manage the Express System for the Consortium.

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. See "Regulatory Matters". The Acquisition closing date is expected to occur in early 2003.

Express System

The Express System is a batch-mode, common-carrier, crude pipeline system comprised of the Express Pipeline and the Platte Pipeline. The Express System transports a wide variety of crude types produced in Alberta to markets in Petroleum Administration Defense District IV, comprised of the states in the Rocky Mountain area of the United States ("PADD IV") and Petroleum Administration Defense District II, comprised of the states in the central area of the United States ("PADD II"). The Express System also transports crude oil produced in PADD IV to downstream delivery points in PADD IV and to PADD II.

The following is a map of the Express System:



PADD IV

PADD II

Express Pipeline

The Express Pipeline is a 1,256 kilometre (785 mile), 24″ diameter pipeline that begins at the crude pipeline hub at Hardisty, Alberta and terminates at the Casper, Wyoming facilities of the Platte Pipeline, and includes related metering and storage facilities (including tanks) and pump stations. At Hardisty, the Express Pipeline receives crude from certain other pipeline systems and terminals, which currently provide access to approximately 1.3 million barrels per day of crude moving through this delivery hub. The Express Pipeline is the major pipeline transporting Alberta crude into PADD IV.

The Express Pipeline has a design capacity of 172,000 barrels per day and can potentially be expanded through additional incremental pumping capacity to 280,000 barrels per day. Throughput between Hardisty and Casper has averaged 166,200 barrels per day during the nine month period ended September 30, 2002.

Platte Pipeline

The Platte Pipeline is a 1,491 kilometre (932 mile), 20″ diameter pipeline that runs from the crude pipeline hub at Casper, Wyoming to refineries and interconnecting pipelines in the Wood River, Illinois area, and includes related pumping and storage facilities (including tanks). The Platte Pipeline transports crude shipped on the Express Pipeline, crude produced in PADD IV and crude received in PADD II, to downstream delivery points. It is currently the only major crude pipeline transporting crude oil from PADD IV to PADD II. Various receipt and delivery points along the Platte Pipeline, with interconnections to other pipelines, enable crude to be moved to various markets in PADD IV and PADD II.

The Platte Pipeline has a capacity of 150,000 barrels per day and has averaged throughput of 136,800 barrels per day during the nine month period ended September 30, 2002.

Shipping Arrangements

The current Express System rate structure is a combination of committed rates and uncommitted rates. The committed rates apply to those shippers who have signed long-term (10- or 15-year) contracts with the Express System to transport crude on a ship-or-pay basis. Uncommitted rates are the rates that apply to uncommitted services whereby shippers transport oil through the Express System without a long-term commitment between the shipper and the Express System.

Committed rates vary according to the destination of shipments and the length of the term of the transportation services agreement, with those shippers committing to longer-term agreements receiving lower rates. Committed rates may be escalated each year by up to 2%. There are currently in place transportation services agreements expiring in 2007 and 2012 with seven shippers for an aggregate of 115,900 barrels per day of crude on a ship-or-pay basis, including contracts with affiliates of EnCana with respect to 70,000 barrels per day.

Uncommitted rates were established on a cost of service basis and can be changed in accordance with applicable regulations discussed below. See "*Regulation*".

Regulation

The Canadian segment of the Express Pipeline is regulated by the National Energy Board ("NEB"), as a Class II pipeline, which results in rates and terms of service being regulated on a complaint basis only.

The U.S. segment of the Express Pipeline and the Platte Pipeline are regulated by the U.S. Federal Energy Regulatory Commission ("FERC"), which regulates the rates and terms of service of a common carrier. FERC has additionally established methods by which pipelines may increase their rates.

Recently, a filing was made on behalf of the Platte Pipeline to increase its local rates to a cost of service level by establishing new ceiling rates. Rates for both the United States segment of the Express

Pipeline and the Platte Pipeline are subject to adjustment in accordance with FERC's indexation formula each year. Presently, the ceiling rates for the Platte Pipeline are in excess of the rates being charged.

Additionally, the Platte Pipeline is regulated by the Wyoming Public Service Commission (the "WPSC"), which regulates the tariffs and terms of service of public utilities that operate in the State of Wyoming. The WPSC standards applicable to rates are similar to those of the FERC and the NEB.

Regulatory Matters

Wyoming Public Utilities Act

Under the provisions of the *Wyoming Public Utilities Act*, the acquisition of or interest of a utility subject to the terms of that Act requires the approval of the WPSC. In order to complete the Acquisition, the Consortium is required to obtain the WPSC approval and is applying for that approval.

Competition Act

The Acquisition is a "notifiable transaction" for the purposes of Part IX of the *Competition Act* (Canada) (the "Competition Act"). As such, the Acquisition may not be completed before the expiration or earlier termination of the applicable waiting period after notice of the Acquisition, together with certain prescribed information, has been provided to the Commissioner of Competition (the "Competition Commissioner") under the Competition Act.

A party to a proposed merger may also apply to the Competition Commissioner for an advance ruling certificate (an "ARC") which may be issued by the Competition Commissioner if he is satisfied that there are not sufficient grounds on which to apply in respect of the transaction to the Competition Tribunal for an order under the merger provisions of the Competition Act.

The Consortium and EnCana will apply to the Competition Commissioner for an ARC in respect of the Acquisition.

Hart-Scott Rodino Antitrust Improvements Act of 1976 (United States)

Under the *Hart-Scott Rodino Antitrust Improvements Act of 1976* (the "HSR Act") and related rules, the Acquisition may not be consummated prior to the expiration or termination of the applicable HSR Act waiting period. EnCana and the Company will each file a Notification and Report Form with the Antitrust Division of the Department of Justice and the Federal Trade Commission and request early termination of the waiting period. At any time before or after the closing of the Acquisition, the Antitrust Division, the Federal Trade Commission or others could take action under the antitrust laws of the United States, including seeking to prevent the Acquisition, to rescind the Acquisition or to require divestiture of assets. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, that it would not be successful.

PRO FORMA CONSOLIDATED CAPITALIZATION

The table below sets forth the consolidated capitalization of the Company, adjusted to give effect to the material changes in the share and loan capital of the Company since the date of the comparative consolidated financial statements for the Company's most recently completed financial year and after giving effect to this Offering and the Private Placement.

	Outstanding at December 31, 2001	Pro forma outstanding at December 31, 2001 after giving effect to material changes since December 31, 2001 and the completion of the Offering and the Private Placement(2)(3)(4)
	(in millions of dollars)	
Long-term debt	$2,151.6	$2,356.4
Shareholders' equity		
Capital Securities	125.0	125.0
Common shares(1)(2)(5)	364.3	854.0
Contributed surplus	130.8	130.8
Retained earnings	271.0	258.0
Common shares held by subsidiary	(51.0)	(51.0)
Total capitalization	$2,991.7	$3,673.2

(1) The pro forma presentation incorporates:

(a) gross proceeds of $301.4 million from the Offering and the Private Placement with expenses of the Offering estimated at $10.3 million ($6.8 million after taxes) charged to retained earnings;

(b) the assumption of $229.6 million of debt with respect to the acquisition of Centra Gas which is included in long-term debt;

(c) the gross proceeds of $188.3 million for the issue of 5,208,000 Common Shares of the Company on March 7, 2002 to finance the acquisition of Centra Gas with net expenses of $6.2 million;

(d) the increase of $120.1 million of long-term debt for construction of the Corridor Pipeline, net of the application of $93.4 million from the net proceeds of the Offering and the Private Placement to pay down long-term debt of CPL; and

(e) the repayment of $100 million and $44.9 million of long-term debt during 2002 by BC Gas Utility and Trans Mountain, respectively.

(2) If the Over-Allotment Option is exercised in full, Common Shares will be approximately $874 million and Total Capitalization will be $3,692.4 million.

(3) The acquisition of the Express System will be accounted for in the books of the Company on an equity basis.

(4) All indebtedness except for long-term indebtedness of CPL and Centra Gas and the purchase money mortgages of the Company is unsecured and includes the current portion. The CPL indebtedness is secured by all of the assets of CPL; the Centra Gas indebtedness is secured by all of the assets of Centra Gas; and the purchase money mortgages are secured by the mainland gas division assets of the Company.

(5) At September 30, 2002, an additional 1,670,547 Common Shares were subject to outstanding options to purchase Common Shares.

DETAILS OF THE OFFERING AND DESCRIPTION OF SHARE CAPITAL OF THE COMPANY

The Offering consists of 5,300,000 Common Shares and if the Over-Allotment Option is exercised, will consist of 5,825,000 Common Shares. The holders of Common Shares of the Company are entitled to one vote for each Common Share on all matters to be voted on by the shareholders and are entitled to receive such dividends as may be declared by the directors out of funds legally available therefor. The Common Shares rank junior to the rights of the holders of all outstanding preference shares as to payment of dividends and as to repayment of capital in the event of liquidation, dissolution or winding up of the

Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation or distribution of assets. There are no preemptive, redemption, purchase or conversion rights attaching to the Common Shares.

The authorized capital of the Company consists of 750,000,000 Common Shares and 100,000,000 First Preference shares and 100,000,000 Second Preference shares, each of which is issuable in series, all of which shares are without par value, of which 48,302,405 Common Shares and 5,000,000 Second Preference shares of the Company were outstanding as at September 30, 2002. The Second Preference shares and 4,592,094 Common Shares are held by subsidiaries of the Company.

DIVIDENDS ON COMMON SHARES

The Company's current quarterly dividend rate is $0.36 per common share. The third quarter dividend will be paid on November 30, 2002 to shareholders of record on November 18, 2002. Purchasers of Common Shares hereunder will not be eligible to receive the fourth quarter dividend, however, those purchasers who are shareholders of record on February 24, 2003 will be eligible to receive the first quarter dividend which is expected to be paid on or about February 28, 2003.

CONSTRAINTS ON SHARE OWNERSHIP

The *Hydro and Power Authority Privatization Act* (British Columbia) (the "Privatization Act"), as amended, contains provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting shares of a company designated as a special company. The Company and BC Gas Utility have been designated as special companies under the Privatization Act. Such provisions provide that:

(a) persons who are not residents or citizens of Canada are not permitted to hold or beneficially own, in the aggregate, directly or indirectly, voting shares to which are attached more than 20% of the total number of outstanding votes relating to the voting shares of the Company; and

(b) the total number of voting shares of the Company that may be held by any one person or group of associated persons shall not exceed 10% of the total number of the issued and outstanding voting shares of the Company.

If voting shares are held by persons in contravention of the above limitations, such persons shall not receive dividends on any voting share held, unless the contravention is inadvertent or is of a technical nature, nor shall they be entitled to cast a vote in respect of any shares of the Company held by them. The Company may, by notice given by mail or by personal service, require a member holding voting shares in excess of the limitation ("excess voting shares") to dispose of the excess voting shares over a period of not less than 60 days. If the excess voting shares are not disposed of as required by the notice, the Company may redeem the excess voting shares by (a) depositing the redemption price of such shares in a special account with a savings institution, and (b) giving notice of such redemption to the member. The redemption price for the excess voting shares will be the lesser of (a) the price on the initial issue of shares of that class, and (b) the lowest closing price per share, on a stock exchange designated by the board of directors, of the voting shares during the twelve month period preceding the date of giving notice of redemption.

The Privatization Act provides in effect that any member (the "designated shareholder") holding, as registered owner or beneficially, in excess of 10% of the outstanding voting shares of the Company on July 1, 1993 may continue to hold such shares, provided that it entered into an agreement under the Privatization Act that the Lieutenant Governor in Council considers protects the public interest. The Company has entered into such an agreement providing for its holding of the common shares of the Utility and has been designated for that purpose under the Privatization Act. Trans Mountain Holdings Ltd. has also entered into an agreement providing for its holding of the Common Shares of the Company and has been designated for that purpose under the Privatization Act. Under the Privatization Act, a person may acquire from a designated shareholder all of the voting shares held by the designated shareholder provided a similar agreement is entered into as directed by the Lieutenant Governor in Council, in its discretion.

The Privatization Act was amended on July 13, 1995 to raise the ownership restriction of the Company and the Utility to 10% of the total number of voting shares held by any one person or group of associated persons. Previously, this had been set at 4%.

Under the *Utilities Commission Act* (British Columbia), the acquisition, directly or indirectly, by any one person, or persons acting jointly, of 20% or more of the outstanding common shares of the Utility is a reviewable transaction requiring the prior approval of the BCUC.

USE OF PROCEEDS

The net proceeds to the Company from this Offering and the Private Placement, after deducting the fees payable to the Underwriters (including the fees payable for the Private Placement) and estimated expenses of the Offering, are expected to be $291.1 million and if the Over-Allotment Option is exercised the net proceeds for the Offering, after all of the fees payable to the Underwriters will be $310.3 million. See "Plan of Distribution". The net proceeds of the Offering will be used to finance the Company's portion of the consideration payable in respect of the Acquisition, to provide financing for the completion of the Corridor Pipeline including repayment of long-term debt incurred by CPL, and for general corporate purposes. See "Recent Developments — The "Acquisition". If the Acquisition is not completed the net proceeds of this Offering will be used for the completion of the Corridor Pipeline including repayment of long-term debt incurred by CPL, for general corporate purposes and for investments in subsidiaries.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated November 22, 2002 between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Edward Jones, FirstEnergy Capital Corp., and Raymond James Ltd. and such other underwriters as may be added by the Company (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have agreed to purchase, on December 10, 2002 or on such other date as may be agreed upon, subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the 5,300,000 Common Shares, for a total consideration of $201,400,000 payable to the Company against delivery of share certificates for Common Shares. The Company has agreed to pay to the Underwriters an aggregate fee of $8,056,000 ($1.52 per share) for services rendered by them in connection with the Offering. In addition, the Company has agreed to pay the Underwriters an aggregate fee of $2,000,016 ($0.76 per share) with respect to the Common Shares sold under the Private Placement.

The Underwriters have been granted an over-allotment option (the "Over-Allotment Option"), for a period expiring 5:00 p.m (EST) November 26, 2002, to purchase up to 525,000 additional Common Shares. If the Underwriters exercise the Over-Allotment Option in full, the Company will receive proceeds of an additional $19,152,000, net of the Underwriters' fees thereon of $798,000. This prospectus also qualifies for distribution the Over-Allotment Option and any Common Shares that are issued pursuant to the exercise thereof.

Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Common Shares if any of the Common Shares are purchased under the Underwriting Agreement. The Common Shares will be offered for sale by any Underwriter only in those jurisdictions where such Underwriter is lawfully permitted to offer and sell such securities.

The Underwriters propose to offer the Common Shares to the public at the public offering price. After the issuance of the Common Shares, the price and other selling terms at which they will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Common Shares.

Five of the Underwriters are, directly or indirectly, subsidiaries of Canadian chartered banks. Such Canadian chartered banks (the "Lenders") are members of a syndicate or are lenders under credit facilities provided to the Company and certain of its subsidiaries as set forth below:

Borrower	Number of Lenders	Commitment of Lenders	Total Number within Banking Syndicate	Total Commitment under Credit Facility	Term of Credit Facility
Company	1	$200 million	n/a	$200 million	up to 3 years
BC Gas Utility	4	$500 million	4	$500 million	1 year
Trans Mountain	3	$125 million	4	$125 million	up to 3 years
CPL	4	$425 million	9	$700 million	5 years
Centra Gas	4	$213 million	5	$226 million	3 to 6 years

All of the foregoing facilities are undrawn, except for the Centra Gas facilities, and are used for operating purposes or as back stops for commercial paper programs. The Centra Gas facilities are drawn for $226 million which was used to finance improvements to property and plant. All facilities are unsecured except for the CPL and Centra Gas credit facilities, which are secured by all of the assets of CPL and all of the assets of Centra Gas, respectively. The various credit facilities contain representations, covenants, restrictions and events of default that are customary for such agreements, including restrictions on the creation of additional indebtedness, liens and encumbrances, restrictions on payments of dividends (in certain cases) and other amounts on account of capital and adherence to specified financial covenants. The Company or its subsidiaries are in compliance with the terms of these credit facilities. The terms of distribution of the Common Shares was determined through negotiations between the Company and the Underwriters. The Lenders did not have any involvement in such determinations. None of the Underwriters will receive any benefit of this Offering other than its portion of the fees payable by the Company on the subscription price of the Common Shares sold to the Underwriters.

Pursuant to the policy statements of the Ontario Securities Commission and the *Commission des valeurs mobilières du Québec*, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the foregoing exceptions, in connection with the Offering, the Underwriters may over-allot Common Shares or effect transactions intended to stabilize or maintain the market price of the Common Shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during the Offering.

The Common Shares have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. Persons except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Common Shares within the United States except in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement provides that the Underwriters will offer and sell securities outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

RISK FACTORS

An investment in the Common Shares offered hereby involves certain risks in addition to those described in the discussion and analysis by management of the Company of the financial condition and results of operations of the Company incorporated by reference in the Company's Annual Information Form dated as of April 25, 2002. Before investing, prospective purchasers of Common Shares should carefully consider, in light of their own financial circumstances, the factors set out below, as well as the other information contained or incorporated by reference in this short form prospectus.

Competitiveness of the Express System

There are committed contracts for delivery of crude for approximately 67% of the capacity on the Express System with the balance of the throughput being uncommitted. There are other alternatives for transporting crude to the Express System's delivery markets. Throughput on the Express System may decline if local crude production or crude transported through alternative systems to those delivery markets is available at a lower cost than the delivered cost of crude through the Express System. Revenues for the Express System may therefore be affected by the ability of the Company to ensure that throughput on the Express System is maximized and in excess of the committed contracts. Any decrease in throughput could affect the revenues of the Company.

Results of Operations and Financing Risks

Management of the Company believes, based on its expectations as to the Company's future performance (which reflects, among other things, the completion of the Acquisition), that the cash flow from its operations and funds available to it under its credit facilities will be adequate to enable the Company to fund its operations, execute its business strategy and maintain an adequate level of liquidity. However, the cost of planned capital expenditures are estimates. Moreover, estimates of cash flow from operations are dependent on regulatory, market and other conditions beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the Company's future performance reflect the current state of its information about the Express System and its operations and there can be no assurance that such information is correct in all material respects.

Management of Expanding Operations

As a result of the Acquisition and the management agreement related thereto, significant demands will be placed on the Company's managerial, operational and financial personnel and systems. No assurance can be given that the Company's systems, procedures and controls will be adequate to support the expansion of the Company's operations resulting from the Acquisition. The Company's future operating results will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational and financial controls and reporting systems.

Non-Realization of Cost Reductions and Synergies

The Acquisition involves the integration of companies which previously operated independently. No assurance can be given that the combined operations resulting from the Acquisition will realize anticipated cost reductions and synergies or that other benefits expected from the Acquisition will be realized.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, the Common Shares, as of the date hereof, are eligible investments, where applicable, without resort to the so-called "basket provisions", or their purchase would not be precluded as investments, subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, regulations or guidelines thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, under the following statutes:

Insurance Companies Act (Canada)
Insurance Act (Alberta)
an Act respecting insurance (Québec) (for insurers other than a guarantee fund corporations)
an Act respecting trust companies and savings companies (Québec) (for a savings company which invests its own funds and a trust company which invests its own funds and deposits it receives)
Loan and Trust Corporations Act (Alberta)
Loan and Trust Corporations Act (Ontario)
Financial Institutions Act (British Columbia)
Pension Benefits Standard Act, 1985 (Canada)
Employment Pension Plans Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
Trustee Act (Ontario)

In addition, in the opinion of such counsel, based on the law as of the date hereof, the Common Shares are qualified investments under the Tax Act and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan.

LEGAL MATTERS

Certain legal matters relating to the Offering of the Common Shares will be passed upon by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters.

As at November 21, 2002, the partners and associates of Farris, Vaughan, Wills & Murphy and the partners and associates of Stikeman Elliott as a group beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, PO Box 10426, Pacific Centre, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3. The registrar and transfer agent for the Common Shares is CIBC Mellon Trust Company at its principal office in the cities of Vancouver and Toronto.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of this short form prospectus and any amendments thereto. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the short form prospectus and any amendments thereto contain a misrepresentation or are not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: November 25, 2002

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance,
Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) IAIN J. HARRIS
Director

(Signed) MARK L. CULLEN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 25, 2002

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.	SCOTIA CAPITAL INC.
(Signed) STEPHEN J. SWAFFIELD	(Signed) DAVID BUSTOS

TD SECURITIES INC.

(Signed) MARGARET HYDE

CIBC WORLD MARKETS INC.	NATIONAL BANK FINANCIAL INC.
(Signed) ALAN C. WALLACE	(Signed) CHARLES J. ADDISON

BMO NESBITT BURNS INC.

(Signed) GRAEME FALKOWSKY

EDWARD JONES	FIRSTENERGY CAPITAL CORP.	RAYMOND JAMES LTD.
(Signed) GARY REAMEY	(Signed) JOHN CHAMBERS	(Signed) EDWARD J. BEREZNICKI

BC Gas Inc.™

Preliminary Short Form Base Shelf Prospectus dated November 9, 2001.

New Issue

BC Gas Inc.™

$1,000,000,000
Debentures (unsecured)
Subordinated Debt Securities (unsecured)

BC Gas Inc. (the "Company") may from time to time offer for sale unsecured debentures (the "Debentures") and subordinated unsecured debentures, notes or other evidence of subordinated indebtedness (the "Subordinated Debt Securities") (the Debentures and the Subordinated Debt Securities are together called the "Securities") in an aggregate principal amount not to exceed $1,000,000,000 or its equivalent in any other currency or units based on or relating to foreign currencies, during the 25 month period that this short form prospectus, including any amendments hereto, remains valid. The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

All shelf information permitted under applicable laws to be omitted from this short form prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this short form prospectus. Each prospectus supplement will be incorporated by reference into this short form prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the Securities to which the prospectus supplement pertains.

The Securities may be issued in registered form or bearer form with coupons attached or both. In addition, all or a portion of the Securities of any series may be issuable in permanent registered global form which will be exchangeable in certain circumstances for definitive Securities.

This short form prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may sell the Securities to or through underwriters or dealers, and also may sell the Securities to one or more other purchasers directly or through agents. See "Plan of Distribution". A prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of any Securities, and will set forth the terms of the offering of the Securities, including, to the extent applicable, the initial public offering price, the proceeds to the Company, the principal amounts, if any, to be purchased by underwriters and any underwriting or other discounts or commissions.

Unless specified in the applicable prospectus supplement, the Securities will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell Securities purchased under this short form prospectus.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 576-7000). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 26, 2001, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at June 30, 2001 and for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements;

(d) the press release of the Company dated November 8, 2001 relating to the financial statements for the nine-month period ended September 30, 2001; and

(e) the management proxy circular dated March 8, 2001 in connection with the annual meeting of shareholders of the Company held on April 25, 2001, except for the sections entitled “Executive Compensation”, “Performance Graph” and “Statement of Corporate Governance Practices”.

Any documents of the type referred to above, and any material change reports (excluding confidential material change reports), which are filed by the Company with the various securities commissions or any similar authorities in the provinces of Canada after the date of this short form prospectus and prior to the termination of the offering under any prospectus supplement shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

A prospectus supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of such prospectus supplement and only for the purposes of the distribution of Securities covered by that prospectus supplement.

If the Company files a prospectus supplement with applicable securities regulatory authorities that supplies any additional or updated information that the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment), that prospectus supplement will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Where the Company updates its disclosure of earnings coverage ratios by prospectus supplement, the prospectus supplement filed with the applicable securities regulatory authorities that contains the most recent updated disclosure of earnings coverage ratios will be deemed to be incorporated into this short form prospectus as of the date of the prospectus supplement and will be delivered to purchasers of Securities together with this short form prospectus.

Upon a new annual information form and the related annual financial statements being filed by the Company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all prospectus supplements filed prior to the commencement of the Company's financial year in which the new annual information form was filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Securities hereunder.

BC GAS INC.

BC Gas Inc. (the “Company”) is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. (“BC Gas Utility” or the “Utility”), 100% of the common shares of Trans Mountain Pipe Line Company Ltd. (“Trans Mountain”) and 100% of the common shares of Corridor Pipeline Limited (“CPL”). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of BC Gas is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business Of The BC Gas Group Of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of the Company's other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2000, the Utility and its subsidiaries transmitted and distributed natural gas to over 762,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. The transmission and distribution business is carried on under statutes and franchises or operating agreements granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility is regulated by the British Columbia Utilities Commission (“BCUC”).

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

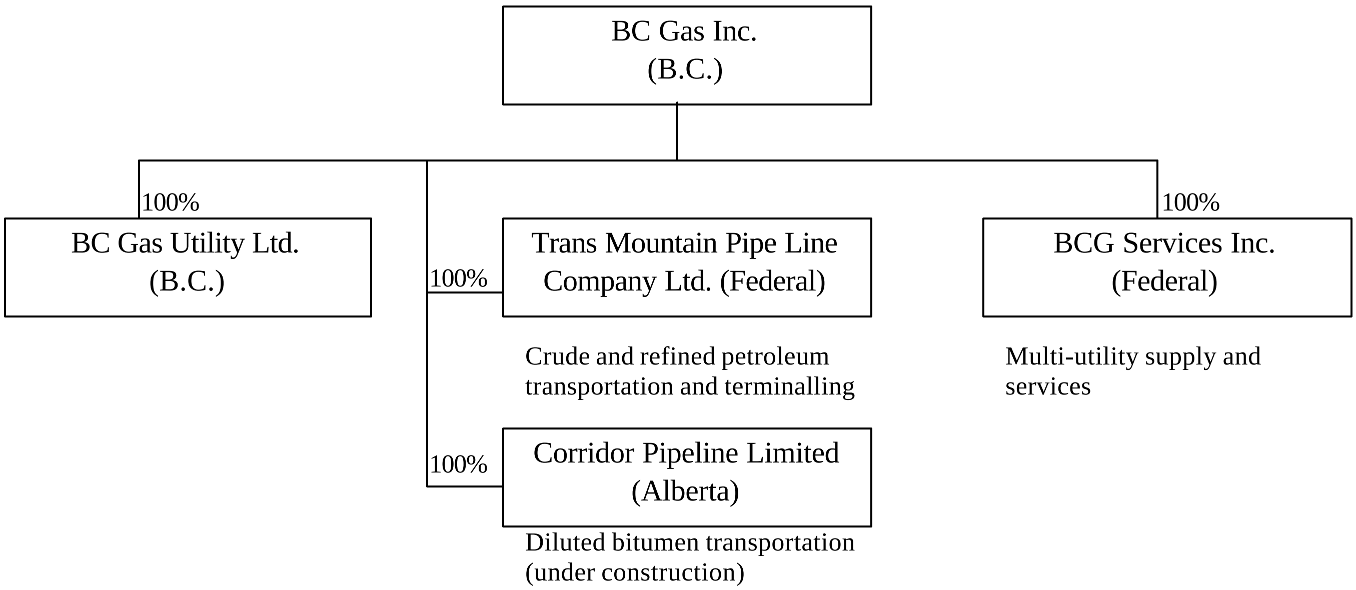
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is constructing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton, Alberta.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2000 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2001:



RECENT DEVELOPMENTS

CustomerWorks Partnership

On July 19, 2001, the Company and Enbridge Inc. announced the creation of a limited partnership, CustomerWorks, to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada. CustomerWorks is to be a leading provider of state-of-the-art utility customer management solutions and will support a complete set of business service offerings covering the entire meter-to-cash process including meter reading, billing, call centres, credit and collections, e-commerce, and field work appointment scheduling. Initial operations were launched on August 1, 2001 and full-scale operations are scheduled for January 1, 2002. CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas Utility, Enbridge Consumers Gas, Enbridge Services Inc. and Enbridge Gas New Brunswick. These entities will contract with CustomerWorks for services for a term of five years. The one existing BC Gas and four existing Enbridge call centres will become key operating sites, and a technology development centre will be based in Vancouver. An estimated 775 Enbridge employees and 140 employees of the Company will be transferred to CustomerWorks, which will have a staff of approximately 1,000 employees when it commences full operation.

Acquisition of Centra Companies

On October 22, 2001, the Company entered into an agreement with Westcoast Energy Inc. (the “Vendor”) to acquire from it (the “Acquisition”) all of the outstanding common and preferred shares of Centra Gas British Columbia Inc. (“Centra BC”), all of the outstanding common shares of Centra Gas Whistler Inc. (“Centra Whistler”) and all indebtedness owed by Centra BC and Centra Whistler to the Vendor. Centra BC and Centra Whistler are together called “Centra Gas”. The purchase price for the Acquisition is $362 million in the aggregate with $310 million payable on closing of the Acquisition and $52 million being deferred and paid on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC’s service area. The purchase price is subject to certain adjustments.

The Company intends to finance approximately $180.5 million of the purchase price using the net proceeds of an offering of 5,208,000 subscription receipts exchangeable for an equivalent number of common shares of the Company on completion of the Acquisition, which subscription receipts are to be issued on or about November 20, 2001. The remainder of the purchase price is intended to be financed either from funds to be advanced to the Company under a short-term acquisition loan for $325 million arranged by the Company for this purpose (the “Acquisition Loan”) or from the proceeds of an issue of Securities by the Company.

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. These regulatory approvals include the approval of the BCUC and the approval of the Competition Commissioner under the *Competition Act* (Canada). The closing of the Acquisition is also subject to obtaining the consent of the Province of British Columbia (the “Province”) to the change of control of Centra BC under the provisions of the Vancouver Island Natural Gas Pipeline Agreement (the “VINGPA”) as well as a release of the Vendor thereunder. The closing of the Acquisition (the “Acquisition Closing Date”) is expected to occur on or about January 10, 2002. Under the agreement, either party thereto may elect to terminate the agreement if the Acquisition is not completed on or before March 28, 2002.

Centra BC

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. It has a designed throughput capacity of 135 million cubic feet per day. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas, and including seven pulp and paper mills on Vancouver Island and the Sunshine Coast. During 2000, Centra BC delivered approximately 26 billion cubic feet of gas through its system.

Centra BC provides gas transportation service to the seven pulp and paper mills under a long term transportation service agreement, the initial term of which continues until January 1, 2006. The owners of the pulp and paper mills have the option to renew the transportation service agreement for a further five years until January 1, 2011. The maximum daily volume of firm transportation service under the agreement is 37,600 gigajoules per day. Centra BC also delivers gas on an interruptible basis to a gas fired cogeneration plant at Elk Falls on Vancouver Island, and has entered into an agreement under which up to 38,000 gigajoules of gas per day will be delivered to that cogeneration plant on a firm basis commencing in 2002.

The Vendor and the Province have entered into the VINGPA to restructure the financial arrangements relating to Centra BC’s pipeline and connected distribution systems. Under the VINGPA, the Province agreed to make quarterly payments from 1996 through 2011 related to natural gas production royalties associated with deemed volumes of natural gas transported through the Vancouver Island pipeline. The royalty related payment recognized in 2000 was $22.7 million.

Under the VINGPA, the Vendor agreed to provide future financial support of up to $120 million over the period from 1996 to 2011 and $17.5 million for 1995 to finance the principal amount of the revenue deficiencies incurred by Centra BC. Annual revenue deficiencies are calculated as the difference between the regulated allowed return on approved rate base and earnings actually derived from sales revenues and expenses. The financial support provided is recorded in a deferral account by Centra BC, and, together with carrying costs at certain agreed rates, will be recoverable through future rates charged by Centra BC to its distribution customers. The amount in the deferral account as at December 31, 2000 was approximately $73 million. This is expected to be approximately $84 million as at December 31, 2001. Upon completion of the Acquisition, the Company will be obligated to provide the required financial support under the VINGPA.

Under the provisions of a special direction issued by the Province to the BCUC in 1995, the cost of natural gas service to the distribution customers of Centra BC is set based upon competitive market pricing for the period from 1996 to 2002. Commencing January 1, 2003, Centra BC's distribution rates are to be fixed by the BCUC in accordance with regulatory principles generally applied by the BCUC to natural gas utilities operating within British Columbia. In 2000, the BCUC commenced a process to establish long term cost allocation principles to be applied in fixing Centra BC's distribution rates in 2003. A rate design application by Centra BC is expected to be filed with the BCUC by spring 2002.

The rate base of Centra BC as at December 31, 2000 was approximately $429 million. For the years 1996 to 2002, the VINGPA provides for a deemed common equity component of rate base of 35% and a return on the common equity component of rate base of 362.5 basis points over the forecast Government of Canada long term bond rate. Commencing in 2003, the common equity component and the return on common equity will be set by the BCUC. The VINGPA also provides for a reduction of Centra BC’s return on common equity of $1.9 million per year for the years 1996 to 2011, resulting in an effective rate of return on common equity of 8.4% for 2000 as compared with 7.8% in 1999.

Centra Whistler

Centra Whistler distributes piped propane gas to approximately 2000 residential and commercial customers in the Whistler area of British Columbia. Centra Whistler owns and operates two propane storage and vapourization plants and approximately 125 kilometres of distribution pipelines serving customers in the Whistler area.

Acquisition Rationale

The Acquisition is a strategic investment opportunity for the Company that is expected to enhance shareholder value. This Acquisition enhances the Company’s natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generation facilities, increased customers and incentive regulation.

Third Quarter Results

For the nine months ended September 30, 2001, earnings applicable to common shares of the Company were $35.6 million, compared with $57.1 million for the same period in 2000. Earnings in the first nine months of 2000 included two non-recurring items. A non-recurring gain of $23.8 million related to income tax benefits associated with the Williams Lake Power Plant, which the Company monetized in 1999. Offsetting this gain was an after-tax charge of $7.5 million associated with restructuring costs at Trans Mountain. Excluding these non-recurring items, earnings applicable to common shares for the nine months ended September 30, 2000 amounted to $40.8 million.

The decline in earnings before non-recurring items was due to increased seasonality of results from natural gas distribution operations. Offsetting this factor was increased throughput on Trans Mountain and rate base growth.

As the Company's gas utility operations are seasonal in nature, earnings as shown on interim financial statements are not indicative of earnings on an annual basis.

USE OF PROCEEDS

Except as otherwise described in a prospectus supplement, the net proceeds from the sale of Securities will be used to finance the Company's capital expenditure and working capital requirements, to retire commercial paper issued by the Company, to refinance existing indebtedness, to finance investments in subsidiaries and joint ventures and expenses associated with new business ventures, and for other general corporate purposes. All expenses relating to an offering of Securities, including any compensation paid to underwriters or agents, will be paid out of the Company's general funds. The Company may, from time to time, issue debt instruments and incur additional indebtedness other than through the issue of Securities pursuant to this short form prospectus.

EARNINGS COVERAGES

The earnings coverages set forth below are based on consolidated financial information as at and for the year ended December 31, 2000 and the twelve month period ended September 30, 2001, respectively. They do not reflect the issue of any Securities that may be issued pursuant to this short form prospectus, since the aggregate principal amounts and terms of such Securities are not presently known. The ratio for the twelve month period ended September 30, 2001 is based on unaudited financial information.

The Company's interest requirements on consolidated long term debt amounted to $106.6 million for the year ended December 31, 2000 and $120.5 million for the twelve months ended September 30, 2001, in each case adjusted to reflect the issuance and repayment of long term debt after such dates. The Company's consolidated earnings before interest and income taxes were $219.6 million for the year ended December 31, 2000, which is 2.06 times the Company's interest requirements on consolidated long term debt for the year then ended, and $247.2 million for the twelve months ended September 30, 2001, which is 2.05 times the Company's interest requirements on consolidated long term debt for the twelve month period then ended.

	December 31, 2000	September 30, 2001
Earnings coverage on long term debt	2.06 times	2.05 times

THE SECURITIES

Securities issued by the Company may consist of any of the following:

(1) Debentures issued pursuant to the trust indenture to be dated as of November 12, 2001 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Trust Indenture”); and

(2) subordinated unsecured debentures, notes or other evidences of indebtedness (the “Subordinated Debentures”) issued under one or more trust indentures, including unsecured Subordinated Debentures issued pursuant to the trust indenture dated as of April 19, 2000 between the Company and CIBC Mellon Trust Company, as trustee, as supplemented and amended, from time to time (the “Subordinated Debenture Trust Indenture”).

Securities will have maturities of not less than one year and will be offered to the public at prices and on terms determined by the Company based on a number of factors, including market conditions at the time of issue.

The specific variable terms of any offering of Securities will be set forth in a prospectus supplement including, where applicable: (i) in the case of Debentures, the designation of the Debentures, any limit on the aggregate principal amount of the Debentures, the currency or currency unit for which the Debentures may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debentures will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debentures, whether the Company may redeem the Debentures at its option and any other specific terms; and (ii) in the case of Subordinated Debt Securities, the title or designation of the Subordinated Debentures, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Company may redeem the Subordinated Debt Securities at its option and any other specific terms. The Company reserves the right to include in a prospectus supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this short form prospectus.

The terms and conditions applicable to Securities issued under a trust indenture other than the Trust Indenture or the Subordinated Debenture Trust Indenture or without benefit of a trust indenture will be as contained in the specific Security, the applicable trust indenture and the applicable prospectus supplement. Such terms and conditions may not be the same as those which apply to Debentures issued under the Trust Indenture.

DESCRIPTION OF THE DEBENTURES

Rank

The Debentures will be direct obligations of the Company ranking pari passu with all other unsecured and unsubordinated indebtedness of the Company. The Debentures will not be secured by any mortgage, pledge or other charge.

Debentures

The aggregate principal amount of Debentures that may be issued under the Trust Indenture is unlimited.

The following summary of certain provisions of the Trust Indenture does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture. Certain of the terms used herein are defined under “Definitions” below.

General

The Trust Indenture provides that Debentures may be issued thereunder from time to time in one or more series. Specific terms and conditions which apply to such series will be set out in a supplement to the Trust Indenture. The Debentures will be direct, unconditional and, unless otherwise indicated in the relevant prospectus supplement, unsecured obligations of the Company. As of the date hereof, no Debentures are outstanding under the Trust Indenture.

The prospectus supplement relating to the particular Debentures offered thereby will describe the terms of such Debentures, including, where applicable:

(i) the designation, aggregate principal amount and denominations of such Debentures;

(ii) the price at which such Debentures will be issued or whether such Debentures will be issued on a non-fixed price basis;

(iii) the date or dates on which such Debentures will mature and the portion (if less than all of the principal amount) of such Debentures to be payable upon declaration of an acceleration of maturity;

(iv) the currency or currencies in which such Debentures are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debentures will be payable, whether the holder of any such Debentures or the Company may elect the currency in which payments thereon are to be made and if so, the manner of such election;

(v) whether the Debentures of such series are interest bearing and, in the case of interest bearing Debentures, the rate or rates (which may be fixed or variable) per annum at which such Debentures will bear interest, if any;

(vi) the date from which interest on such Debentures, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;

(vii) the dates on which and the price or prices at which such Debentures will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

(viii) any special provisions for the payment of additional interest with respect to such Debentures;

(ix) any additional covenants included for the benefit of holders of such Debentures;

(x) the general terms or provisions, if any, pursuant to which such Debentures are to be guaranteed or secured;

(xi) any additional events of default provided with respect to such Debentures;

(xii) any exchange on which Debentures of a series will be listed;

(xiii) terms for any conversion or exchange into other securities;

(xiv) any special tax implications of or any special tax provision, or indemnities relating to Debentures of such series; and

(xv) any other terms of such Debentures.

Payment

Unless otherwise specified in the applicable prospectus supplement, payment of principal (and premium, if any) on Debentures will be made in the designated currency against surrender of such Debentures at the office of the Trustee in Vancouver, British Columbia. Unless otherwise indicated in the prospectus supplement related thereto, payment of any instalment of interest on Debentures will be made to the person in whose name such Debenture is registered immediately prior to the close of business on the record date for such interest by electronic funds transfer.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by other instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Restrictions on Mergers, Amalgamations and Consolidations

The Trust Indenture contains provisions to the effect that the Company will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person (a “Successor”), whether by way of reorganization, consolidation, conveyance, amalgamation, arrangement, merger, transfer, sale or otherwise, (each a “Reorganization Transaction”), provided that the Company may enter into a Reorganization Transaction if the Successor is a corporation existing under the laws of Canada or any province or territory thereof and assumes in a manner satisfactory to the Trustee all obligations and covenants of the Company under the Debentures and the Trust Indenture and no condition or event exists or is continuing at the time of, or after giving effect to, the Reorganization Transaction that does or would after the giving of notice or lapse of time, or both, constitute an event of default.

Modification of the Trust Indenture

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of aggregate principal amount of such series voted at a duly constituted meeting.

Events of Default

The Trust Indenture provides that any one or more of the following events shall constitute an event of default with respect to any series of Debentures thereunder: (i) a default in the payment of the principal of (or premium, if any, on) any Debentures of such series when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (ii) a default in the payment of interest on any Debentures of such series when the same becomes due and payable or any sinking fund payment prescribed for any Debentures of such series, and such default continues for a period of 30 days; (iii) default in the performance of or breach of any other covenant or agreement of the Company with respect to such series under the Trust Indenture or the Debentures and such default or breach continues for a period of 60 days after written notice to the Company by the Trustee or for such longer period as may be agreed to by the Trustee provided that in no event shall such longer period extend beyond 90 days after receipt of such notice by the Company; (iv) any failure to pay when due or within any applicable grace period, any Indebtedness of the Company or a subsidiary in an aggregate principal amount in excess of $50 million; (v) any default in respect of any Indebtedness of the Company or any subsidiary having an aggregate principal amount exceeding $50 million after the expiration of any applicable grace period, if such default has resulted in such Indebtedness in excess of such aggregate principal amount becoming due prior to its stated maturity; (vi) the sale, transfer or other disposition by the Company, by one or more transactions, directly or indirectly, of its undertaking or assets representing, in the aggregate, substantially all of the assets of the Company other than in accordance with the provisions of the Trust Indenture; (vii) one or more final judgements (not subject to appeal) are rendered against any one or more of the Company and its subsidiaries in an aggregate amount in excess of $50 million (excluding amounts in respect of which the Company or its subsidiaries are insured) by a court or courts of competent jurisdiction and remain undischarged or unstayed for a period of 60 days after the date on which all rights to appeal have expired; (viii) proceedings are commenced for the winding-up, liquidation or dissolution of the Company or a Material Subsidiary (except as otherwise permitted under the Trust Indenture), a decree or order of a court of competent jurisdiction is entered adjudging the Company or a Material Subsidiary a bankrupt or insolvent, or a petition seeking reorganization, arrangement or adjustment of or in respect of the Company or a Material Subsidiary is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Company or such Material Subsidiary in good faith and are dismissed or stayed within 60 days of commencement; (ix) the Company or a Material Subsidiary makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property which is material to the conduct of its business, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; or (x) a resolution is passed for the winding-up or liquidation of the Company except in the course of carrying out or pursuant to a transaction permitted under the Trust Indenture. The Company is required to file with the Trustee an annual officers’ certificate as to the absence of certain defaults under the Trust Indenture.

The Trust Indenture provides that if an event of default (other than an event of default specified in clauses (viii) to (x) above in relation to the Company) shall occur and be continuing with respect to a series of Debentures issued thereunder, the Trustee may in its discretion and shall upon request of the holders of not less than 25% in principal amount of the outstanding Debentures of such series declare the principal of, together with accrued interest on, all Debentures of such series to be due and payable. In certain cases, the holders of 66 2/3% in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may on behalf of the holders of all such Debentures waive any past default or event of default and rescind and annul any such declaration and its consequences.

The Trust Indenture further provides that if an event of default specified in clauses (viii) to (x) in relation to the Company occurs, the principal of and any accrued interest on the Debentures then outstanding shall become immediately due and payable; provided however that at any time after an automatic acceleration with respect to the Debentures has been made, the holders of a majority in aggregate principal amount of such series of Debentures or 66 2/3% in principal amount of such series voted at a duly constituted meeting may, under certain circumstances, rescind and annul such acceleration and its consequences.

The Trust Indenture contains a provision entitling the Trustee, subject to its duty during a default to act with the required standard of care, to be indemnified by the holders of Debentures of such series before proceeding to exercise any right or power under the Trust

Indenture at the request of such holders. The Trust Indenture will provide that no holder of Debentures of any series may pursue a remedy with respect to the Trust Indenture except in the case of failure of the Trustee to act.

Defeasance

The Company may elect, with respect to any series of Debentures, either to be discharged from its obligations or to be released from its obligations to comply with the terms, provisions or conditions relating to the Debentures of such series or any other covenants or any event of default (other than a default in the payment of principal or interest under such series of Debentures). Following such election the Company will be so discharged, provided: (i) the Company has, at least 91 days prior to such discharge becoming effective, irrevocably deposited with the Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the Trust Indenture with respect to the Debentures of the series affected, (a) funds in the currency or currencies in which such Debentures are payable, and/or (b) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debentures of such series are payable, and that are not subject to prepayment, redemption or call, as will together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (x) the principal of (and premium, if any) and interest on the outstanding Debentures of the particular series on their stated due dates or maturity, as the case may be, and (y) any mandatory prepayments on the day on which such prepayments are due and payable; (ii) such deposit will not result in a breach or violation of, or constitute a default under, the Trust Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (iii) no event of default with respect to the Debentures of such series or event that, with notice or lapse of time, would become such an event of default shall have occurred and be continuing on the date of such deposit; and (iv) the Company shall have delivered to the Trustee an officers' certificate and an opinion of Counsel, each stating that all conditions precedent to the defeasance have been satisfied.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Capital Lease Obligation**" means the obligation of a person to pay rent or other amounts under a Capital Lease.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means, Indebtedness including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Material Subsidiary**" means, at any time, a Subsidiary:

(a) the total assets of which (on a consolidated basis) represent more than 20% of the total assets of the Company determined on a consolidated basis as shown in the most recent audited consolidated balance sheet of the Company; or

(b) the total revenues of which represent more than 20% of the total revenues of the Company determined on a consolidated basis as shown in the consolidated statement of income of the Company for the four most recent fiscal quarters of the Company.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the date of issuance by the Company of the Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown; and

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company;

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt**,** (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The following description of Subordinated Debt Securities sets forth certain general terms and provisions of the Subordinated Debt Securities in respect of which a prospectus supplement will be filed. The particular terms and provisions of Subordinated Debt Securities offered by any prospectus supplement will be described in the prospectus supplement filed in respect of such Subordinated Debt Securities.

Subordinated Debt Securities will be issued under the Subordinated Debenture Trust Indenture or one or more subsequent trust indentures, in each case between the Company and a financial institution organized under the laws of Canada or of any province thereof or of the United States.

The Subordinated Debt Securities will be direct unsecured obligations of the Company and will be subordinated to other indebtedness of the Company outstanding from time to time. Subordinated Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Company from time to time or as non-interest bearing securities issued at a discount. The Subordinated Debt Securities will be issued in registered form or bearer form with coupons attached and may be represented in the form of fully registered global notes.

The specific variable terms of any offering of Subordinated Debt Securities, including the title or designation of the Subordinated Debt Securities, any limit on the aggregate principal amount of Subordinated Debt Securities being offered, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Company, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Subordinated Debt Securities into other securities of the Company, the names of the dealers, underwriters or agents engaged in connection with the offering of the Subordinated Debt Securities, any commission payable, the method of distribution, the actual proceeds to the Company and any other specific terms, will be set forth in a prospectus supplement which will accompany this short form prospectus. The Company reserves the right to set forth in a prospectus supplement specific variable terms of Subordinated Debt Securities and the offering thereof which are not within the options and parameters set forth in this shot form prospectus.

RISK FACTORS

Prospective investors in a particular offering of Securities should consider, in addition to information contained in the prospectus supplement relating to that offering or in other documents incorporated by reference herein, the risks described in management's discussion and analysis incorporated by reference into the annual information form of the Company that is incorporated by reference herein as at the date of the prospectus supplement relating to the particular offering of Securities.

PLAN OF DISTRIBUTION

The Securities may be sold through underwriters or dealers purchasing as principals, and may also be sold by the Company directly or through agents designated from time to time. Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

The prospectus supplement relating to the series of Securities offered thereby will identify each underwriter or agent with respect to that series and will set forth the terms of the offering of such series, including the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the proceeds to the Company and any fees payable to underwriters or agents.

In connection with any offering of Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the "1933 Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. Each underwriter or agent will agree that it will not offer for sale or sell or deliver the Securities within the United States except in accordance with Rule 144A under the U.S. Securities Act. Each underwriter or agent will agree not to offer and sell securities outside the United States except in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of an offering, any offer or sale of Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as ''anticipate'', ''believe'', ''expects'', ''intend'' and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: November 9, 2001

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered, sold or delivered within the United States of America including the states and the District of Columbia and its territories and possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S to the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PRELIMINARY SHORT FORM PROSPECTUS

New Issue October 29, 2001

BC Gas Inc.™

$188,269,200

5,208,000 Subscription Receipts, each representing the right to receive one Common Share of BC Gas Inc.

The proceeds from the sale of the Subscription Receipts will be held by CIBC Mellon Trust Company, as escrow agent, and invested in short-term obligations of the Government of Canada pending the acquisition by BC Gas Inc. (the "Company" and, together with its subsidiaries, "BC Gas") of the outstanding securities and inter-company debt of Centra Gas British Columbia Inc. and Centra Gas Whistler Inc. (together called "Centra Gas"), private companies which own and operate natural gas transmission facilities from Vancouver to Vancouver Island, natural gas distribution facilities on the Sunshine Coast and on Vancouver Island, British Columbia and propane distribution facilities in Whistler, British Columbia (the "Acquisition"). Each Subscription Receipt entitles the holder thereof to receive one Common Share (a "Common Share") of the Company, together with a payment in lieu of dividends, if any, upon closing of the Acquisition without the payment of additional consideration. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts an amount equal to the subscription price thereof, and a pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date, with effect as of 5:00 p.m. (Vancouver time) on the third business day following the Termination Date. See "Details of the Offering".

The Common Shares are listed on The Toronto Stock Exchange (the "TSE"). The closing price of the Common Shares on the TSE on October 26, 2001 was $36.10. The offering price for the Subscription Receipts has been determined by negotiation between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Raymond James Ltd. (collectively, the "Underwriters" or, individually, an "Underwriter"). See "Plan of Distribution".

The Subscription Receipts and the Common Shares for which they may be exchanged will not, at the date of closing, be precluded as investments under certain statutes. See "Eligibility for Investment".

Price: $36.15 per Subscription Receipt

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Company(2)
Per Subscription Receipt	$36.15	$1.446	$34.704
Total	$188,269,200	$7,530,768	$180,738,432

(1) The total amount of the fee payable to the Underwriters. One-half of such amount is payable upon the completion of the Acquisition and, if the Acquisition is not completed, will be retained by the Company.

(2) Before deducting the expenses of this offering estimated at $200,000, which, together with the Underwriters' fee will be paid by the Company from its general funds, and excluding any accrued interest on the escrowed proceeds of the sale of the Subscription Receipts.

Five of the Underwriters are subsidiaries of Canadian chartered banks or other financial entities which are members of syndicates of financial institutions or entities that have made credit facilities available to the Company and its subsidiaries. One of the Underwriters is a majority-owned subsidiary of a Canadian chartered bank which is one of the Company's bankers and which has committed to provide financing to the Company in connection with the Acquisition. Accordingly, the Company may be considered a connected issuer of such Underwriters under applicable securities laws in certain Canadian provinces. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Subscription Receipts, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Subscription Receipts will be available for delivery at closing, which is expected to occur on November 20, 2001, or such other date as may be agreed upon, but no later than November 30, 2001.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of BC Gas Inc., Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4 (telephone (604) 576-7000). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of BC Gas Inc. at the above-mentioned address and telephone number.*

The following documents filed with the securities commission or other similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the annual information form of the Company dated April 26, 2001, including management's discussion and analysis incorporated by reference therein;

(b) the audited comparative consolidated financial statements of the Company for the years ended December 31, 2000 and 1999, together with the report of the auditors thereon;

(c) the interim unaudited comparative consolidated financial statements of the Company as at June 30, 2001 and for the three-month and six-month periods ended June 30, 2001 and 2000, together with management's discussion and analysis filed in connection with such interim unaudited financial statements; and

(d) the management proxy circular dated March 8, 2001 in connection with the annual meeting of shareholders of the Company held on April 25, 2001, except for the sections entitled "Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices".

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) subsequently filed by the Company with the securities commissions and any similar authority in Canada after the date of this short form prospectus and prior to the termination of the offering hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this short form prospectus or incorporated by reference herein.

Issuer:	BC Gas Inc. (the "Company" and, together with its subsidiaries, "BC Gas").
Offering:	5,208,000 Subscription Receipts, each representing the right to receive one common share (a "Common Share") of the Company.
Amount:	$188,269,200.
Price:	$36.15 per Subscription Receipt.
Use of Proceeds:	The net proceeds of this offering, after deducting the fee payable to the Underwriters and estimated expenses of the offering, are estimated to be $180.5 million which, together with funds to be advanced to the Company under a short-term acquisition loan arranged by the Company in the amount of $325 million (the "Acquisition Loan") or funds raised by the Company on the issue of subordinated or unsubordinated unsecured debt of the Company in the amount of approximately $129.5 million (the "Acquisition Financing"), will be used to finance the $310 million purchase price payable to Westcoast Energy Inc. (the "Vendor") for the acquisition (the "Acquisition") of all of the outstanding securities and inter-corporate indebtedness of Centra Gas British Columbia Inc. ("Centra BC") and Centra Gas Whistler Inc. ("Centra Whistler") (Centra BC and Centra Whistler are together called "Centra Gas"). The proceeds from the sale of the Subscription Receipts will be held in escrow pending the closing of the Acquisition, which is expected to occur on or about January 10, 2002. See "The Acquisition", "Details of the Offering" and "Use of Proceeds".
Subscription Receipts:	Each Subscription Receipt entitles the holder thereof to receive one Common Share upon the closing of the Acquisition, without payment of additional consideration. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts an amount equal to the subscription price therefor plus their pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date with effect as of the third business day following the Termination Date. If Common Shares are issued in respect of the Subscription Receipts and dividends are declared on the Common Shares by the Company to holders of record on a date during the period from the closing of this offering to the date of issuance of the Common Shares in respect of the Subscription Receipts, a cash payment will be made by the Company to the holders of Subscription Receipts in respect of each Subscription Receipt, in an amount equal to the per share amount of such dividends. See "Details of the Offering".
Risk Factors:	An investment in the Subscription Receipts and the Common Shares issuable upon exchange thereof involves certain risks which should be carefully considered by prospective investors, including there being no market for Subscription Receipts, results of operations and financing risks and the ability to successfully integrate the operations of Centra Gas with those of the Company and realize anticipated cost reductions and synergies. See "Risk Factors".

THE COMPANY

The Company is a holding company providing strategic direction to its subsidiaries and investments. The Company holds three groups of subsidiaries (i) the companies comprising the natural gas transmission and distribution businesses in British Columbia, (ii) the companies comprising the petroleum transportation businesses and (iii) the other energy and utility related subsidiaries, all forming part of the BC Gas group of companies.

THE ACQUISITION

On October 22, 2001, the Company entered into an agreement with the Vendor to acquire all of the outstanding securities and inter-corporate indebtedness of Centra Gas.

The aggregate purchase price payable by the Company on the Acquisition is $362 million, subject to adjustment, with $310 million payable on closing and $52 million as a deferred payment, payable on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC's service area. The Company intends to finance the purchase price from the net proceeds of this offering and either from funds to be advanced to the Company under a $325 million short-term Acquisition Loan or approximately $129.5 million of funds raised under its Acquisition Financing. See "The Acquisition — Financing of the Acquisition" and "Use of Proceeds".

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. The closing of the Acquisition is expected to occur on or about January 10, 2002. Either party to the agreement can elect to terminate the agreement if the closing of the Acquisition is not completed on or before March 28, 2002.

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas. Centra Whistler provides piped propane to approximately 2,000 residential and commercial customers in Whistler.

The Acquisition of Centra Gas enhances the Company's natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generating facilities, increased customers and incentive regulation.

BC GAS INC.

BC Gas Inc. (the "Company") is a holding company holding directly and indirectly 100% of the common shares of BC Gas Utility Ltd. ("BC Gas Utility" or the "Utility"), 100% of the common shares of Trans Mountain Pipe Line Company Ltd. ("Trans Mountain") and 100% of the common shares of Corridor Pipeline Limited ("CPL"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M4.

Business of the BC Gas Group of Companies

The Company acts as a management corporation, providing strategic direction to the Utility and all of BC Gas' other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other energy and utility related subsidiaries, all forming the BC Gas group of companies.

The Utility is one of the largest natural gas distribution companies in Canada based on number of customers. As at December 31, 2000, the Utility and its subsidiaries transmitted and distributed natural gas to over 762,000 residential, commercial and industrial customers, representing approximately 88% of the existing natural gas users in British Columbia. The Utility's service area extends from Vancouver to the Fraser Valley and the interior of British Columbia and has been structured into four service areas: the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas. The transmission and distribution business is carried on under statutes and franchises or operating agreements granting the right to operate in the municipalities or areas served. In addition, a wholly-owned subsidiary of the Company provides natural gas distribution services to Squamish, British Columbia. The Utility is regulated by the British Columbia Utilities Commission ("BCUC").

Through Trans Mountain, the Company owns and operates a common carrier pipeline system originating at Edmonton, Alberta for the transportation of crude petroleum, partially refined and refined petroleum to destinations in the interior and on the West Coast of British Columbia. A connecting pipeline owned by a wholly-owned subsidiary delivers petroleum to refineries in the State of Washington. Another wholly-owned subsidiary owns and operates a pipeline for the transportation of jet fuel from Vancouver area refineries and marketing terminals and Westridge Marine Terminal to Vancouver International Airport.

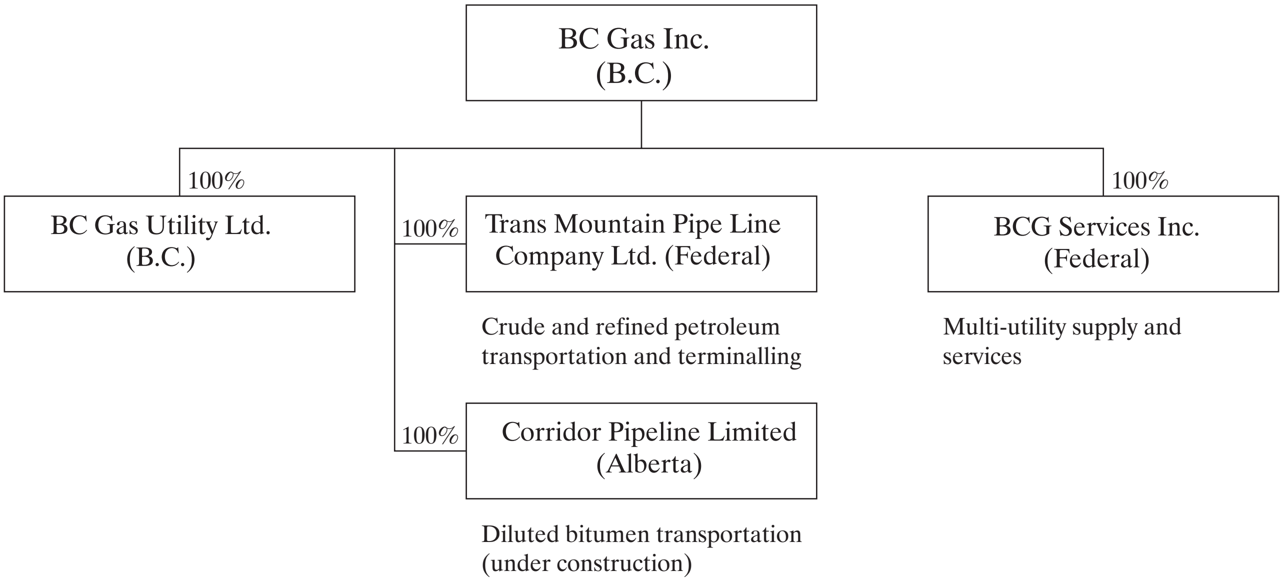
Trans Mountain's common carrier pipeline system has been in continuous operation since 1953. Trans Mountain commenced regular shipments of refined petroleum from Edmonton to Kamloops, British Columbia in 1985 and to Vancouver in 1993.

Through CPL, the Company is constructing the Corridor Pipeline, a pipeline system to transport diluted bitumen and diluent between an oil sands mine in northern Alberta and upgrading facilities near Edmonton.

In addition, the Company holds interests in energy and utility related subsidiaries including 100% of the outstanding shares of BCG Services Inc., a multi-utility supply and services provider in British Columbia and Alberta.

Corporate Structure

The following chart depicts the corporate relationship and jurisdiction of incorporation of the Company and each of its principal operating subsidiaries or entities, the total assets of which constitute more than 10% of the consolidated assets of the Company as at December 31, 2000 and the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues as at September 30, 2001:



RECENT DEVELOPMENTS

On July 19, 2001, the Company and Enbridge Inc. announced the creation of a limited partnership, CustomerWorks, to develop and operate a new company that will provide full service customer management solutions to utilities, municipalities and retail energy companies across Canada. CustomerWorks is to be a leading provider of state-of-the-art utility customer management solutions and will support a complete set of business service offerings covering the entire meter-to-cash process including meter reading, billing, call centres, credit and collections, e-commerce, and field work appointment scheduling. Initial operations were launched on August 1, 2001 and full-scale operations are scheduled for January 1, 2002. CustomerWorks will initially provide services for more than 3.5 million customers of BC Gas Utility, Enbridge Consumers Gas, Enbridge Services Inc. and Enbridge Gas New Brunswick. These entities will contract with CustomerWorks for services for a term of five years. The one existing BC Gas and four existing Enbridge call centres will become key operating sites, and a technology development centre will be based in Vancouver. An estimated 775 Enbridge employees and 140 BC Gas employees will be transferred to CustomerWorks which will have a staff of approximately 1,000 employees when it commences full operation.

THE ACQUISITION

Overview

On October 22, 2001, the Company entered into an agreement with Westcoast Energy Inc. (the "Vendor") to acquire from it (the "Acquisition") all of the outstanding common and preferred shares of Centra Gas British Columbia Inc. ("Centra BC"), all of the outstanding common shares of Centra Gas Whistler Inc. ("Centra Whistler") and all indebtedness owed by Centra BC and Centra Whistler to the Vendor. Centra BC and Centra Whistler are together called "Centra Gas". The purchase price for the Acquisition is $362 million in the aggregate, with $310 million payable on closing of the Acquisition and $52 million being deferred and paid on December 31, 2011, or sooner if Centra BC realizes revenues from transportation contracts with power generating plants which may be constructed in Centra BC's service area. The purchase price is subject to certain adjustments.

The Company intends to finance the purchase price from the net proceeds of this offering and either from funds to be advanced to the Company under a short-term acquisition loan for $325 million arranged by the Company for this purpose (the "Acquisition Loan") or from the proceeds of an issue of debt by the Company (the "Acquisition Financing"). See "— Financing of the Acquisition" and "Use of Proceeds".

The closing of the Acquisition is subject to receipt of required regulatory and other approvals and satisfaction of customary closing conditions. See "— Regulatory Matters". The closing of the Acquisition is also subject to obtaining the consent of the Province of British Columbia (the "Province") to the change in control of Centra BC under the provisions of the Vancouver Island Natural Gas Pipeline Agreement (the "VINGPA") as well as a release of the Vendor thereunder. The closing of the Acquisition (the "Acquisition Closing Date") is expected to occur on or about January 10, 2002. Under the agreement, either party thereto may elect to terminate the agreement if the Acquisition is not completed on or before March 28, 2002.

Centra BC

Centra BC owns and operates the natural gas transmission pipeline from the Vancouver metropolitan area underwater to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast of British Columbia. The combined system consists of 737 kilometres of natural gas transmission pipelines and 2,830 kilometres of distribution pipelines. It has a designed throughput capacity of 135 million cubic feet per day. Centra BC serves approximately 70,000 residential, commercial and industrial customers along the Sunshine Coast and in various communities on Vancouver Island including the City of Victoria and surrounding areas, and including seven pulp and paper mills on Vancouver Island and the Sunshine Coast. During 2000, Centra BC delivered approximately 26 billion cubic feet of gas through its system.

Centra BC provides gas transportation service to the seven pulp and paper mills under a long term transportation service agreement, the initial term of which continues until January 1, 2006. The owners of the pulp and paper mills have the option to renew the transportation service agreement for a further five years until January 1, 2011. The maximum daily volume of firm transportation service under the agreement is 37,600 gigajoules per day. Centra BC also delivers gas on an interruptible basis to a gas fired cogeneration plant at Elk Falls on Vancouver Island, and has entered into an agreement under which up to 38,000 gigajoules of gas per day will be delivered to that cogeneration plant on a firm basis commencing in 2002.

The Vendor and the Province have entered into the VINGPA to restructure the financial arrangements relating to Centra BC's pipeline and connected distribution systems. Under the VINGPA, the Province agreed to make quarterly payments from 1996 through 2011 related to natural gas production royalties associated with deemed volumes of natural gas transported through the Vancouver Island pipeline. The royalty related payment recognized in 2000 was $22.7 million.

Under the VINGPA, the Vendor agreed to provide future financial support of up to $120 million over the period from 1996 to 2011 and $17.5 million for 1995 to finance the principal amount of the revenue deficiencies incurred by Centra BC. Annual revenue deficiencies are calculated as the difference between the regulated allowed return on approved rate base and earnings actually derived from sales revenues and expenses. The financial support provided is recorded in a deferral account by Centra BC, and, together with carrying costs at certain agreed rates, will be recoverable through future rates charged by Centra BC to its distribution customers. The amount in the deferral account as at December 31, 2000 was approximately $73 million. This is expected to be approximately $84 million as at December 31, 2001. Upon completion of the Acquisition, the Company will be obligated to provide the required financial support under the VINGPA.

Under the provisions of a special direction issued by the Province to the BCUC in 1995, the cost of natural gas service to the distribution customers of Centra BC is set based upon competitive market pricing for the period from 1996 to 2002. Commencing January 1, 2003, Centra BC's distribution rates are to be fixed by the BCUC in accordance with regulatory principles generally applied by the BCUC to natural gas utilities operating within British Columbia. In 2000, the BCUC commenced a process to establish long term cost allocation principles to be applied in fixing Centra BC's distribution rates in 2003. A rate design application by Centra BC is expected to be filed with the BCUC by spring 2002.

The rate base of Centra BC as at December 31, 2000 was approximately $429 million. For the years 1996 to 2002, the VINGPA provides for a deemed common equity component of rate base of 35% and a return on the common equity component of rate base of 362.5 basis points over the forecast Government of Canada long term bond rate. Commencing in 2003, the common equity component and the return on common equity will be set by the BCUC. The VINGPA also provides for a reduction of Centra BC's return on common equity of $1.9 million per year for the years 1996 to 2011, resulting in an effective rate of return on common equity of 8.4% for 2000 as compared with 7.8% in 1999.

Centra Whistler

Centra Whistler distributes piped propane gas to approximately 2,000 residential and commercial customers in the Whistler area of British Columbia. Centra Whistler owns and operates two propane storage and vapourization plants and approximately 125 kilometres of distribution pipelines serving customers in the Whistler area.

Acquisition Rationale

The Acquisition is a strategic investment opportunity for the Company that is expected to enhance shareholder value. The Acquisition enhances the Company's natural gas distribution franchise in British Columbia and provides opportunities for growth from new power generation facilities, increased customers and incentive regulation.

Financing of the Acquisition

The Company intends to finance the $310 million purchase price payable at the Acquisition Closing Date for the outstanding shares and indebtedness owing to the Vendor of Centra Gas as follows (in millions of dollars):

Estimated net proceeds of this offering	$180.5
Acquisition Loan or Acquisition Financing	129.5
	$310.0

For purposes of the Acquisition, the Company has obtained a commitment from a Canadian chartered bank for the Acquisition Loan. The funding of the Acquisition Loan is subject to the completion of the Acquisition and the execution and delivery of definitive documentation and fulfillment of other customary conditions. The Company may, as an alternative to drawing down on the Acquisition Loan, issue subordinated or unsubordinated unsecured debt of the Company to the public in Canada prior to the Acquisition Closing Date in order to receive net proceeds substantially equivalent to the amount of the Acquisition Loan (the "Acquisition Financing").

Regulatory Matters

***Utilities Commission Act* (British Columbia)**

Under the provisions of the *Utilities Commission Act* (British Columbia) (the "Utilities Act"), the acquisition, directly or indirectly, of voting shares of a utility subject to the terms of the Utilities Act requires the approval of the BCUC. In order to complete the Acquisition, the Company is required under the Utilities Act to obtain the BCUC approval and is applying for that approval. The BCUC may require a public hearing on the Acquisition if it determines it necessary in the public interest.

Competition Act

The Acquisition is a "notifiable transaction" for the purposes of Part IX of the *Competition Act* (Canada) (the "Competition Act"). As such, the Acquisition may not be completed before the expiration or earlier termination of the applicable waiting period after notice of the Acquisition, together with certain prescribed information, has been provided to the Commissioner of Competition (the "Competition Commissioner") under the Competition Act.

A party to a proposed merger may also apply to the Competition Commissioner for an advance ruling certificate (an "ARC") which may be issued by the Competition Commissioner if he is satisfied that there are not sufficient grounds on which to apply in respect of the transaction to the Competition Tribunal for an order under the merger provisions of the Competition Act.

The Company and Centra BC will submit a short-form pre-merger notification filing to the Competition Commissioner in respect of the Acquisition and apply to the Competition Commissioner for an ARC in respect of the Acquisition.

PRO FORMA CONSOLIDATED CAPITALIZATION

The table below sets forth the consolidated capitalization of the Company, adjusted to give effect to the material changes in the share and loan capital of the Company since the date of the comparative consolidated financial statements for the Company's most recently completed financial year and after giving effect to this offering, the Acquisition Financing and the completion of the Acquisition.

	Outstanding at December 31, 2000	Pro forma outstanding at December 31, 2000
	(in millions of dollars)	
Long-term debt	$1,634.4(2)	$2,073.9
Shareholders' equity		
Securities offered hereby	—	180.5
Capital Securities	125.0	125.0
Common shares(3)	364.0	364.0
Contributed surplus	130.8	130.8
Retained earnings	240.7	240.7
Common shares held by subsidiary	(51.0)	(51.0)
Total capitalization	$2,443.9	$3,063.9

(1) The pro forma presentation incorporates:

(a) net proceeds of $180.5 million from this offering after deducting expenses of the offering;

(b) completion of the Acquisition for $362 million;

(c) the assumption of an expected $228 million of debt of Centra Gas on closing;

(d) completion of the Acquisition Financing in the amount of $129.5 million;

(e) inclusion of the $52 million deferred payment to the Vendor in long-term debt on an undiscounted basis;

(f) the repayment of $70 million and the issue of $100 million of long-term debt during 2001 to date by BC Gas Utility.

(2) All indebtedness is unsecured and includes the current portion.

(3) At September 30, 2001, an additional 1,444,036 Common Shares were subject to outstanding options to purchase Common Shares.

DETAILS OF THE OFFERING

Subscription Receipts will be issued at the closing of this offering pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement") dated as of November 20, 2001 among the Company, the Underwriters and CIBC Mellon Trust Company (the "Escrow Agent"), as escrow agent. Each Subscription Receipt entitles the holder thereof to receive one Common Share, without payment of additional consideration, upon surrender of the certificates representing such holder's Subscription Receipts to the Escrow Agent within five business days after the Acquisition Closing Date. If any certificates representing Subscription Receipts have not been surrendered within 15 days after the Acquisition Closing Date, the Escrow Agent will mail certificates representing the Common Shares which holders of such Subscription Receipts are entitled to receive to the holder's last address of record. If the Acquisition fails to close by March 28, 2002 or is terminated at any earlier time (in either case, the "Termination Date"), the Company will repay to holders of Subscription Receipts the subscription price therefor plus their pro rata share of the interest actually earned on the escrowed funds between the closing of this offering and the Termination Date, with effect as of the third business day following the Termination Date.

Subscription Receipts will be evidenced by transferable Subscription Receipt certificates in fully registered form. Pursuant to the Subscription Receipt Agreement, the proceeds from the sale of the Subscription Receipts will be delivered to and held by the Escrow Agent and invested in short-term obligations of the Government of Canada pending the closing of the Acquisition.

The Escrow Agent will release the escrowed funds and interest thereon to the Company at the Acquisition Closing Date against (i) an irrevocable direction of the Company to the Escrow Agent (in its capacity as registrar and transfer agent of the Common Shares) to deliver certificates representing Common Shares to holders of record of any Subscription Receipts as at the close of business on the fifth business day following the Acquisition Closing Date upon surrender of Subscription Receipt certificates to the Escrow Agent, and (ii) a joint notice from the Company and RBC Dominion Securities Inc. on behalf of the Underwriters to the Escrow Agent, confirming that the conditions of the exchange of the Subscription Receipts for Common Shares and the finalization of all matters relating to the closing of the Acquisition have been fulfilled to their satisfaction. The transfer register with respect to the Subscription Receipts shall be closed at the close of business on the fifth business day following the Acquisition Closing Date or such earlier time as may be required by the TSE. The Company shall, as soon as practicable, issue a press release setting out the date of the closing of the Acquisition and the date on which the Subscription Receipt transfer register will close.

In the event that the closing of the Acquisition does not occur on or before the Termination Date, holders of Subscription Receipts shall be entitled to receive an amount equal to the subscription price therefor and a pro rata share of accrued interest actually earned thereon with effect as of the third business day following the Termination Date. The issuance of a cheque in the payment of the subscription price and a pro rata share of accrued interest earned thereon for Subscription Receipts will require the surrender of the certificate(s) representing the same at the principal office of the Escrow Agent in Vancouver, British Columbia. If any certificates representing Subscription Receipts have not been surrendered one year after the Termination Date, the Escrow Agent will mail the cheques which the holders thereof are entitled to receive to their last addresses of record.

In the event that, prior to the date of issue of a Common Share in respect of a Subscription Receipt, there is a subdivision, consolidation, reclassification or other change of the Common Shares or any reorganization, amalgamation, merger or sale of all or substantially all of the Company's assets, the Subscription Receipt will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on conversion of or in respect of the Common Share to which the holder of a Common Share would have been entitled immediately after such event. Similarly, any distribution to all or substantially all of the holders of Common Shares of rights, options, warrants, evidences of indebtedness or assets will result in an adjustment in the number of Common Shares to be issued to holders of Subscription Receipts. Alternatively, such securities, evidences of indebtedness or assets may, at the option of the Company, be issued to the Escrow Agent and delivered to holders of Subscription Receipts on exercise thereof.

If Common Shares are issued in respect of the Subscription Receipts and dividends are declared on the Common Shares by the Company to holders of record on a date during the period from the closing of this offering to the date of issuance of the Common Shares in respect of the Subscription Receipts, when such Common Shares are issued a cash payment will be made by the Company to the holders of Subscription Receipts in respect of each Subscription Receipt in an amount equal to the per share amount of such dividends.

The Subscription Receipt Agreement provides for modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of an extraordinary resolution. The term "extraordinary resolution" is defined in the Subscription Receipt Agreement to mean, in effect, a resolution passed by the affirmative votes of the holders of not less than 66⅔% of the number of outstanding Subscription Receipts represented and voting at a meeting of Subscription Receipt holders or an instrument or instruments in writing signed by the holders of not less than 66⅔% of the number of outstanding Subscription Receipts.

The holders of Subscription Receipts are not shareholders of the Company. Holders of Subscription Receipts are entitled only to receive Common Shares on surrender of their Subscription Receipts to the Escrow Agent or to require the Company to purchase the Subscription Receipts at the issue price and to be paid a pro rata share of interest accrued thereon as described above.

SHARE CAPITAL OF THE COMPANY

The authorized capital of the Company consists of 750,000,000 Common Shares and 100,000,000 First Preference shares and 100,000,000 Second Preference shares, each of which is issuable in series, all of which shares are without par value, of which 42,935,726 Common Shares and 4,000,000 Second Preference shares of the Company were outstanding as at September 30, 2001. The Second Preference shares and 4,592,094 Common Shares are held by subsidiaries of the Company.

The holders of Common Shares of the Company are entitled to one vote for each Common Share on all matters to be voted on by the shareholders and are entitled to receive such dividends as may be declared by the directors out of funds legally available therefor. The Common Shares rank junior to the rights of the holders of all outstanding preference shares as to payment of dividends and as to repayment of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation or distribution of assets. There are no preemptive, redemption, purchase or conversion rights attaching to the Common Shares.

CONSTRAINTS ON SHARE OWNERSHIP

The *Hydro and Power Authority Privatization Act* (British Columbia) (the "Privatization Act"), as amended, contains provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting shares of a company designated as a special company. The Company and BC Gas Utility have been designated as special companies under the Privatization Act. Such provisions provide that:

(a) persons who are not residents or citizens of Canada are not permitted to hold or beneficially own, in the aggregate, directly or indirectly, voting shares to which are attached more than 20% of the total number of outstanding votes relating to the voting shares of the Company; and

(b) the total number of voting shares of the Company that may be held by any one person or group of associated persons shall not exceed 10% of the total number of the issued and outstanding voting shares of the Company.

If voting shares are held by persons in contravention of the above limitations, such persons shall not receive dividends on any voting share held, unless the contravention is inadvertent or is of a technical nature, nor shall they be entitled to cast a vote in respect of any shares of the Company held by them. The Company may, by notice given by mail or by personal service, require a member holding voting shares in excess of the limitation ("excess voting shares") to dispose of the excess voting shares over a period of not less than 60 days. If the excess voting shares are not disposed of as required by the notice, the Company may redeem the excess voting shares by (a) depositing the redemption price of such shares in a special account with a savings institution, and (b) giving notice of such redemption to the member. The redemption price for the excess voting shares will be the lesser of (a) the price on the initial issue of shares of that class, and (b) the lowest closing price per share, on a stock exchange designated by the board of directors, of the voting shares during the twelve month period preceding the date of giving notice of redemption.

The Privatization Act provides in effect that any member (the "designated shareholder") holding, as registered owner or beneficially, in excess of 10% of the outstanding voting shares of the Company on July 1, 1993 may continue to hold such shares, provided that it entered into an agreement under the Privatization Act that the Lieutenant Governor in Council considers protects the public interest. The Company has entered into such an agreement providing for its holding of the common shares of the Utility and has been designated for that purpose under the Privatization Act. Trans Mountain Holdings Ltd. has also entered into an agreement providing for its holding of the Common Shares of the Company and has been designated for that purpose under the Privatization Act. Under the Privatization Act, a person may acquire from a designated shareholder all of the voting shares held by the designated shareholder provided a similar agreement is entered into as directed by the Lieutenant Governor in Council, in its discretion.

The Privatization Act was amended on July 13, 1995 to raise the ownership restriction of the Company and the Utility to 10% of the total number of voting shares held by any one person or group of associated persons. Previously, this had been set at 4%.

Under the Utilities Act, the acquisition, directly or indirectly, by any one person, or persons acting jointly, of 20% or more of the outstanding common shares of the Utility is a reviewable transaction requiring the prior approval of the BCUC.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed on The Toronto Stock Exchange ("TSE") under the symbol "BCG". The market price range and trading volume of the Common Shares on the TSE for the periods indicated are set forth in the following table:

	Price Per Share		Share Trading Volume
	High	Low	
2000			
First Quarter	$26.50	$21.50	4,743,977
Second Quarter	30.00	24.55	2,317,084
Third Quarter	30.20	26.40	1,803,660
Fourth Quarter	33.50	27.25	2,212,662
2001			
First Quarter	34.75	29.00	2,690,750
Second Quarter	35.10	30.12	3,190,430
Third Quarter	36.50	31.35	2,179,262
October (to October 26)	36.88	33.32	912,806

USE OF PROCEEDS

The net proceeds to the Company from this offering, after deducting the fee payable to the Underwriters and estimated expenses of the offering, are expected to be $180.5 million. The net proceeds of the offering, together with $129.5 million to be advanced to the Company under the Acquisition Loan or raised under the Acquisition Financing, will be used to finance the $310 million purchase price payable by the Company on the Acquisition Closing Date in respect of the Acquisition. See "The Acquisition". The proceeds from the sale of the Subscription Receipts will be held in escrow pending the closing of the Acquisition. See "Details of the Offering".

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated October 25, 2001 between the Company and RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc. and Raymond James Ltd. (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have agreed to purchase, on November 20, 2001 or on such other date as may be agreed upon, subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the Subscription Receipts, for a total consideration of $188,269,200 payable to the Company against delivery of a certificate or certificates representing the Subscription Receipts. The Company has agreed to pay to the Underwriters an aggregate fee of 4.0% of the gross proceeds of this offering for services rendered by them in connection with the offering. Of the aggregate fee payable to the Underwriters of $7.53 million, one-half of such amount is payable on the closing of the offering and one-half is payable on the Acquisition Closing Date.

Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Subscription Receipts if any of the Subscription Receipts are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Subscription Receipts to the public at the public offering price. After the issuance of the Subscription Receipts, the price and other selling terms at which they will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Subscription Receipts.

Five of the Underwriters are, directly or indirectly, subsidiaries of Canadian chartered banks. Such Canadian chartered banks (collectively, the "Lenders") are members of a syndicate or are lenders under credit facilities provided to the Company and certain of its subsidiaries as set forth below:

Borrower	Number of Lenders	Commitment of Lenders	Total Number within Banking Syndicate	Total Commitment under Credit Facility	Term of Credit Facility
Company	1	$200 million	n/a	$200 million	up to 3 years
BC Gas Utility	4	$500 million	4	$500 million	1 year
Trans Mountain	3	$150 million	4	$165 million	up to 3 years
CPL	4	$425 million	9	$700 million	5 years

All of the foregoing facilities are undrawn and are used for operating purposes or as back stops for commercial paper programs. All facilities are unsecured except for the CPL credit facility which is secured by all of the assets of CPL. The various credit facilities contain representations, covenants, restrictions and events of default that are customary for such agreements, including restrictions on the creation of additional indebtedness, liens and encumbrances, restrictions on payments of dividends (in certain cases) and other amounts on account of capital and adherence to specified financial covenants. The Company or its subsidiaries are in compliance with the terms of these credit facilities. In addition, one of the Underwriters is a majority owned subsidiary of the chartered bank providing the Acquisition Loan. The terms of distribution of the Subscription Receipts was determined through negotiations between the Company and the Underwriters. The Lenders did not have any involvement in such determinations. None of the Underwriters will receive any benefit of this offering other than its portion of the fees payable by the Company on the subscription price of the Subscription Receipts sold to the Underwriters.

Pursuant to the policy statements of the Ontario Securities Commission and the *Commission des valeurs mobilières du Québec*, the Underwriters may not, throughout the period of distribution, bid for or purchase Subscription Receipts or Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Subscription Receipts or the Common Shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the foregoing exceptions, in connection with the offering, the Underwriters may over-allot Subscription Receipts or effect transactions intended to stabilize or maintain the market price of the Subscription Receipts or the Common Shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during the offering.

The Subscription Receipts and the Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. Persons except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Subscription Receipts within the United States except in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement provides that the Underwriters will offer and sell securities outside the United States in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Subscription Receipts within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, the following is a general summary of the principal Canadian federal income tax considerations applicable to a holder who acquires Subscription Receipts pursuant to this offering.

This summary is based upon the current provisions of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and counsel's understanding of the current published administrative and assessing policies of the Canada Customs and Revenue Agency ("CCRA"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations. This summary does not take into account the "mark-to-market" rules contained in the Tax Act and holders who are subject to these rules should consult their own advisors in this regard.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder, and no representations with respect to the tax consequences to any particular holder are made. The income tax consequences of acquiring Subscription Receipts and Common Shares will vary depending upon a number of factors including the legal status of the holder as an individual, corporation, trust or partnership. Prospective holders should consult their own tax advisers with respect to the income tax consequences to them of acquiring Subscription Receipts and Common Shares having regard to their particular circumstances.

This summary is only applicable to a person who acquires Subscription Receipts pursuant to this offering and who, at all relevant times, for the purposes of the Tax Act, is or is deemed to be resident in Canada, holds (or will hold) the Subscription Receipts and any Common Shares as capital property, deals at arm's length with the Company and is not exempt from taxation under Part I of the Tax Act. Generally, the Subscription Receipts and the Common Shares will be considered to be capital property to a holder provided the holder does not hold the Subscription Receipts or Common Shares in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

Exchange of Subscription Receipts

No gain or loss will be realized by a holder on the exchange of a Subscription Receipt for a Common Share. This opinion is based upon the interpretation of Counsel that a Subscription Receipt is an agreement to acquire a Common Share on the satisfaction of certain conditions. This position has not, to the knowledge of Counsel, been the subject of a judicial determination in Canada and Counsel have not applied for advance income tax rulings from the CCRA in respect of the offering.

Payment in Lieu of Interest

As described above under "Details of the Offering", in the event that the closing of the Acquisition does not occur on or before the Termination Date, a holder of Subscription Receipts will be entitled to receive an amount equal to the subscription price therefor and a pro rata share of the interest actually earned thereon while such funds were held by the Escrow Agent. In that event, the equivalent to interest amount received or receivable by a holder of Subscription Receipts (depending upon the method regularly followed by the holder in computing income) must be included in the income of the holder.

Payment in Lieu of Dividend

As described above under "Details of the Offering", if Common Shares are issued in respect of Subscription Receipts and dividends are declared on the Common Shares of the Company to holders of record on a date during the period from the closing of this offering to the date of such issuance of Common Shares, the Company will make a cash payment to the holders of Subscription Receipts in respect of each Subscription

Receipt in an amount equal to the per share amount of such dividend. The equivalent to dividend amount, if any, paid to a holder of Subscription Receipts by the Company must be included in the income of the holder.

Other Dispositions of Subscription Receipts

A disposition or deemed deposition by a holder of a Subscription Receipt, other than on the exchange of a Subscription Receipt for a Common Share or a disposition of the Subscription Receipt to the Company in the event the closing of the Acquisition does not occur on or before the Termination Date, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

Issue of Common Shares

The cost of a Common Share issued to a holder of a Subscription Receipt acquired pursuant to this offering will be equal to the cost of the Subscription Receipt to the holder. The adjusted cost base to the holder of the Common Share so acquired will be determined by averaging the cost of such Common Share with the adjusted cost base of all other Common Shares owned at that time by the holder as capital property.

Dividends on Common Shares

Dividends received by an individual on Common Shares must be included in computing the individual's income for purposes of the Tax Act and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends received by a corporation on Common Shares must be included in computing its income but generally will be deductible in computing its taxable income. Private corporations (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual or related group of individuals generally will be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received on Common Shares.

Disposition of Common Shares

On a disposition or deemed disposition of a Common Share the holder generally will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Common Share to the holder immediately before the disposition.

Tax Treatment of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a holder in a taxation year on the disposition or deemed disposition of a Subscription Receipt or Common Share must be included in computing the holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a holder in a taxation year may be deducted from any taxable capital gains realized by the holder in the year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years, subject to and in accordance with the provisions of the Tax Act. Capital gains realized by an individual may give rise to an alternative minimum tax. A Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional 6⅔% refundable tax on certain investment income, including taxable capital gains and interest.

RISK FACTORS

An investment in the Subscription Receipts offered hereby involves certain risks in addition to those described in the discussion and analysis by management of the Company of the financial condition and results of operations of the Company incorporated by reference in the Company's Annual Information Form dated as of April 26, 2001. Before investing, prospective purchasers of Subscription Receipts should carefully consider, in light of their own financial circumstances, the factors set out below, as well as the other information contained or incorporated by reference in this short form prospectus.

Market for Securities

There is currently no market through which the Subscription Receipts may be sold. There can be no assurance that an active trading market will develop for the Subscription Receipts after this offering, or if developed, that such a market will be sustained at the price level of this offering.

Results of Operations and Financing Risks

Management of the Company believes, based on its expectations as to the Company's future performance (which reflects, among other things, the completion of the Acquisition), that the cash flow from its operations and funds available to it under its credit facilities will be adequate to enable the Company to fund its operations, execute its business strategy and maintain an adequate level of liquidity. However, the cost of planned capital expenditures are estimates. Moreover, estimates of cash flow from operations are dependent on regulatory, market and other conditions beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the Company's future performance reflect the current state of its information about Centra Gas and its operations and there can be no assurance that such information is correct in all material respects.

Management of Expanding Operations

As a result of the acquisition of Centra Gas, significant demands will be placed on the Company's managerial, operational and financial personnel and systems. No assurance can be given that the Company's systems, procedures and controls will be adequate to support the expansion of the Company's operations resulting from the Acquisition. The Company's future operating results will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational and financial controls and reporting systems.

Non-Realization of Cost Reductions and Synergies

The Acquisition involves the integration of companies which previously operated independently. No assurance can be given that the combined operations resulting from the Acquisition will realize anticipated cost reductions and synergies or that other benefits expected from the Acquisition will be realized.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, the Subscription Receipts and Common Shares relating thereto, as of the date hereof, are eligible investments, where applicable, without resort to the so-called "basket provisions", or their purchase would not be precluded as investments, subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, regulations or guidelines thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, under the following statutes:

Insurance Companies Act (Canada)
Insurance Act (Alberta)
Insurance Act (Ontario)
an Act respecting insurance (Québec) (for insurers other than a guarantee fund corporations)
Loan and Trust Corporations Act (Alberta)
Loan and Trust Corporations Act (Ontario)
Financial Institutions Act (British Columbia)
an Act respecting trust companies and savings companies (Québec) (for a savings company which invests its own funds and a trust company which invests its own funds and deposits it receives)
Pension Benefits Standard Act, 1985 (Canada)
Employment Pension Plans Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
Trustee Act (Ontario)

In addition, in the opinion of such counsel, based on the law as of the date hereof, the Subscription Receipts and the Common Shares relating thereto are qualified investments under the Tax Act and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan.

LEGAL MATTERS

Certain legal matters relating to the offering of the Subscription Receipts and the Common Shares relating thereto will be passed upon by Farris, Vaughan, Wills & Murphy on behalf of the Company and by Stikeman Elliott on behalf of the Underwriters.

As at October 29, 2001, the partners and associates of Farris, Vaughan, Wills & Murphy and the partners and associates of Stikeman Elliott as a group beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG LLP, PO Box 10426, Pacific Centre, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K3. The registrar and transfer agent for the Common Shares is CIBC Mellon Trust Company at its principal office in the City of Vancouver.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of this short form prospectus and any amendments thereto. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the short form prospectus and any amendments thereto contain a misrepresentation or are not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Company's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CERTIFICATE OF THE COMPANY

Dated: October 29, 2001

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: October 29, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities laws of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC Dominion Securities Inc.

(Signed) Stephen J. Swaffield

Scotia Capital Inc.

(Signed) Mark Scott

CIBC World Markets Inc.

(Signed) Alan C. Wallace

TD Securities Inc.

(Signed) James M.I. Bruce

National Bank Financial Inc.

(Signed) Charles J. Addison

BMO Nesbitt Burns Inc.

(Signed) Graeme N. Falkowsky

Raymond James Ltd.

(Signed) Edward J. Bereznicki

BC Gas Inc.™

PRELIMINARY SHORT FORM PROSPECTUS DATED APRIL 3, 2000

This is a short form preliminary prospectus relating to these securities, a copy of which has been filed with the appropriate securities commission or similar regulatory authority of each of the provinces of Canada, but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted from residents of such provinces prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, subject to certain exemptions, the securities may not be offered or sold within the United States or to U.S. persons and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated herein by reference or the permanent information record may be obtained on request without charge from the Secretary of BC Gas Inc. at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia V6E 4M4 (Telephone: (604) 443-6500).

New Issue ● , 2000

BC Gas Inc.™

$ ●

● % Capital Securities due April ● , 2040
($ ● principal amount per Security)

This offering ("Offering") consists of a total of $ ● of ● % unsecured subordinated debentures (the "Securities") of BC Gas Inc. (the "Company"). Interest on the Securities will accrue from ● , 2000 and is payable semi-annually in arrears on April ● and October ● of each year (an "Interest Payment Date"), commencing October ● , 2000. The terms of the offering were determined by negotiation between the Company and RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., Merrill Lynch Canada Inc., Scotia Capital Inc. and Goepel McDermid Inc. (collectively, the "Underwriters").

The Securities will be subordinated to all of the Company's present and future Senior Indebtedness (as defined herein). The issue of the Securities does not limit the Company's ability to incur additional indebtedness.

The Company has the right to defer, at any time and from time to time, subject to certain conditions, payments of interest on the Securities by extending the interest payment period on the Securities for a period of up to 10 consecutive semi-annual periods.

	Per Security	Total
Price to the Public(1)	$ ●	●
Underwriters' Commission(2)(3)	●	●
Proceeds, before expenses, to the Company(4)	●	●

(1) Plus accrued interest from ● , 2000, if settlement occurs after that date. The Securities are being offered on a non-fixed price basis. The price to the public may be negotiated with purchasers and may vary as between purchasers and during the period of distribution of the Securities.

(2) The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Securities by a purchaser exceeds or is less than the aggregate price paid to the Company by the Underwriters.

(3) The Company has agreed to pay the Underwriters a commission of $ ● for each Security sold to certain institutions by closing and $ ● per Security for all other Securities. Therefore to the extent there are such sales to those certain institutions by closing, the actual amount of the Underwriters' commission will be less than the aggregate amount specified above.

(4) The Company estimates its offering expenses to be $ ● .

The Company may redeem the Securities, in whole, at any time following the issuance of the Securities and prior to April ● , 2010, upon not less than 30 days' and not more than 60 days' prior written notice at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed and (ii) the Canada Yield Price (as defined herein), plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption. The Company may redeem the Securities, in whole, at any time on or after April ● , 2010 on any Interest Payment Date. See "Details of the Offering — Redemption Right" and "Details of the Offering — Early Redemption Right".

At maturity, the Company, subject to stock exchange approval and on at least 40 days' notice, may exchange the whole of the Securities into fully paid, non-assessable common shares of the Company (the "Common Shares"). The number of Common Shares into which such Securities may be exchanged will be determined by dividing $1,000 together with all accrued and unpaid interest to, but excluding, the date of exchange by 90% of the then current Market Price (as defined herein) of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Company".

On or after April ● , 2010, the Securities will be exchangeable at the option of the holder, in whole, on any Interest Payment Date on at least 65 days' prior notice into that number of fully paid, non-assessable Common Shares determined by dividing $1,000 together with all accrued and unpaid interest to the date of exchange by the greater of $1.00 and 90% of the then current Market Price of the Common Shares. If a holder of Securities elects to exchange the Securities held by the holder for Common Shares, the Company may, on at least 40 days' notice prior to the exchange date, elect to redeem such Securities for cash. See "Details of the Offering — Exchange into Common Shares at the Option of the Holder".

Investment in the Securities involves certain risks which should be considered by investors. See "Risk Factors". Investment in the Securities may also involve certain income tax consequences. See "Certain Canadian Income Tax Consequences".

There is currently no market through which the Securities may be sold.

The Underwriters, as principals, conditionally offer the Securities, subject to prior sale, if, as and when issued by the Company and accepted by them, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Farris, Vaughan, Wills & Murphy, and on behalf of the Underwriters by Stikeman Elliott.

Three of the Underwriters, CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc., are subsidiaries of Canadian chartered banks which provide credit facilities to the Company and, consequently, the Company may be considered to be a connected issuer of such Underwriters. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on or about ● , 2000 but not later than ● , 2000, and that certificates for the Securities will be ready for delivery in book-entry form through The Canadian Depository for Securities Limited on or about ● , 2000.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

(a) the audited consolidated financial statements of the Company for the years ended December 31, 1999 and 1998 and the Auditors' Report thereon contained in the 1999 Annual Report of the Company;

(b) the Annual Information Form of the Company dated April 28, 1999 including Management's Discussion and Analysis incorporated therein; and

(c) the Management Information Circular of the Company dated as at March 8, 2000.

Any documents of the type referred to above (except confidential material change reports) filed by the Company with the various securities commissions or other similar authorities in the provinces of Canada, after the date of this Prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, counsel for the Company and Stikeman Elliott, counsel for the Underwriters, subject to general investment provisions and prudent investment standards of the following statutes (and where applicable, the regulations thereunder), and in certain cases subject to the satisfaction of additional requirements relating to investment or lending policies or goals and in certain circumstances, the filing of such policies and goals, the Securities offered hereby will not at the date of issue be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, *1985* (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
The Pension Benefits Act (Manitoba)
The Pension Benefits Act, *1992* (Saskatchewan)
Insurance Act (Ontario)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
an Act respecting insurance (Québec) (in respect of insurers other than guarantee fund corporations)
an Act respecting trust companies and savings companies (Québec) (for a trust company investing its own funds and deposits it receives and a savings company investing its funds)
Supplemental Pension Plans Act (Québec)

Also in the opinion of such counsel, the Securities will be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (other than deferred profit sharing plans for which any of the employers is the Company or a corporation which does not deal at arm's length with the Company), and will not, on the date of issue, be foreign property for the purposes of the Tax Act.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information specified elsewhere in this Prospectus or incorporated by reference herein. Reference in this summary to the Company includes the Company and, unless otherwise indicated, its direct and indirect subsidiaries.

THE OFFERING

Issue:	$ ● aggregate principal amount of ● % unsecured subordinated debentures of the Company (the "Securities").
Interest Payment Dates:	April ● and October ● of each year (an "Interest Payment Date"), commencing October ● , 2000, subject to the right of the Company to defer payment of interest as described herein.
Maturity:	April ● , 2040
Ranking:	The Securities will be issued as unsecured subordinated debentures of the Company. The Securities will be expressly subordinated to all Senior Indebtedness of the Company (as defined herein) and will effectively be subordinated to all indebtedness and other liabilities of the Company's subsidiaries. As at December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness (as defined herein) and the Company's subsidiaries had approximately $1,375.0 million of indebtedness, excluding intercorporate liabilities and trade payables. There are no terms in the Securities that limit the ability of the Company to incur additional indebtedness, including indebtedness that ranks senior to the Securities.
Interest Deferral:	The Company has the right to defer, at any time and from time to time, subject to certain conditions, payments of interest on the Securities by extending the interest payment period on the Securities for a period (each such period constituting an "Extension Period") of up to 10 consecutive semi-annual periods provided that no Extension Period may extend beyond the stated maturity of the Securities. Except in certain limited circumstances described herein, the Company shall not pay or declare dividends on any of its capital stock (except by way of stock dividend) or make any payment of interest, principal or premium on any debt securities or indebtedness for borrowed money that ranks *pari passu* with or is subordinated to the Securities at any time when any interest on the Securities is being deferred as contemplated above. There may be multiple Extension Periods of varying lengths, each of up to 10 consecutive semi-annual periods, throughout the term of the Securities, but none of the Extension Periods may extend beyond the stated maturity of the Securities. During an Extension Period, interest will accrue and compound semi-annually at the stated interest rate. The Company may satisfy its obligation to pay Deferred Interest (as defined herein) on any applicable Interest Payment Date by delivering to the Securityholder common shares in the capital of the Company ("Common Shares") determined by dividing the Deferred Interest by 90% of the then current Market Price (as defined herein) of the Common Shares in which event holders of the Securities shall be entitled to receive the Common Shares and any cash from any fractional Common Shares in satisfaction of the Company's obligation to pay such Deferred Interest. See "Details of the Offering — Option to Extend Interest Payment Periods" and "Details of the Offering — Share Payment Election".

Early Redemption Right:	The Company may redeem the Securities in whole, at any time following the issuance of the Securities and prior to April ● , 2010 upon not less than 30 days' and not more than 60 days' prior written notice at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed and (ii) the Canada Yield Price (as defined herein), plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption. See "Details of the Offering — Early Redemption Right".
Redemption Right:	The Securities are redeemable by the Company, in whole, on or after April ● , 2010 on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of the Securities to be redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. See "Details of the Offering — Redemption".
Exchange by the Company:	At maturity, the Securities are exchangeable in whole, at the option of the Company, subject to stock exchange approval, on at least 40 days' notice into that number of Common Shares determined by dividing $1,000 together with accrued and unpaid interest to, but excluding, the date of exchange by 90% of the then current Market Price (as defined herein) of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Company".
Exchange by the Holder:	On or after April ● , 2010, and subject to the Company's right on at least 40 days' notice prior to the exchange date to redeem, the Securities held by any holder are exchangeable in whole, at the option of the holder on any Interest Payment Date on at least 65 days' notice, into that number of Common Shares determined by dividing $1,000 together with accrued and unpaid interest by the greater of $1.00 and 90% of the then current Market Price of the Common Shares. See "Details of the Offering — Exchange into Common Shares at the Option of the Holder".
Use of Proceeds:	The net proceeds from the Offering will be used to fund investments in subsidiaries of the Company and for general corporate purposes. See "Use of Proceeds".
Governing Law:	The Indenture (as defined herein) and the Securities will be governed by the laws of the Province of British Columbia.
Credit Ratings:	The Securities have been assigned preliminary ratings of BBB by CBRS Inc. and BBB (High)y by Dominion Bond Rating Service Limited. See "Credit Ratings".
Market for the Securities:	There is currently no market through which the Securities may be sold. See "Risk Factors".
Global Securities:	The Securities will be represented by one or more Global Securities (as defined herein) registered in the name of The Canadian Depository for Securities Limited ("CDS") or its nominee. Beneficial interests in the Global Securities representing the Securities will be shown on, and transfers thereof will be effected only through, records maintained by CDS and its direct and indirect participants. Except as described herein, certificates evidencing the Securities in definitive form will not be issued. See "Details of the Offering — The Depositary".

THE COMPANY

Overview

BC Gas Inc. (the "Company") is a holding company holding directly 100% of the common shares in the capital of BC Gas Utility Ltd. ("BC Gas Utility") and 100% of the common shares in the capital of Trans Mountain Pipe Line Company Ltd. ("Trans Mountain"). The Company was incorporated on August 15, 1985 under the *Company Act* (British Columbia). Its memorandum and articles were amended on March 11, 1993 and June 24, 1993 to amend its share capital and on July 1, 1993 to effect an arrangement under Section 276 of the *Company Act* (British Columbia). The head and principal office of the Company is at Suite 2400, 1111 West Georgia Street, Vancouver, British Columbia V6E 4M4.

References in this Prospectus to the Company include the Company and, unless otherwise indicated, its direct and indirect subsidiaries.

Business of the Company

The Company acts as a management corporation, providing strategic direction to BC Gas Utility and all of the Company's other subsidiaries and investments. The Company holds three groups of subsidiaries: (i) the companies comprising the natural gas distribution business; (ii) the companies comprising the petroleum transportation business; and (iii) the other non-regulated energy and utility related subsidiaries.

BC Gas Utility transmits and distributes natural gas to residential, commercial and industrial customers in the interior and in the greater Vancouver and Fraser Valley areas of British Columbia. Squamish Gas Co. Ltd. is a wholly-owned, regulated distribution subsidiary of BC Gas Utility.

Through Trans Mountain, the Company operates an oil pipeline from Alberta to the lower mainland of British Columbia and to northwestern Washington State. Through Trans Mountain Holdings Ltd., Trans Mountain owned approximately 10.7% of the outstanding Common Shares as at December 31, 1999.

In addition, the Company holds interests in energy and utility related subsidiaries including, directly or indirectly, 100% of the outstanding shares of BCG Services Inc., Home*works* Inc., Huntingdon International Pipeline Corporation and Sumas International Pipeline Inc.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Company is a summary of information contained in the audited consolidated financial statements of the Company for the periods indicated and this selected information should be read in conjunction with such financial statements.

	Year Ended December 31				
	1999	1998	1997	1996	1995
	(dollar in millions except per share amounts)				
Gross revenues	$1,040.6	$ 925.0	$ 933.9	$ 901.4	$ 894.9
Net earnings	81.2	71.2	50.8	105.6	47.5
Earnings per Common Share	2.12	1.85	1.27	2.53	1.16
Dividends per Common Share	1.165	1.09	0.975	0.90	0.90
Total assets	2,450.5	2,466.1	2,388.1	2,427.1	2,367.3
Long term debt(1)	1,001.8	906.7	993.3	1,033.9	1,003.9
Current portion of long term debt.	77.2	194.8	96.8	10.9	30.1

(1) Excluding current portion of long term debt.

RECENT DEVELOPMENTS

Southern Crossing Pipeline

In May 1999, the British Columbia Utilities Commission approved an application by BC Gas Utility to construct and operate the Southern Crossing Pipeline (the "Southern Crossing Pipeline") for an estimated cost of $376 million. The Southern Crossing Pipeline involves the construction of a gas transmission pipeline to connect the existing ANG pipeline in southeastern British Columbia which is currently used primarily to export Alberta gas to the United States, with existing Company pipeline facilities in the southern Okanagan Valley. The Company intends to complete the project for an in-service date of November 1, 2000, however, the Company may revise the expected date of completion based on the results of bids that the Company is seeking for construction and installation of the pipeline.

Corridor Pipeline Limited

In July 1998, Trans Mountain and the Company entered into an agreement with Shell Canada Limited ("Shell"), Chevron Canada Resources Limited and Western Oil Sands Inc. for the construction and operation of the Corridor pipeline system (the "Corridor Pipeline"). Corridor Pipeline Limited ("CPL") has been established as a direct subsidiary of the Company to own 100% of the Corridor Pipeline. The option of Shell to acquire 49% of the Corridor Pipeline has expired. Trans Mountain will operate the Corridor Pipeline.

The Corridor Pipeline will provide for the pipeline transportation of diluted bitumen produced at Shell's Muskeg River Mine located approximately 70 kilometres north of Fort McMurray, Alberta to a heavy oil upgrader that Shell proposes to construct adjacent to its existing Scotford Refinery near Edmonton, Alberta, a distance of approximately 453 kilometres. A smaller diameter parallel pipeline will transport recovered diluent from the upgrader back to the mine. CPL also proposes to construct two additional pipelines, each 43 kilometers in length, between the proposed Scotford Upgrader and the existing trunk pipeline facilities of Trans Mountain and Enbridge in the Edmonton area.

The estimated cost of the Corridor Pipeline is $688 million. Of this cost $468 million represents a fixed price, quoted to Shell and its partners by the Company, and is comprised of fixed price bid amounts from third party contractors, a contingency amount and other amounts estimated by CPL, subject to certain agreed escalators. The balance of the cost, which includes line fill and interest costs, is comprised of amounts which will be included in the rate base of CPL at cost. Project financing for the Corridor Pipeline will be guaranteed by the Company during construction.

In December 1999, Shell and its partners announced that the Athabasca Oil Sands initiative, which includes the Corridor Pipeline, would be proceeding. Regulatory approvals have been obtained from the Alberta Energy and Utilities Board for the Corridor Pipeline. Shell and its partners have entered into a long term ship or pay agreement with CPL for the transport of a total of 150,000 barrels per day of bitumen in the Corridor Pipeline. Construction on the Corridor Pipeline is scheduled to commence in the second quarter of 2000 and the Corridor Pipeline is expected to be fully operational by the end of 2002.

Other Acquisitions

In December 1999, the Company purchased C.P.I. Equipment Ltd., a British Columbia based company that provides a variety of waterworks products and services to the commercial, industrial, agricultural, acquacultural, mining and municipal markets. This acquisition will facilitate the Company's expansion into the agricultural and acquacultural markets.

In February 2000, the Company signed a memorandum of understanding to purchase International Plastics Ltd. ("IPL"), a waterworks supply company based in Richmond, British Columbia. The acquisition includes IPL and its nine branches in the province of British Columbia, along with its subsidiary company and its single branch operation. It is anticipated that the transaction will close in the second quarter of 2000.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from the Offering are $ ● . These proceeds will be used to make investments in subsidiaries of the Company and for general corporate purposes. Expenses of this issue and the fee payable to the Underwriters will be paid by the Company out of the Company's general corporate funds.

INTEREST AND ASSET COVERAGES

The interest and asset coverages are calculated as at December 31, 1999 (in the case of asset coverage) or for the twelve months then ended (in the case of interest coverage). In each case, the as adjusted ratios have been calculated after giving effect to the issue of the Securities. Interest coverage on long term debt is equal to net income before interest expense on long term debt and income taxes divided by annual interest requirements on long term debt (including capitalized interest). Net tangible asset coverage on long term debt is equal to total assets (excluding intangible assets) less current and other liabilities (excluding long term debt) divided by long term debt.

	December 31, 1999	
	Actual	**As Adjusted**
Interest on long term debt coverage[1]	2.29	●
Net tangible asset coverage on long term debt[2]		
Before deferred income taxes and deferred credits	1.61	●
After deduction of deferred income taxes and deferred credits	1.58	●

(1) The interest coverage calculations have been made without including the annual carrying charges relating to the Securities offered hereby. If the Securities were classified as debt, the entire carrying charges of the Securities would be included in interest expense. If these annual carrying charges had been included in the calculations the as adjusted interest coverage would have been ● for the year ended December 31, 1999.

(2) If the entire amount of the Securities offered hereby had been included in long term debt, the as adjusted net tangible asset coverages would have been ● before deferred income taxes and deferred credits and ● after deduction of deferred income taxes and deferred credits as at December 31, 1999.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's consolidated capitalization as at December 31, 1999 and as at December 31, 1999 adjusted to give effect to the issue of the Securities described under "Use of Proceeds". This table should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 1999 and 1998 incorporated by reference into this Prospectus.

	As of December 31, 1999	
	Actual	**As Adjusted**
	(millions of dollars)	
Long term debt[1]	$1,079.00	$1,079.00
Shareholders' Equity		
Securities offered hereby	—	●
Common Shares	363.30	363.30
Common Shares held by subsidiary	(51.00)	(51.00)
Retained earnings and other shareholders' equity	314.00	314.00
Total capitalization	$1,705.30	$ ●

(1) Includes current portion.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Securities. This summary does not purport to be complete and reference is made to the indenture to be dated as of ● , 2000 (the

"Indenture") between the Company and CIBC Mellon Trust Company (the "Trustee") for full particulars. For the purposes of this summary, the term "Company" does not include its subsidiaries. Capitalized terms used without definition are deemed to have the meanings ascribed to them in the Indenture.

General

The Securities will be issued as unsecured subordinated debentures under the Indenture and will be limited in aggregate principal amount to $ ● . However, the Company may, from time to time, without the consent of the holders of the Securities, issue additional securities under the Indenture in addition to the Securities offered hereby. The Securities are not subject to a sinking fund provision. The principal amount of the Securities plus accrued and unpaid interest thereon will become due on April ● , 2040 (the "Maturity Date").

The Securities will be issued in fully registered form only in denominations of $1,000 and integral multiples thereof. The Securities will be issued in the form of fully registered global securities ("Global Securities") held by The Canadian Depository for Securities Limited ("CDS") or a successor entity for its participants. Under certain limited circumstances, the Securities may be issued in certificated non-book-entry form in exchange for interests in a Global Security. Payments on Securities issued as a Global Security will be made to CDS or a successor depositary. In the event that the Securities are issued in certificated non-book-entry form, principal and interest will be payable, the transfer of such Securities will be registerable and such Securities will be exchangeable for Securities in other denominations of a like aggregate principal amount at the corporate trust office of the Trustee, Suite 1600-1066 West Hastings Street, Vancouver, British Columbia V6E 3X1, (telephone number: (604) 688-4330) or its designated agent. Payment of principal and interest may be made by cheque mailed to the address of the holder entitled thereto. See "The Depositary" and "Transfers of Securities".

Subordination

The Indenture provides that the Securities are subordinated in right of payment to all present and future Senior Indebtedness (as defined herein) of the Company. No payment of principal (including redemption payments) or interest on the Securities may be made if: (i) any Senior Indebtedness of the Company is not paid when due and any applicable grace period with respect to a payment default on Senior Indebtedness has ended and such default has not been cured or waived or ceased to exist; or (ii) the maturity of any Senior Indebtedness of the Company has been accelerated because of a default and not rescinded; or (iii) such Senior Indebtedness is not repaid upon maturity in accordance with its terms. Upon any distribution of assets of the Company to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due on all Senior Indebtedness of the Company must be paid in full before the holders of the Securities are entitled to receive or retain any payment.

The term "Senior Indebtedness" means, with respect to the Company: (i) the principal (including redemption payments), premium, if any, interest and other payment obligations in respect of (a) indebtedness of the Company for money borrowed, and (b) indebtedness evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company, including any such securities issued under any deed, indenture or other instrument to which the Company is a party (including, for the avoidance of doubt, indentures pursuant to which subordinated debentures have been or may be issued); (ii) all capital, operating or other lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company, all hedging agreements and agreements of a similar nature thereto and all agreements relating to any such agreements, and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of the Company for reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which the Company is responsible or liable as obligor, guarantor, surety or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), in each case whether outstanding at the date of the Indenture or thereafter incurred, except for (a) any such indebtedness that contains express terms, or is issued under a deed, indenture or other instrument which contains express terms, providing that it is subordinate to or ranks *pari passu* with the

Securities, and (b) any indebtedness between the Company and its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions of the Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness and notwithstanding that no express written subordination agreement may have been entered into between the holders of such Senior Indebtedness and the Trustee or any of the holders of the Securities.

As at December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness outstanding. As at such date, the Company's subsidiaries had approximately $1,375.0 million of indebtedness, excluding intercorporate liabilities and trade payables. The Securities will be effectively subordinated to all indebtedness and other liabilities of the Company's subsidiaries. The Indenture does not limit the aggregate amount of indebtedness, including Senior Indebtedness and indebtedness ranking *pari passu* with the Securities, that may be incurred by the Company or its subsidiaries.

The Indenture and the Securities do not contain any covenants or other provisions designed to afford holders of the Securities protection in the event of a highly leveraged transaction involving the Company or any of its subsidiaries.

Interest

The Securities shall bear interest from ● , payable in Canadian dollars, at the rate of ● % per annum payable in equal semi-annual instalments of $ ● , except as provided below, on April ● and October ● of each year (each an "Interest Payment Date"), commencing October ● , 2000.

The amount of interest payable for any period will be computed on the basis of a 365 day year. In the event that any date on which interest is payable on the Securities is not a business day (being a day other than Saturday, Sunday or any other day on which banking institutions in Vancouver and Toronto are permitted or required by applicable law, regulation or executive order to close), then payment of the interest otherwise due on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, then such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date. Interest payments will be made in an amount equal to the interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid or duly made available for payment) to but excluding the applicable Interest Payment Date.

Option to Extend Interest Payment Periods

The Company shall have the right, at any time and from time to time, subject to certain conditions, to defer payments of interest on the Securities by extending interest payment periods for Extension Periods, each not exceeding 10 consecutive semi-annual periods, provided that during any Extension Period: (i) the Company shall not declare or pay dividends on, or make a distribution with respect to, or redeem, repurchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (a) as a result of an exchange or conversion of any class or series of the Company's capital stock or rights to acquire such stock for any other class or series of the Company's capital stock or rights to acquire such stock, (b) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (c) dividends or distributions made on the Company's capital stock or rights to acquire such capital stock with the Company's capital stock or rights to acquire such stock, (d) purchases, distributions or acquisitions of capital stock of the Company in connection with the satisfaction by the Company of its obligations under any employee benefit or incentive plans, including purchases, distributions or acquisitions under any employee share purchase plan or employee share option plan, provided that such benefit, incentive share purchase plan or share option plan shall have been in existence for at least 180 days prior to the commencement of such Extension Period, or (e) redemptions or repurchases of any rights outstanding under a shareholder rights plan); and (ii) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities or indebtedness for money borrowed, issued or incurred by the Company that ranks *pari passu* with or subordinate to the Securities (excluding, for the avoidance of doubt, Senior Indebtedness, in respect of which such payments, repayments, repurchases and redemptions may be made and also excluding trade payables arising in the ordinary course of business). Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the Extension Period of the Securities, provided, however, that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Maturity Date. Upon the termination of any Extension Period and the payment of all Deferred Interest (as defined herein), the Company may commence a new Extension Period for up to 10 consecutive semi-annual periods, subject to the terms described herein. There may be multiple Extension Periods of various lengths, each of up to 10 consecutive semi-annual periods, throughout the term of the Securities, but none of the Extension Periods may extend beyond the Maturity Date. During an Extension Period, interest will accrue and will compound on a semi-annual basis at the stated interest rate. Each Extension Period shall end on an Interest Payment Date. All interest accrued during an Extension Period ("Deferred Interest") shall be paid on the Interest Payment Date at the end of such Extension Period, and will be paid to the holders in whose names the Securities are registered at the close of business on the record date immediately preceding such Interest Payment Date. No interest payments will be required to be made during an Extension Period except at the end thereof. The Company shall give the holders of the Securities notice of its initiation of any Extension Period at least 20 business days prior to the earlier of: (i) the next succeeding Interest Payment Date; or (ii) the date upon which the Company is required by law to give notice to The Toronto Stock Exchange or other applicable self-regulatory organization or holders of the Securities of the record date or payment date, in each such case with respect to interest payments the payment of which is being deferred.

Share Payment Election

The Company, subject to applicable stock exchange rules, may elect, from time to time, to satisfy its obligation to pay any Deferred Interest on any Interest Payment Date by delivering Common Shares of the Company to the holders of the Securities, in accordance with the Indenture (the "Share Payment Election"). The Indenture provides that, upon such election, the holders of the Securities shall accept delivery of fully paid and non-assessable Common Shares from the Company determined by dividing the Deferred Interest by 90% of the Market Price for the Common Shares (the "Common Share Exchange Price"). The Company shall make a Share Payment Election by delivering written notice (the "Share Election Notice") to the holders no later than the earlier of: (i) the date required by applicable law or the rules of any stock exchange on which the Securities are then listed; or (ii) 40 days prior to the applicable Interest Payment Date to which the Share Payment Election relates. Fractional Common Shares will not be issued on any payment of Deferred Interest but in lieu thereof the Company will make cash payments. Any payment of Deferred Interest by delivery to the holders of Common Shares and any cash as herein set forth for any fractional Common Shares shall satisfy the Company's obligation to pay such Deferred Interest.

"Market Price" means the weighted average trading price of the Common Shares on The Toronto Stock Exchange or such other stock exchange on which the Common Shares are listed, for the period of 20 trading days which ends on the fourth day prior to the date specified for exchange or payment, as the case may be, or, if that fourth day is not a trading day, on the immediately preceding trading day.

Early Redemption Right

The Company may redeem the Securities, in whole and not in part, at any time following the issue of the Securities and prior to April ●, 2010, on not less than 30 days' and not more than 60 days' prior written notice at a price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed, and (ii) the Canada Yield Price, plus in either case accrued and unpaid interest thereon to, but excluding, the date of redemption.

"Canada Yield Price" shall mean a price equal to the price of the Securities calculated to provide a yield to April ●, 2010 compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus **[0. ● %]** on the business day preceding the date of the resolution authorizing the redemption. "Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to April ●, 2010. The Government of Canada Yield, in the case of a redemption of the

Securities, will be the average of the yields provided by two Canadian investment dealers selected by the Company and approved by the Trustee.

The Company will have the right, at any time, to purchase the Securities at any price in the market or by tender or private contract.

Redemption

The Company may redeem the Securities, in whole and not in part, on or after April ●, 2010 on an Interest Payment Date at a price equal to 100% of the principal amount of the Securities to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

Exchange into Common Shares at the Option of the Company

The Securities will not be exchangeable at the option of the Company prior to maturity. Upon maturity of the Securities, the Company, subject to the approval of The Toronto Stock Exchange and such other stock exchanges on which the Common Shares are then listed, may exchange all of the outstanding Securities into fully paid non-assessable Common Shares of the Company. The number of Common Shares into which each Security may be so exchanged will be determined by dividing $1,000 together with all accrued and unpaid interest on the Securities by the Common Share Exchange Price. Fractional Common Shares will not be issued on any exchange of Securities but in lieu thereof the Company will make cash payments.

Notice of any exchange will be given by the Company at least 40 days prior to the date fixed for exchange.

Exchange into Common Shares at the Option of the Holder

On or after April ●, 2010 all Securities held by a holder will be exchangeable at the option of the holder on any Interest Payment Date (each such date, an "Exchange Date") on prior notice (the "Exchange Notice") given at least 65 days before the Exchange Date into that number of fully paid non-assessable Common Shares of the Company determined by dividing $1,000 together with all accrued and unpaid interest by the greater of $1.00 and the Common Share Exchange Price. Fractional shares will not be issued on any exchange of Securities but in lieu thereof of the Company will make cash payments.

If a holder of Securities gives an Exchange Notice to the Company, the Company may elect to redeem all of the Securities which are the subject of the Exchange Notice. Any such redemption or purchase shall be made by the payment of an amount in cash of $1,000 per Security, together with accrued and unpaid interest to, but excluding, the Exchange Date.

If the Company elects to redeem all of the Securities which are the subject of an Exchange Notice (the "Subject Securities"), the Company shall, not later than 40 days before the Exchange Date, give notice to all holders of Subject Securities stating that the Company will redeem all of the Subject Securities for cash.

Mergers, Consolidations or Amalgamations

The Indenture provides that the Company may not consolidate or amalgamate with or merge into any other company or convey, transfer or lease its properties and assets substantially as an entirety to any other person, unless among other things: (i) the entity formed by such consolidation or amalgamation or into which the Company is merged or the person which shall have acquired or leased such properties or assets shall be a company, partnership or trust organized under the laws of Canada or any province or territory thereof or the United States, any state thereof or the District of Columbia and, unless the Company is the continuing company, such entity shall expressly assume the Company's obligation for the due and punctual payment of the principal of and interest on all the Securities and the performance and observance of every covenant of the Indenture on the part of the Company to be performed or observed; and (ii) immediately after giving effect to such transaction, no Event of Default (as defined herein) or event that after notice or passage of time or both would be an Event of Default shall have occurred and be continuing.

Events of Default

The Indenture provides that any one or more of the following described events which has occurred and is continuing constitutes an "Event of Default" with respect to the Securities:

(a) failure for 30 days to pay interest on the Securities as provided in the Indenture when due, provided that a valid extension of an interest payment period by the Company shall not constitute a default in the payment of interest for this purpose;

(b) failure to pay principal on the Securities as provided in the Indenture when due whether at maturity, upon redemption, by declaration or otherwise;

(c) failure to observe or perform any other covenant contained in the Indenture or the Securities for 60 days after written notice thereof to the Company from the Trustee or the holders of at least 25% in principal amount of the outstanding Securities; or

(d) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency law.

Within 30 days after the occurrence of any Event of Default with respect to any of the Securities, the Trustee must give the holders of the Securities notice of all Events of Default of which it has knowledge and that have not been cured or waived.

The holders of a majority in aggregate principal amount of the outstanding Securities have the separate right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee. The Trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Securities may declare the principal of and the interest on the Securities, including accrued interest, if any, and any other amounts payable under the Indenture to be forthwith due and payable immediately upon an Event of Default, but the holders of a majority in aggregate principal amount of the outstanding Securities may annul such declaration and waive the default if the default has been cured and a sum sufficient to pay all matured instalments of interest and principal due with respect to the Securities otherwise than by acceleration has been deposited with the Trustee.

The holders of a majority in aggregate principal amount of the outstanding Securities may, on behalf of the holders of all Securities, waive any past default and its consequences, except: (i) a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured instalments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or (ii) a default in respect of a covenant or provision of the Indenture which by the express terms of the Indenture cannot be modified or amended without the consent of the holder of each outstanding Security.

The Indenture provides that no holder of the Securities may institute any proceeding with respect to the Indenture unless: (i) such holder shall have previously given to the Trustee written notice of any Event of Default and continuance thereof; (ii) the holders of not less than 25% in aggregate principal amount of the outstanding Securities shall have requested the Trustee to institute such proceeding and shall have offered the Trustee reasonable indemnity in respect thereof; (iii) the Trustee shall not have instituted such proceeding within 60 days of such request; and (iv) the Trustee shall not have received directions inconsistent with such written request by the holders of a majority in aggregate principal amount of the outstanding Securities.

Notwithstanding the foregoing, the holder of any Security will have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Security on the due date thereof (as the same may be deferred in accordance with the provisions of the Indenture) and to institute suit for the enforcement of such payment, and such rights shall not be impaired without the consent of such holder.

The Indenture requires the Company to furnish to the Trustee annual statements as to the fulfilment by the Company of its obligations under the Indenture.

Limitation on Transactions

If: (i) the Company shall exercise its right to defer payment of interest as provided in the Indenture and so long as any Extension Period with respect thereto is continuing; or (ii) there shall have occurred and be continuing any Event of Default; then (a) the Company shall not declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (1) as a result of an exchange or conversion of any class or series of the Company's capital stock or rights to acquire such stock for any other class or series of the Company's capital stock or rights to acquire such stock, (2) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (3) dividends or distributions made on the Company's capital stock or rights to acquire such stock with the Company's capital stock or rights to acquire such stock, (4) purchases, distributions or acquisitions of capital stock of the Company in connection with the satisfaction by the Company of its obligations under any employee benefit or incentive plans, including purchases, distributions or acquisitions under any employee share purchase plan or employee share option plan, provided that such benefit, incentive, share purchase plan or share option plan shall have been in existence for at least 180 days prior to the commencement of such Extension Period, or (5) redemptions or repurchases of any rights outstanding under a shareholder rights plan); and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities or indebtedness for borrowed money issued or incurred by the Company that ranks *pari passu* with or subordinate to the Securities (excluding, for the avoidance of doubt, Senior Indebtedness, in respect of which such payments, repayments, repurchases and redemptions may be made and also excluding trade payables arising in the ordinary course of business, which may be paid).

The Depositary

CDS will act as securities depositary for the Securities. Except as otherwise provided below, the Securities will be issued in "book-entry only" form and beneficial interests therein must be purchased or transferred through participants in the CDS depositary service, which participants include certain securities dealers and brokers, banks and trust companies (the "Participants"). The Securities will be issued only as Global Securities to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of a beneficial interest in a Security will be entitled to a certificate or other instrument from the Company or CDS evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in a Security will be shown on the record maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. The Company expects that each purchaser of a beneficial interest in a security will receive a customer confirmation of purchase from the registered dealer from which such beneficial interest is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants holding beneficial interests in the Securities.

The Company and the Trustee will not have any liability for: (i) the records maintained by CDS relating to beneficial interests in Securities or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given herein with respect to the rules and regulations of CDS or any action to be taken by CDS on its own direction or at the direction of its Participants.

Transfers of Securities

While securities are outstanding in "book-entry only" form, transfers of ownership or beneficial interests in Securities will be effected only through records maintained by CDS or its nominee for such Securities with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of beneficial interests in Securities who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of their beneficial interests in Securities, may do so only through Participants.

Payment of Interest and Principal

Except in the case of payment on maturity or on redemption by the Company of the whole of the Securities outstanding, in which case payment may be made on surrender of a Global Security, payments of interest and principal on each Global Security will be made to CDS as registered holder of such Global Security. Interest payments on each Global Security may be made by cheque dated the date interest is payable and delivered to CDS three business days before the date interest is payable. Payments of interest may also be made by electronic funds transferred to CDS at the option of the Company. Principal payments on each Global Security will be made by cheque dated the Maturity Date delivered to CDS at maturity against receipt of such Global Security. As long as CDS is the registered holder of a Global Security, CDS will be considered the sole owner of such Global Security for the purpose of receiving payment on the Securities and for all other purposes under the Indenture and the Securities.

The Company expects that CDS, upon receipt of any payment of principal or interest in respect of a Global Security, will credit Participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of CDS. The Company also expects that payments of principal and interest by Participants to the owners of beneficial interests in such Global Security held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants. The responsibility and liability of the Company and the Trustee in respect of Securities represented by a Global Security is limited to making payment of any principal and interest due on such Global Security to CDS.

Discontinuance of Depositary's Services

The Securities will be issued in fully registered form to holders or their nominees other than CDS or its nominee if: (i) the Company determines that CDS is no longer willing or able to discharge properly its responsibilities as depositary and the Company is unable to locate a qualified successor and appoint such successor within 90 days; (ii) the Company at its option elects to do so, or is required by law to do so; (iii) CDS's book-entry system ceases to exist; or (iv) there shall have occurred an Event of Default which is continuing. The ability of a person having a beneficial interest in a Security outstanding in "book-entry only" form to pledge such interest or otherwise take action with respect to such interest, other than through a Participant may be limited due to the lack of a physical certificate.

Defeasance and Discharge

Under the terms of the Indenture, the Company will be discharged from any and all obligations in respect of the Securities (except for, among other things, certain obligations with respect to provisions for payment of the Securities and obligations to register the transfer or exchange of the Securities, to replace stolen, lost or mutilated Securities, to maintain paying agencies and to hold moneys for payment in trust) if (i) the Company deposits with the Trustee, in trust, monies or Canadian Government Obligations (as defined in the Indenture) in an amount sufficient to pay all the principal of and interest on the Securities on the dates such payments are due in accordance with the terms of such Securities; (ii) no Default or Event of Default shall have occurred and be continuing on the date of deposit or, with respect to certain events of bankruptcy or insolvency, at any time during the period ending on the 91st day after such deposit; (iii) the defeasance would not result in a breach or violation of the Indenture or any other material agreement by which the Company is bound; and (iv) the Company has delivered to the Trustee an opinion of nationally recognized counsel qualified to practice in Canada or a ruling from Revenue Canada, to the effect that the holders of the Securities will not recognize income, gain or loss for Canadian federal, provincial or territorial income tax or other tax purposes as a result of such defeasance and will be subject to Canadian federal, provincial or territorial income tax and other tax on the same amounts and in the same manner and at the same times as would have been the case had such defeasance not occurred, provided, however, that such counsel shall not be required to provide an opinion in respect of holders of Securities residing outside of Canada. Prior to depositing such amounts, the Company may give the Trustee notice, which shall be irrevocable, of its election to redeem any or all of the Securities at a future date.

Modification of the Indenture and Securities

Without the consent of any holder of Securities, the Company and the Trustee may amend or supplement the Indenture or the Securities, among other things, to cure any ambiguity, defect or inconsistency or to make any change that does not adversely affect the rights of any holder of the Securities in any material aspect. Other modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the Securities affected thereby then outstanding under the Indenture; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Security affected thereby, be made to: (i) change the stated maturity of the principal of, or any instalment of interest on any Security; (ii) reduce the principal amount of Securities or the accrued and unpaid interest thereon, or the rate of interest thereon or the redemption price of any Security; (iii) change the place or currency of payment of principal of or interest on the Securities; (iv) impair the right to institute suit for the enforcement of any payment on or with respect to the Securities on or after the due date thereof; (v) modify the subordination provisions applicable to the Securities or the definition of "Senior Indebtedness" in a manner adverse to the holders thereof; (vi) reduce the percentage in principal amount of outstanding Securities the consent of the holders of which is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or (vii) modify any of the provisions of certain sections as specified in the Indenture including the provisions summarized in this paragraph.

Governing Law

The Indenture and the Securities will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

CREDIT RATINGS

The Securities have been assigned preliminary ratings of BBB by CBRS and BBB (High)y by DBRS (each a "Rating Agency").

Ratings for debt instruments range from AAA, which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Each Rating Agency rates bonds or debentures on the basis that bonds or debentures rated A have maintained a history of adequate assets and earnings protection, are considered to be good quality securities and have favourable long term investment characteristics. The "y" modifier is used to indicate a hybrid security.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Securities by the Rating Agencies are not recommendations to purchase, sell or hold the Securities and may be reviewed or withdrawn at any time by the rating organizations if in its judgment circumstances so warrant.

CERTAIN CANADIAN INCOME TAX CONSEQUENCES

In the opinion of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, the following summary fairly presents the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations") generally applicable to purchasers of Securities pursuant to this Prospectus who, at all relevant times, for the purposes of the Tax Act, are resident in Canada, deal with the Company at arm's length and acquire and hold the Securities and any Common Shares for which the Securities are exchanged or that are issued in payment of any Deferred Interest as capital property (each a "Securityholder"). Securityholders to whom the Securities or Common Shares might not constitute capital property may elect, in certain circumstances, to have the Securities and Common Shares treated as capital property by making the election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to any holder of Securities which is a "financial institution", as defined in Section 142.2 of the Tax Act, or to any holder of Securities an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary is based upon the facts set out in the Prospectus, the current provisions of the Tax Act and the Regulations, all specific proposals (the "Tax Proposals") to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsels' understanding of the current published administrative practices of the Canada Customs and Revenue Agency (the "CCRA"). This summary assumes that the Tax Proposals will be enacted as currently proposed. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

This summary is of a general nature only and is not intended to be and should not be construed to be legal or tax advice to any prospective Securityholder and no representations with respect to the income tax consequences to any such Securityholder are made. Prospective Securityholders should consult their own tax advisors with respect to the tax consequences to them of acquiring, holding and disposing of Securities, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Interest on a Security

A Securityholder that is a company, partnership, unit trust or trust of which a company or partnership is a beneficiary will be required to include in its income for a taxation year all interest on a Security that accrues to the Securityholder to the end of that taxation year or becomes receivable or is received by it before the end of that year, except to the extent that such interest was included in the income of the Securityholder for a preceding taxation year.

Any other Securityholder, including an individual, will be required to include in income for a taxation year any amount received or receivable by the Securityholder in that year as interest on a Security (depending upon the method regularly followed by the Securityholder in computing income) except to the extent that such amount was included in the income of the Securityholder for a preceding taxation year, and, in addition, will be required to include in income any interest accrued on a Security up to any "anniversary day" (as defined in the Tax Act) in that year to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. Accordingly, if the Company exercises its right to defer payments of interest on the Securities, the Securityholder may be required to include in computing its income, interest accruing on the Securities up to such anniversary date, notwithstanding that all or a portion of such interest has not been received. The Company has concluded that the likelihood of it exercising its option to defer the payments of interest on the Securities is remote.

If the Company elects to defer the payment of any interest, and pays such Deferred Interest in Common Shares, the Securityholder will be required to include in income for the taxation year in which such Common Shares are issued to the Securityholder an amount equal to the fair market value of such Common Shares at that time plus the amount of any cash received in lieu of a fractional Common Share, to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. The cost to the Securityholder of any Common Shares received by the Securityholder in payment of Deferred Interest will be equal to the fair market value of such Common Shares at that time, and will be averaged with the cost of all other Common Shares owned at that time by the Securityholder as capital property to determine the adjusted cost base to the Securityholder of each Common Share.

Disposition of a Security

Upon an actual or deemed disposition of a Security by a Securityholder at any time, including upon a redemption of the Security or repayment upon maturity, the Securityholder will be required to include in income for the taxation year in which the disposition occurs an amount equal to the amount of interest that has accrued on the Security to the date of the disposition and which is not payable until after that time, to the extent that such interest was not otherwise included in computing the income of the Securityholder for that or a preceding taxation year.

Upon the redemption of a Security by the Company at a redemption price (exclusive of accrued and unpaid interest) in excess of its principal amount, such excess will generally be deemed to be interest received by the Securityholder.

Upon an actual or deemed disposition of a Security (other than an exchange of the Security for Common Shares by the Securityholder), the Securityholder will also realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Security, net of any amount included in the Securityholder's income as interest and any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base of the Security to the Securityholder.

Three-quarters of the amount of any capital gain (a "taxable capital gain") realized by a Securityholder in a taxation year generally must be included in the income of the Securityholder for that year, and three-quarters of any capital loss (an "allowable capital loss") realized by a Securityholder in a taxation year may be deducted from taxable capital gains realized by the Securityholder in that year. Pursuant to the Tax Proposals, subject to certain transitional rules which apply in certain limited circumstances, for dispositions realized by a Securityholder after February 27, 2000 the taxable capital gain or allowable capital loss inclusion rate will be two-thirds of the amount of any capital gain or capital loss, respectively. Allowable capital losses in excess of taxable capital gains may generally be carried back and deducted in any of the three preceding taxation years (with appropriate adjustment of the inclusion rate pursuant to the Tax Proposals) or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. A Securityholder that is throughout the relevant taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including interest and taxable capital gains.

Exchange of Securities for Common Shares

As described above under "Details of the Offering — Exchange into Common Shares at the Option of the Company" and "Details of the Offering — Exchange into Common Shares at the Option of the Holder", the Securities may be exchanged on or after April ● , 2010 on any Interest Payment Date for Common Shares at the option of a Securityholder, or at maturity at the option of the Company. In either such case, the Securityholder will be required to include in income for the taxation year in which the exchange occurs an amount equal to the fair market value at that time of the Common Shares that are issued in respect of accrued and unpaid interest on the exchanged Securities plus the amount of any cash received in lieu of a fraction of such a Common Share, to the extent that such amount was not otherwise included in the Securityholder's income for that or a preceding taxation year. The cost to the Securityholder of such Common Shares will be equal to their fair market value at that time.

If the exchange is at the option of the Securityholder, the exchange will be deemed not to be a disposition of the Securities and the Securityholder will be deemed to acquire the Common Shares that are issued in respect of the principal amount of the exchanged Securities at a cost equal to the adjusted cost base to the Securityholder of the exchanged Securities. Under the CCRA's current published administrative practice, a Securityholder who receives cash not exceeding $200 in lieu of a fraction of such a Common Share on the exchange will have the option of treating such amount as proceeds of disposition of such fractional Common Share and recognizing a capital gain (or capital loss) on the disposition of such fractional Common Share in computing the Securityholder's income for the taxation year in which the exchange occurs, or, alternatively, reducing the adjusted cost base to the Securityholder of the Common Shares received on the exchange by that amount.

If the exchange is at the option of the Company, the Securityholder will be considered to have disposed of the exchanged Securities and will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount included in the Securityholder's income as interest and any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base of the Securities to the Securityholder. The cost to the Securityholder of Common Shares received on such an exchange will be equal to their fair market value at that time.

The cost to a Securityholder of Common Shares received on an exchange of Securities for Common Shares will be averaged with the cost to the Securityholder of all other Common Shares owned at that time by the Securityholder as capital property to determine the adjusted cost base to the Securityholder of each Common Share.

Dividends on Common Shares

Dividends received on Common Shares by a Securityholder who is an individual will be included in the Securityholder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

A Securityholder that is a corporation will normally include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Securityholder that is a private corporation (within the meaning of the Tax Act) or a corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33⅓% of the amount of such dividends.

Disposition of Common Shares

Upon an actual or deemed disposition of a Common Share, a Securityholder generally will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of the disposition, exceed (or are less than) the adjusted cost base to the Securityholder of the Common Share. In the case of a Securityholder that is a corporation, the amount of any such capital loss may be reduced by the amount of any dividends received or deemed to be received by the Securityholder on the Common Share, to the extent and under the circumstances described in the Tax Act.

A Securityholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including taxable capital gains.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated ● , 2000 (the "Underwriting Agreement"), between the Company and RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., Merrill Lynch Canada Inc., Scotia Capital Inc. and Goepel McDermid Inc. (collectively, the "Underwriters"), the Company has agreed to sell and the Underwriters have severally agreed, in the proportions set out in the Underwriting Agreement, to purchase, on or about ● , 2000 or such other date as may be agreed upon, but not later than ● , 2000 subject to the terms and conditions stated therein, $ ● principal amount of the Securities, payable in cash to the Company against delivery of such principal amount of such Securities.

The Underwriting Agreement provides that the Company will pay the Underwriters a commission of up to $ ● on account of underwriting services rendered in connection with the Offering. The Company has agreed to pay the Underwriters a commission of $ ● for each Security sold to certain institutions by closing and $ ● per Security for all other Securities. Therefore, to the extent there are such sales to certain institutions by closing, the actual amount of the Underwriters' commission will be less than the aggregate amount specified above.

The Securities will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the Securities will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Securities. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Securities by the purchasers exceeds or is less than the gross proceeds paid by the Underwriters to the Company.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Securities if any Securities are purchased under the Underwriting Agreement.

Three of the Underwriters, CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc., are subsidiaries of Canadian chartered banks which provide credit facilities to the Company. As a result, the Company may be considered to be a "connected issuer" or a "connected party" of CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc. within the meaning of applicable Canadian securities legislation. These credit facilities are used to support the commercial paper programs of the Company and its subsidiaries and are currently undrawn. The role taken by CIBC World Markets Inc., TD Securities Inc. and Scotia Capital Inc. in connection with the Offering has not differed from that of the other Underwriters.

Pursuant to the policies of certain securities regulatory authorities, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Securities. The foregoing restriction is subject to certain exemptions, provided the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Securities. These exceptions include a bid or purchase permitted under the by-laws and rules of certain prescribed stock exchanges relating to market stabilization and passive market making activities. In connection with the Offering and subject to the foregoing and applicable law, the Underwriters may over-allot the Securities or effect transactions which stabilize or maintain the market price for the Securities at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

RISK FACTORS

Prospective purchasers of the Securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this Prospectus before purchasing the Securities offered hereby.

Subordination of Securities

The Securities will be issued as unsecured subordinated debentures of the Company. As of December 31, 1999, the Company had approximately $156.0 million of Senior Indebtedness outstanding. As at such date, the Company's subsidiaries had approximately $1,375.0 million of indebtedness and other liabilities, excluding intercorporate liabilities and trade payables. The Securities will be expressly subordinated to all Senior Indebtedness of the Company and will effectively be subordinated to all indebtedness and other liabilities of the Company's subsidiaries. The Indenture does not limit the aggregate amount of indebtedness, including Senior Indebtedness and indebtedness ranking *pari passu* with the Securities, that may be incurred by the Company or its subsidiaries. See "Details of the Offering — Subordination".

Option to Extend Interest Payment Period and Tax Consequences

The Company has the right, at any time and from time to time, subject to certain conditions, to defer payments of interest on the Securities by extending the interest payment periods on the Securities for Extension Periods of up to 10 semi-annual periods. Prior to the termination of any Extension Period, the Company may further extend such Extension Period, provided, however, that no Extension Period may exceed 10 semi-annual periods or extend beyond the stated maturity of the Securities. Upon the termination of any Extension Period and the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the above requirements. There may be multiple Extension Periods of varying lengths, each of up to 10 semi-annual periods, throughout the term of the Securities. If the Company exercises its right to defer payments of interest on the Securities, a Securityholder may be required to include in computing its income interest accruing on the Securities during such deferral period, notwithstanding that no cash is received by a Securityholder in respect of such interest during a deferral period. The Company has concluded that the likelihood of its exercising its option to defer the payments of interest on the Securities is remote. See "Details of the Offering — Option to Extend Interest Payment Periods" and "Certain Canadian Income Tax Consequences".

No Market for the Securities

There is currently no market through which the Securities may be sold.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company, at its principal corporate trust offices in Vancouver and Toronto, will maintain the Registers for the registration and transfer of the Securities.

LEGAL MATTERS

The matters referred to under certain "Certain Canadian Income Tax Consequences", "Eligibility for Investment" and certain other legal matters relating to the Securities will be passed upon by Farris, Vaughan, Wills & Murphy, on behalf of the Company and by Stikeman Elliott, on behalf of the Underwriters. As at April 3, 2000 partners and associates of Farris, Vaughan, Wills & Murphy and Stikeman Elliott, as a group, beneficially owned directly and indirectly no more than 1% of any class of securities of the Company.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces securities legislation also provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: April 3, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of the provinces of Canada. For the purposes of the *Securities Act* (Québec) and the Regulations thereunder, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice-President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 3, 2000

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities laws of the provinces of Canada. For the purposes of the *Securities Act* (Québec) and the Regulations thereunder, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

RBC DOMINION SECURITIES INC.

By: (Signed) STEPHEN J. SWAFFIELD

BMO NESBITT BURNS INC.	**CIBC WORLD MARKETS INC.**	**TD SECURITIES INC.**
By: (Signed) WILLIAM E. BUTT	By: (Signed) ALAN C. WALLACE	By: (Signed) MARGARET R. HYDE

MERRILL LYNCH CANADA INC.	**SCOTIA CAPITAL INC.**
By: (Signed) DAVID S. CHAPMAN	By: (Signed) MARK S. SCOTT

GOEPEL MCDERMID INC.

By: (Signed) TRACEY L. MCVICAR

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of:

RBC DOMINION SECURITIES INC.: a direct wholly-owned subsidiary of a Canadian chartered bank;

BMO NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank;

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.;

SCOTIA CAPITAL INC.: a wholly-owned subsidiary of a Canadian chartered bank; and

GOEPEL MCDERMID INC.: owned by K.A Shields, D.E. Roberts, R.E.T. Goepel, K.N. Aune, N. Dargan, G.M. Medland, I.S. Brown, G.L. Goad and M. Hagerman.

BC Gas Inc.™

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 1 dated September 10, 2004
(To a Prospectus dated December 11, 2003)

Terasen

Terasen Inc.
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$125,000,000
Issue and Delivery Date:	September 15, 2004
Issue Price:	99.970
Commission:	0.40
Net Proceeds to the Company:	C$124,462,500
Maturity Date:	September 15, 2014
Type of Note:	Global Interest Bearing Note
Interest Rate:	5.56%
Interest Payment Date(s):	March 15, September 15
Initial Interest Payment Date:	March 15, 2005
Initial Interest Payment Amount per $100:	2.780

Redemption Provisions: The Medium Term Note Debentures issued hereunder will be redeemable, at the Company's option, in whole at any time or in part from time to time on not more than 60 and not less than 10 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the Redemption Date.

CUSIP Number:	CA 88079Z AB90
Depository:	CDS & Co.
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	RBC Dominion Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. National Bank Financial Inc. Scotia Capital Inc. TD Securities Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of Terasen Inc. for the three months ended March 31, 2004 and the six months ended June 30, 2004 which include comparative financial statements for the corresponding period in 2003;

(b) the interim Management's Discussion and Analysis for the three months ended March 31, 2004 dated April 22, 2004 and for the six months ended June 30, 2004 dated July 29, 2004;

(c) the audited consolidated financial statements of Terasen Inc. for the years ended December 31, 2003 and 2002 together with the auditors' report thereon;

(d) the management proxy circular dated March 3, 2004 in connection with the annual meeting of shareholders of Terasen Inc. held on April 22, 2004, except for the sections entitled “Executive Compensation”, “Performance Graph”, “Statement of Corporate Governance Practices”, “Report of the Audit Committee”, “Report of the Corporate Governance and Nominating Committee”, “Report of the Environment and Safety Committee” and “Report of the Management Resources Committee”;

(e) the annual information form of Terasen Inc. dated April 23, 2004 including Management's Discussion and Analysis incorporated therein by reference;

(f) the Material Change Report dated and filed on SEDAR April 28, 2004 in connection with the two for one stock split of Terasen Inc.; and

(g) the Prospectus Supplement dated March 11, 2004.

Definitions

“Canada Yield Price” shall mean a price equal to the price of the Medium Term Note Debentures issued hereunder calculated to provide a yield from the Redemption Date to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.23% on the Redemption Price Calculation Date.

“Government of Canada Yield” on any date shall mean, in effect, the yield to maturity on such date that would apply to a non-callable Government of Canada bond if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Debenture being redeemed. In connection with the calculation of the redemption price, the Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by the Company.

“Redemption Price Calculation Date” means the date on which the Redemption Price is to be calculated for Debentures that do not have a fixed Redemption Price, which date shall be the third Business Day prior to the Redemption Date.

No securities commission or similar authority in Canada has in any way passed upon the merits of these securities and any representation to the contrary is an offence. This prospectus supplement, together with the short form base shelf prospectus dated December 10, 2003 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Prospectus Supplement dated March 11, 2004 to the
Short Form Base Shelf Prospectus dated December 10, 2003 as
supplemented by the Prospectus Supplement dated December 11, 2003

TERASEN INC.
$500,000,000
MEDIUM TERM NOTE DEBENTURES
(Unsecured)

Change with respect to Ratings

After reassessing its relationship with Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies (Canada) Corporation (“S&P”), Terasen Inc. (the "Company" or "Terasen") has discontinued the engagement of S&P to provide credit ratings in respect of the Company’s medium term note program, including the medium term note debentures (“MTN Debentures”) to be issued thereunder.

The Company is continuing its engagement of Moody's Investors Services Inc. ("Moody's") and Dominion Bond Rating Service Limited ("DBRS") and the Company’s credit ratings on its MTN Debentures of A3 from Moody’s and A (low) from DBRS have not been changed.

Documents Incorporated by Reference

The following documents are, as of the date of this prospectus supplement, deemed to be incorporated by reference into the accompanying short form base shelf prospectus of Terasen dated December 10, 2003 as supplemented by the Prospectus Supplement dated December 11, 2003, solely for the purpose of the MTN Debentures issued thereunder:

1. This Prospectus Supplement dated March 11, 2004.

PROSPECTUS SUPPLEMENT
To a Short Form Base Shelf Prospectus dated December 10, 2003

December 11, 2003

TERASEN INC.
$500,000,000
Medium Term Note Debentures
(unsecured)

Terasen Inc. (the "Company") may from time to time offer Medium Term Note Debentures (the "MTN Debentures") with maturities of not less than one year in an aggregate principal amount of up to $500 million (or the equivalent in any other currency or units based on or relating to foreign currencies) during the 25 month period that the base shelf prospectus remains valid. The MTN Debentures will be issuable in global form, in fully registered form or in bearer form in minimum denominations of $5,000 and integral multiples of $1,000 thereof (or such other denominations in other currencies as determined by the Company). The MTN Debentures may be issued as interest bearing debentures at rates of interest determined by the Company from time to time, or as non-interest bearing debentures issued at a discount. See "Description of the MTN Debentures".

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the price, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption, sinking fund or repurchase provisions, the method of distribution, and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this prospectus supplement. The Company reserves the right to set forth in a pricing supplement variable terms of MTN Debentures which are not within the options and parameters set forth in this prospectus supplement.

The MTN Debentures will be issuable pursuant to a trust indenture entered into by the Company, and will be issuable in any number of series. The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company. As of October 31, 2003, a total of $300 million aggregate principal amount of MTN Debentures were issued and outstanding.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would not be precluded as investments under certain statutes as set forth under the heading "Eligibility for Investment".

Rates on Application

The MTN Debentures may be offered by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. pursuant to the dealer agreement referred to under the heading "Plan of Distribution" or such other investment dealers as may be selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement and will be set forth in a pricing supplement which will accompany this prospectus supplement. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act, including, if contemplated in the applicable pricing supplement, transactions under Rule 144A under the U.S. Securities Act.

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DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus of Terasen Inc. dated December 10, 2003 (the "base shelf prospectus") solely for the purpose of the MTN Debentures issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the base shelf prospectus and reference should be made to the base shelf prospectus for full particulars.

A pricing supplement containing the specific variable terms for any series of MTN Debentures being issued will be delivered to purchasers of such MTN Debentures together with this prospectus supplement and the base shelf prospectus and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus as of the date of the pricing supplement, solely for the purposes of the series of MTN Debentures issued thereunder.

Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities, either as prospectus supplements or as exhibits to the Company's unaudited interim and audited consolidated financial statements, and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus for the purposes of the issue of MTN Debentures.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this prospectus supplement, to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this prospectus supplement, except as so modified or superseded.

RATINGS

The Company has received an A3 rating from Moodys Investors Services Inc. ("Moodys"), and an A (low) rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB- rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies. "High" or "low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

PLAN OF DISTRIBUTION

The MTN Debentures of any series may be offered for sale by any one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. pursuant to a dealer agreement dated December 11, 2003 among such investment dealers and the Company (the "Dealer Agreement"), or by other investment dealers selected from time to time by the Company (the "Dealers"). The MTN Debentures will be offered for sale by any Dealer only in those jurisdictions where such Dealer is lawfully permitted to offer and sell such securities. The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement. The MTN Debentures may also be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The Dealer Agreement also provides that in the event a Dealer is purchasing MTN Debentures as principal, the obligation of that Dealer to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures have not been and will not be registered under the U.S. Securities Act and may include MTN Debentures in bearer form that are subject to United States tax law requirements. The MTN Debentures may not be offered, sold or delivered within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any MTN Debentures within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of any MTN Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, and Stikeman Elliott LLP, Vancouver, based on legislation in effect on the date hereof, an investment in the MTN Debentures would not be precluded, in each case subject to prudent investment requirements and to additional requirements relating to investment or lending restrictions, policies, standards, procedures or goals, under or by the following statutes and, where applicable, the regulations thereunder:

Insurance Companies Act (Canada)

Trust and Loan Companies Act (Canada)

Pension Benefits Standards Act, 1985 (Canada)

Financial Institutions Act (British Columbia)

In the opinion of such counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arm's length within the meaning of the *Income Tax Act* (Canada)) and registered education savings plans.

CAPITALIZATION TEST

One of the covenants under the supplement to the Trust Indenture relating to the MTN Debentures ("MTN Debentures Supplement") provides that so long as any MTN Debentures are outstanding, the Company will not create, assume, issue or otherwise incur or become liable for any Funded Indebtedness unless immediately thereafter Consolidated Funded Indebtedness will not be in excess of 75% of Total Consolidated Capitalization, as such terms are defined in the Trust Indenture (see "Definitions" below). As at December 31, 2002, without giving effect to the issue of any of the MTN Debentures contemplated by this prospectus supplement, the Total Capitalization was $2,945 million and the Consolidated Funded Indebtedness of the Company was $1,521 million or 52% of such Total Consolidated Capitalization. As at September 30, 2003, without giving effect to the issue of any of the MTN Debentures contemplated by this prospectus supplement, the Total Consolidated Capitalization was $3,173 million and the Consolidated Funded Indebtedness of the Company was $1,719 million or 54% of such Total Consolidated Capitalization.

DESCRIPTION OF THE MTN DEBENTURES

The following is a description of the particular terms of the MTN Debentures supplement and, to the extent it is inconsistent with, replaces the description of the general terms and provisions of Debentures set forth in the base shelf prospectus, to which reference is also made. The terms and conditions set forth below will apply to each MTN Debenture unless otherwise specified in the applicable pricing supplement.

Trust Indenture

The MTN Debentures constitute one or more series of debentures issuable pursuant to a trust indenture dated as of November 21, 2001 as supplemented and amended from time to time (the "Trust Indenture") between the Company and CIBC Mellon Trust Company, as trustee (the "Trustee"), and will be issuable in any number of series. The aggregate principal amount of debentures that may be issued under the Trust Indenture ("Debentures") is unlimited, subject to the restrictions set forth in the Trust Indenture.

Rank

The MTN Debentures will be direct obligations of the Company ranking equal in priority to all other unsecured and unsubordinated indebtedness of the Company. The MTN Debentures will not be secured by any mortgage, pledge or other charge.

Issue Denominations and Currency of Issue

MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $500 million.

All references to currency in this prospectus supplement are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Dealers make any representation with respect to currency values from time to time.

Global Debentures

MTN Debentures to be issued in global form will be issued as fully registered global securities (the "Global Debentures") to be held by, or on behalf of, the Canadian Depository for Securities Limited (the "Depositary") and registered in the name of the Depositary's nominee.

Payment of Interest and Principal on Global Debentures

The Depositary or its nominee, as the registered owner of a Global Debenture, will be considered the sole owner of such MTN Debenture for the purposes of receiving payments of interest and principal on the MTN Debenture and for all other purposes under the Trust Indenture and the MTN Debenture.

The Company understands that the Depositary or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Debenture, as shown on the records of the Depositary or its nominee. The Company also understands that payments of interest and principal by participants to the owners of beneficial interests in such Global Debenture held through such participants will be governed by standing instructions and customary practices. The responsibility and liability of the Company in respect of MTN Debentures represented by a Global Debenture is limited to making payment of any interest and principal due on such Global Debenture to the Depositary or its nominee in the currency and in the manner described in the Global Debenture.

Payment of Interest and Principal on MTN Debentures

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder, in either case as appearing on the registers maintained by the Trustee at the close of business on the tenth business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Transfer of Beneficial Interests in Global Debentures

Transfers of beneficial ownership of MTN Debentures represented by a Global Debenture will be effected through records maintained by the Depositary for such Global Debenture or its nominee (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the Depositary's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in MTN Debentures represented by a Global Debenture, may do so only through participants in the Depositary's book-entry system.

Transfer of Fully Registered Debentures

The registered holder of an MTN Debenture issued in fully registered form may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver or Toronto, whereupon one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the fully registered MTN Debenture so transferred, registered in the name or names of the transferees. No transfer of a fully registered MTN Debenture will be registered during the 10 business days (a business day for this purpose being a business day in the City of Vancouver) immediately preceding any Interest Payment Date.

Specific Variable Terms

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Dealers, the Dealers' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

Trust Indenture Provisions

The following is a summary of the material attributes and characteristics of the MTN Debentures as set forth in the Trust Indenture. This summary does not purport to be complete and for full particulars reference should be made to the Trust Indenture. Certain of the terms used herein are defined under "Definitions" below.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by another instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Limitation on Incurrence of Funded Indebtedness

The MTN Debentures Supplement contains a covenant of the Company, for the benefit of all holders of MTN Debentures, that the Company will not issue or otherwise become liable for any Funded Indebtedness unless after giving effect thereto, Consolidated Funded Indebtedness does not exceed 75% of Total Consolidated Capitalization.

Modification

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of the aggregate principal amount of such series voted at a duly constituted meeting. Each issue of MTN Debentures under this prospectus supplement will be considered a separate series.

Trustee

CIBC Mellon Trust Company at its principal office in Vancouver is the trustee for the holders of all MTN Debentures issued under the Trust Indenture.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means Indebtedness, including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the first date of issuance by the Company of any Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown;

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company; and

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its Subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt**,** (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

CERTIFICATE OF THE COMPANY

Dated: December 11, 2003

The short form prospectus dated December 10, 2003, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(signed) John M. Reid
President and Chief Executive Officer

(signed) Milton C. Woensdregt
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(signed) Mark L. Cullen
Director

(signed) Michael W. O'Brien
Director

CERTIFICATE OF THE DEALERS

Dated: December 11, 2003

To the best of our knowledge, information and belief, the short form prospectus dated December 10, 2003, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

(signed) Graeme N. Falkowsky

CIBC WORLD MARKETS INC.

(signed) Alan C. Wallace

EDWARD JONES

(signed) Kevin E. Sprouse

NATIONAL BANK FINANCIAL INC.

(signed) Daniel L. Nocente

RBC DOMINION SECURITIES INC.

(signed) Stephen J. Swaffield

SCOTIA CAPITAL INC.

(signed) Murray W. Neal

TD SECURITIES INC.

(signed) Margaret R. Hyde

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 2 dated May 5, 2003
(To a Prospectus dated November 21, 2001)

Terasen

Terasen Inc. (formerly BC Gas Inc.)
Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$100,000,000
Issue and Delivery Date:	May 8, 2003
Issue Price:	99.876
Commission:	0.250
Net Proceeds to the Company:	C$99,626,000
Maturity Date:	May 8, 2006
Type of Note:	Global Interest Bearing Note
Interest Rate:	4.85%
Interest Payment Date(s):	November 8, May 8
Initial Interest Payment Date:	November 8, 2003
Initial Interest Payment Amount:	2.425
CUSIP Number:	CA 88079Z AA18
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	TD Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. National Bank Financial Inc. RBC Dominion Securities Inc. Scotia Capital Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the press release of Terasen Inc. dated April 25, 2003 relating to the interim unaudited consolidated financial statements for the three-month periods ended March 31, 2003 and 2002;

(b) the audited consolidated financial statements of Terasen Inc. for the years ended December 31, 2002 and 2001 together with the auditors' report thereon;

(c) the management proxy circular dated February 28, 2003 in connection with the annual meeting of shareholders of Terasen Inc. held on April 25, 2003, except for the sections entitled “Executive Compensation”, “Performance Graph”, “Statement of Corporate Governance Practices”, “Report of the Audit Committee”, “Report of the Corporate Governance Committee”, “Report of the Environment and Safety Committee” and “Report of the Management Resources Committee”; and

(d) the annual information form of Terasen Inc. dated April 28, 2003 including Management's Discussion and Analysis incorporated therein by reference.

This pricing supplement, together with the prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference into the prospectus, as amended or supplemented, constitutes a public offering of these securities only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 1 dated November 27, 2001
(To a Prospectus dated November 21, 2001)

BC Gas Inc.™

Medium Term Note Debentures
(Unsecured)

Amount and Currency of Issue:	C$200,000,000
Issue and Delivery Date:	November 30, 2001
Issue Price:	99.938
Commission:	0.370
Net Proceeds to the Company:	C$199,136,000
Maturity Date:	December 1, 2008
Type of Note:	Global Interest Bearing Note
Interest Rate:	6.30%
Interest Payment Date(s):	June 1, December 1
Initial Interest Payment Date:	June 1, 2002
Initial Interest Payment Amount:	3.167

Redemption Provisions: The Medium Term Note Debentures issued hereunder will be redeemable, at the Company's option, in whole at any time or in part from time to time on not more than 60 and not less than 10 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the Redemption Date.

CUSIP Number:	CA 11058ZAA80
Depository:	The Canadian Depository for Securities Limited
Trustee/Registrar/Paying Agent:	CIBC Mellon Trust Company
Selling Agent(s):	RBC Dominion Securities Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. National Bank Financial Inc. Scotia Capital Inc. TD Securities Inc.

Documents Incorporated by Reference

The following documents (which are not specifically listed in the Prospectus or any amendment or supplement delivered herewith) which have been filed by the Company with the various securities commissions in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of the Prospectus as amended or supplemented:

(a) the interim unaudited consolidated financial statements of BC Gas Inc. for the nine months ended September 30, 2001 which include comparative financial statements for the corresponding period in 2000.

Definitions

"Canada Yield Price" shall mean a price equal to the price of the Medium Term Note Debentures issued hereunder calculated to provide a yield from the Redemption Date to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.27% on the Redemption Price Calculation Date.

"Government of Canada Yield" on any date shall mean, in effect, the yield to maturity on such date that would apply to a non-callable Government of Canada bond if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Debenture being redeemed. In connection with the calculation of the redemption price, the Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by the Company.

"Redemption Price Calculation Date" means the date on which the Redemption Price is to be calculated for Debentures that do not have a fixed Redemption Price, which date shall be the third Business Day prior to the Redemption Date.

PROSPECTUS SUPPLEMENT
To a Short Form Base Shelf Prospectus dated November 21, 2001

November 22, 2001

BC Gas Inc.™

$700,000,000
Medium Term Note Debentures
(unsecured)

BC Gas Inc. (the "Company") may from time to time offer Medium Term Note Debentures (the "MTN Debentures") with maturities of not less than one year in an aggregate principal amount of up to $700 million (or the equivalent in any other currency or units based on or relating to foreign currencies) during the 25 month period that the base shelf prospectus remains valid. The MTN Debentures will be issuable in global form, in fully registered form or in bearer form in minimum denominations of $5,000 and integral multiples of $1,000 thereof (or such other denominations in other currencies as determined by the Company). The MTN Debentures may be issued as interest bearing debentures at rates of interest determined by the Company from time to time, or as non-interest bearing debentures issued at a discount. See "Description of the MTN Debentures".

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the price, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption, sinking fund or repurchase provisions, the method of distribution, and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this prospectus supplement. The Company reserves the right to set forth in a pricing supplement variable terms of MTN Debentures which are not within the options and parameters set forth in this prospectus supplement.

The MTN Debentures will be issuable pursuant to a trust indenture entered into by the Company, and will be issuable in any number of series. The MTN Debentures will rank equal in priority to all other unsecured and unsubordinated indebtedness of the Company.

In the opinion of counsel, the MTN Debentures offered hereby, if issued on the date hereof, would not be precluded as investments under certain statutes as set forth under the heading "Eligibility for Investment".

Rates on Application

The MTN Debentures may be offered by one or more of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to the dealer agreement referred to under the heading "Plan of Distribution" or such other investment dealers as may be selected from time to time by the Company (the "Dealers"). The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement and will be set forth in a pricing supplement which will accompany this prospectus supplement. The MTN Debentures may be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act, including, if contemplated in the applicable pricing supplement, transactions under Rule 144A under the U.S. Securities Act.

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DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus of BC Gas Inc. dated November 21, 2001 (the "base shelf prospectus") solely for the purpose of the MTN Debentures issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the base shelf prospectus and reference should be made to the base shelf prospectus for full particulars.

A pricing supplement containing the specific variable terms for any series of MTN Debentures being issued will be delivered to purchasers of such MTN Debentures together with this prospectus supplement and the base shelf prospectus and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus as of the date of the pricing supplement, solely for the purposes of the series of MTN Debentures issued thereunder.

Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities, either as prospectus supplements or as exhibits to the Company's unaudited interim and audited consolidated financial statements, and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus for the purposes of the issue of MTN Debentures.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this prospectus supplement, to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this prospectus supplement, except as so modified or superseded.

RATINGS

The Company has received an A3 rating from Moodys Investors Services Inc. ("Moodys"), and an A (low) rating from Dominion Bond Rating Service Limited ("DBRS") and a BBB rating from Standard and Poor's, a division of McGraw Hill Companies ("S&P") in respect of its medium term note program including the MTN Debentures to be issued hereunder. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Both S&P and DBRS rate debt instruments by rating categories ranging from AAA which represents the highest quality of securities, to D which represents the lowest quality of securities rated. Moody's rates debt instruments by rating categories ranging from Aaa which represents the highest quality of securities to C which represents the lowest quality of securities.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A plus (+) or minus (-) description after a rating shows the relative standing within the major rating categories (AA to CCC). The lack of one of these designations indicates a rating which is essentially in the middle of the category.

According to the Moody's rating system, debt securities rated A are considered to possess many favourable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future. Moody's applies numerical modifiers (1, 2 and 3) in each rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its rating category.

According to the DBRS rating system, debt securities rated A are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA related entities. While a respectable rating, entities in the A category are considered to be more susceptible to economic conditions and have greater cyclical tendencies than higher rated companies.

"High" or "low" are used to indicate the relative standing of a credit within a particular rating category. The lack of one of these designations indicates a rating which is essentially in the middle of the category.

The credit ratings accorded to the MTN Debentures are not recommendations to purchase, hold or sell the MTN Debentures inasmuch as those ratings do not comment as to market price or suitability for a particular investor. There is no assurance that those ratings will remain in effect for any given period of time or that those ratings will not be revised or withdrawn entirely by those rating agencies in the future if, in their judgment, circumstances so warrant.

PLAN OF DISTRIBUTION

The MTN Debentures of any series may be offered for sale by any one or more of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Edward Jones, National Bank Financial Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to a dealer agreement dated November 21, 2001 among such investment dealers and the Company (the "Dealer Agreement"), or by other investment dealers selected from time to time by the Company (the "Dealers"). The MTN Debentures will be offered for sale by any Dealer only in those jurisdictions where such Dealer is lawfully permitted to offer and sell such securities. The rate of commission payable in connection with sales by the Dealers of MTN Debentures shall be as determined from time to time by mutual agreement. The MTN Debentures may also be purchased from time to time by any of the Dealers, as principal, at such prices and with such commissions as may be agreed between the Company and any such Dealers for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for MTN Debentures by purchasers exceeds or is less than the gross proceeds paid by the Dealer, acting as principal, to the Company. The Dealer Agreement also provides that in the event a Dealer is purchasing MTN Debentures as principal, the obligation of that Dealer to purchase as principal may be terminated in certain stated events. The MTN Debentures may also be offered directly by the Company from time to time to purchasers pursuant to applicable statutory exemptions.

The MTN Debentures have not been and will not be registered under the U.S. Securities Act and may include MTN Debentures in bearer form that are subject to United States tax law requirements. The MTN Debentures may not be offered, sold or delivered within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any MTN Debentures within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of any MTN Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act. In the event any MTN Debentures are offered or sold within the United States, such MTN Debentures will have a maturity of not less than five years.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy, Vancouver, and Stikeman Elliott, Vancouver, based on legislation in effect on the date hereof, an investment in the MTN Debentures would not be precluded, in each case subject to prudent investment requirements and to additional requirements relating to investment or lending policies, standards, procedures or goals, under or by the following statutes and, where applicable, the regulations thereunder:

Insurance Companies Act (Canada)

Trust and Loan Companies Act (Canada)

Pension Benefits Standards Act, 1985 (Canada)

Financial Institutions Act (British Columbia)

In the opinion of such counsel, the MTN Debentures offered hereby, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is a corporation which does not deal with the Company at arm's length within the meaning of the *Income Tax Act* (Canada)) and registered education savings plans.

CAPITALIZATION TEST

One of the covenants under the supplement to the Trust Indenture relating to the MTN Debentures ("MTN Debentures Supplement") provides that so long as any MTN Debentures are outstanding, the Company will not create, assume, issue or otherwise incur or become liable for any Funded Indebtedness unless immediately thereafter Consolidated Funded Indebtedness will not be in excess of 75% of Total Consolidated Capitalization, as such terms are defined in the Trust Indenture (see "Definitions" below). As at December 31, 2000, without giving effect to the issue of any of the MTN Debentures contemplated by this prospectus supplement, the Total Capitalization was $2,363.2 million and the Consolidated Funded Indebtedness of the Company was $1,506.4 million or 64% of such Total Consolidated Capitalization.

DESCRIPTION OF THE MTN DEBENTURES

The following description of the particular terms of the MTN Debentures supplement, and to the extent it is inconsistent with, replaces, the description of the general terms and provisions of Debentures set forth in the base shelf prospectus, to which reference is also made. The terms and conditions set forth below will apply to each MTN Debenture unless otherwise specified in the applicable pricing supplement.

Trust Indenture

The MTN Debentures constitute one or more series of debentures issuable pursuant to a trust indenture dated as of November 21, 2001 as supplemented and amended from time to time (the "Trust Indenture") between the Company and CIBC Mellon Trust Company, as trustee (the "Trustee"), and will be issuable in any number of series. The aggregate principal amount of debentures that may be issued under the Trust Indenture ("Debentures") is unlimited, subject to the restrictions set forth in the Trust Indenture.

Rank

The MTN Debentures will be direct obligations of the Company ranking equal in priority to all other unsecured and unsubordinated indebtedness of the Company. The MTN Debentures will not be secured by any mortgage, pledge or other charge.

Issue Denominations and Currency of Issue

MTN Debentures will have maturities of not less than one year and will either be interest bearing MTN Debentures or non-interest bearing MTN Debentures issued at par, at a discount or at a premium. The MTN Debentures may be issued in Canadian dollars, or any other currency as determined at the time of issue. The MTN Debentures are issuable in minimum denominations of $5,000 and multiples of $1,000 thereafter, and if issued in any other currency in such denominations in such other currency as may be determined from time to time. The MTN Debentures will be issued as and when funds are required by the Company. The aggregate principal amount of MTN Debentures to be offered hereunder will not exceed $700 million.

All references to currency in this prospectus supplement are references to Canadian dollars. For MTN Debentures issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations will occur from time to time and that neither the Company nor the Dealers make any representation with respect to currency values from time to time.

Book-Entry System

The MTN Debentures will be issued in the form of one or more fully registered global securities (the "Global Debentures") to be held by, or on behalf of, the Canadian Depository for Securities Limited (the "Depositary") and registered in the name of the Depositary's nominee.

Payment of Interest and Principal on Global MTN Debentures

The Depositary or its nominee, as the registered owner of a Global MTN Debenture, will be considered the sole owner of such MTN Debenture for the purposes of receiving payments of interest and principal on the MTN Debenture and for all other purposes under the Trust Indenture and the MTN Debenture.

The Company understands that the Depositary or its nominee, upon receipt of any payment of interest or principal in respect of a Global MTN Debenture, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global MTN Debenture, as shown on the records of the Depositary or its nominee. The Company also understands that payments of interest and principal by participants to the owners of beneficial interests in such Global MTN Debenture held through such participants will be governed by standing instructions and customary practices. The responsibility and liability of the Company in respect of MTN Debentures represented by a Global MTN Debenture is limited to making payment of any interest and principal due on such Global MTN Debenture to the Depositary or its nominee in the currency and in the manner described in the Global MTN Debenture.

Payments of interest on each interest bearing MTN Debenture will be made by electronic funds transfer, if agreed to by the purchasers, or by cheque dated the interest payment date and mailed to the address of the holder, in either case as appearing on the registers maintained by the Trustee at the close of business on the tenth business day (a business day for this purpose being a business day in the city of Vancouver) prior to the due date for the payment of interest. Payment of principal at maturity will be made at the principal corporate trust office of the Trustee in any of the cities referred to below against surrender of the MTN Debenture. If the due date for payment of any amount of principal or interest on any MTN Debenture is not, at the place of payment, a business day (being a day other than Saturday, Sunday, or a day on which financial institutions at the place of payment are authorized or obligated by law or regulation to close) such payment will be made on the next business day and the holder of such MTN Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Transfer of Beneficial Interests in Global MTN Debentures

Transfers of beneficial ownership of MTN Debentures represented by a Global MTN Debenture will be effected through records maintained by the Depositary for such Global MTN Debenture or its nominee (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the Depositary's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in MTN Debentures represented by a Global MTN Debenture, may do so only through participants in the Depositary's book-entry system.

Transfer of Fully Registered Debentures

The registered holder of an MTN Debenture issued in fully registered form may transfer such MTN Debenture upon payment of taxes incidental thereto, if any, by executing and delivering a form of transfer together with the MTN Debenture to the Trustee at its principal corporate trust office in any of the cities of Vancouver or Toronto, whereupon one or more new MTN Debentures will be issued in authorized denominations in the same aggregate principal amount as the fully registered MTN Debenture so transferred, registered in the name or names of the transferees. No transfer of a fully registered MTN Debenture will be registered during the 10 business days (a business day for this purpose being a business day in the City of Vancouver) immediately preceding any Interest Payment Date.

Specific Variable Terms

The specific variable terms of any offering of MTN Debentures (including the aggregate principal amount of MTN Debentures being offered, the currency, the issue and delivery date, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption or repurchase provisions, the names of the Agents, the Agents' commission, the method of distribution and the actual proceeds to the Company) will be set forth in a pricing supplement which will accompany this short form prospectus or any amendments to this short form prospectus. The Company reserves the right to set forth in a pricing supplement specific variable terms or amendments to the MTN Debentures which are not within the options and parameters set forth in this short form prospectus.

Trust Indenture Provisions

The following is a summary of the material attributes and characteristics of the MTN Debentures as set forth in the Trust Indenture. This summary does not purport to be complete and for full particulars reference should be made to the Trust Indenture. Certain of the terms used herein are defined under "Definitions" below.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not mortgage, pledge, charge or otherwise encumber any of its assets unless at the same time it shall, in the opinion of Counsel, secure or cause to be secured equally and ratably with such obligations all Debentures then outstanding by the same instrument or by another instrument in form and substance satisfactory to such Counsel; provided that this covenant shall not apply to Permitted Encumbrances and provided that this covenant will not hinder or prevent the sale of any property or asset of the Company.

Limitation on Incurrence of Funded Indebtedness

The MTN Debentures Supplement contains a covenant of the Company, for the benefit of all holders of MTN Debentures that the Company will not issue or otherwise become liable for any Funded Indebtedness unless after giving effect thereto, Consolidated Funded Indebtedness does not exceed 75% of Total Consolidated Capitalization.

Modification

With certain exceptions, the Trust Indenture, the rights and obligations of the Company and the rights of the holders of a particular series of Debentures may be modified by the Company with the consent of the holders of not less than 66 2/3% in aggregate principal amount of such series of Debentures or not less than 66 2/3% of the aggregate principal amount of such series voted at a duly constituted meeting. Each issue of MTN Debentures under this prospectus supplement will be considered a separate series.

Trustee

CIBC Mellon Trust Company at its principal office in Vancouver is the trustee for the holders of all MTN Debentures issued under the Trust Indenture.

Definitions

The Trust Indenture contains definitions substantially to the following effect:

"**Capital Lease**" means, with respect to a person, a lease or other arrangement in respect of real or personal property which is required to be classified and accounted for as a capital lease on a balance sheet of such person in accordance with Canadian generally accepted accounting principles.

"**Consolidated Funded Indebtedness**" means the aggregate amount of all Funded Indebtedness of the Company and its Subsidiaries, arrived at on a consolidated basis in accordance with Canadian generally accepted accounting principles.

"**Financial Instrument Obligations**" mean obligations arising under:

(a) interest rate swap agreements, forward rate agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is interest rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon interest rates in effect from time to time or fluctuations in interest rates occurring from time to time (but excluding conventional floating rate Indebtedness);

(b) currency swap agreements, cross-currency agreements, forward agreements, floor, cap or collar agreements, futures or options, insurance or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is currency exchange rates or pursuant to which the price, value or amount payable thereunder is dependent or based upon currency exchange rates in effect from time to time or fluctuations in currency exchange rates occurring from time to time; and

(c) commodity swap agreements, floor, cap or collar agreements, commodity futures or options or other similar agreements or arrangements, or any combination thereof, entered into by a person of which the subject matter is one or more commodities or pursuant to which the price, value or amount payable thereunder is dependent or based upon the price of one or more commodities or fluctuations in the price of one or more commodities.

"**Funded Indebtedness**" means Indebtedness, including Purchase Money Obligations, created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date such Indebtedness was created, assumed, guaranteed or last renewed, except Non-Recourse Debt and Subordinated Debt.

"**Indebtedness**" means all items of indebtedness in respect of any amounts borrowed and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

(a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

(b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"**Non-Recourse Debt**" means any Indebtedness incurred to finance the creation, development, construction or acquisition of any asset (and any extensions, renewals or refunding of any such Indebtedness), provided that the recourse of the obligee thereof is limited in all circumstances (other than in respect of false or misleading representation or warranties) to such asset.

"**Permitted Encumbrances**" means:

(a) any Purchase Money Mortgages or Capital Leases of the Company;

(b) liens for taxes, duties and assessments not yet due or delinquent;

(c) liens or rights of distress reserved in or exercisable under any lease for rent not yet due or delinquent and for compliance with the terms of such lease;

(d) liens or deposits in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incidental to current construction mechanics', warehousemens', carriers' and other similar liens;

(e) security to a public utility or any municipality or governmental or other statutory or public authority when required by such utility or other authority in connection with the operations of the Company;

(f) liens and privileges arising out of judgements or awards with respect to which the Company shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(g) undetermined or inchoate liens and charges incidental to the current operations of the Company;

(h) any charge, lien or encumbrance the validity of which is being contested at the time by the Company in good faith or payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in full;

(i) any other Security Interest, not related to the borrowing of money or the obtaining of advances or credit, incurred or arising by operation of law in the ordinary course of business of the Company;

(j) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;

(k) any Security Interest in cash or marketable debt securities pledged to secure Financial Instrument Obligations entered into in the ordinary course of business for risk management and not for speculative purposes;

(l) any Security Interest in respect of property of a person which exists at the time of the amalgamation, consolidation, merger or reorganization of such person and the Company or at the time such property is otherwise acquired by the Company provided that such Security Interest was not created or assumed in contemplation or as a result thereof;

(m) any Security Interest of the Company existing as of the first date of issuance by the Company of any Debentures;

(n) any Security Interest on current assets in favor of any bank or other lending institution incurred by the Company to secure Indebtedness, other than Funded Indebtedness, in the ordinary course of business and for the purpose of carrying on the same;

(o) any rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Company, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition to the continuance thereof or any Security Interest given with respect thereto;

(p) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown;

(q) any Security Interest granted in connection with any defeasance under the Trust Indenture;

(r) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipe lines and other similar purposes, or zoning or other restrictions as the Company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the Company; and

(s) any other items of nature similar to the foregoing which do not materially impair the use of the property subject thereto or the operation of the business of the Company or the value of such property for the purpose of such business provided that the aggregate of all such obligations thereunder shall not exceed $50 million.

"**Purchase Money Mortgage**" means any Security Interest created, issued or assumed by a person to secure a Purchase Money Obligation, provided that such Security Interest is limited to the asset financed by such Purchase Money Obligation and such Purchase Money Mortgage is given not later than 3 months after such Purchase Money Obligation is incurred.

"**Purchase Money Obligation**" means Indebtedness of a person incurred or assumed to finance the acquisition, construction or installation of, or improvements to, any property, provided that such Indebtedness is incurred or assumed within 12 months after such acquisition, construction, installation or improvement, and includes any extension, renewal or refunding of any such Indebtedness so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased.

"**Security Interest**" means any security interest, assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness.

"**Subordinated Debt**" means any particular Indebtedness of the Company which by its terms, by operation of law or otherwise, provides that in the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, composition or other similar proceeding relating to the Company or its property;

(b) any proceedings for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings; or

(c) any assignment by the Company for the benefit of creditors; or

(d) any other marshalling of assets of the Company for distribution to the creditors of the Company;

then and in any such event the principal of, premium, if any, and interest on, the Debentures and any other Indebtedness ranking senior to such particular Subordinated Debt is to be first paid in full before any payment or distribution, whether in cash or other property, shall be made on account of any such obligation.

"**Total Consolidated Capitalization**" means the sum of (a) the principal amount of all Consolidated Funded Indebtedness of the Company and its Subsidiaries, (b) the total capital of the Company (being issued and outstanding share capital, including preferred shares, based on any par value thereof or otherwise based on the value stated on the books of the Company), (c) the principal amount of all Subordinated Debt, (d) the sum of (or less any net deficits in) consolidated contributed or capital surplus and retained earnings of the Company, and (e) the Company's provision for future income taxes, in each case as shown on a balance sheet of the Company prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles.

CERTIFICATE OF THE COMPANY

Dated: November 22, 2001

The short form prospectus dated November 21, 2001, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN M. REID
President and Chief Executive Officer

(Signed) MILTON C. WOENSDREGT
Senior Vice President, Finance, Chief Financial Officer and Treasurer

On behalf of the Board of Directors

(Signed) RONALD L. CLIFF
Director

(Signed) IAIN J. HARRIS
Director

CERTIFICATE OF THE DEALERS

Dated: November 22, 2001

To the best of our knowledge, information and belief, the short form prospectus dated November 21, 2001, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of all provinces of Canada and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

(SIGNED) STEPHEN J. SWAFFIELD

BMO NESBITT BURNS INC.

(SIGNED) GRAEME N. FALKOWSKY

CIBC WORLD MARKETS INC.

(SIGNED) ALAN C. WALLACE

EDWARD JONES

(SIGNED) KEVIN E. SPROUSE

NATIONAL BANK FINANCIAL INC.

(SIGNED) CHARLES ADDISON

SCOTIA CAPITAL INC.

(SIGNED) MARK SCOTT

TD SECURITIES INC.

(SIGNED) JAMES M. I. BRUCE

APPENDIX 1.5

Scotia Capital – Spring Issuer's Conference

Terasen Inc. (TER – TSX)

Gordon Barefoot
Senior Vice President, Finance and Chief Financial Officer

May 19, 2005

Forward Looking Statements

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2004 Annual Information Form, and other filings available on SEDAR.

Terasen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

- Who We Are
- Terasen's Value Proposition
- Core Value Strategies
  - Operational Excellence
  - Focused Growth
  - Financial Excellence
- Summary

Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

Who we are

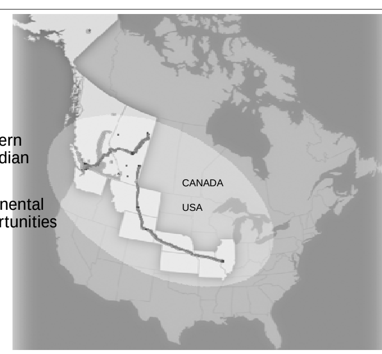
- Natural Gas Distribution – Strong, low-risk utility franchises
- Petroleum Transportation – Continental scope – leverage to Alberta oil sands growth
- Water & Utility Services – an emerging business providing similar utility asset management services

Terasen
- Terasen Gas
- Terasen Pipelines
- Terasen Water & Utility Services

Where we are

> Western Canadian base

> Continental opportunities

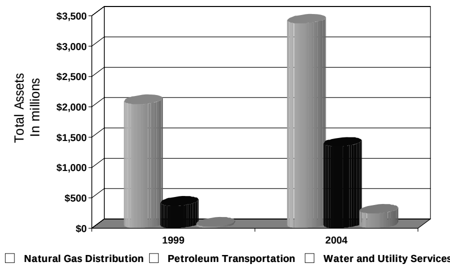


Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

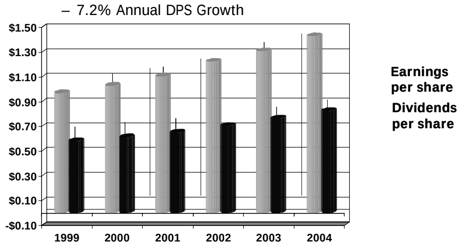
Focused

- Two established core businesses
- One emerging business



Reliable

- Consistent delivery on 6% EPS growth target, and corresponding growth in dividends
  - 8.1% Annual EPS Growth
  - 7.2% Annual DPS Growth



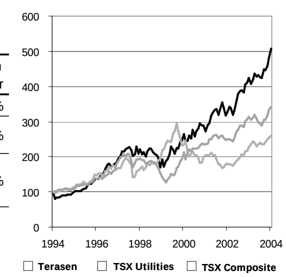
Growing

Deliver 10% + shareholder returns over time

Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	19%	23%	21%	18%
TSX Utilities Index	9%	13%	19%	13%
TSX Composite Index	15%	8%	4%	10%

For the period ended December 2004



Key Beliefs

- Economic growth is closely correlated to energy demand and the need for expanded energy infrastructure
- Alberta oilsands will become an increasingly meaningful supply source to the U.S. and Asia
- Operating competencies critical to our energy infrastructure business are highly compatible with the water and utility services business
- Energy and utility infrastructure provide opportunities for secure, low risk investment and steady returns

Core Value Strategies

Capitalize on key beliefs through the provision of:

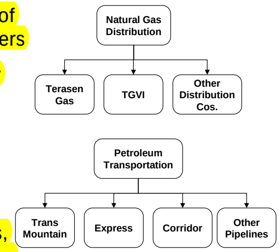
- Operational excellence – top level asset management within incentive regulation
- Focused growth based on value creation
- Financial excellence ensuring access to competitive sources of capital

Operational Excellence – Regulation

- Long history of negotiating and renewing incentive regulatory settlements
- Terasen Gas and TGVI settlements in place
  - > Four year term from 2004-2007 for Terasen Gas
  - > Vancouver Island settlement expires in Dec. 2005
- Generic return on equity and capital structure review scheduled by the BCUC for Q3 2005
- Trans Mountain toll settlement expires Dec. 2005
  - > Discussions underway with shippers
  - > TMX expansion being developed

Operational Excellence – Asset Management

- Cost management drives efficiency for the benefit of customers and shareholders
- Safe and environmentally responsible operations
  - Top quartile performance in U.S. and Canada
  - Consistent operating standards
- Credibility with regulators, customer and stakeholders

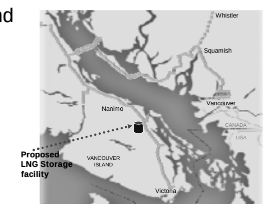


Operational Excellence – Water & Utility Services

- Water business characterized by many separate small water and sewer utilities
  - > Typically municipal owned
  - > Enormous duplication
- Terasen can present growing municipalities with an option to significantly lower their costs of water services
- Utilizing utility asset management skills in a growing market
- End state – a water LDC business comparable to Terasen Gas

Growth – TGVI Expansion

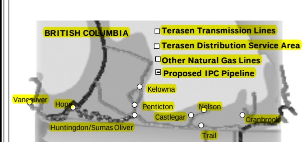
- CPCN application filed for $100 mln Vancouver Island LNG Project
- Approved by the BCUC in February 2005
- $50 mln of additional compression
- Finalizing a transportation service agreement with BC Hydro



Growth – Whistler

- Working with the Resort Municipality of Whistler to develop a Sustainable Energy Strategy
  - – Establish a hybrid gas/GSHP energy utility
  - – Construct a natural gas pipeline from Squamish to Whistler
  - – Develop renewable district energy systems or other sustainable options
- Estimated pipeline cost – $35 million
- Model for integrating natural gas with renewable energy sources

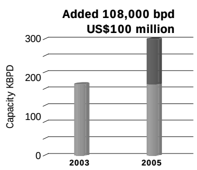
Growth – Inland Pacific Connector



- Potential $300 to $500 mln gas transmission line connecting SCP to the Lower Mainland & Sumas (NWPL)
- Project will require support from multiple shippers to move forward
- Increasing tolls on Duke System improving competitiveness

Growth – Express System

- Feeds PADD IV demand growth
  - > Completed in April 2005, on-time and under-budget
- Model for acquisitions
  - > Good fit and organic growth

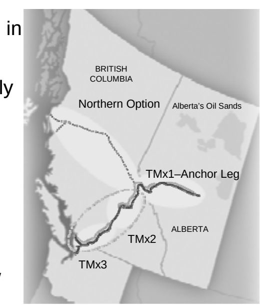


Growth – Corridor Expansion/Bison

- Phased expansion linked to the Athabasca Oil Sands Project
  - – Phase 1 – increase pumping capacity adding 35,000 bpd capacity by fall 2005 at a cost of $8.4 mln
  - – Phase 2 – add 110,000 bpd at a cost of $700 to $800 mln with an in-service date of 2009
- Opportunities for third party shipper volumes and further expansion beyond 500,000 bpd
- Status: Examining options with Corridor shippers

Growth – TMX Expansion

- Trans Mountain upgrade in 2004 was the first step
- Oilsands supply is actively seeking new markets
- Match with continued import growth on U.S. West Coast and Asia
- Expressions of Interest from potential shippers confirm demand for new capacity



Growth – TMx1 Expansion: Two Components

- Pump Station Expansion Project
  - – $205 million to add 35,000 bpd of pumping capacity for 2006
  - – Currently discussing expedited shipper approvals
- Anchor Loop Project
  - – $365 million to loop pipeline (40,000 bpd additional capacity) for 2008
  - – Actively pursuing commercial discussions with shippers
  - – Open season targeted for summer 2005

Growth – TMX Expansion

- Further 550,000 bpd capacity to either Northern or Southern port
- TMx1 plus Southern option C$2.3 billion
- TMx1 plus Northern option C$2.6 billion
- Full range of potential options to match marketing plans of Producers

Growth - Water and Utility Services

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 90 systems in over 50 communities
- Successful acquisition of Fairbanks water utility in 2004

Financial Excellence

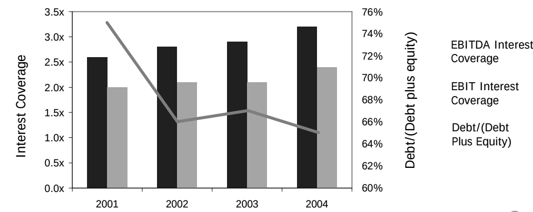
Key Financial Objectives

- Generate shareholder value
  - > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

Financial Excellence

Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings from Moody's and DBRS with stable outlook



Financial Excellence

Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund partnership structure delivers cost of capital to compete effectively with income trusts and MLPs – synthetic income trust
- Share valuation provides strength to capitalize on value-creating M&A opportunities

Summary

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH

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BC GAS INC.

Presentation to Scotia Capital Oil & Gas Conference 2002

May 23, 2002

Investor Relations Contact

David Bryson
Assistant Treasurer
Tel: (604) 443-6527

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e-mail: ir@bcgas.com
www.bcgas.com

Forward Looking Statements

Certain information in this presentation constitutes forward-looking statements. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to BC Gas' management. Forward-looking statements involve significant risk, uncertainties and assumptions. Although BC Gas believes that these statements are based on reasonable assumptions, a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. BC Gas disclaims any obligation to update or revise any forward-looking statements to reflect new events or circumstances.

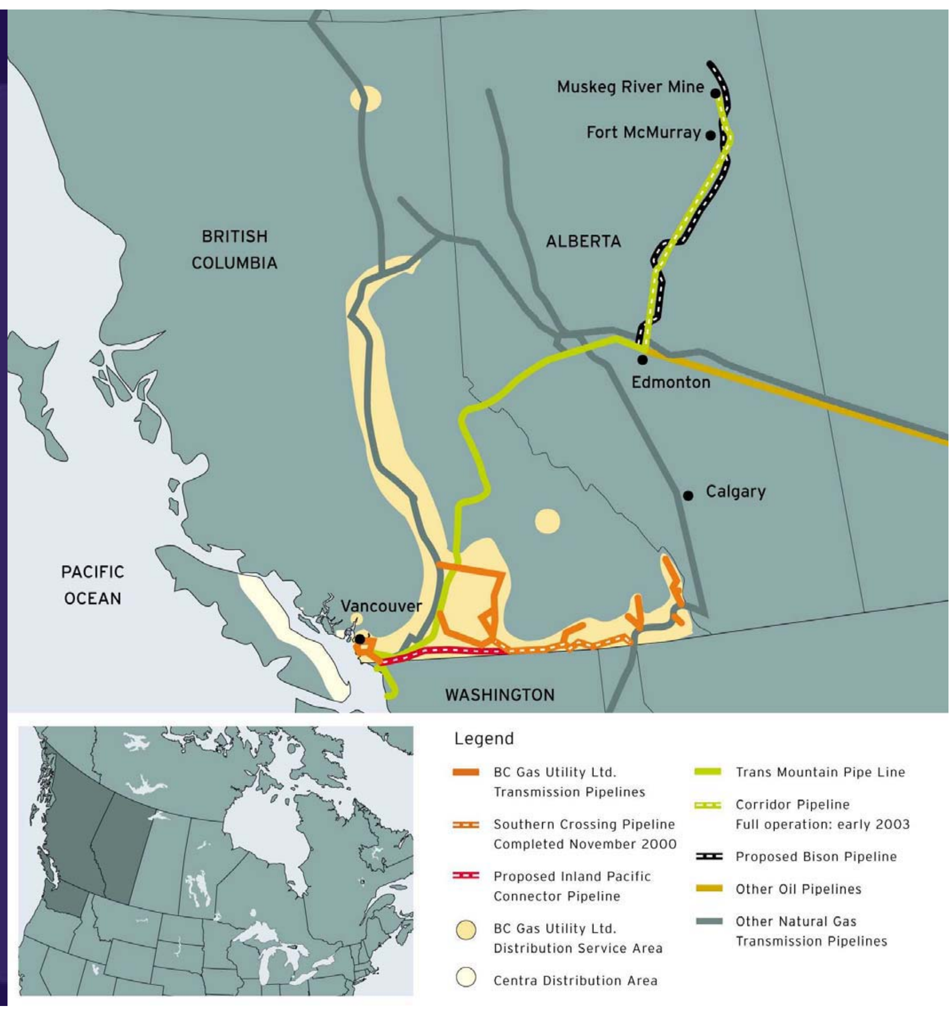
BC GAS INC.

Presentation Overview

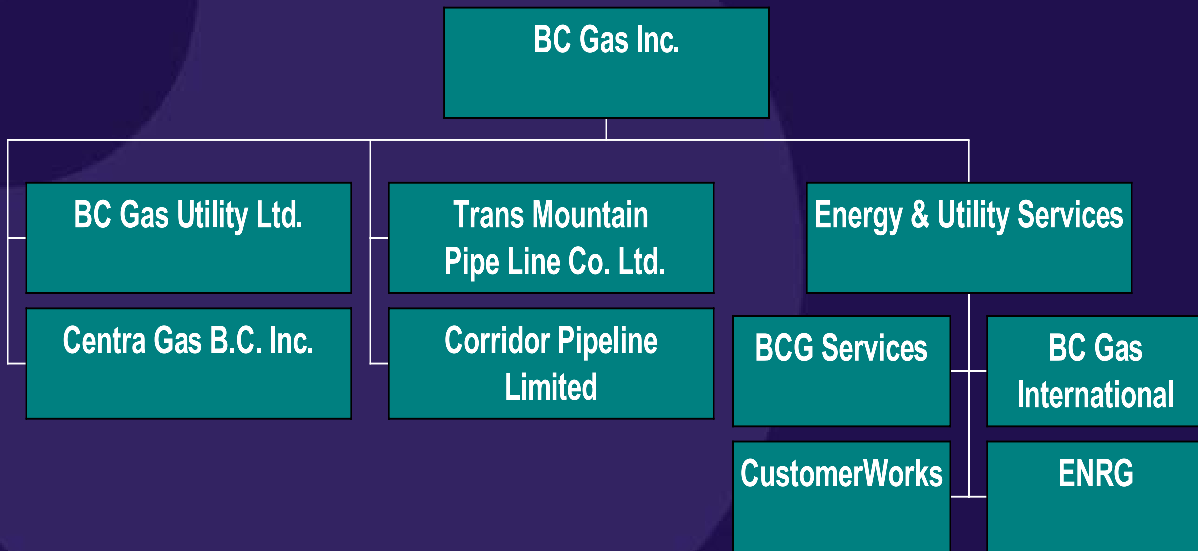
- Corporate Overview
- Financial Results
- Strategic Plan
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
- Summary

BC GAS INC.

> CORPORATE OVERVIEW



Corporate Structure

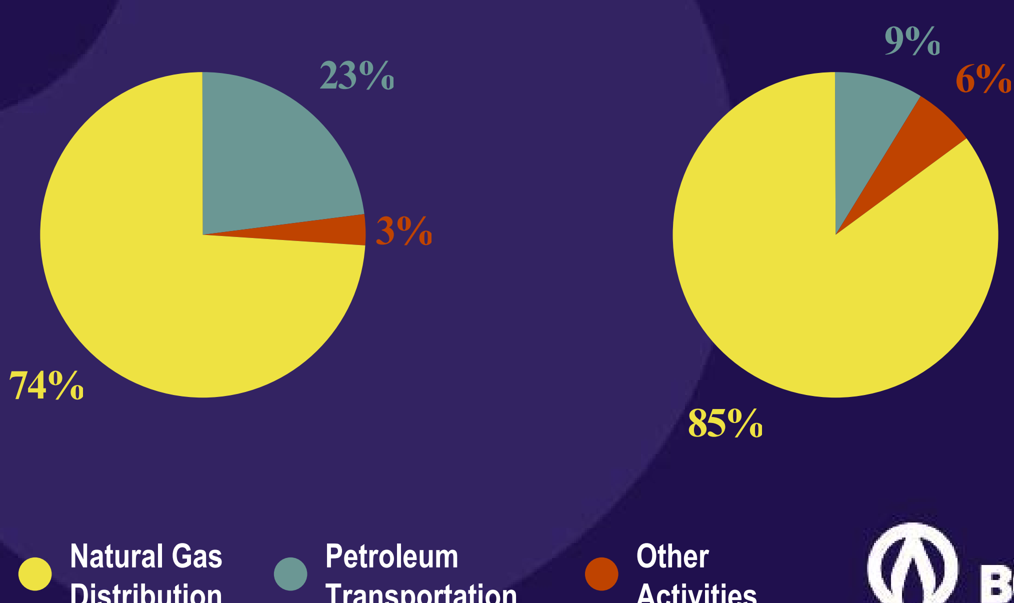


BC Gas™

Segmented Contributions (2001)

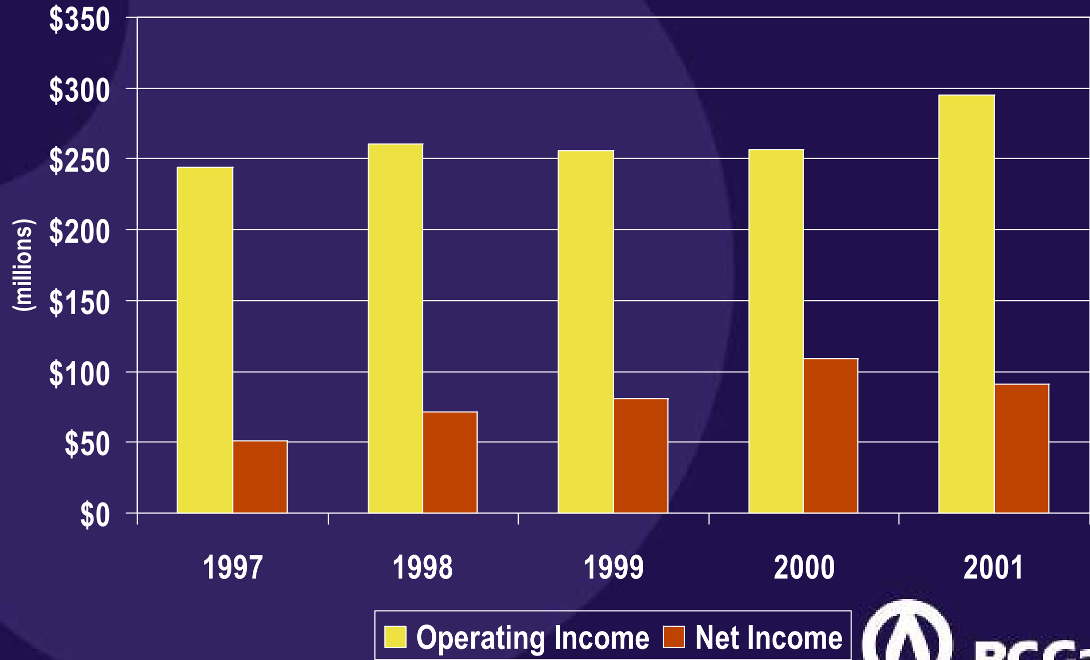
Assets: $3,706 million

Revenues: $1,666 million



BC Gas™

Operating & Net Income



BC Gas™

Financial Ratios

	1999	2000	2001
Debt/(Debt+Equity)	71%	71%	74%
EBITDA Interest Coverage	2.8x	2.9x	2.6x
EBIT Interest Coverage	2.1x	2.2x	2.0x
Non-Consolidated Interest Coverage	10.2x	12.6x	12.3x

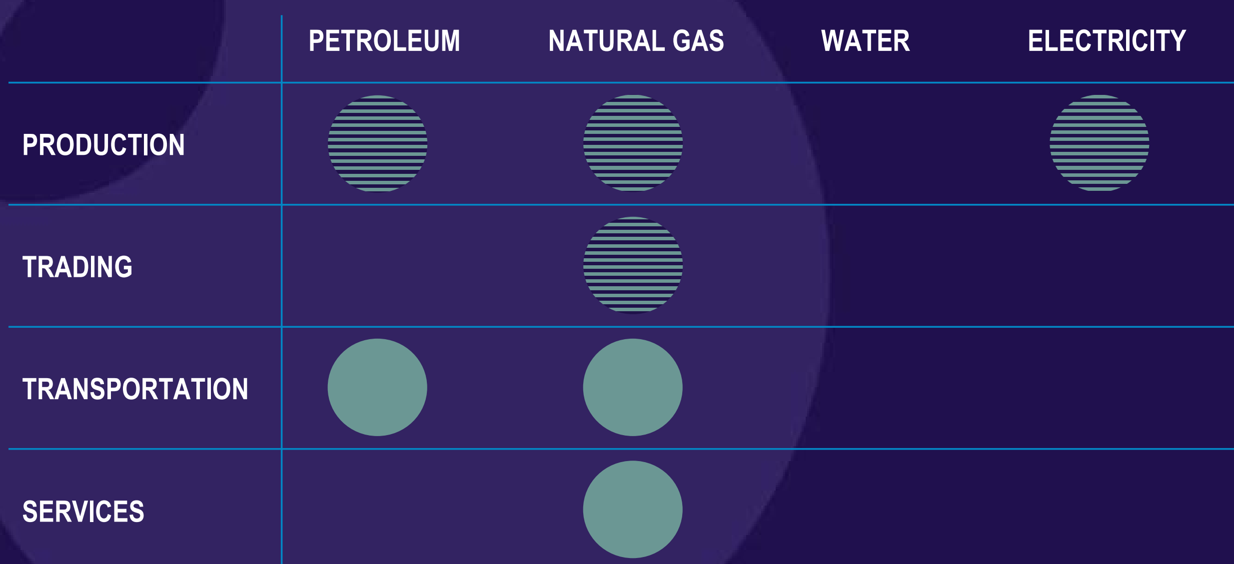
Strong, stable credit profile.

BC Gas™

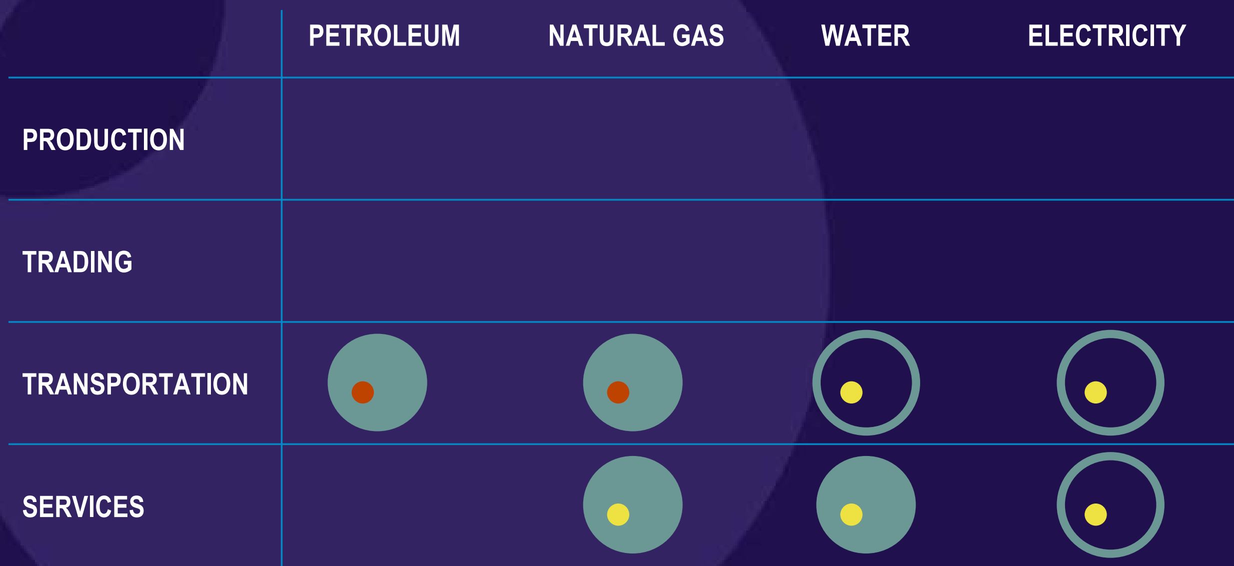
What Differentiates BC Gas?

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth Opportunities - increasing shareholder value

Business Activities - 1995



Business Activities - 2005



- Strengthen and Expand Our Base Businesses
- Grow From Our Core Competencies

BC Gas™

Financial Targets

- EPS Growth
  - 6%+ per year
- Return on Equity
  - 12% or higher
- Capital Structure
  - 30% equity, 70% debt
- EBIT Interest Coverage
  - 2.0 times or higher

BC Gas™

Growth Initiatives

- Strengthening Our Base Businesses
  - > Incentive Regulation - Natural Gas Distribution
  - > Incentive Regulation - Petroleum Transportation
- Expanding Our Base Businesses
  - > Inland Pacific Connector
  - > Centra Gas B.C.
  - > Alberta Oil Sands - Corridor & Bison Pipelines
- Growing From Our Core Competencies

BC Gas™

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - > Settlements expire Dec. 2002
- Coordinating regulatory settlements for BC Gas/Centra in context of emerging provincial energy policy

BC Gas™

Incentive Regulation – Natural Gas Distribution

- BC Gas revenue requirement application withdrawn for 2002
  - 2002 rates remain at 2001 levels
  - Provides a bridge to a new multi-year settlement to be arranged for BC Gas and Centra
  - Reflects the preferred framework of a new multi-year settlement: margin cap

BC Gas™

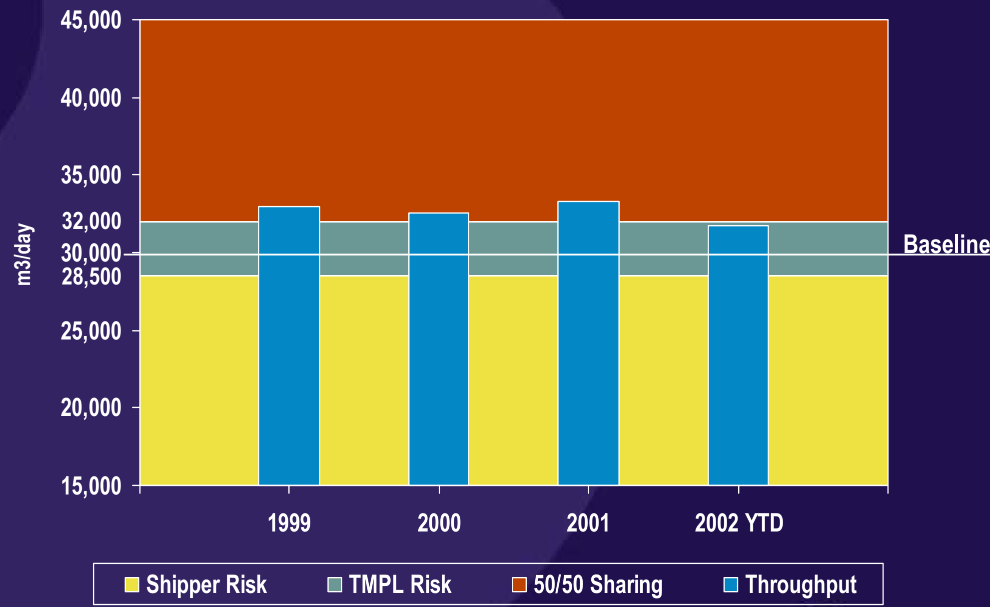
Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
  - No escalation of tolls for inflation
- Trans Mountain assumes limited throughput risk
  - No limit to shared upside, downside floor
- Incentives for additional throughput
  - Tanker loadings

BC Gas™

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation

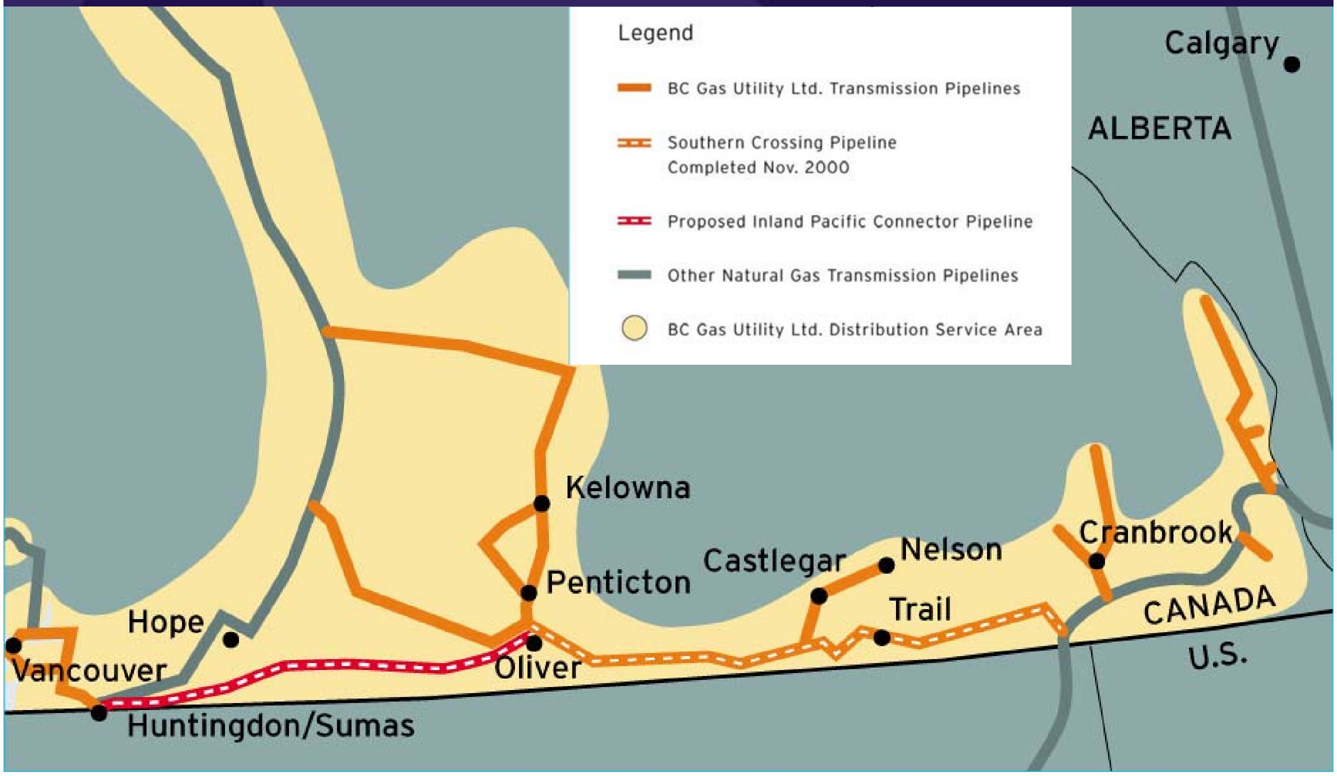


STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Growth Opportunities

- Expanding Our Base Businesses
  - > Inland Pacific Connector
  - > Centra Gas B.C.
  - > Alberta Oil Sands - Corridor & Bison Pipelines

Inland Pacific Connector



STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Inland Pacific Connector

- $495 million, 237 km pipeline to extend Southern Crossing Pipeline to market hub at Sumas
- Currently firming up expressed shipper interest
- Proposed in-service date November 2004

BC Gas™

Centra Gas B.C.

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Centra Gas B.C.

- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

Corridor & Bison Pipelines

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
  - > Filling of northbound diluent line is complete
  - > Commercial operations in early 2003

BC Gas™

Bison Pipeline

- $800 million heated bitumen pipeline connecting mine sites to Edmonton
- Currently engaged in feasibility studies with Petro-Canada and TrueNorth Energy
- In-service targeted for 2005

BC Gas™

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services, exiting wholesale supply business
- ENRG (58% owned)
  - Largest provider of alternative vehicle fuels in North America

BC Gas™

Growing From Our Core Competencies

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Profitable, with growth potential

BC Gas™

Business Risk

- Regulated operations comprise 97% of assets and 94% of operating income
- Regulation is progressive and positive, providing protection against a variety of business risks
  - e.g. gas sales (including weather), cost of gas, petroleum throughput

BC Gas™

Business Risk

- Non-regulated activities are focused and low-risk
  - > No international equity investments
  - > No non-regulated energy trading
  - > No commodity price exposure
- Growth opportunities reinforce high-quality, low risk business mix
  - > Centra Gas acquisition
  - > Corridor & Bison Pipelines
  - > Inland Pacific Connector Pipeline

BC Gas™

Debt Financing Strategy

- Where practical, financing requirements for smaller subsidiaries and new projects will be raised by Holdco
  - > Consolidates smaller borrowings into a larger, more liquid debt issuer
- Certain large subsidiaries to continue as stand-alone issuers for cost and/or regulatory reasons
  - > BC Gas Utility Ltd., probably Corridor Pipeline

BC Gas™

Delivering On Our Targets

Objective	Results
• 6%+ EPS Growth	✓ 1997-2001: 8% growth rate
• 12% Return on Equity	✓ 1998-2001: 12%+ ROE
• Double-digit total shareholder returns	✓ 1997-2001: 15% total annual return
• EBIT Interest coverage	✓ 1997-2001: 2.0x or higher

BC Gas™

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in our base businesses

BC Gas™


Terasen's 2004
Financial Analyst and Investor Conference
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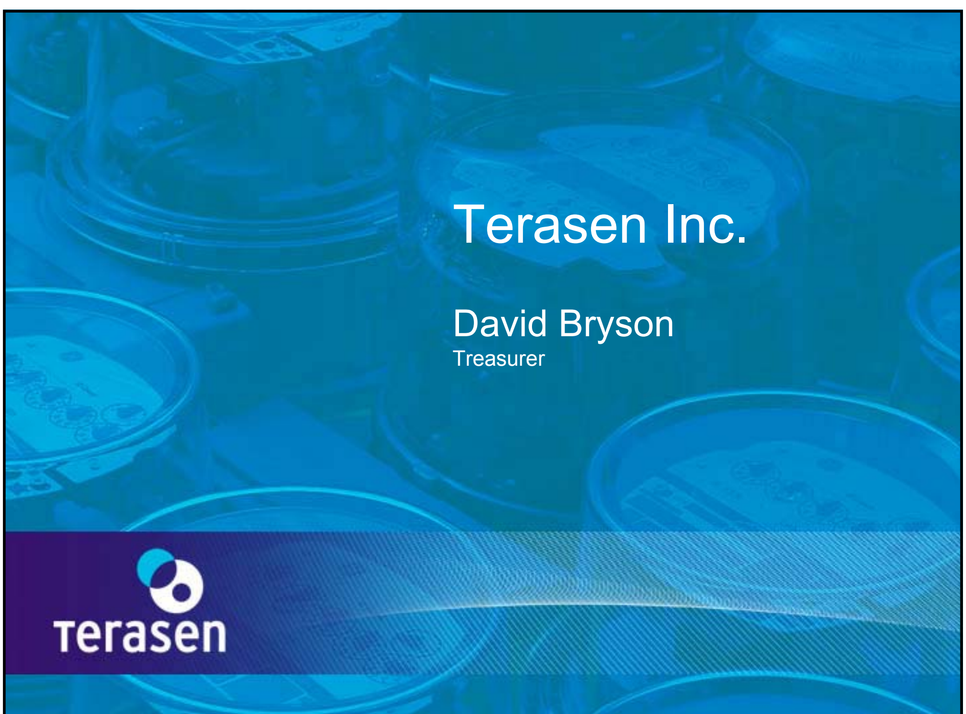
Terasen Inc.
David Bryson
Treasurer
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Welcome

Terasen's 2004 Financial Analyst and Investor Conference

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Agenda

Time	Topic	Presenter
8:00	Continental Breakfast	—
8:30 – 8:35	Introductory Remarks	David Bryson
8:35 – 9:00	Strategy and Vision	John Reid
9:00 – 9:30	Natural Gas Distribution	Randy Jespersen
9:30 – 10:15	Petroleum Transportation	Rich Ballantyne
10:15 – 10:30	Break	—

Agenda

Time	Topic	Presenter
10:30 – 11:00	Water and Utility Services	Brett Hodson
11:00 – 11:30	Strategic Opportunities	Steve Swaffield
11:30 – 11:50	Financial Objectives	Gord Barefoot
11:50 – 12:00	Closing Comments	John Reid
12:00 – 1:30	Lunch	—

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Forward Looking Statement

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2003 Annual Information Form, and other filings available on SEDAR.

Terasen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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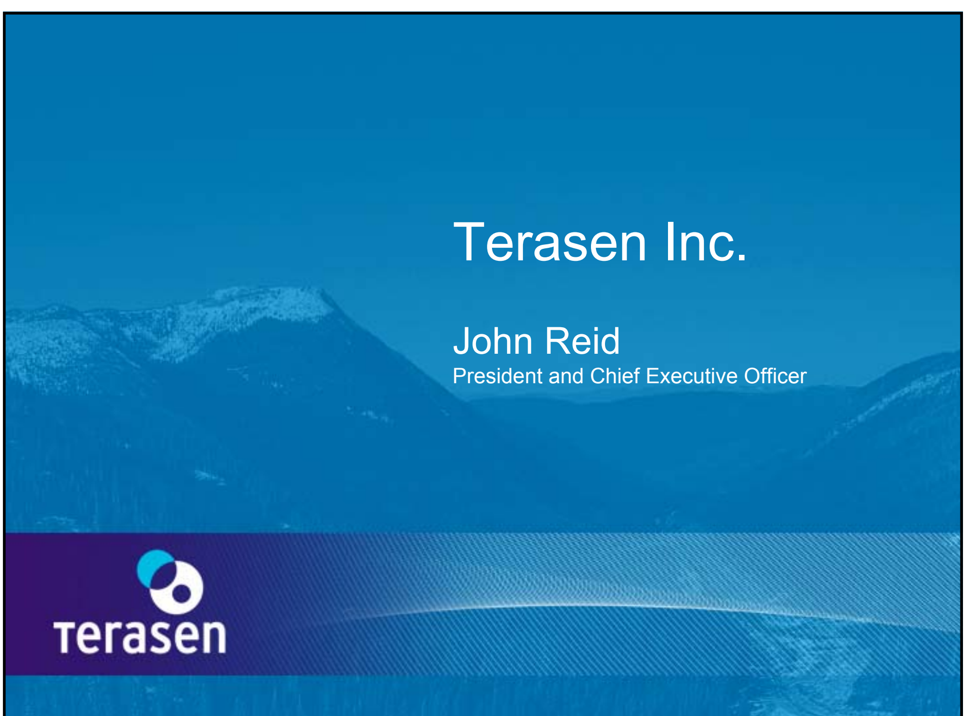
Terasen Inc.
John Reid
President and Chief Executive Officer
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Overview

- Vision
- Key Beliefs
- Terasen's Value Proposition
- Value Growth Drivers 1998 – 2004
- Value Growth Drivers 2005 – 2010

Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

Key Beliefs

- Economic growth closely correlated to energy demand and the need for expanded energy infrastructure
- Alberta Oil Sands will become an increasingly meaningful supply source to the U.S. and Asia

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Key Beliefs

- Operating competencies critical to our energy infrastructure business are highly compatible with the water and utility services business
- Energy and utility infrastructure provide opportunities for secure, low risk investment and steady returns

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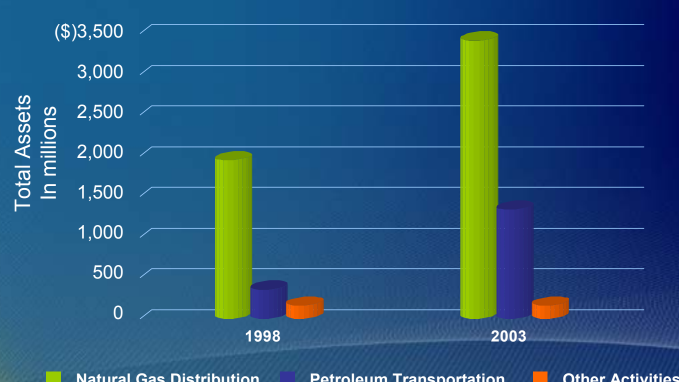
Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

Focused

- Two established core businesses
- One emerging business



Focused

- Acquisitions and greenfield projects with a clear strategic fit

1957	1983	1988	2000 & 2001	2004
Inland Gas	TMPL Acquisition	BCH Gas Acquisition	Southern Crossing Pipeline & Centra	Express/Platte Corridor
$18.5 million	$236 million	$1.2 billion	$3.7 billion	$4.9 billion

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Focused

> Western Canadian base

> Continental opportunities

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Reliable

- Adding value through asset management
- Strong regulatory relationships
- Low risk business profile

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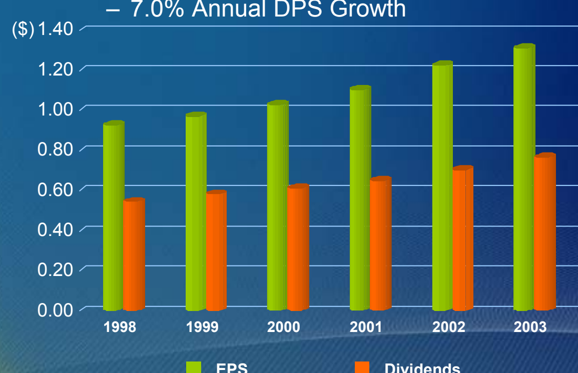
Terasen Gas

Terasen Pipelines

Terasen Water & Utility Services

Growing

- Consistent delivery on 6% EPS growth target, and corresponding growth in dividends
  - 7.2% Annual EPS Growth
  - 7.0% Annual DPS Growth



Growing

- Annualized total shareholder return of 19% over the past 10 years

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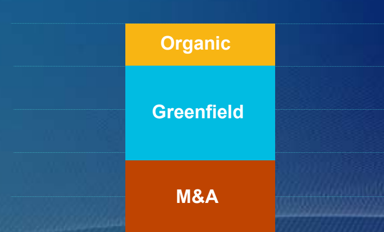
Value Growth Drivers 1998 – 2004

- 1998-2004 growth driven by a combination of:
  - > Organic growth
  - > Greenfield projects
  - > Successful M&A transactions



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Value Growth Drivers 1998 – 2004

- Excellent returns from organic growth
  - > Strong cost management
  - > Strong pipeline throughput growth
  - > Earnings levels higher than allowed/negotiated rates of return

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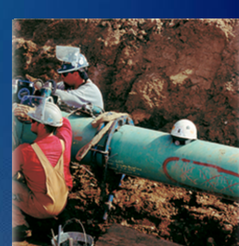
Value Growth Drivers 1998 – 2004

- Securing and constructing greenfield projects on time, on budget
  - > Southern Crossing
  - > Corridor Pipeline



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Value Growth Drivers 1998 – 2004

- Successful execution (acquisition and integration) of M&A transactions
  > Centra (TGVI)
  > Express/Platte Pipeline
  > Terasen Water and Utility Services

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Value Growth Drivers 2005 – 2010

Organic growth

- Continued excellence in asset and risk management
- Increase in customer base for natural gas distribution
- Strong demand for oil pipeline transportation
- Requirements for enhanced water and utility services infrastructure

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Value Growth Drivers 2005 – 2010

Projects

- Primary growth platform for value creation
- Regional natural gas infrastructure development
- Superior leverage to Oil Sands growth through low risk infrastructure
- Continued demand for water and utility services infrastructure, upgrades and expansions

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Value Growth Drivers 2005 – 2010

Potential Project Portfolio *In C$ millions*	
Vancouver Island LNG	$ 100
Whistler Gas Pipeline	40
Inland Pacific Connector	300 – 500
Express Expansion (US$)	110
Corridor Expansion	300+
TMX1	600 – 700
TMX2	600 – 700
TMX3	800 – 900
Heartland Terminal	30 – 120
Water and Utility Services	100+
Total (in billions)	$ 3.0 – 3.6
Current Asset Base (in billions)	$ 4.9

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Value Growth Drivers 2005 – 2010

Mergers & Acquisitions

- Disciplined approach
- Value opportunity associated with organic and project growth of acquired assets
- Will pursue vigorously, but with discipline

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Value Growth Drivers 2005 – 2010

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH
- Increase shareholder value by applying core competencies and skills to a larger asset base
- Grow the assets through a combination of organic growth, greenfield expansions and accretive M&A transactions

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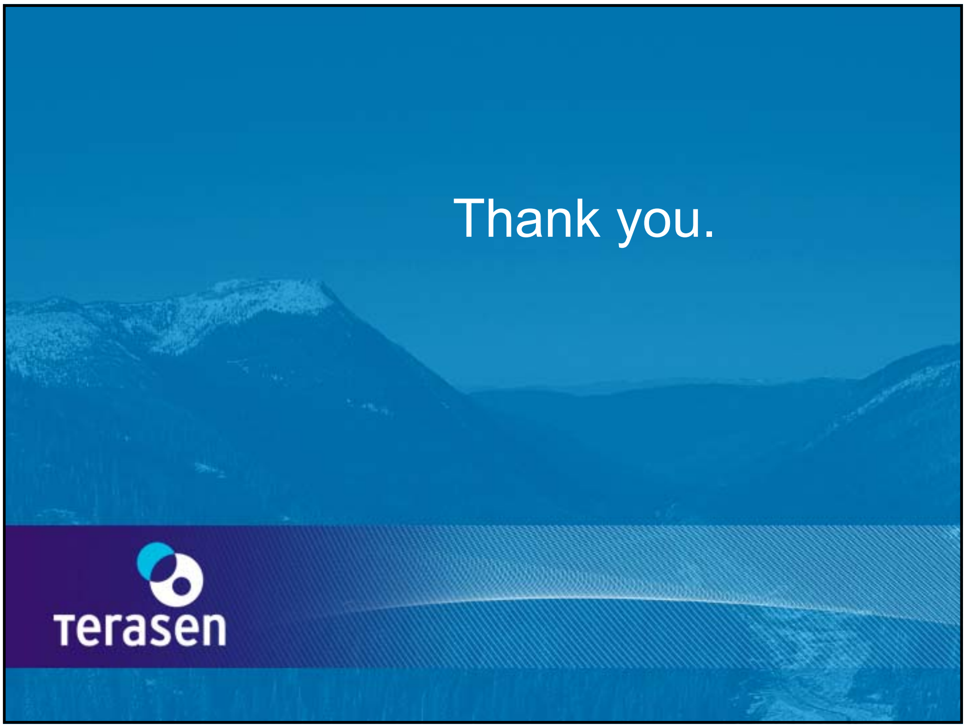

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Terasen Gas
Randy Jespersen
President
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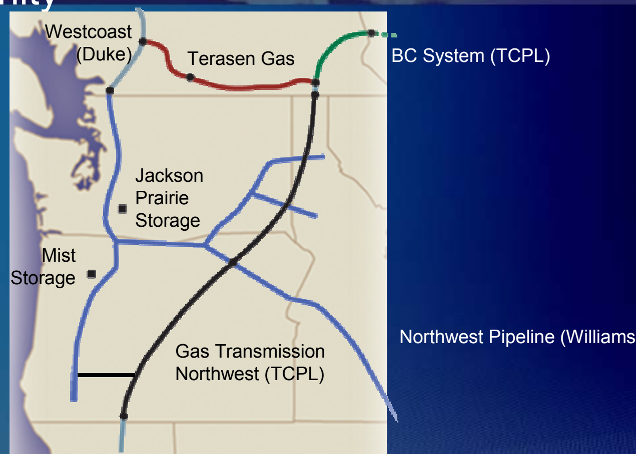
Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

Our Opportunity

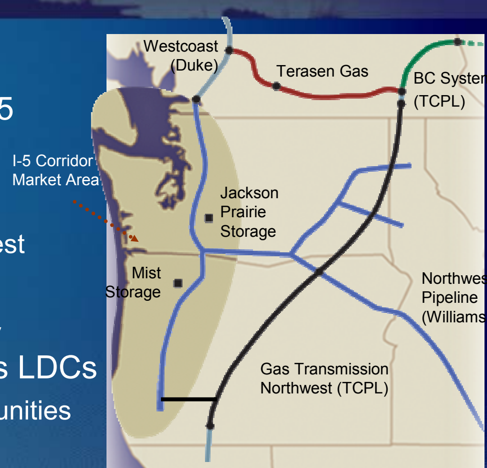
- Strong natural gas distribution franchise in a unique region
- Electric/gas rate compression
  > Challenging opportunity
- Leadership position to develop new gas infrastructure for regional needs
- Well positioned for consolidation opportunities

Our Opportunity

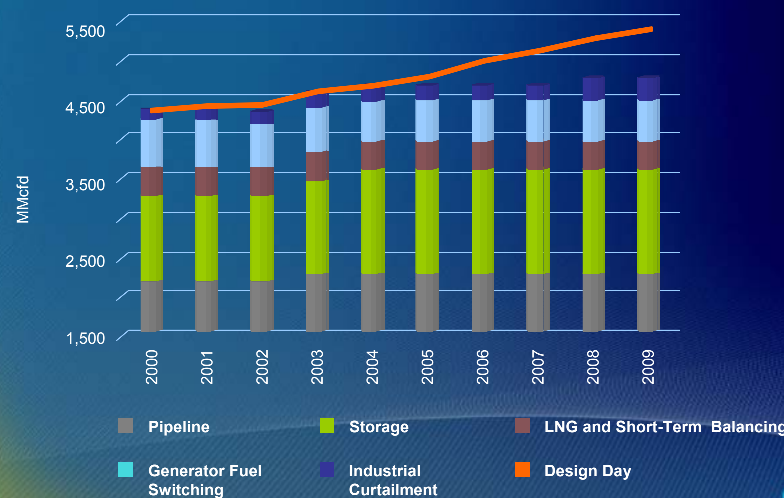


Our Opportunity

- Pacific Northwest I-5 Corridor is unique
  - > Market area is geographically separated from the rest of North America
- Region is served by several different gas LDCs
  - > Consolidation opportunities



Regional Supply and Demand



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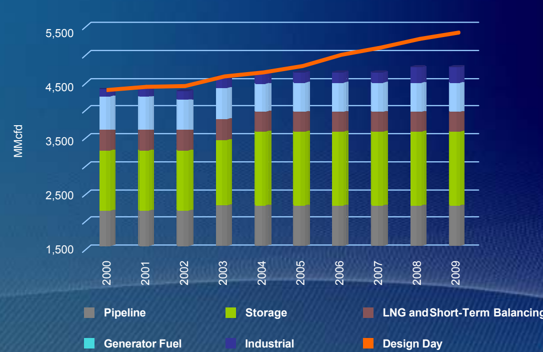
Regional Supply and Demand

- Regional natural gas demand growth is strong
- Region will be short capacity on a design day in 2005
- Delivery capacity will need to be addressed in the near future



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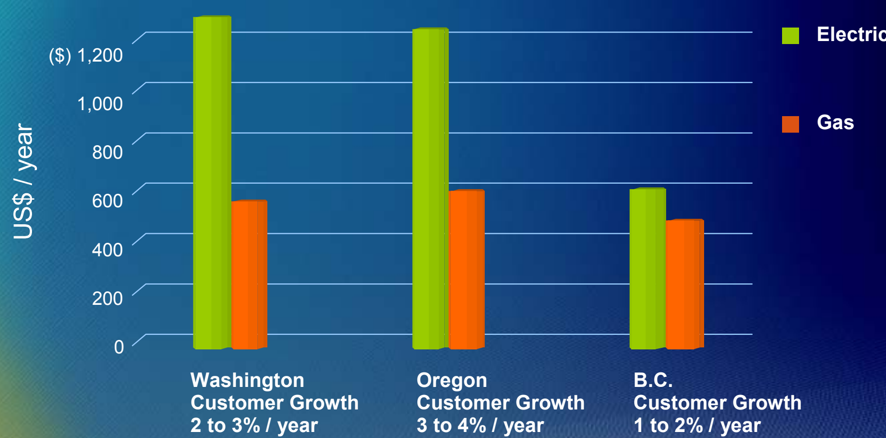
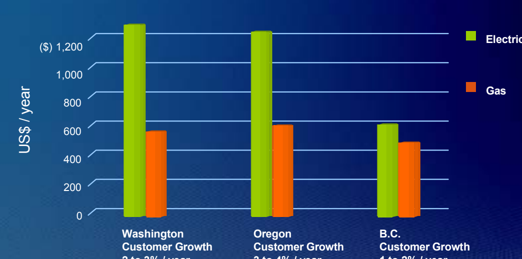
Gas/Electric Competitiveness



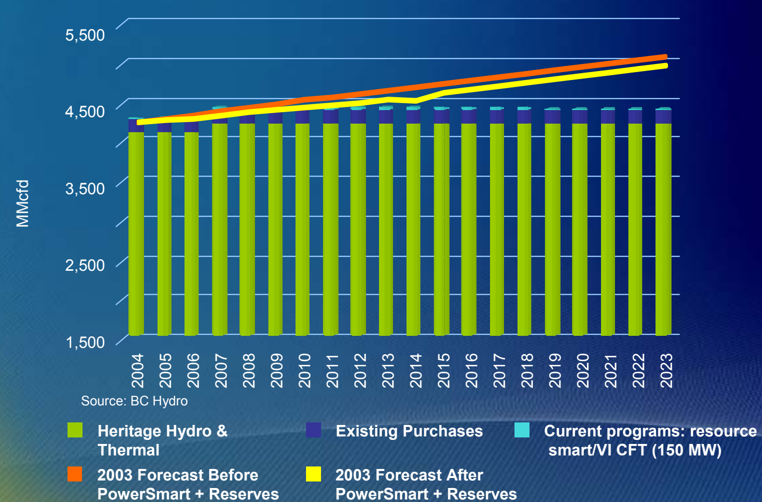
Gas/Electric Competitiveness

- Other gas markets in the Pacific Northwest are highly competitive, with correspondingly attractive growth potential
- Movement of B.C. electric rates towards market prices over time



Gas/Electric Competitiveness

Electricity Supply/Demand in B.C.



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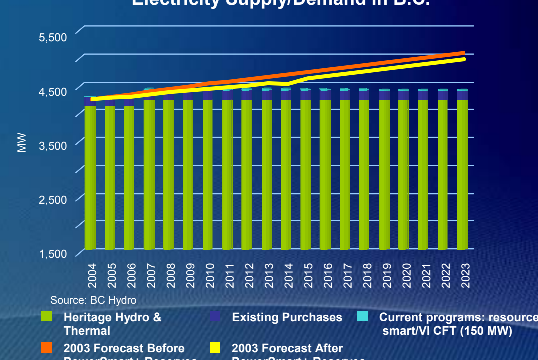
Gas/Electric Competitiveness

- Electric rates move towards market
- Expansion of gas infrastructure

Electricity Supply/Demand in B.C.



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Capabilities — Asset Management

- Operational Excellence
  - > Public and employee safety
  - > Cost management
  - > Customer satisfaction
  - > Environmental responsibility

Stakeholder Credibility and Value Sharing

Capabilities — Asset Management

- TGI/TGVI integration
  - > Utilities integrated under single management and common platforms
  - > Significant cost reductions
  - > Skills transferable to other acquisition opportunities

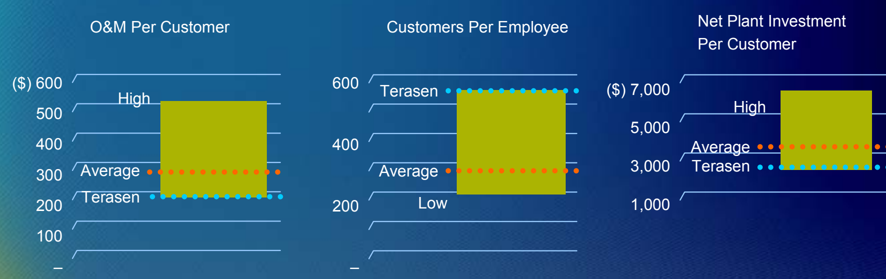
Natural Gas Distribution

Terasen Gas Inc.

Terasen Gas Vancouver Island Inc.

Capabilities — Asset Management

- Terasen is a leader in operating efficiency



Source: LSM Consulting

Capabilities — Risk Management

- "No surprises" approach to stakeholder relationships
- Significant initiatives reviewed and approved by regulator prior to implementation
- Performance-based rate plans in place for both Terasen Gas and TGVI
- Deferral accounts for Terasen Gas
  - > Cost of gas, consumption levels, insurance, pension and financing costs

Competitive Advantages

- Regulatory relationship management
- Utility asset management skills – integration capabilities
- Leadership role in Pacific Northwest gas infrastructure planning
- Project management capabilities

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Key Initiatives: ROE and PBR Extension

- TGVI PBR re-negotiation
- Generic return on equity review scheduled by the BCUC for Q3 2005

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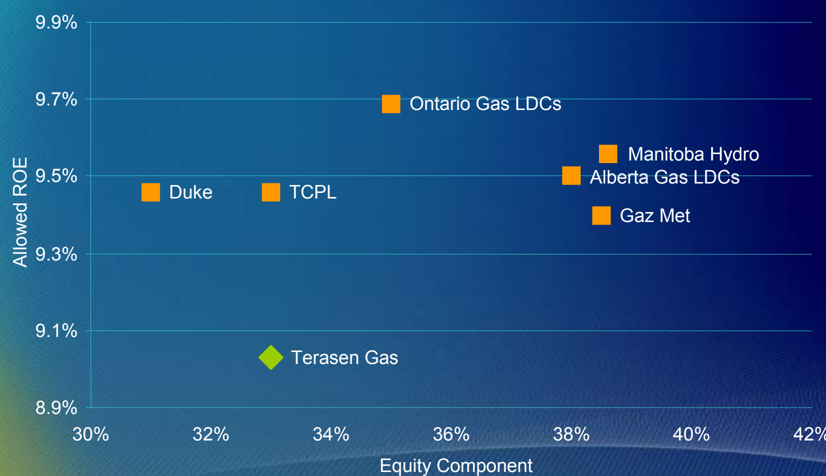
Key Initiatives: ROE and Capital Structure



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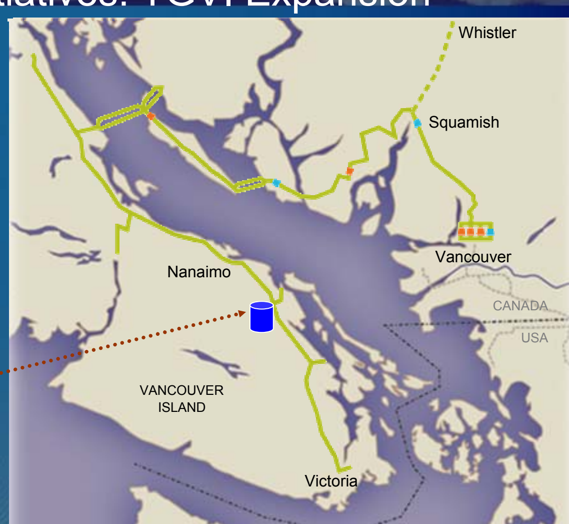
Key Initiatives: TGVI Expansion

Proposed LNG Storage



Proposed LNG Storage Facility | Existing Compressor Units | Proposed Compressor Units

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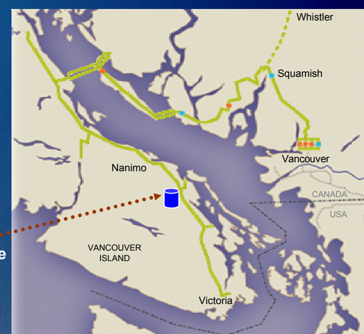
Key Initiatives: TGVI Expansion

- CPCN application filed for $100 mln Vancouver Island LNG Project
- Decision by Q1 2005
- Potential for additional $70 to $80 mln compression based on BC Hydro's future generation needs

Proposed LNG Storage



Proposed LNG Storage Facility
Existing Compressor Units
Proposed Compressor Units

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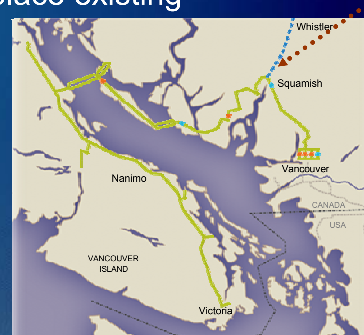
Key Initiatives: Whistler Pipeline

- Analysis of Whistler Pipeline project underway ($40 million), potential to replace existing propane system
- Depends on municipal decisions regarding future growth in Whistler and Sea to Sky Corridor

Proposed pipeline



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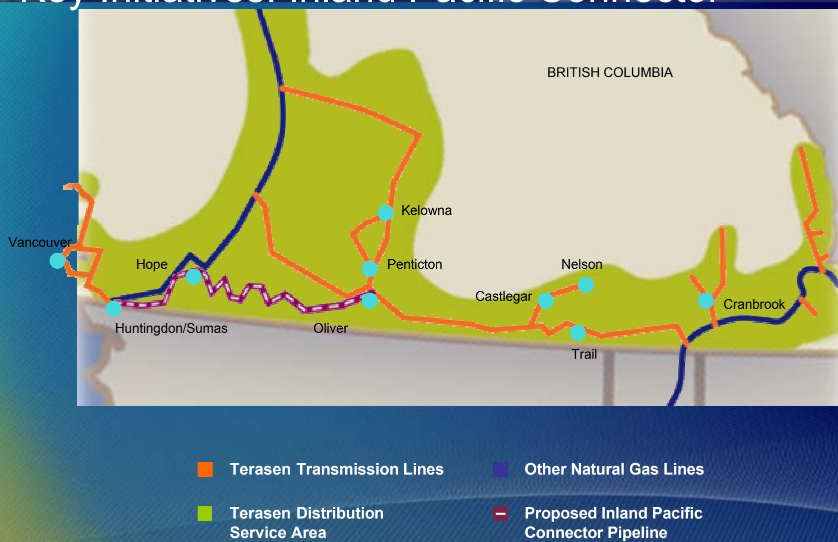
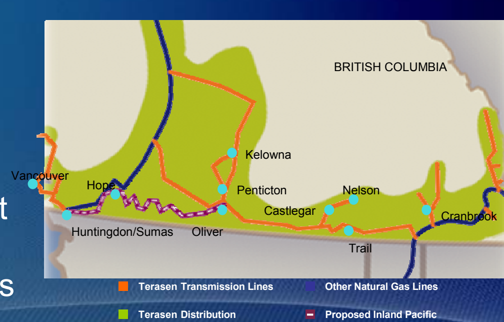
Key Initiatives: Inland Pacific Connector



Key Initiatives: Inland Pacific Connector

- Potential $300 to $500 million gas transmission line connecting SCP to the Lower Mainland and Sumas (NWPL)
- Project will require support from multiple shippers to move forward
- Potential shippers must have requirement to diversify supply sources



Conclusion

- Strong, stable cash flow provides solid financial base for growth opportunities
- Strong asset management and stakeholder relations skills
- Opportunities to invest in new gas infrastructure
- Well positioned for consolidation opportunities

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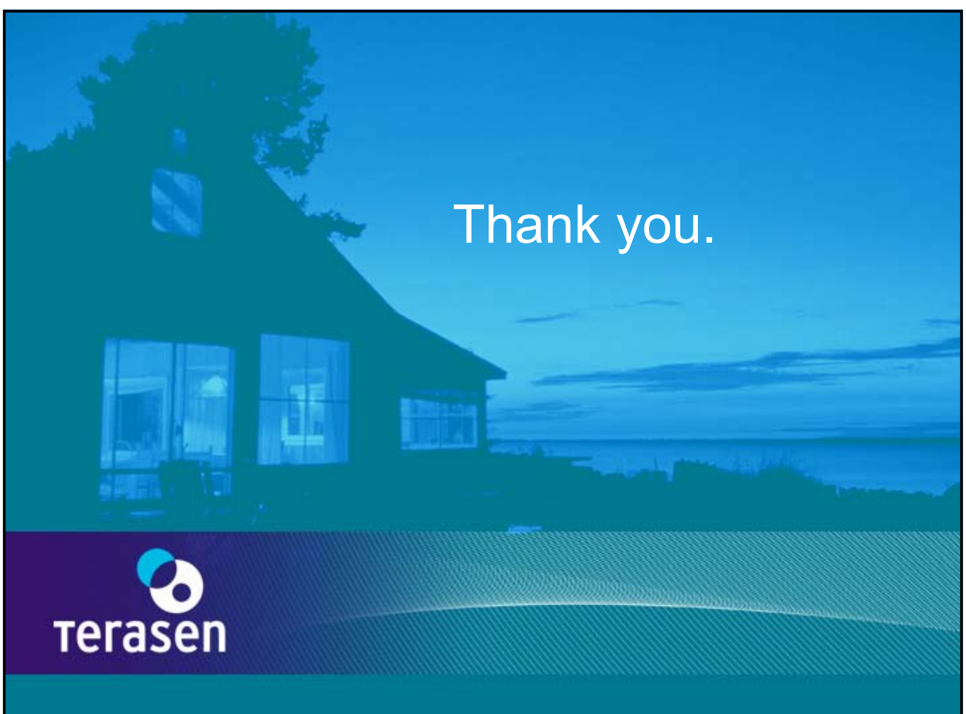

Terasen Pipelines

Rich Ballantyne

President, Terasen Pipelines

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Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

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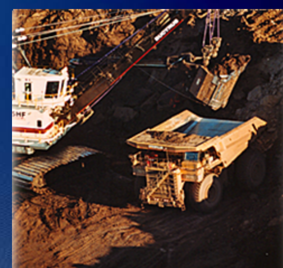
Our Opportunity

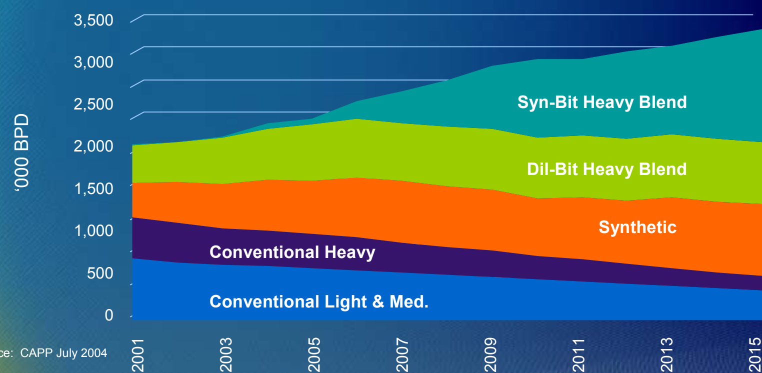
- Pipelines is focused on matching growing supply to growing demand
- Global oil demand growth prospects are strong
- Alberta's Oil Sands production is a world class growth opportunity



Our Opportunity

- Project opportunities lever off the existing asset base
- Manage acquisition opportunity risks by staying within knowledge set and geography

Western Canadian Crude Supply



Source: CAPP July 2004

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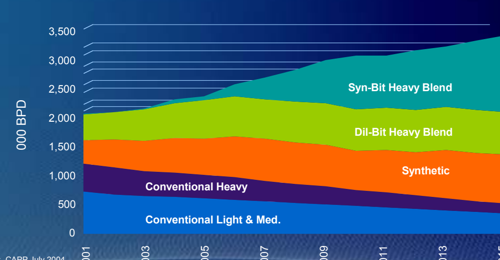
Western Canadian Crude Supply

- Higher oil prices and new technology will drive projects forward
- Demand for transportation is outstripping capacity
- New markets are required to realize the full value of oil sands products



Source: CAPP July 2004

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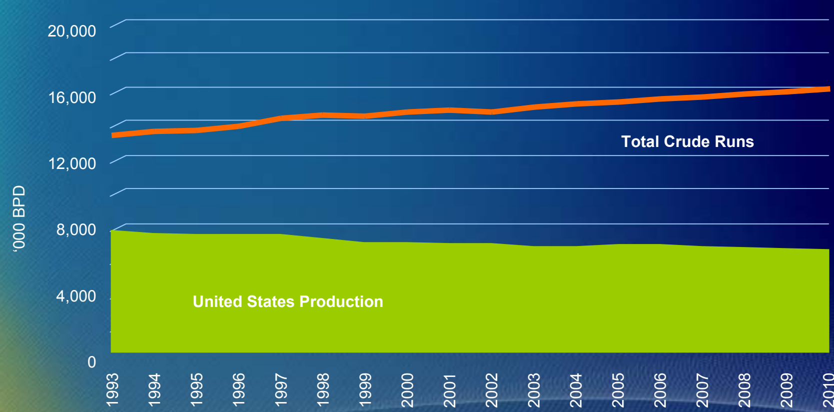
U.S. Crude Supply Demand Balance



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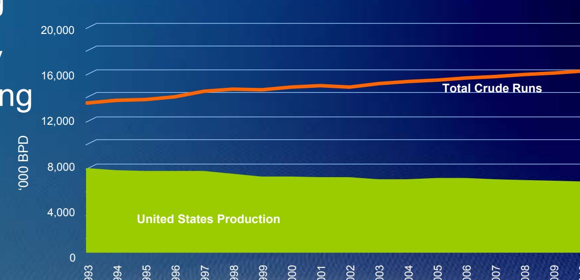
U.S. Crude Supply Demand Balance

- The gap between U.S. crude demand and domestic production is large and growing
- Security of supply concerns is pushing U.S. attention northward



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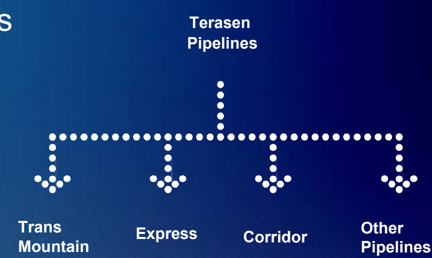
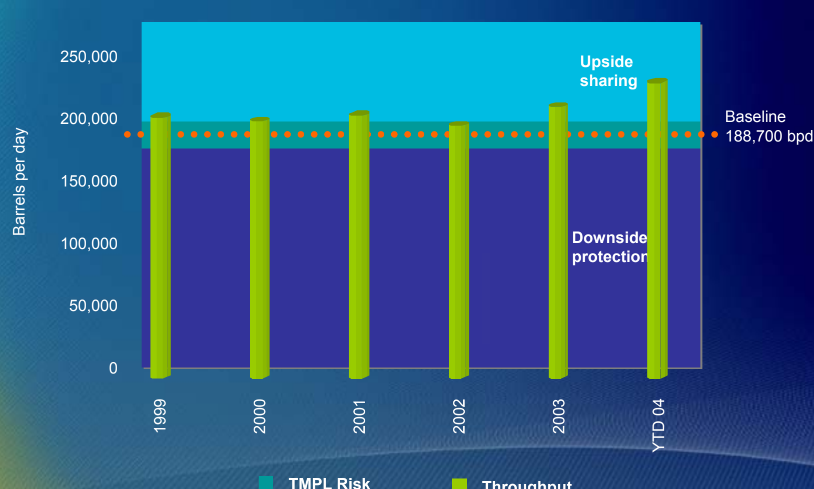
Capabilities – Operational Excellence

- Cost management drives efficiency for the benefit of customers and shareholders
- Safe and environmentally responsible operations
  - > Top quartile performance in U.S. and Canada
  - > Consistent operating s standards
- Credibility with regulators and stakeholders

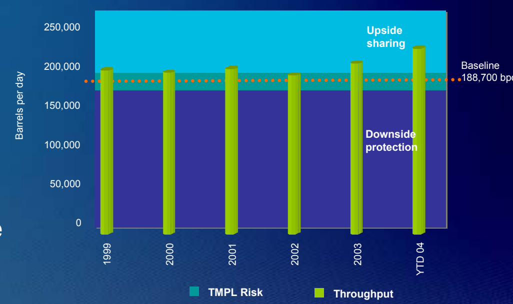


Capabilities – Throughput Risk Management



Capabilities – Throughput Risk Management

- Trans Mountain
  - > 2001-2005 Incentive Toll Settlement toll certainty
  - > Upside potential with downside protection
  - > Strong incentive for cost management
  - > Renewal discussions have started



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Capabilities – Throughput Risk Management

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Capabilities – Throughput Risk Management

Express system

- 85% of current 172,000 bpd is committed via long-term contracts
- 79% of post-expansion capacity of 280,000 bpd is contracted to 2012 – 2015
- Uncommitted capacity provides upside

Capabilities – Throughput Risk Management

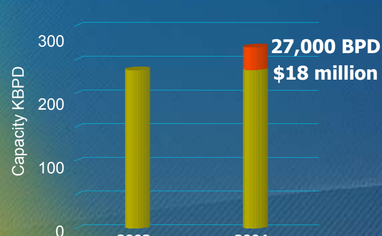
- Corridor Pipeline
  > Single source of supply – no throughput risk
  > Backed by 25 year ship-or-pay contracts with Shell Canada (60%), Chevron Canada (20%) and Western Oil Sands (20%)
  > Earnings based on a cost of service approach with recovery of all operating costs
  > Low risk asset

Competitive Advantages

- Customer Focused
  - > Flexible toward taking appropriate risks that provide value for customers
- Project Development
  - > Solutions tailored to meet customer needs
  - > Lever off existing platforms
- Project Execution – On Time and On Budget
  - > Corridor Pipeline construction
  - > Trans Mountain Pipeline and Express-Platte Pipeline expansions

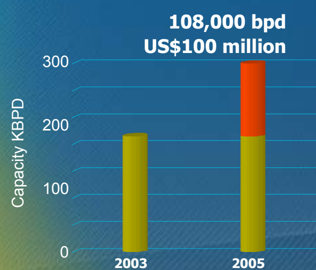
Key Initiatives: Trans Mountain Upgrade

- Strong West Coast demand has resulted in capacity apportionment for most of 2003/04
- Now in service



Key Initiatives: Express Expansion

- Feeds PADD IV demand growth
- Model for acquisitions
  > Good fit and organic growth



Key Initiatives: Express Opportunities

Key Initiatives: Corridor Expansion/Bison

- Linked to expansion plans for Athabasca Oil Sands Project
  - > Increase bitumen production to 290,000 bpd by 2010
- Will require looping of Corridor system – the Bison project
- Estimated cost $300+ million
  - > Depending on configuration
- Opportunities for third party shipper volumes
- Status: Examining options with Anchor tenant

Key Initiatives: Heartland Terminal

- Up to 7 million bbls of tank and cavern storage 50km N.E. of Edmonton
- Connections to Oil Sands pipelines and to Edmonton hub
- Estimates: $30 – $120 million
- Initial in-service date of 2006 with completion by 2010
- Status: working on commercial arrangements with customers; regulatory process

Key Initiatives: TMX Expansion

- Trans Mountain upgrade was the first step
- Oil Sands supply is actively seeking new markets
- Match with continued import growth on U.S. West Coast and Asia
- Status: Working with customers on options and volume support

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Key Initiatives: TMX Expansion

- Further 550,000 bpd capacity to either Northern or Southern port
- TMx1 plus Southern option C$2.2 billion
- TMx1 plus Northern option C$2.9 billion
- Full range of potential options to match marketing plans of Producers

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TMX Advantages – Staged Expansion

- Capacity additions timed to meet supply and demand growth
  - > Allows wait and see
  - > Progressive decisions reduces risk to producers and pipeline
- Ability to add horsepower as early as 2006 to match supply
- First looping complete by late 2007

TMX Advantages – Markets

Flexibility to support the customer's market choices

- Washington State
  - > Increase of existing business
  - > Simplicity of pipeline deliveries
- California
  - > Replace declining domestic production
  - > Tanker sizes match current limitations
- Asia
  - > Looking for new sources of crude supply
  - > VLCC sized tankers improve economics

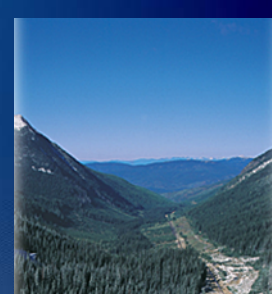
TMX Advantages – Marine Exports

Westridge Marine Terminal

- 50 years of experience
- Expansion to fully support laden Aframax tankers
  - > Improved quality
  - > Can handle all expansion volumes
- Northern Option
  - > New terminal in Kitimat or Prince Rupert
  - > Staging allows time for decision on this option

TMX Advantages – Costs

- Terasen’s 50 yrs of experience building and operating pipelines through rugged terrain
- Staging reduces individual project size to manage capital cost risks
- TMX tolling consistent with established principles
  - > Roll in for common service to common location
  - > Competitive tolls without subsidy



Conclusion

Looking After the Base Business

- ‘Top of the class’ pipeline operator and developer underpins a stable base business
- Cash flow stability through managing throughput risks

Capitalize on Oil Sands Growth

- Variety of expansion opportunities on existing systems
- Opportunities with low-risk infrastructure projects
- Potential acquisitions provide incremental upside

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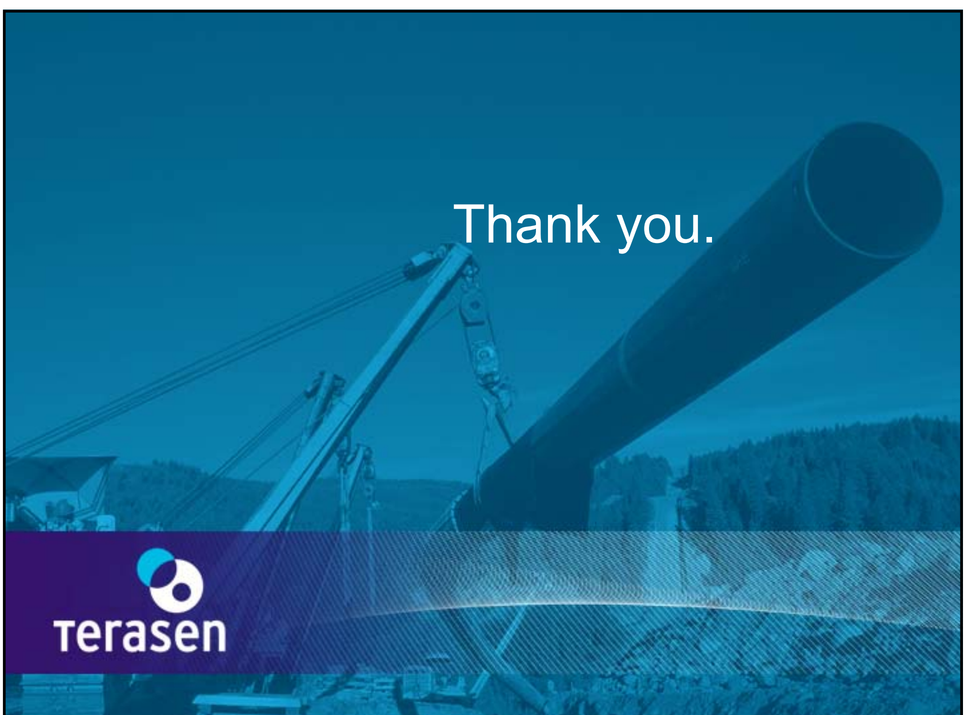

Terasen Water and Utility Services

Brett Hodson
President, Terasen Water and Utility Services

Terasen

Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

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Our Opportunity

- High growth industry and long term sustainable market
  - > Demand is greater than supply
  - > Approximately $100 billion in water infrastructure investments needed in Canada over next 20 years
  - > Opportunities for attractive returns from low risk greenfield infrastructure investments

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Our Opportunity

- Highly fragmented industry
  - > Growth through acquisition and small systems consolidation
  - > Aggregating fragmented water services businesses in Western Canada

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Our Opportunity

- Alignment with core businesses
  - > Same core skills and values as gas utility business
- Attractive valuations among comparable group
  - > North American water companies trading at 22 times forward earnings

Our Opportunity: Value Proposition

- Water business characterized by many separate small water and sewer utilities
  - > Typical municipally owned
  - > Enormous duplication
- Terasen can present growing municipalities with an option to significantly lower their costs of water services

Our Opportunity: Value Proposition

- Risk/return profile to Terasen investors is comparable to natural gas distribution
- End state – a water LDC business comparable to Terasen Gas

Capabilities

Capabilities

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 75 systems in over 40 communities

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Capabilities

- Entered market with water products business — acquired customer relationships
- Terasen brings capabilities at all points on the water distribution value chain
- Flexible solutions to meet individual requirements
- Capability to deliver integrated solutions

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Capabilities

CustomerWorks

- Customer care joint venture outsourced to Accenture
- Provides call centre and billing capabilities
- Generates steady earnings stream through Accenture involvement

Capabilities – Risk Management

- Maintaining best-in-class operational and safety skills
- Focus on annuity contracts and municipal utility franchise acquisitions
- Fairbanks acquisition – a typical, regulated water LDC

Competitive Advantages

- Ability to lever off core competencies and process without additional overhead
- Community focus
- Flexible solutions – supplies to services to operations to ownership

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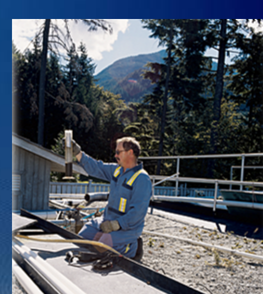
Competitive Advantages

- Efficient project/construction management skills
- Use resources on numerous projects and communities
  - > Higher utilization rates



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Key Initiatives: Growth Opportunities

- Pursuing high potential municipal sewer and water projects
- Target builders of unique communities
- Lever competencies in gas/ propane system design, construction and operations
- Use initial contracts in part of value chain to expand to other activities

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Key Initiatives: Fairbanks Acquisition

- Municipal water and sewer utility privatized to local investors in 1997
  - > Example of a successful water utility privatization
  - > Example of what we want the water business to become
- 50% interest acquired to retain local knowledge and expertise of existing management
  - > Option to acquire 100% in 2009

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Key Initiatives: Fairbanks Acquisition

- Regulated by Regulatory Commission of Alaska
  - > 70% equity component, 13+% allowed ROE
  - > Revenue requirement application scheduled for 2005
- Terasen brings technical expertise and resources
- Several complementary growth opportunities
  - > Military base privatization
  - > Other municipal/city water utility in Alaska
  - > Other gas utilities

Key Initiatives: B.C. and Alberta Growth Opportunities

Two examples:

- City of Langford, B.C.
  - > Victoria suburb has outsourced sewer ownership and operations to Terasen
  - > Expected Terasen investment of $12 million over 10 years, total investment of $30 million
- Rockyview, Alberta
  - > Municipal district surrounding Calgary selected Terasen to build, operate and manage water and sewer system
- Specific market focus is small to medium sized communities that need to support rapid growth

Conclusion

- Utilizing utility asset management skills in a growing market
- Positive contributor to near-term earnings growth
- Positioned to be a significant growth driver in the next decade
- End state – a water LDC business comparable to Terasen Gas

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Thank you.

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Terasen Inc.

Steve Swaffield

Senior Vice President,
Corporate Development

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Overview

- Growth Philosophy
- Areas of Growth
- Decision Filters
- Non-Strategic Areas
- Sources of Capital
- Conclusion

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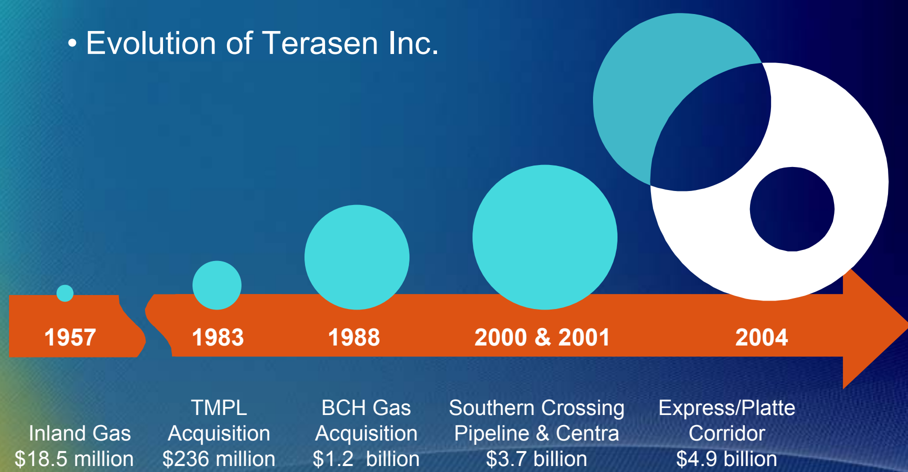
Growth Philosophy

• Evolution of Terasen Inc.



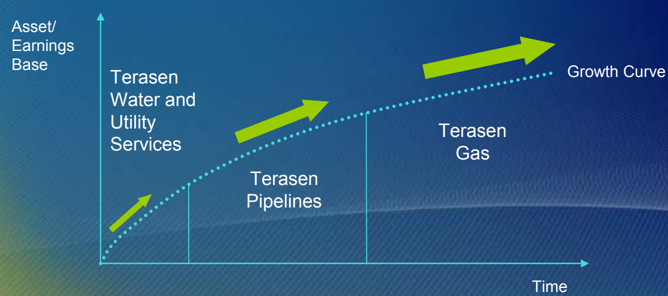
Growth Philosophy

• Strategic Direction
• Leadership
• Functional Support
• Growth Management

Terasen
Terasen Gas
Terasen Pipelines
Terasen Water & Utility Services

Growth Philosophy

- Business at different stages of growth
- Providing a portfolio of growth opportunities
- Platform provides the option of entering adjacent businesses



Areas of Growth – Terasen Gas

Organic

- Customer attachments in line with regional economic growth

Greenfield

- Vancouver Island LNG
- Whistler Pipeline
- Inland Pacific Connector

M&A

- Gas and electric LDC acquisitions
- Building on our existing footprint

Areas of Growth – Terasen Pipelines

Organic
- Maximizing throughput on existing pipelines

Greenfield
- Express expansion ongoing
- Corridor expansion/Bison
- TMX expansion
- Heartland Terminal

M&A
- Acquisition of petroleum and products pipelines
- Building on our existing footprint

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Areas of Growth –Terasen Water & Utility Services

Organic
- Additional contracts in B.C. and Alberta

Greenfield
- B.C. and Alberta (e.g. Langford and Rockyview)

M&A
- Municipally and privately owned water utilities (e.g. Fairbanks)

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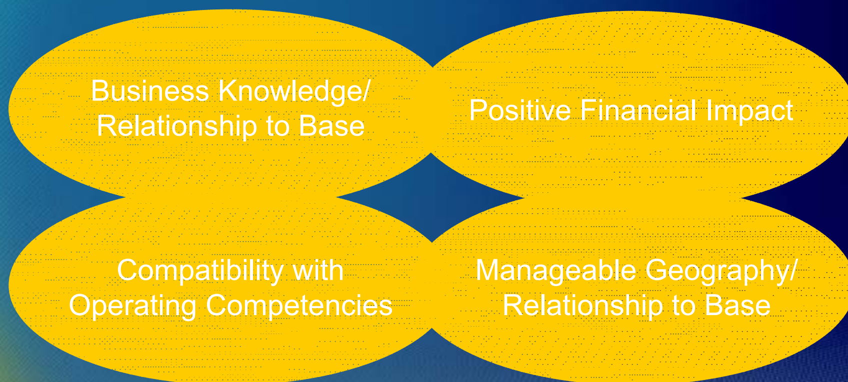
Decision Filters



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Decision Filters

- Business knowledge/relationship to base
  - > Consistent with existing risk profile
  - > Ensure successful integration
- Compatibility with operating competencies
  - > Value creation through pipeline or utility asset management competencies

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Decision Filters

- Geographic fit
  > Maximizes value opportunities
- Positive financial impact
  > Earnings accretive
  > Growth opportunities from greenfield investments and/ or retained synergies
  > DCF of returns

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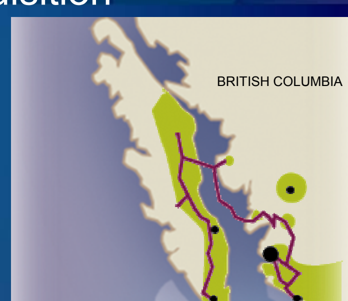
Case Study: TGVI Acquisition

Acquisition Date:	March 2002
Equity Price:	$333 mln
2002 Earnings:	$23 mln
P/E Multiple:	14.5x
2003 Earnings:	$26 mln
P/E Multiple:	12.8x



Strategic Fit	
Business Knowledge/Relationship to Base	✓
Compatibility with Operating Competencies	✓
Positive Financial Impact	✓
Manageable Geography/Relationship to Base	✓

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Case Study: Express Acquisition

Acquisition Date:	January 2003
Equity Price:	$207 mln
2002 Earnings:	$13 mln
P/E Multiple:	15.5x
2003 Earnings:	$14 mln
P/E Multiple:	14.8x

Strategic Fit

Business Knowledge/Relationship to Base	✓
Compatibility with Operating Competencies	✓
Positive Financial Impact	✓
Manageable Geography/Relationship to Base	✓

Non-Strategic Areas

- International
- Commodity exposure
  - > Power generation
  - > Upstream oil and gas
- Retail services
- Clean Energy

Sources of Capital

- Ready access to capital for the right opportunities
  - > Capital markets are supportive
  - > Pension funds provide a competitive financing alternative
- Income trusts and MLPs are nice to have but not essential

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Conclusion

- Organic growth opportunities and greenfield expansions are the platform for growth
- Pursuing acquisitions vigorously, but with discipline
- Acquisition efforts are focused

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Thank you.

Terasen Inc.

Gordon Barefoot

Senior Vice President, Finance and
Chief Financial Officer

Overview

- Financial Objectives
- Financing Strategy
- Financial Reporting
- Conclusion

Financial Objectives

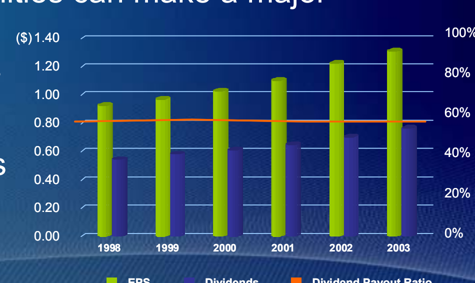
- Generate shareholder value
  - > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

Generate Shareholder Value

- Consistent delivery of earnings and dividend growth
  - 7.2% Annual EPS Growth
  - 7.0% Annual DPS Growth

Generate Shareholder Value

- Deliver minimum 6% EPS growth consistently while maintaining low-risk profile
- Strong track record of earnings growth
- Organic growth opportunities can make a major contribution to achieving long-term growth targets
- Acquisitions can help to meet and exceed targets



Generate Shareholder Value

Deliver 10% + shareholder returns over time

Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	**30%**	**17%**	**14%**	**16%**
TSX Utilities Index	**27%**	**14%**	**10%**	**12%**
TSX Composite Index	**27%**	**-1%**	**7%**	**9%**

For the period ended December 2003

Total Shareholder Returns

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Strong Balance Sheet and Credit Ratings

- Minimum 33% equity component
  - > Consistent with average deemed equity components in operating units
  - > Consistent with low business risk profile
- Ensure that new investments are financed appropriately to their risk and return profile
- Surplus equity will be returned to shareholders if growth opportunities are not available

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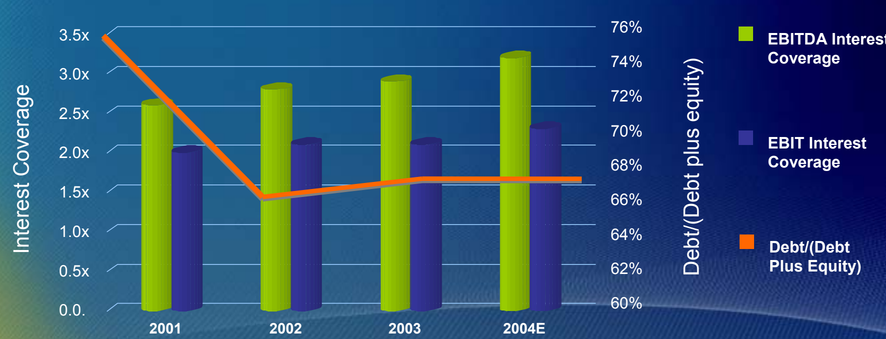
Strong Balance Sheet and Credit Ratings

- Strengthened financial position
- “A” credit ratings from Moody’s and DBRS with stable outlook



Ensure Access to Low-Cost Capital

- Pension fund structure delivers cost of capital to compete effectively with income trusts and MLPs
- Share valuation provides strength to capitalize on value-creating M&A opportunities

Financing Strategy

- Balance sheet is actively managed to ensure that capitalization is optimal
  - > Share repurchases and new equity issuance as needed
  - > Mitigates the problems of having excess equity
- Strong, low-risk portfolio of assets ensures reliable access to capital
  - > Recent issue of 10-year Terasen Inc. bonds was distributed to 34 major institutional investors

Financial Strategy

- Existing assets generating free cash flow to finance organic growth opportunities

(C$) millions	2004E
Operating Cash Flow	300
Maintenance Capital	(110)
Dividends	(95)
Free Cash Flow	95

Financial Strategy

- Major new acquisitions in the near term would require new equity
- TMX project would also require new equity
  > Requirement would likely not arise until 2007

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Financial Strategy

- All available sources of equity will be considered if new equity is required to support investment opportunities
  > Conventional treasury issuance
  > Asset monetization
  > Hybrid equity
  > Financial partners
- Income trusts a less likely option for closely regulated LDCs

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Financial Strategy

Financing requirements

- TGVI and Corridor debt to be refinanced with long-term debt
  - > Corridor: In progress
  - > Terasen Gas (Vancouver Island): Spring 2005
  - > TGVI and Corridor facilities represent most of the scheduled long-term debt maturities in 2006
- Some Terasen Gas refinancing planned for 2005

Financial Reporting

- Financial reporting reflects transparent business model
- Fully compliant with OSC requirements for CEO/CFO certification
- Reported earnings from each significant legal entity in Q1/03
- Segmented Water and Utility Services results in Q1/04
- Included income statements for each segment in quarterly MD&A in Q2/04

Conclusion

- Terasen has a strong track record of delivering on our financial objectives
- Balance sheet is actively managed to ensure efficiency while maintaining financial strength
- Current financing structure provides competitive advantage in the ownership of low-risk infrastructure assets
  - > Matches low business risk with strong balance sheet

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Thank you.

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Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

Terasen's Total Shareholder Return
December 31, 1994 – October 31, 2004

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Thank you.

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Investor Presentation

Gordon Barefoot
Senior Vice President, Finance and Chief Financial Officer

Terasen Inc. (TER-TSX)

September 2004

Forward Looking Statements

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2003 Annual Information Form, and other filings available on SEDAR.

Terasen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Presentation Overview

- Who We Are
- Our Value Proposition
- Core Value Strategies
- Summary

Terasen – Who We Are

A company engaged in the transportation of energy and the provision of related utility management services

Two core businesses:

- Natural Gas Distribution
  - Strong, low-risk gas utility franchises
- Petroleum Transportation
  - Continental scope – leverage to Alberta oil sands growth

One emerging business:

- Additional growth potential from emerging waterworks and utility services businesses

Terasen – Who We Are

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines (33.3% ownership)
  - Water & Utility Services
    - Terasen Utility Services
    - Terasen Waterworks
    - Customerworks (30% ownership)

Terasen – Where We Are

- Western Canadian base
- Continental opportunities

Natural Gas Distribution

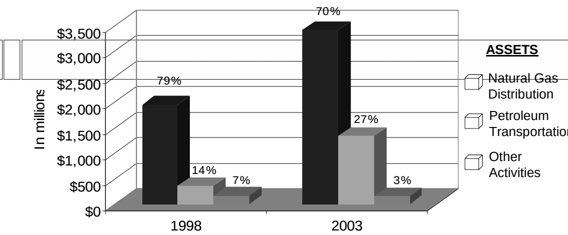
Petroleum Transportation

Our Value Proposition

- **Focused** on our regulated businesses
- **Reliable** and consistent results from low risk businesses
- **Growing** and steadily outperforming through value creation

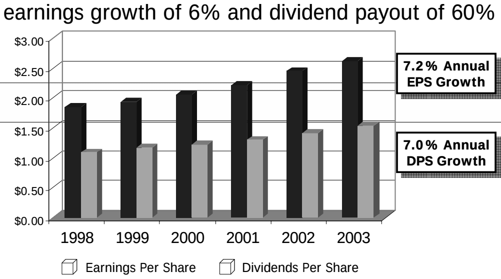
Focused

Growth in regulated assets – more than doubling since 1998 – has provided the base for growth in value



Reliable

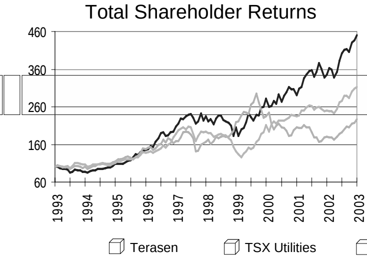
Consistent results from low risk businesses – target earnings growth of 6% and dividend payout of 60%



Growing

Consistent outperformance through value creation

Total Shareholder Returns



Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	30%	17%	14%	16%
TSX Utilities Index	27%	14%	10%	12%
TSX Composite Index	27%	-1%	7%	9%

For the period ended December 2003

Core Value Strategies

- **Operational excellence** within incentive regulation
- **Focused growth** based on value creation
- **Financial excellence** ensuring access to competitive sources of capital

Operational Excellence

Within Incentive Regulation

- 97% of assets are regulated – strong regulatory relationships and performance-based regulatory settlements
  - Very limited throughput risk
  - No commodity price risk
- Demonstrated top quartile asset management capabilities
- Commitment to the highest level of corporate governance
- Proactive risk identification and mitigation strategies

Focused Growth

Based On Value Creation

Our growth strategies are based on the belief that

- Overall economic growth is closely correlated to energy demand growth
- Economic growth in the Pacific Northwest will drive gas supply infrastructure growth in Western Canada
- The Alberta Oil Sands in particular will become an increasingly economic and meaningful source of supply of petroleum to the continental United States

Financial Excellence

Ensuring Access To Competitive Sources Of Capital

- Sustaining superior equity return levels
- Maintaining strong balance sheet and credit ratings
- When necessary, work with advantaged cost of capital partners

Terasen Gas – Operational Excellence

Regulatory Frameworks

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Incentives for managing operating and capital costs
  - Incentive regulation has been in place since 1994
- Terasen Gas (Vancouver Island) settlement in place
  - Three year term beginning in 2003
  - Allowed ROE set 0.50% above Terasen Gas
- Operational integration of Terasen Gas & TGVI complete
  - Implemented Q4/03

Terasen Gas – Operational Excellence

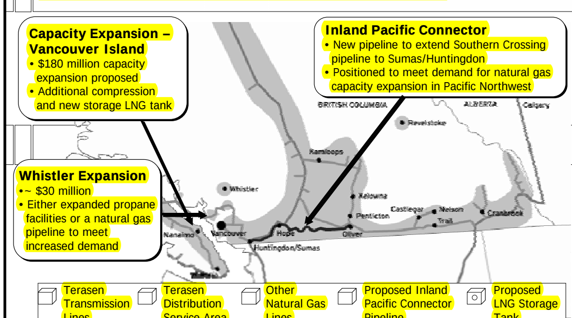
Asset Management

- Track record of exceeding productivity targets in incentive regulatory settlements
- Top-rate Canadian gas distribution utility on the measures of customers per employee and operating costs per customer
- Regulatory arrangements include service quality indicators to ensure appropriate service levels are maintained

Terasen Gas – Focused Growth

- Organic growth in terms of customer and consumption growth is low
  - Approximately 1% per annum (± 8,000 customers)
- Growth in transmission supply opportunities to meet total gas demand – two proposed projects:
  1. Vancouver Island generation needs
  2. Inland Pacific Connector

Terasen Gas – Focused Growth



Terasen Pipelines – Operational Excellence

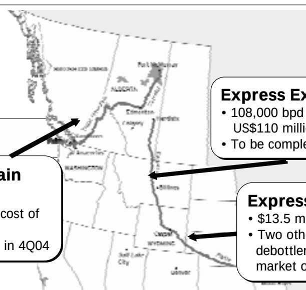
Regulatory Framework

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
  - 79% of post expansion capacity fully committed
- Corridor Firm Service Agreement
  - Future incentive opportunities

Terasen Pipelines – Focused Growth

- Providing competitive transportation linkages between oil sands producers and continental refinery demands
- Supply push/demand pull
  - One million barrels per day of oil sands production growing to three million barrels per day in ± 20 years
  - Existing pipelines at or near full capacity
- Three projects underway
- Three proposed projects

Terasen Pipelines – Focused Growth



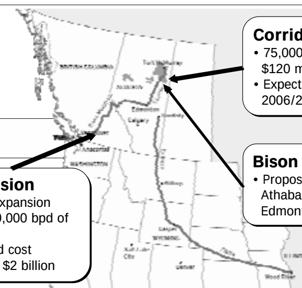
Express Expansion
- 108,000 bpd at a total cost of US$110 million
- To be completed in 2Q05

Trans Mountain Expansion
- 27,000 bpd at a cost of $16 million
- To be completed in 4Q04

Express Expansion
- $13.5 million
- Two other projects – debottlenecking and additional market opportunities

Petroleum Pipelines Alberta Oil Sands Deposits

Terasen Pipelines – Focused Growth



Corridor Expansion
- 75,000 bpd at a cost of $120 million
- Expected completion 2006/2007

Bison Pipeline
- Proposed pipeline from the Athabasca oil sands to the Edmonton area

TMX Expansion
- Three-stage expansion
- Additional 640,000 bpd of capacity
- Total expected cost approximately $2 billion

Petroleum Pipelines Alberta Oil Sands Deposits

Terasen Pipelines – Focused Growth

TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
  - Option of Northern leg after phase I and phase II
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

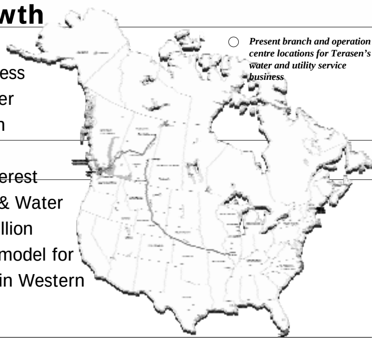
Terasen Pipelines – Focused Growth

TMX Timeline

- Marketing campaigns with shippers initiated in August
- Discussions with shippers through fall/winter 2004
- Expect decision in early 2005
- TMX1 could be in operation by late 2008

Terasen Water and Utility Services – Focused Growth

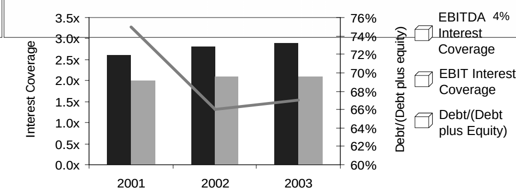
- An infrastructure management business
- Largest private water services company in Western Canada
- Acquired a 50% interest in Fairbanks Sewer & Water (FSW) for US$30 million
- FSW will provide a model for other opportunities in Western North America



Financial Excellence

Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings have been reaffirmed by Moody's [A3] and DBRS [A (low)]



Financial Excellence

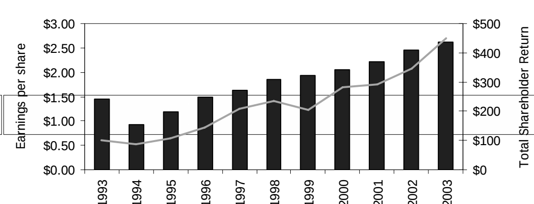
Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund structure provides an alternative option for financing – synthetic income trust

Why Invest in Terasen?

- Focused – discipline to say "no" to transactions
- Reliable – low-risk regulated businesses with strong regulatory relationships and proven ability to execute
- Growing – track record of earnings and dividend growth, and visible growth opportunities in core businesses

Why Invest in Terasen?



10-year Compound Annual Growth Rate:

Earnings Per Share	6.1%
Total Shareholder Return	16.3%

Investor Relations Contact

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Appendix:
Financial Highlights

Market Details

Recent price[1]	$24.50
Shares outstanding (mln)	104.0
Market capitalization (mln)[1]	$2,553
52-week high/low[1]	$25.00/$19.10
Dividend per share	$0.78
Earnings per share (2004E[2])	$1.40
Dividend yield	3.3%
Price/2004E earnings per share	17.5x

[1] As at August 26, 2004
[2] Based on FirstCall consensus estimates

Financial Details

	2003
Total revenue ($mln)	$1,877
EBITDA ($mln)	$1,644
Net earnings ($mln)	$133
Operating cash flow per share	$5.20
Total assets ($mln)	$4,915
Return on common equity	10.7%
Dividend payout ratio	0.60
Interest coverage ratio	2.1
Debt to total equity	67%

Natural Gas Distribution

	2003
Total revenue (mln)	$1,498
Kilometres of pipelines	43,777
Total customers	862,000
Terasen Gas Inc.	
Rate base (mln)	$2,259
Allowed rate of return	9.15%
Terasen Gas Vancouver Island	
Rate base (mln)	$454
Allowed rate of return	9.65%

Petroleum Transportation

	2003	
Total revenue (mln)	$200	
Kilometres of pipelines	4,720	
Transportation volumes (barrels per day)		**Total Capacity[1]**
Trans Mountain – Canadian mainline	216,100	245,300
Trans Mountain – U.S. mainline	54,600	166,000
Express System	171,200	172,000

[1]Based on light crude volumes

![BC Gas]

Investor Presentation

April 2003

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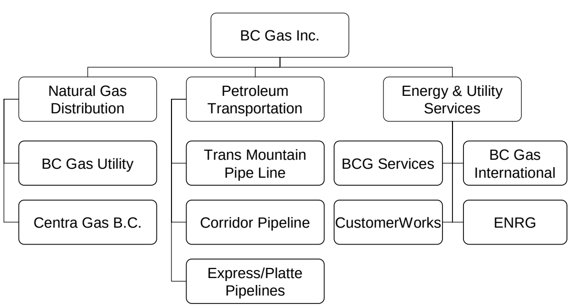
Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Value Creation

Corporate Overview

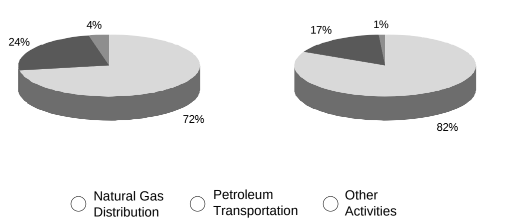


Corporate Overview

Corporate Overview

Assets: $4,522 million
(Dec. 31, 2002)

Operating Income: $336 million
(12 months ended Dec. 31, 2002)

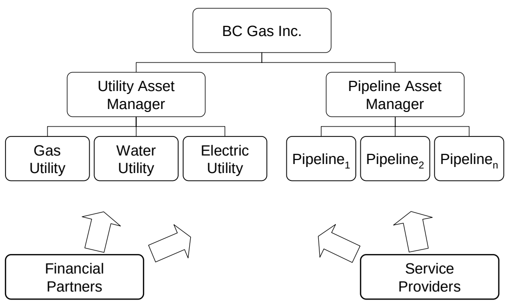


Strategic Vision

- Leading provider of energy transportation and utility asset management services
- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision

BC GAS INC. > STRATEGIC VISION

Strategic Vision



BC GAS INC. > STRATEGIC VISION

Strategic Vision

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Strong Regulatory Relationships

- BC Gas Utility renewal process underway
  - 2003 Revenue Requirement decision received
  - Will form basis for new multi-year incentive settlement
- Centra Gas settlement agreed upon
  - 3 year term beginning in 2003
  - Continues existing incentive and deferral mechanisms
  - Allowed ROE increased by 0.375%
  - Integration opportunities

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Strong Regulatory Relationships

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to TMPL
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Asset and Risk Management

- Cost Management
  - BC Gas Utility and TMPL have performed well against incentive targets
  - BC Gas Utility best performer among Canadian gas utilities on operating cost measures
- Service Quality
  - Public safety / service quality levels maintained or enhanced

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Asset and Risk Management

- Risk management a key priority
- Recognized leadership in corporate governance
- Recognized leadership in environmental performance & sustainability

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Asset and Risk Management

- 96% of assets and 99% of operating income are regulated
  - Major growth is in regulated activities
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

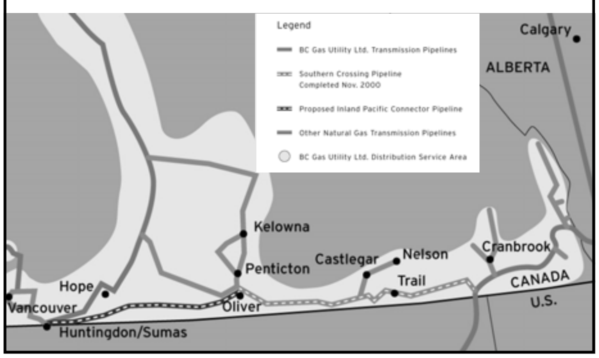
VALUE DRIVERS > BUSINESS DEVELOPMENT

Grow From Core Competencies

- Organic growth from base businesses
  - Natural gas distribution – customer growth
  - TMPL – throughput growth
- Multi-utility services
  - Water supplies and services
- Related Businesses
  - BC Gas International
  - CustomerWorks
  - ENRG

VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects



VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects

Natural Gas Pipelines

- Southern Crossing Pipeline
  - Completed on-time, on-budget
  - In service Nov. 2000
- Inland Pacific Connector
  - Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects

VALUE DRIVERS > BUSINESS DEVELOPMENT

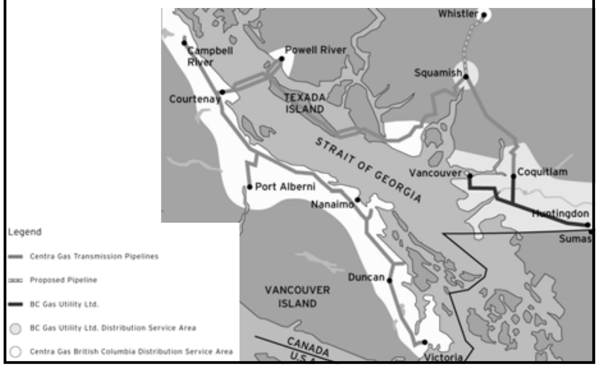
New Infrastructure Projects

Petroleum Pipelines

- Corridor Pipeline
  - Links Muskeg River Mine to Scotford Upgrader
  - Completed on-time, on-budget
  - In service 2nd quarter 2003
- Bison Pipeline Proposal
  - Heated bitumen pipeline to link other oil sands leases with Edmonton
  - Discussions continuing with producers

VALUE DRIVERS > BUSINESS DEVELOPMENT

Selective Acquisitions – Centra Gas



VALUE DRIVERS > BUSINESS DEVELOPMENT

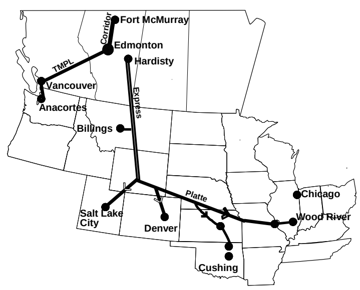
Selective Acquisitions

Centra Gas B.C.

- Logical acquisition within existing service area
- Upside opportunities:
  - New power generation facilities
  - Increased penetration rates
  - Incentive regulation
- Acquired 1st quarter 2002
- Immediately accretive; integration opportunities

VALUE DRIVERS > BUSINESS DEVELOPMENT

Selective Acquisitions – Express Pipeline



VALUE DRIVERS > BUSINESS DEVELOPMENT

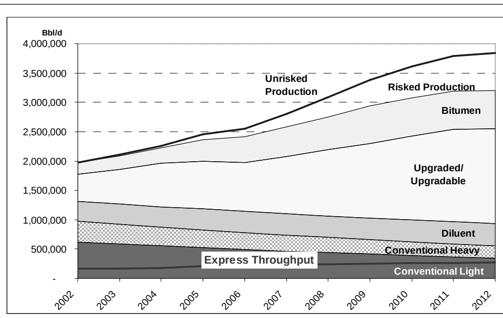
Selective Acquisitions

Express/Platte Pipeline System

- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Opportunity for Canadian production to displace alternative sources of crude in lower PADD II (Midwest)
- Acquired January 2003

VALUE DRIVERS > BUSINESS DEVELOPMENT

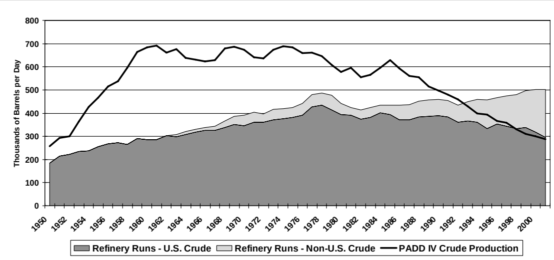
Supply Push:
Western Canada Crude Supply Forecast



Source: First Energy

VALUE DRIVERS > BUSINESS DEVELOPMENT

Demand Pull:
PADD IV Crude Supply and Demand



- The widening crude deficit will be entirely satisfied by Canadian producers.

VALUE DRIVERS > BUSINESS DEVELOPMENT

Expansion Opportunity

- Capacity on Express Pipeline can be expanded by more than 60% inexpensively
- Expected BC Gas EPS contribution from Express expansion of at least $0.10 per share
- Expansion may be feasible as early as late 2004

VALUE DRIVERS > FINANCIAL EXCELLENCE

Access to Low Cost Capital

- Express acquisition consortium formed
  - BC Gas/TMPL – manager/operator
  - Borealis Capital – subsidiary of OMERS
  - Ontario Teachers
- Each partner holds equal 1/3 interest
- Partnership matches financial capabilities with operating and management expertise
- Potential for other future opportunities

VALUE DRIVERS > FINANCIAL EXCELLENCE

Access to Low Cost Capital

- Ensuring reliable access to capital
  - Recent equity issue strengthens balance sheet
  - Target capital structure set at 67% debt, in line with deemed Utility capital structure

Consolidated Capital Structure:

	Dec/00	Dec/01	Dec/02
Debt	71%	74%	68%
Equity	29%	26%	32%

VALUE DRIVERS > FINANCIAL EXCELLENCE

Financing Requirements

- Refinancing of Corridor’s construction financing with long-term debt ($400-525 million)
- Refinancing of maturing BC Gas Utility long-term debt ($150 million)
- BC Gas Inc. debt issuance to repay commercial paper ($100 million)

BC GAS INC. > VALUE CREATION

Summary

- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

terasen

Fixed Income Investor Presentation

November 2003

Investor Relations Contact
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Forward Looking Statements

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Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Summary

TERASEN INC. > STRATEGIC VISION

Corporate Overview

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Terasen International
    - Clean Energy

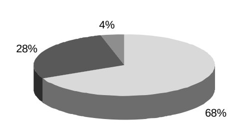
TERASEN INC. > STRATEGIC VISION

Corporate Overview

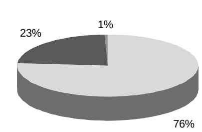
TERASEN INC. > STRATEGIC VISION

Corporate Overview

Assets: $4,820 million
(Sept. 30, 2003)



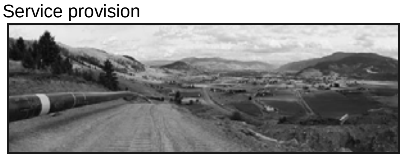
Operating Income: $370 million
(12 months ended Sept. 30, 2003)



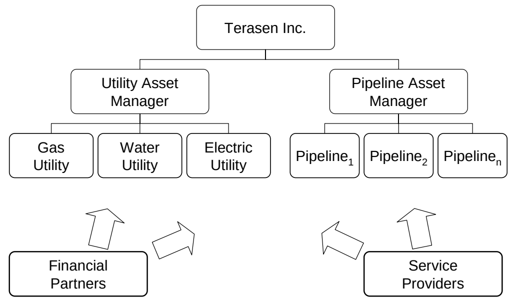
Natural Gas Distribution
Petroleum Transportation
Other Activities

Strategic Vision

- Leading provider of energy transportation and utility asset management services
- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision



Strategic Vision



Strategic Vision

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

Strong Regulatory Relationships

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Similar to 1998-2001 regulatory settlement
  - New deferral accounts for insurance and pension costs
- Terasen Gas (Vancouver Island) settlement agreed upon
  - Three year term beginning in 2003
  - Allowed ROE increased by 0.375%
- Operational integration is under way

Strong Regulatory Relationships

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

Asset and Risk Management

- 96% of assets and 99% of operating income are regulated
  - Major growth is in regulated activities
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

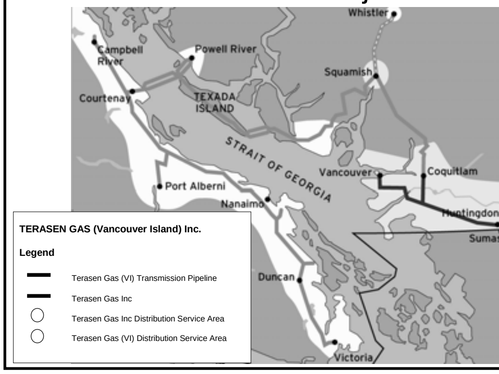
VALUE DRIVERS > BUSINESS DEVELOPMENT

Grow From Core Competencies

- Organic growth from base businesses
  - Natural gas distribution – customer growth
  - Trans Mountain – throughput growth
- Multi-utility services
  - Water supplies and services
- Related businesses
  - Terasen International
  - CustomerWorks
  - Clean Energy

VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects



VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects

- Capacity expansion to Vancouver Island
  - New on-Island power generation needed
  - $180 million capacity expansion proposed
    - $80 million for additional compression
    - $100 million for a new LNG tank

VALUE DRIVERS > BUSINESS DEVELOPMENT

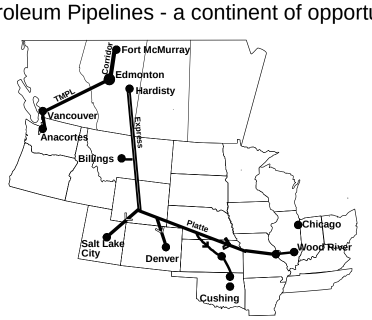
New Infrastructure Projects

- Inland Pacific Connector
  - New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
  - Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

VALUE DRIVERS > BUSINESS DEVELOPMENT

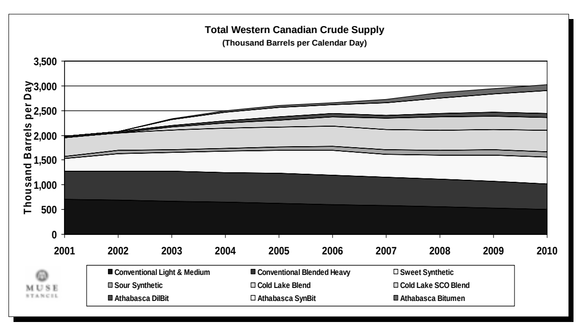
New Infrastructure Projects

- Petroleum Pipelines - a continent of opportunities



VALUE DRIVERS > BUSINESS DEVELOPMENT

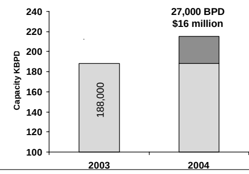
New Infrastructure Projects



VALUE DRIVERS > BUSINESS DEVELOPMENT

Trans Mountain Pipeline

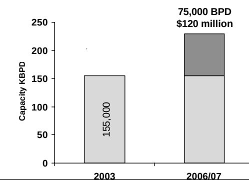
- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



VALUE DRIVERS > BUSINESS DEVELOPMENT

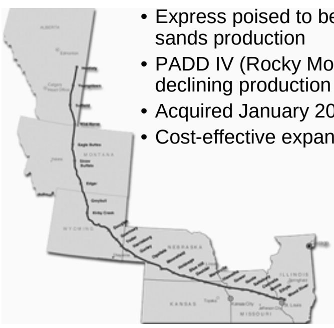
Corridor Pipeline

- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003

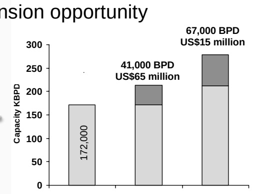


VALUE DRIVERS > BUSINESS DEVELOPMENT

Express Pipeline

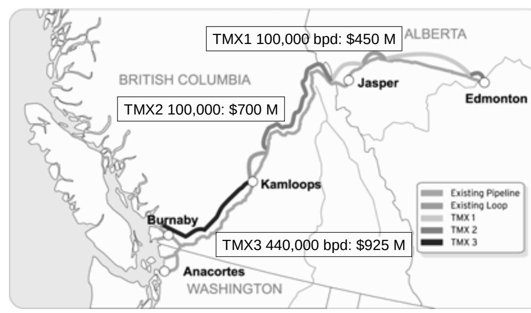


- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Acquired January 2003
- Cost-effective expansion opportunity



VALUE DRIVERS > BUSINESS DEVELOPMENT

TMX Project – Staged Looping



VALUE DRIVERS > FINANCIAL EXCELLENCE

Access to Low Cost Capital

- Express acquisition consortium formed
  - Terasen – manager/operator
  - Borealis Capital – subsidiary of OMERS
  - Ontario Teachers
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital without the funding risk of income trusts or MLPs
- Potential for other future opportunities

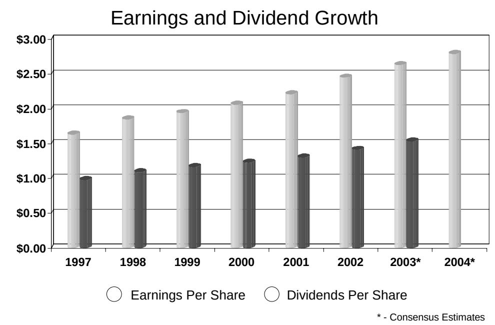
VALUE DRIVERS > FINANCIAL EXCELLENCE

Access to Low Cost Capital

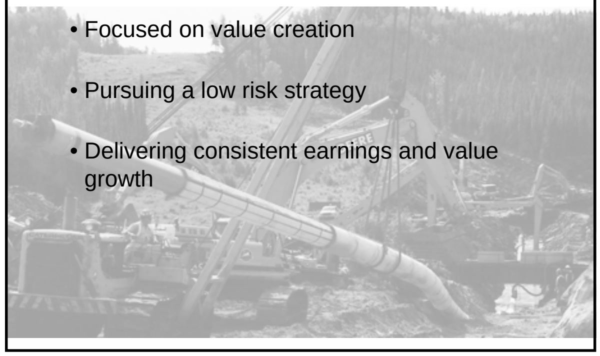
	2001	2002	Q3/03
Debt/(Debt+Equity)	75%	66%	68%
EBITDA Interest Coverage	2.6x	2.8x	3.0x
EBIT Interest Coverage	2.0x	2.1x	2.2x

- Strengthened financial position
- “A” credit ratings have been reaffirmed by Moody’s and DBRS

Consistent Value Creation



Summary



- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

BC GAS INC.

Fixed Income Investor Presentation

November 2001

Investor Relations Contact
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www.bcgas.com

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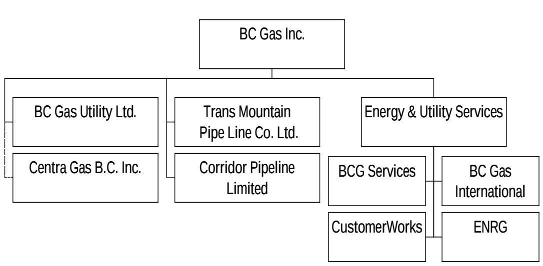
Presentation Overview

- Corporate Overview
- Financial Results
- Strategic Plan
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
- Summary

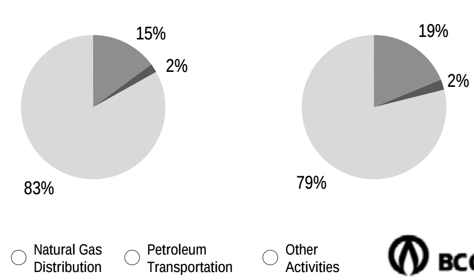
Corporate Structure



Segmented Contributions (2000)

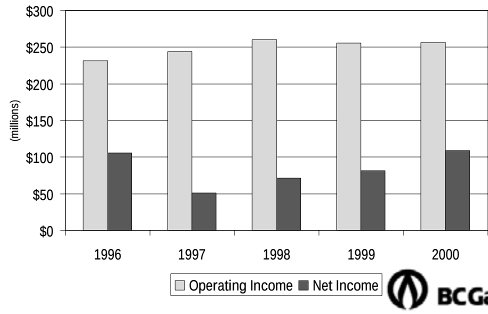
Assets: $3,513 million

Operating Income: $257 million



BC GAS INC. > FINANCIAL RESULTS

Operating & Net Income



BC Gas

BC GAS INC. > FINANCIAL RESULTS

Financial Ratios

	1998	1999	2000
Debt/(Debt+Equity)	73%	71%	71%
EBITDA Interest Coverage	2.8x	2.8x	2.9x
EBIT Interest Coverage	2.1x	2.1x	2.2x
Non-Consolidated Interest Coverage	16.0x	10.2x	12.6x

Strong, stable credit profile.

BC Gas

BC GAS INC. > STRATEGIC PLAN

What Differentiates BC Gas?

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

BC Gas

BC GAS INC. > STRATEGIC PLAN

Business Activities - 1995

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION	○	○		○
TRADING		○		
TRANSPORTATION	○	○		
SERVICES		○		

BC Gas

BC GAS INC. > STRATEGIC PLAN

Business Activities - 2005

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION				
TRADING				
TRANSPORTATION	○	○	○	○
SERVICES		○	○	○

○ Strengthen and Expand Our Base Businesses
○ Grow From Our Core Competencies

BC Gas

BC GAS INC. > STRATEGIC PLAN

Financial Targets

- EPS Growth
  - 6%+ per year
- Return on Equity
  - 12% or higher
- Capital Structure
  - 30% equity, 70% debt
- EBIT Interest Coverage
  - 2.0 times or higher

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - Settlements expire Dec. 2001(BC Gas) and Dec. 2002 (Centra)
- Coordinating regulatory settlements for BC Gas/Centra in context of emerging provincial energy policy

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- BC Gas revenue requirement application withdrawn for 2002
  - 2002 rates remain at 2001 levels
  - Provides a bridge to a new multi-year settlement to be arranged for BC Gas and Centra
  - Reflects the preferred framework of a new multi-year settlement: margin cap

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

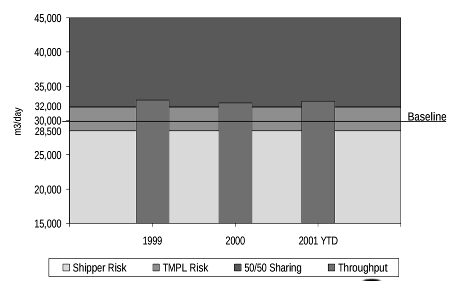
Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
  - No escalation of tolls for inflation
- Trans Mountain assumes limited throughput risk
  - No limit to shared upside, downside floor
- Incentives for additional throughput
  - Tanker loadings

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation



BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Southern Crossing Pipeline

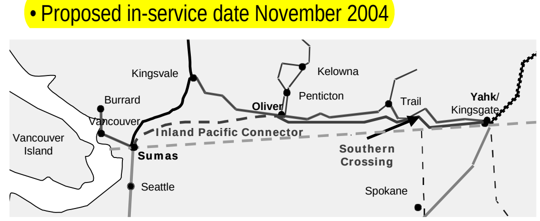
- Put in service November 2000
  - On time, on budget
- Expanding customer choice in gas supply
- Partial solution to supply-demand imbalance in Pacific Northwest
  - Next step: Inland Pacific Connector

BC Gas

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Inland Pacific Connector

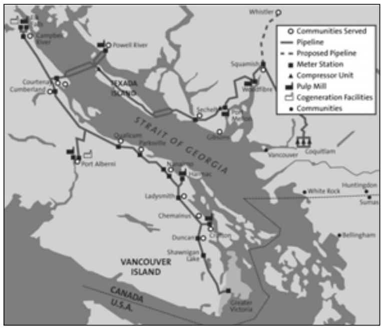
- $495 million, 246 km pipeline to extend Southern Crossing to market hub at Sumas
- Currently firming up expressed shipper interest
- Proposed in-service date November 2004



BC Gas

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Centra Gas B.C.



BCGas™

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Centra Gas B.C.

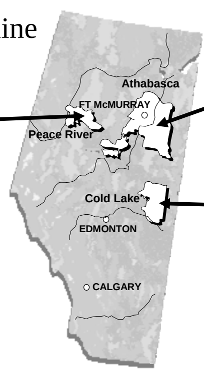
- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

BCGas™

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor Pipeline

200 Billion Barrels



1300 Billion Barrels

200 Billion Barrels

A Huge Resource

BCGas™

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
- Shell has announced plans to expand output of Muskeg River Mine by 70,000 bbl/day by 2005-2010
  - To be followed by new 300,000 bbl/day mine

BCGas™

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services
- ENRG (55% owned)
  - Formerly BCG eFuels
  - Largest provider of alternative vehicle fuels in North America

BCGas™

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

Growing From Our Core Competencies

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Will be immediately profitable, with growth potential

BCGas™

Business Risk

- Regulated operations comprise 98% of assets and operating income
- Regulation is progressive and positive, providing protection against a variety of business risks
  - e.g. gas sales (including weather), cost of gas, petroleum throughput

Business Risk

- Non-regulated activities are focused and low-risk
  - No international equity investments
  - No non-regulated energy trading
  - No high-risk investments in retail energy services
- Major initiatives reinforce high-quality, low risk business mix
  - Southern Crossing Pipeline
  - Corridor Pipeline
  - Centra Gas acquisition

Financing Plans

- BC Gas Utility Ltd.
  - Will continue as a stand-alone debt issuer
  - Debt issuance for routine refinancings and modest rate base growth
  - $500 million shelf filing includes a provision for unanticipated requirements (e.g. deferral accounts)

Financing Plans

- Corridor Pipeline Ltd.
  - 100% debt financed with CP program until completion in early 2003.
  - Long-term debt refinancing likely post-completion as a stand-alone issuer
  - $100 million of hybrid equity (e.g. Capital Securities) to be issued by BC Gas Inc. in 2002 to partially fund equity requirements

Financing Plans

- Trans Mountain Pipe Line Co. Ltd.
  - Debentures maturing in 2002 will be refinanced through borrowings at BC Gas Inc.
  - CP program may also be refinanced at BC Gas Inc.
- BC Gas Inc.
  - $130 million of new debt at BC Gas Inc. required to finance Centra Gas B.C. acquisition ($180 million of common equity already issued)
  - Plan to refinance some existing commercial paper

Debt Financing Strategy

- Where practical, financing requirements for smaller subsidiaries and new projects to be raised by Holdco
  - Consolidates smaller borrowings into a larger, more liquid debt issuer
- Certain large subsidiaries to continue as stand-alone issuers for cost and/or regulatory reasons
  - BC Gas Utility Ltd., probably Corridor Pipeline

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in our base businesses

BC Gas™

Investor Presentation

John Reid
President and Chief Executive Officer

Terasen Inc. (TER – TSX)
February 2005

terasen

Forward Looking Statements

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terasen

Overview

- Who We Are
- Terasen's Value Proposition
- Core Value Strategies
- Summary

Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

Who we are

- Natural Gas Distribution – Strong, low-risk utility franchises
- Petroleum Transportation – Continental scope – leverage to Alberta oil sands growth
- Water & Utility Services – an emerging business providing similar utility asset management services

Terasen

Terasen Gas

Terasen Pipelines

Terasen Water & Utility Services

Terasen

Where we are

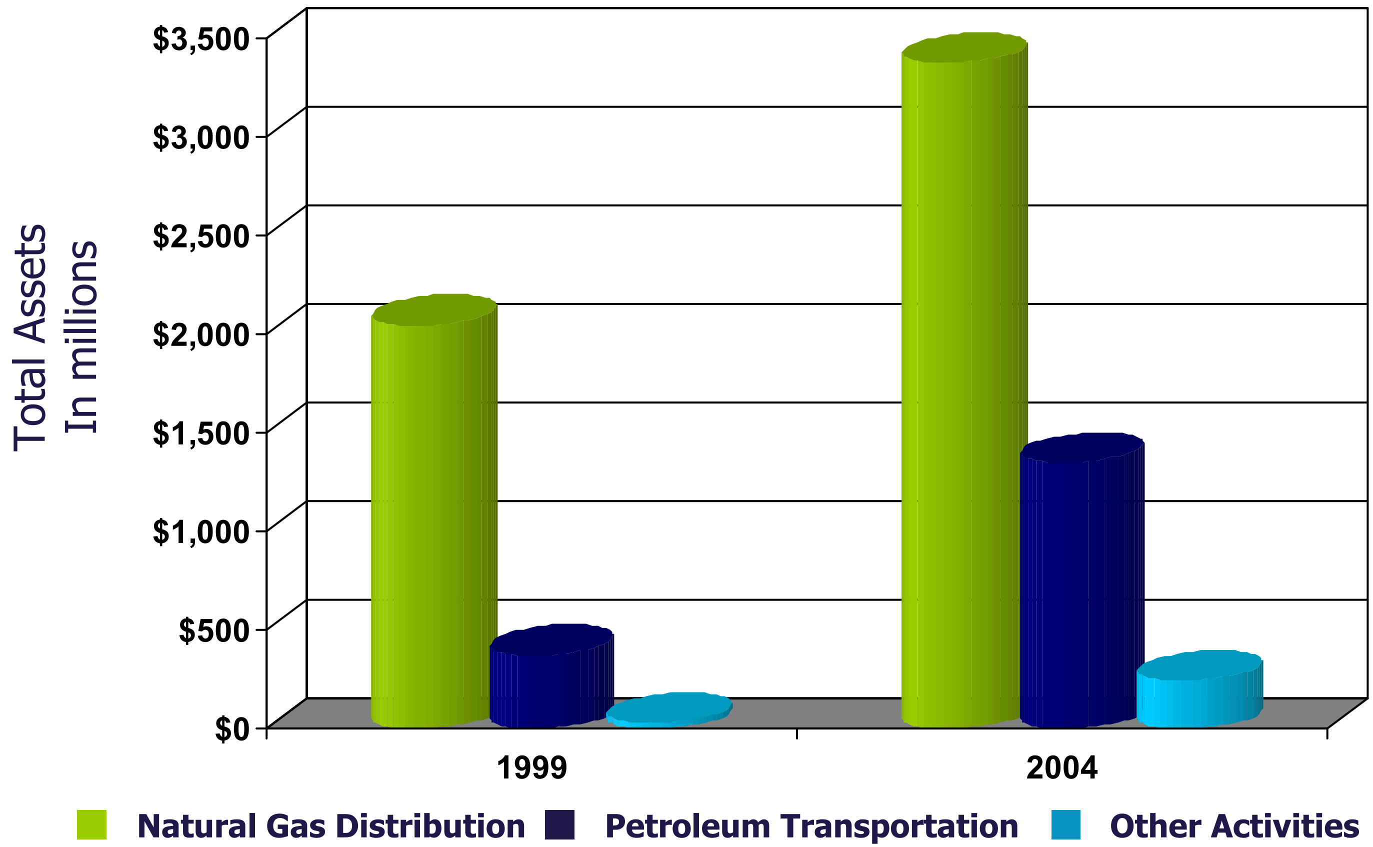
- > Western Canadian base
- > Continental opportunities

Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

Focused

- Two established core businesses
- One emerging business



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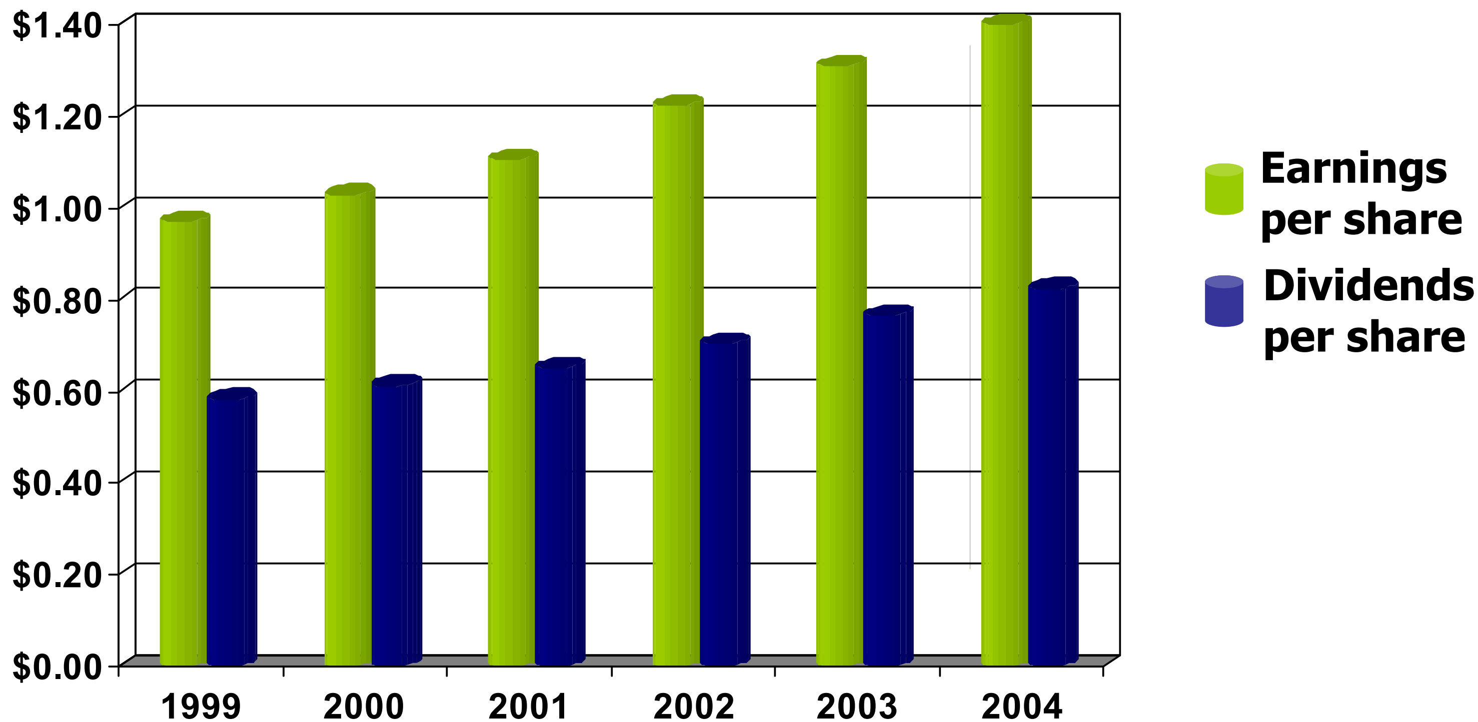

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Growing

Deliver 10% + shareholder returns over time

Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
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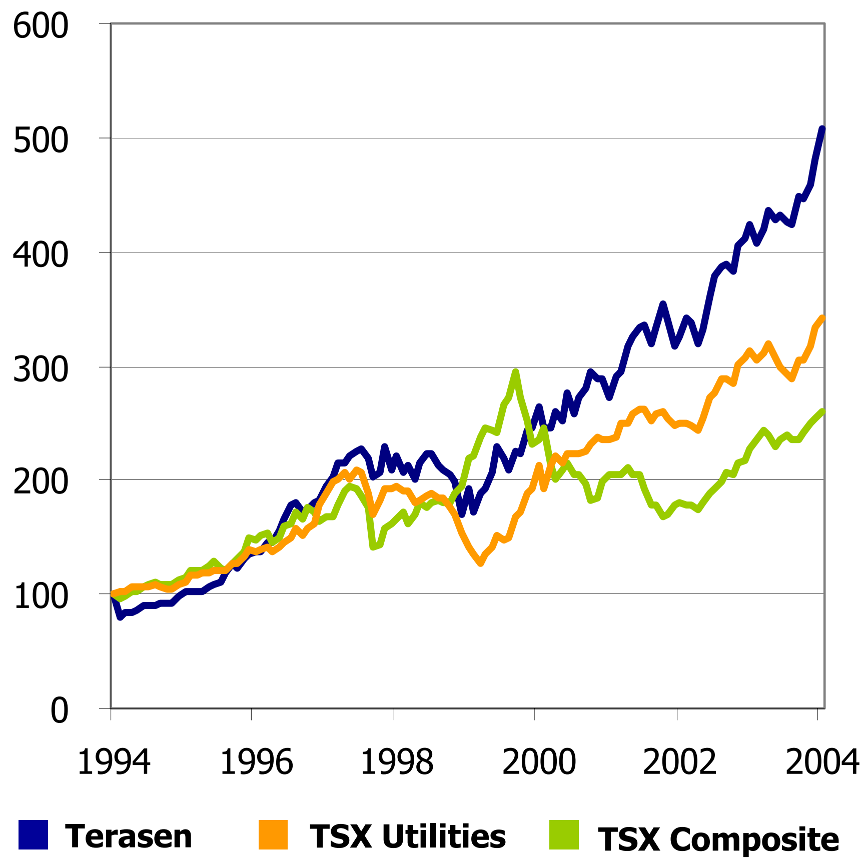

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- Economic growth closely correlated to energy demand and the need for expanded energy infrastructure
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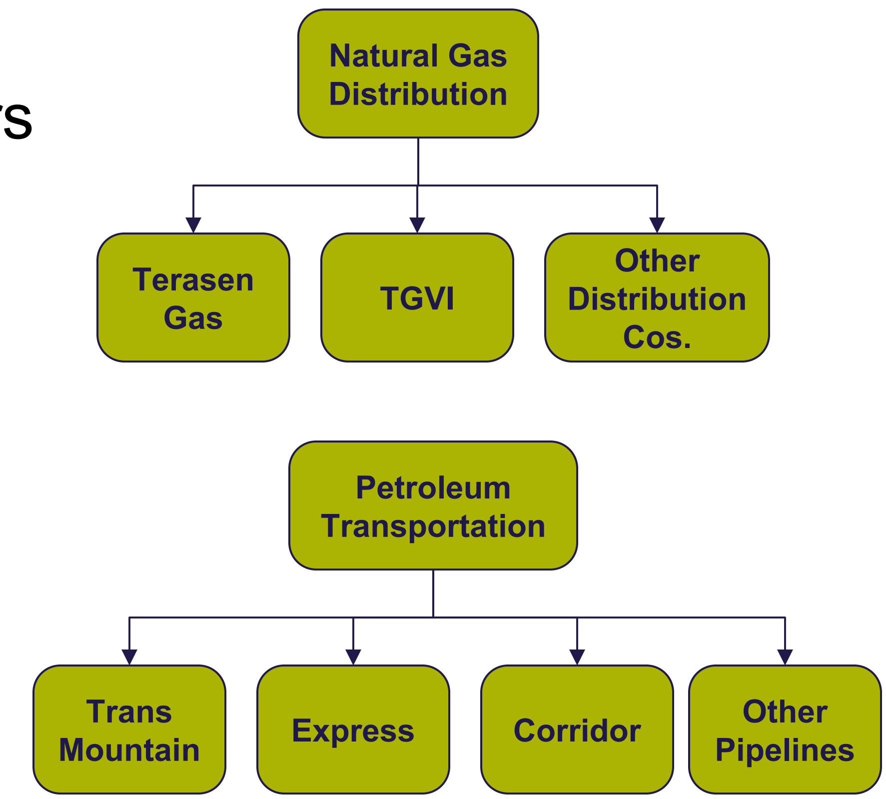

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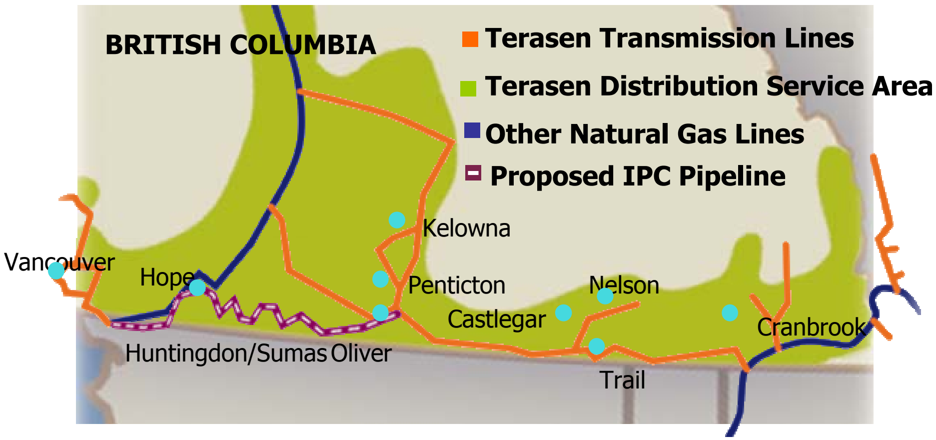

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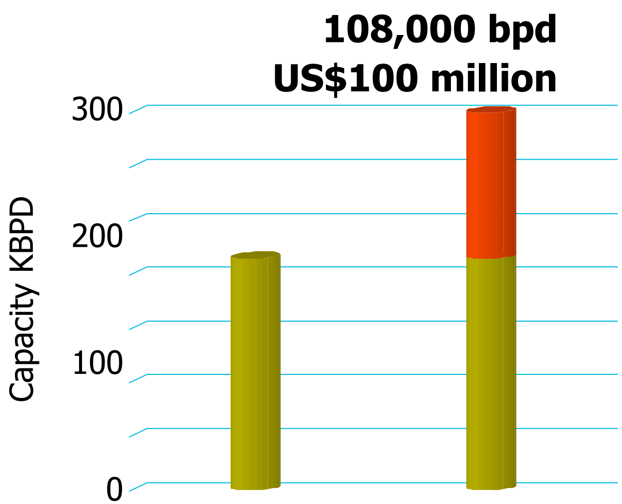

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Terasen

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- TMx1 plus Southern option C$2.3 billion
- TMx1 plus Northern option C$2.6 billion
- Full range of potential options to match marketing plans of Producers

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Growth - Water and Utility Services

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 75 systems in over 40 communities
- Successful acquisition of Fairbanks water utility in 2004

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Financial Excellence

Key Financial Objectives

- Generate shareholder value
  - > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

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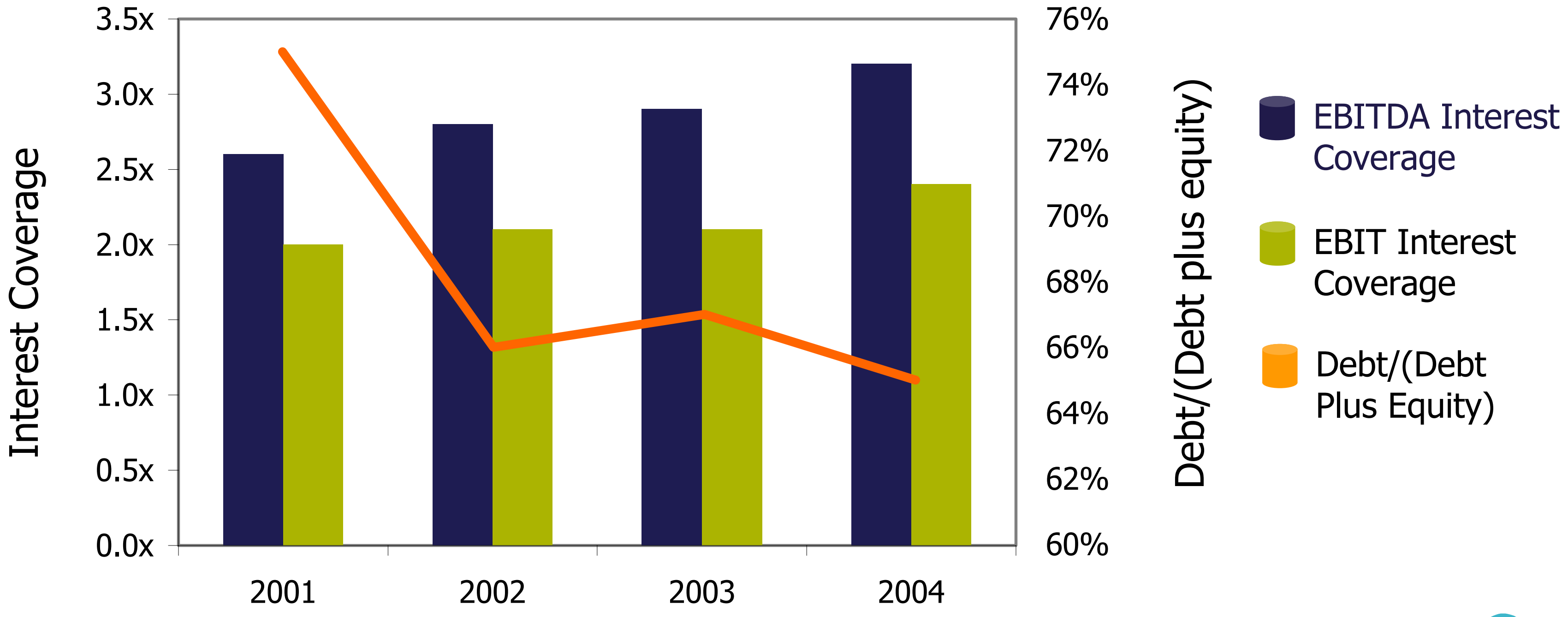
Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings from Moody's and DBRS with stable outlook



Financial Excellence

Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund structure delivers cost of capital to compete effectively with income trusts and MLPs – synthetic income trust
- Share valuation provides strength to capitalize on value-creating M&A opportunities

Value Growth Drivers 2005 – 2010

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH

- Increase shareholder value by applying core competencies and skills to a larger asset base
- Grow the assets through a combination of organic growth, greenfield expansions and accretive M&A transactions

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Senior Financial Analyst
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Appendix:
Financial Highlights

Terasen

Market Details

Recent price[1]	$29.69
Shares outstanding (mln)	104.7
Market capitalization (mln)[1]	$3,108
52-week high/low[1]	$29.91/$21.50
Dividend per share	$0.84
Earnings per share (2005E[2])	$1.50
Dividend yield	2.9%
Price/2005E earnings per share	19.8x

[1] *As at February 2, 2005*

[2] *Based on FirstCall consensus estimates*

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Market Details

	2004
Total revenue ($mln)	$1,957
EBITDA ($mln)	$524
Core operating earnings ($mln)	$147
Operating cash flow per share	$5.20
Total assets ($mln)	$4,971
Return on common equity	11.2%
Dividend payout ratio	0.59
Interest coverage ratio	2.4
Debt to total equity	65%

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Natural Gas Distribution

	2004
Total revenue (mln)	$1,494
Kilometres of pipelines	?
Total customers	875,200
Terasen Gas Inc.	
Rate base (mln)	$2,306
Allowed rate of return	9.03%
Terasen Gas Vancouver Island	
Rate base (mln)	$441
Allowed rate of return	9.53%

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Petroleum Transportation

	2004	
Total revenue (mln)	$226	
Kilometres of pipelines	?	
Transportation volumes (barrels per day)		**Total Capacity[1]**
Trans Mountain – Canadian mainline	236,100	272,300
Trans Mountain – U.S. mainline	91,700	166,000
Express System	175,300	172,000

[1]Based on light crude volumes

Terasen

Terasen Pipelines

BMO Nesbitt Burns Pipelines and Energy Utility Conference

Rich Ballantyne
President, Terasen Pipelines

Nov 12, 2003

Forward Looking Statement

Certain information in this presentation constitutes forward-looking statements. Wherever possible, words such as “anticipate”, “believe”, “expects”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to Terasen’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. Although Terasen believes that these statements are based on reasonable assumptions, a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Terasen disclaims any obligation to update or revise any forward-looking statements to reflect new events or circumstances.

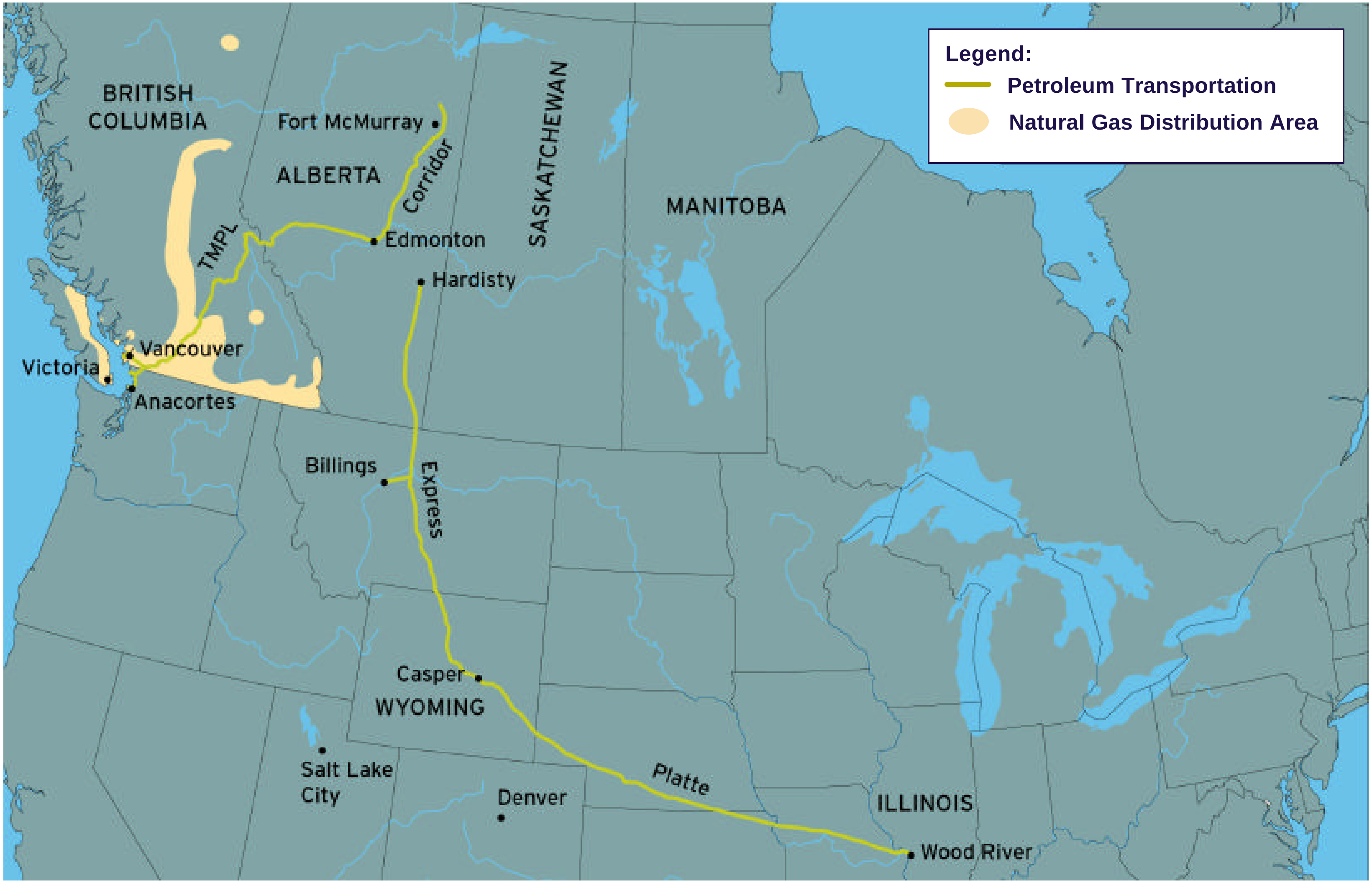
Corporate Overview

Terasen Pipelines

- **Terasen Inc.**
  - **Natural Gas Distribution**
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - **Petroleum Transportation**
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - **Energy & Utility Services**
    - Water Supplies & Services
    - CustomerWorks
    - Clean Energy
    - Terasen International

Corporate Overview

Terasen Pipelines

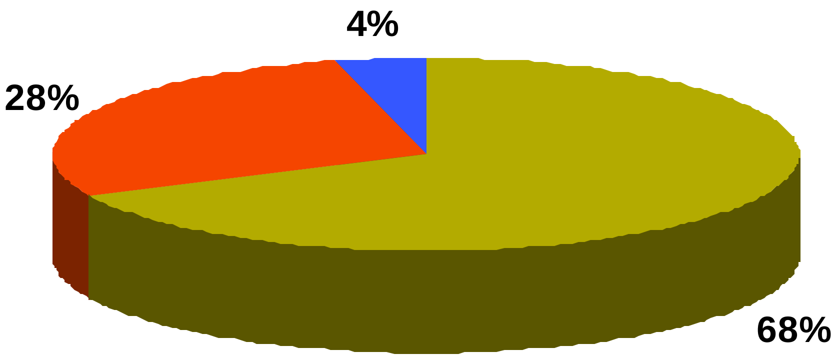


Corporate Overview

Terasen Pipelines

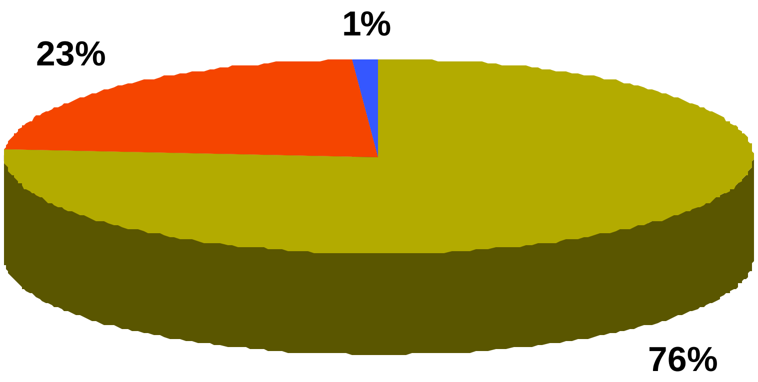
Assets: $4,820 million

(as at September 30, 2003)



Operating Income: $370 million

(12 months ended September 30, 2003)



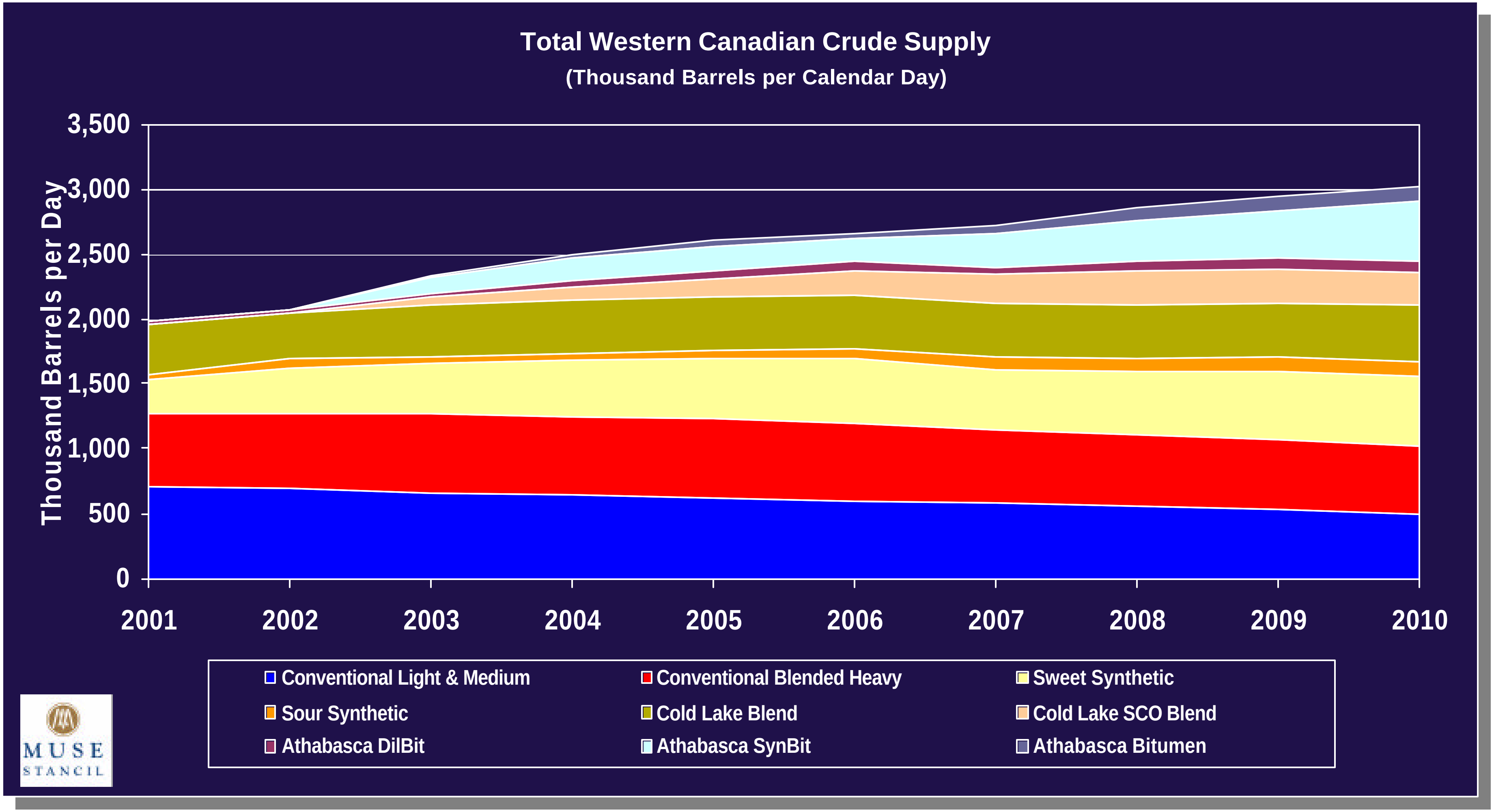
Terasen Pipelines: Key Strengths

- Demonstrated Operational Excellence
  - Safe, Reliable Transportation at Lowest Possible Cost
- Growth from Core Competencies
  - Petroleum Pipelines connecting increasing supply with increasing demand
- Technical Innovation and Attention to Customers
- Knowledge of dynamics of key markets
- Financial Strength and Innovation
- Proven track record for Project Completion

The Oilsands Prize

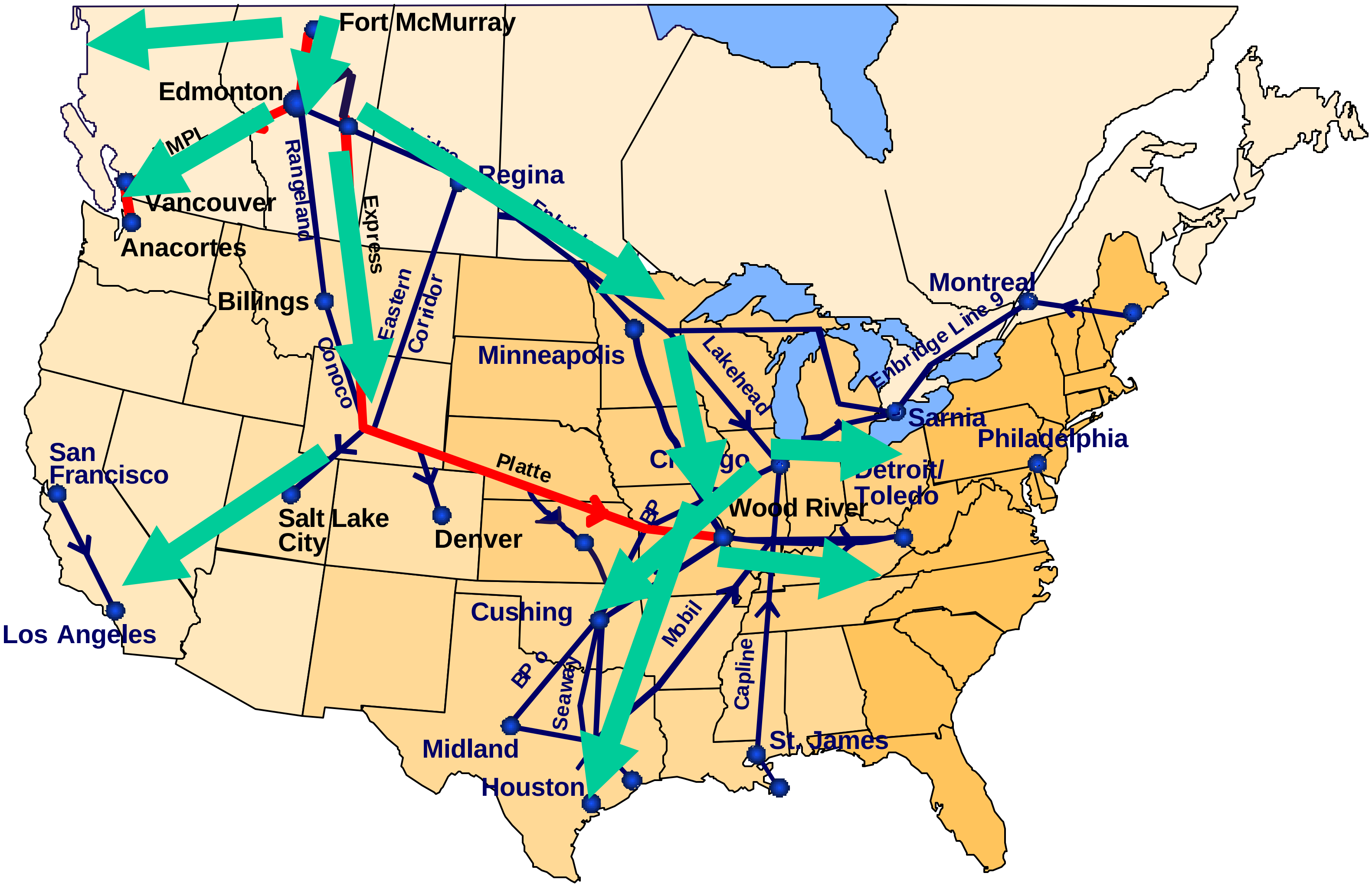
- Size of resource
  - Versus shrinking conventional production
- Conditions for development are ripe
  - Still concerns on project costs
  - Gas costs and Kyoto compliance
- Increasing demand for imported crude in U.S.
  - Security of supply for North America
- Opportunities to work closely with Producers
- Closely aligned with Terasen's key strengths
- In our back yard to capture operational synergies

More Supply….



CAPP Upper Supply Case – Total Supply

… More Opportunities



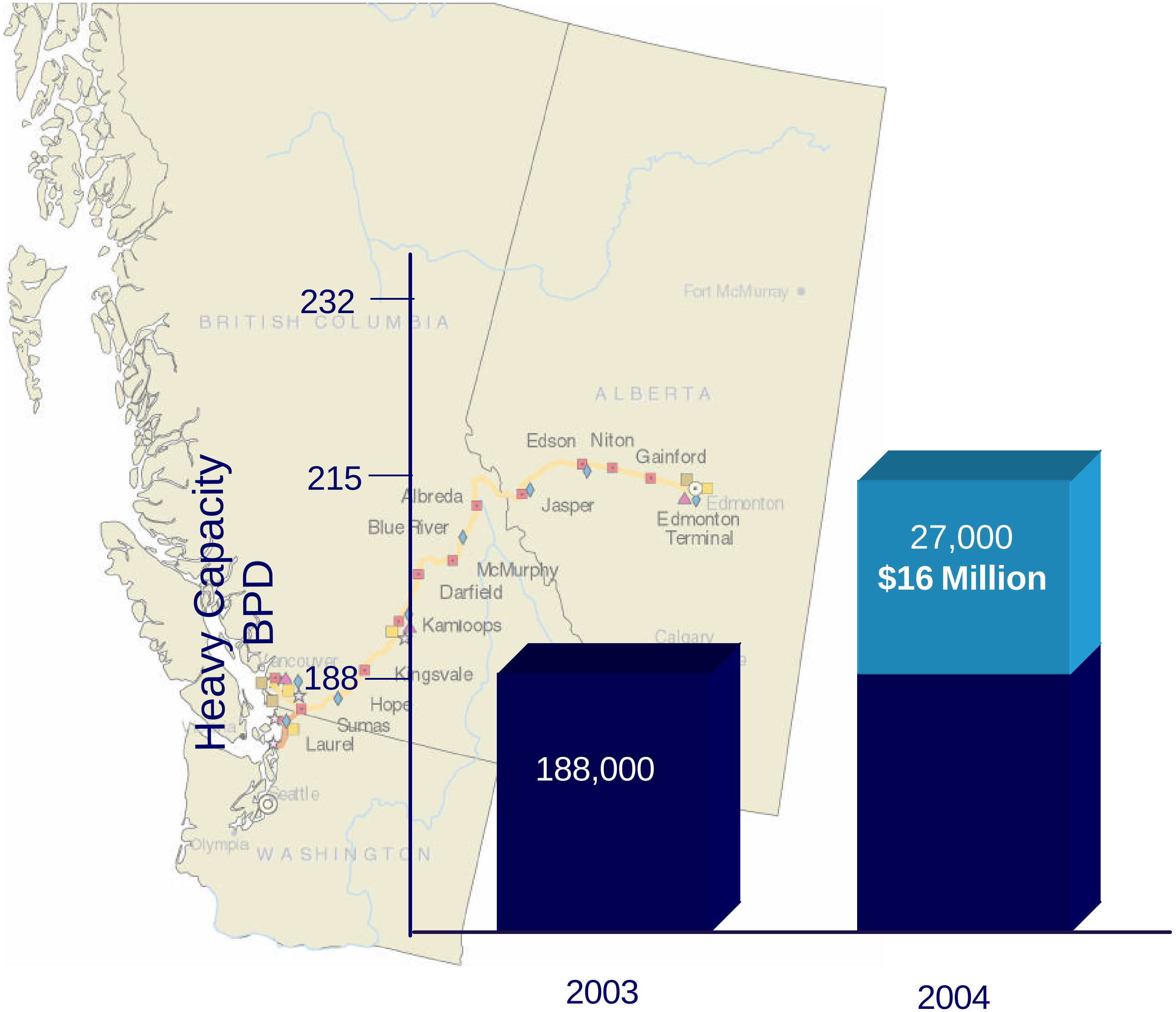
Terasen Focus

Terasen Pipelines

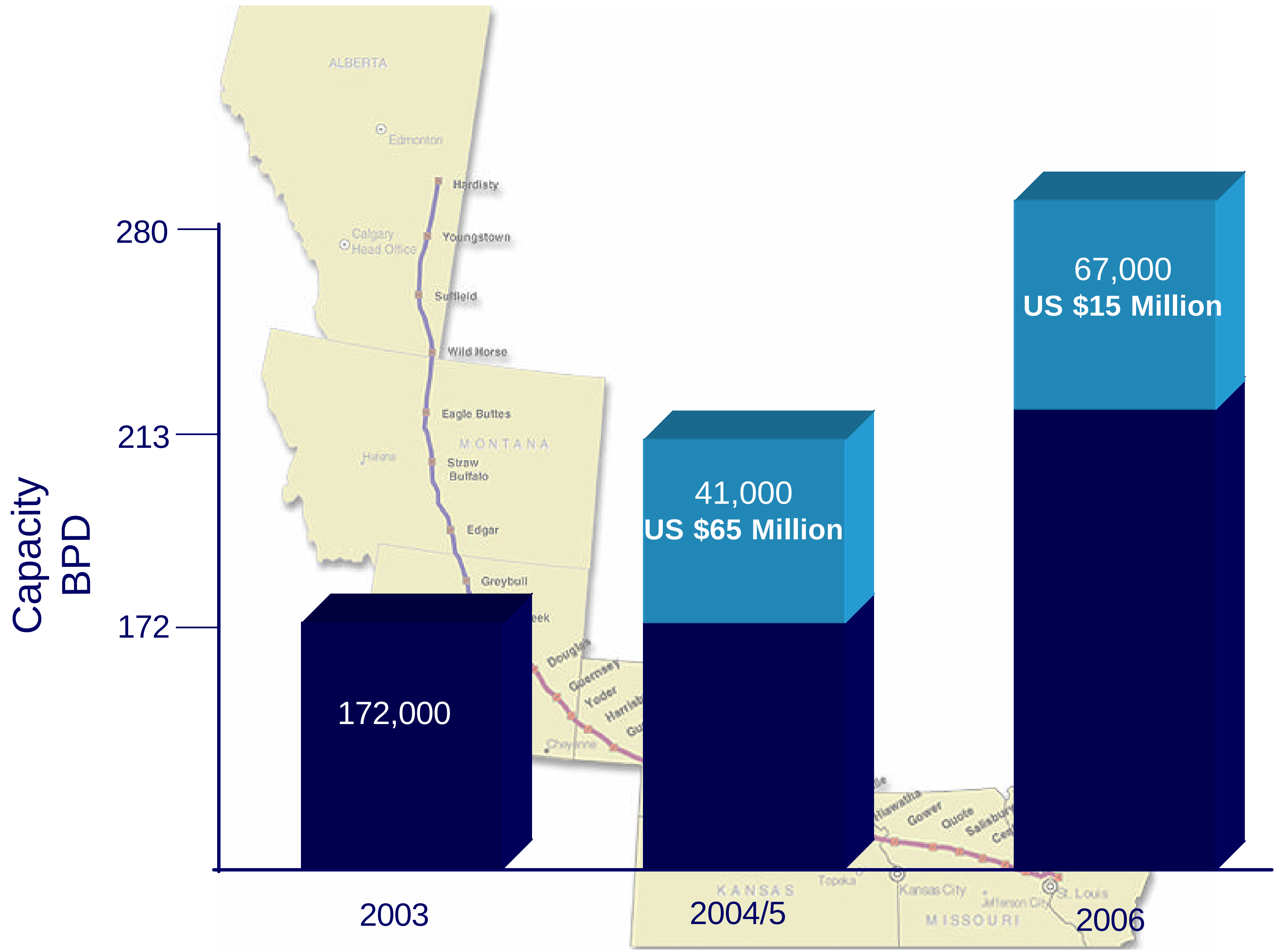
Moving New Production to Alberta Hub	Moving from Alberta Hub To Market	New Supply To Growing Markets
• Projects which fit Growth Model Corridor Expansion Bison	• Power additions to existing systems Trans Mtn Expansion Express Expansion • Projects which fit Growth Model Trans Mtn Twinning California Pipeline	• Selective Acquisitions Meeting Strategy Mid Continent Refined Products

Trans Mountain Pipeline

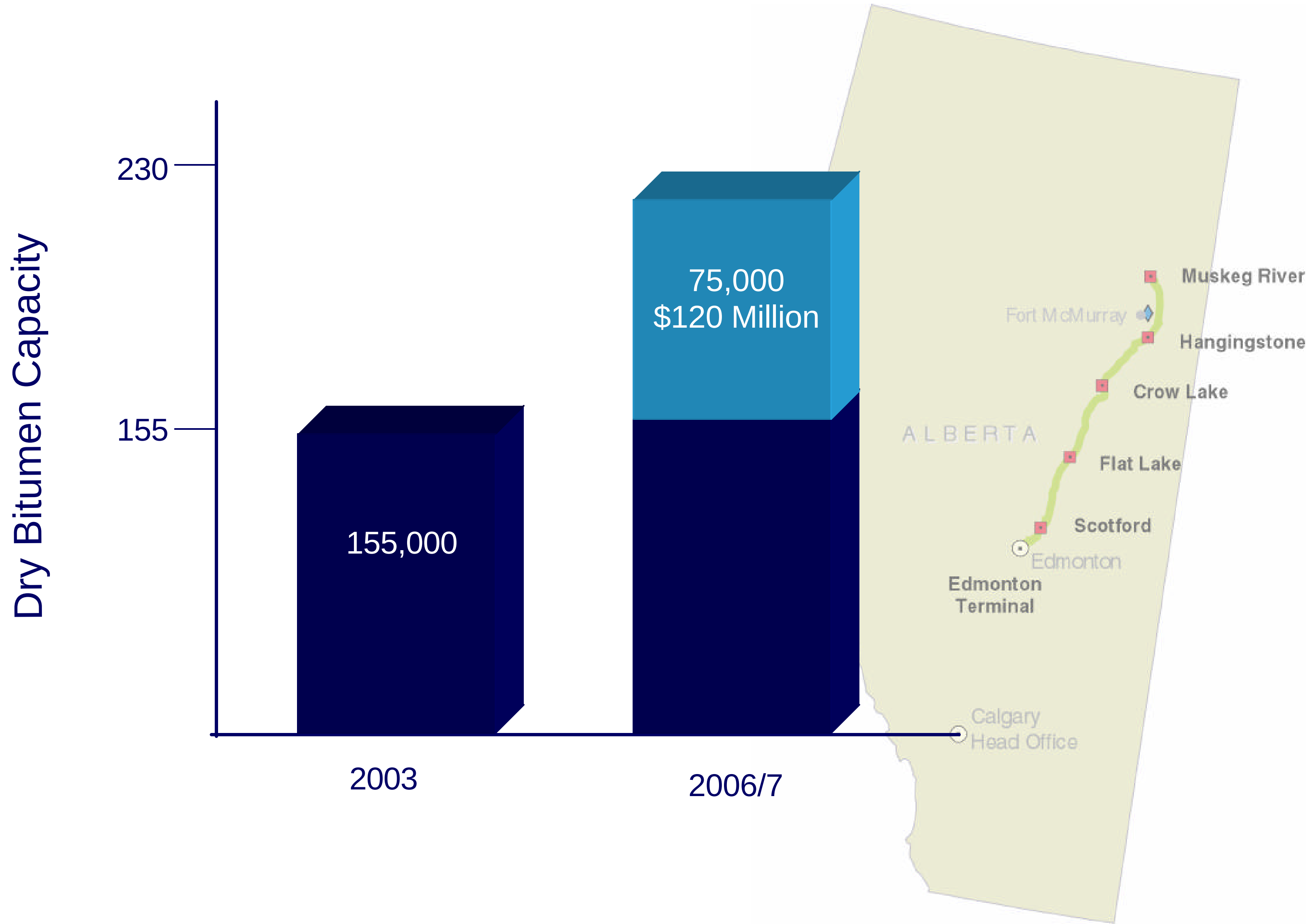
Terasen Pipelines



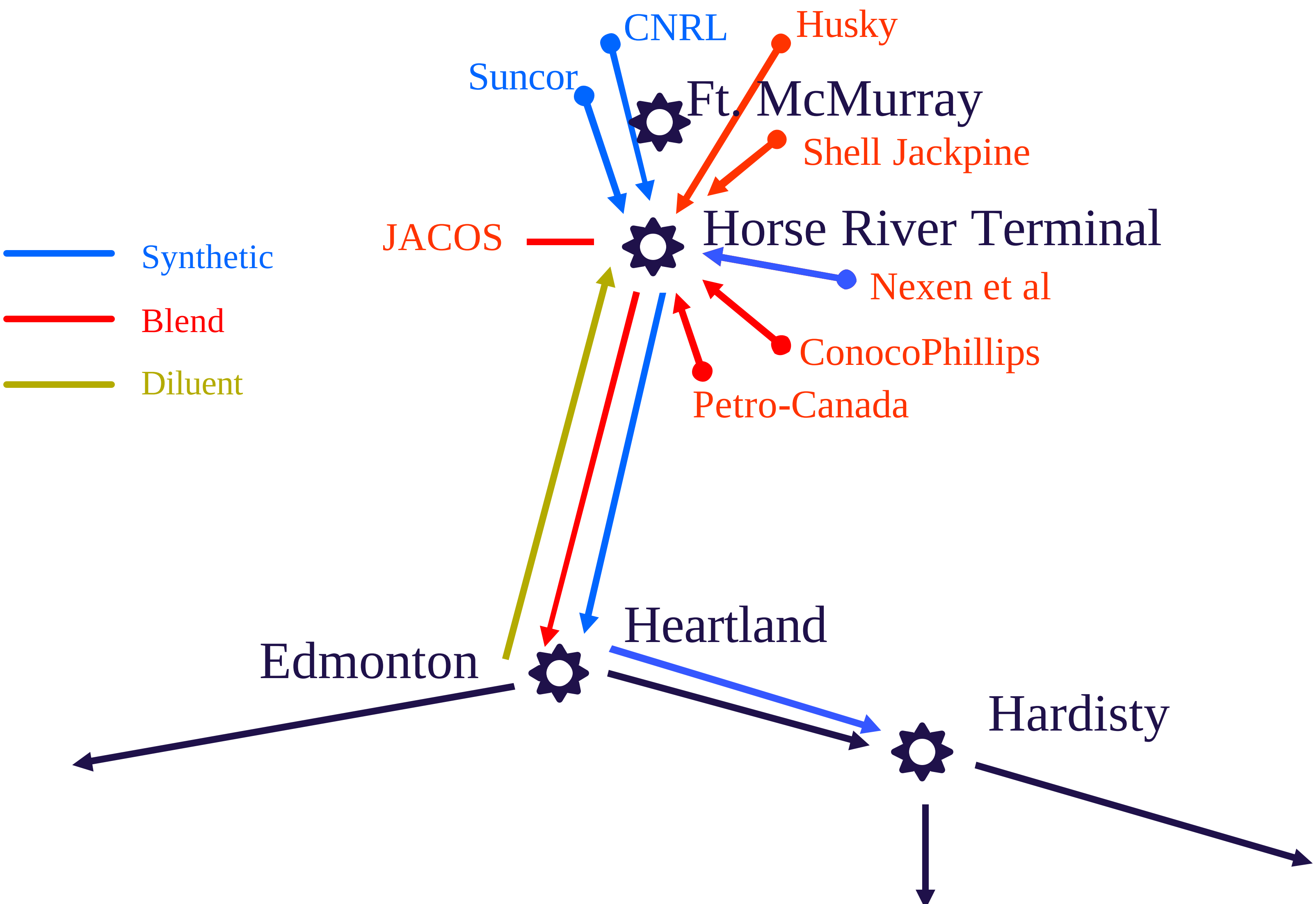
Express/Platte Pipeline



Corridor Pipeline



Bison Development



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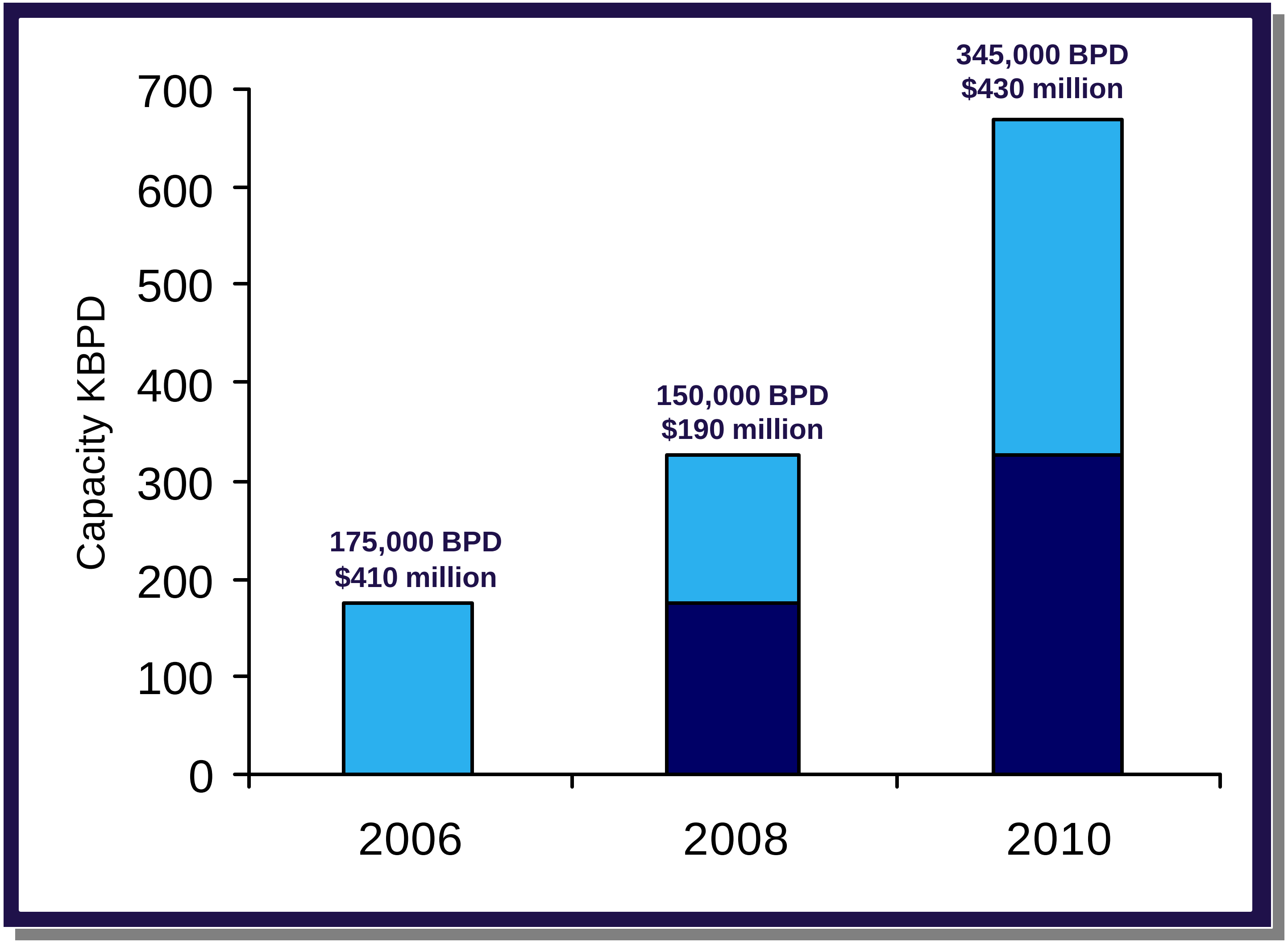
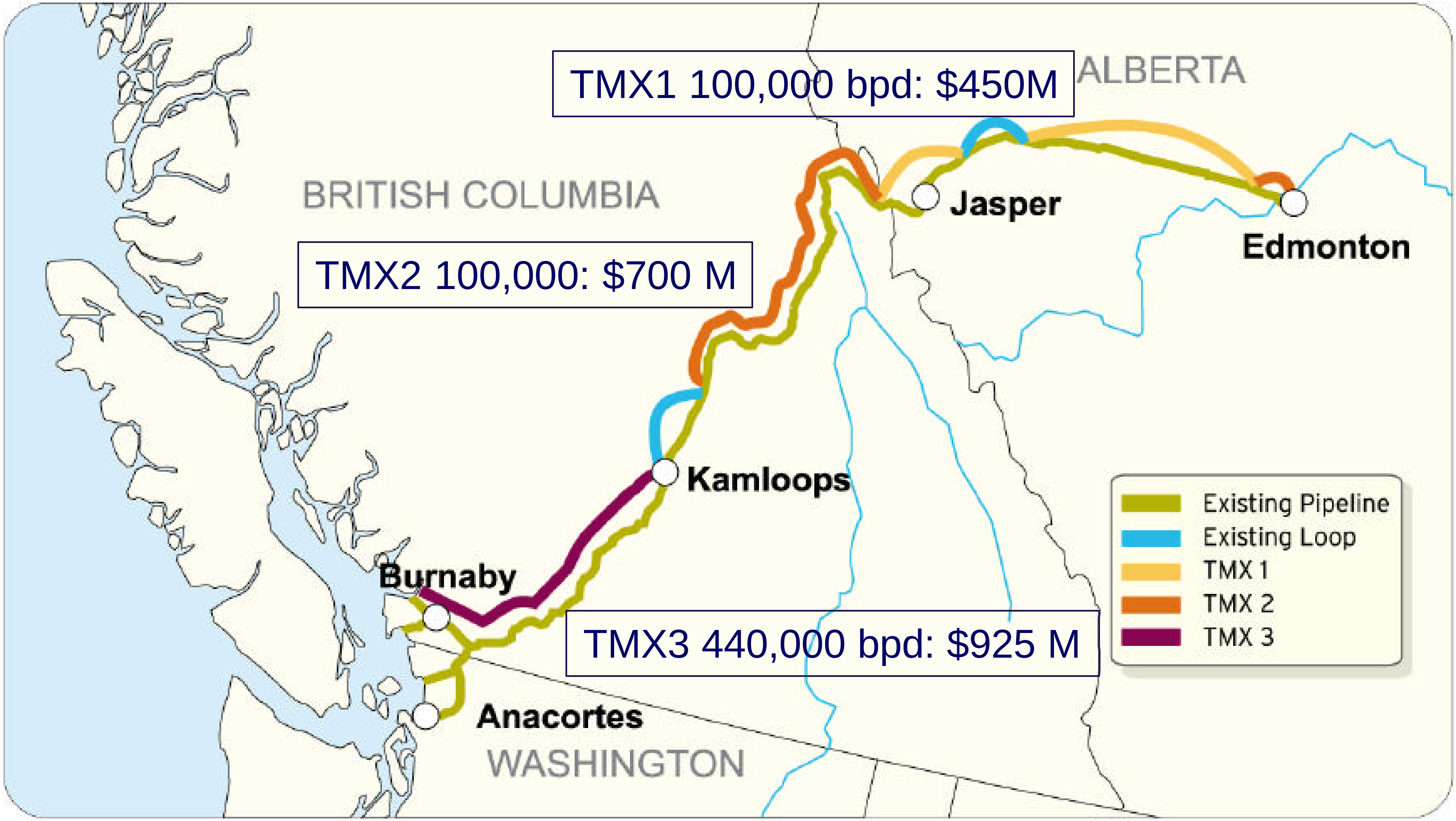


TMX Project - Staged Looping

Terasen Pipelines



Keys to Success

- Work closely with producers who have integrated approach to upgrading
  - Merchant bitumen market could be tough
- Destination Edmonton provides more options for markets, refining/upgrading, diluent
- Good cost control and track record
  - Tight scope, technical innovation, live up to commitments
- Broad based solutions tailored to Shipper requirements
  - Multi-shippers, volume growth, quality control
- Innovative Commercial Arrangements

New Pipeline Capacity Issues

- New capacity required as early as 2005/06
  - Need to match with Producers' timing
- Hardisty vs. Edmonton vs. ??
  - Market options vs. picking a winner
  - Impact on netbacks
- Pipeline size/capacity vs. capital costs
- Tolling impacts and risk sharing
- Quality issues
- Existing contracts and agreements
- Regulatory and landowner issues

Summary

Terasen Pipelines

- Terasen systems provide access to key markets: Imminent expansions
- Oilsands growth will need new pipelines
- Projects match Terasen model for disciplined growth
- Build from Corridor and Express success
- Acquisitions of pipeline systems which match business focus

Presentation to CIBC World Markets Whistler Conference

John Reid
President and Chief Executive Officer

Terasen Inc. (TER – TSX)
February 18, 2005

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Overview

- Who We Are
- Terasen's Value Proposition
- Core Value Strategies
- Summary

Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

Who we are

- Natural Gas Distribution – Strong, low-risk utility franchises
- Petroleum Transportation – Continental scope – leverage to Alberta oil sands growth
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Terasen
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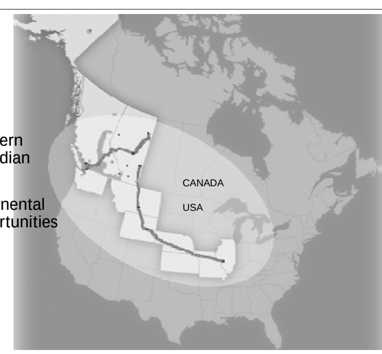

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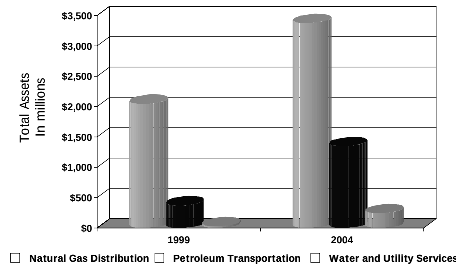

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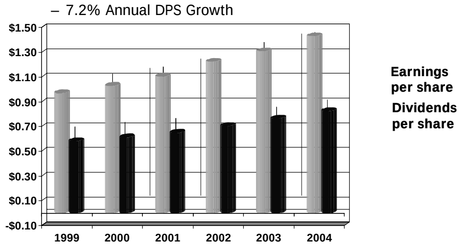

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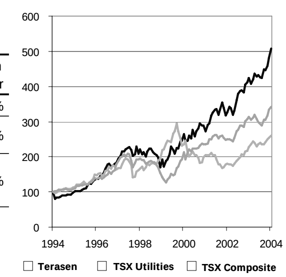

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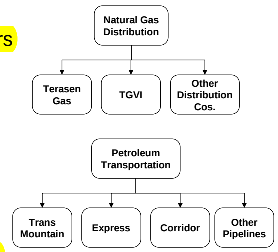

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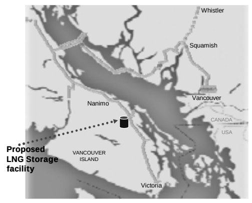

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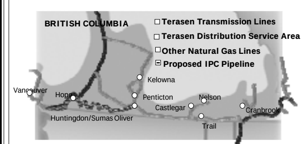

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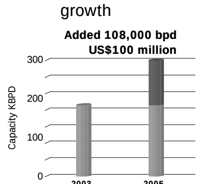

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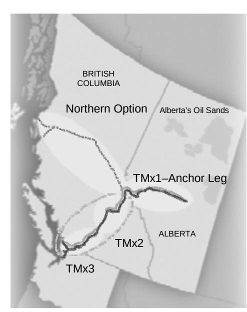

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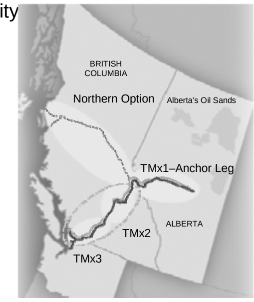
- TMx1 plus Northern option C$2.6 billion
- Full range of potential options to match marketing plans of Producers



Growth - Water and Utility Services

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 90 systems in over 50 communities
- Successful acquisition of Fairbanks water utility in 2004

Financial Excellence

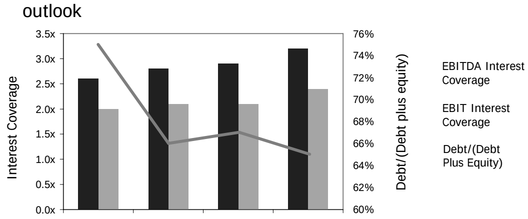
Key Financial Objectives

- Generate shareholder value
  - > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

Financial Excellence

Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings from Moody's and DBRS with stable outlook



Financial Excellence

Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund partnership structure delivers cost of capital to compete effectively with income trusts and MLPs – synthetic income trust
- Share valuation provides strength to capitalize on value-creating M&A opportunities

Value Growth Drivers 2005 – 2010

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH

- Increase shareholder value by applying core competencies and skills to a larger asset base
- Grow the assets through a combination of organic growth, greenfield expansions and accretive M&A transactions

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Presentation to CIBC World Markets Whistler Conference

February 2004

Forward Looking Statement

Certain information in this presentation constitutes forward-looking statements. Wherever possible, words such as “anticipate”, “believe”, “expects”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to Terasen’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. Although Terasen believes that these statements are based on reasonable assumptions, a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Terasen disclaims any obligation to update or revise any forward-looking statements to reflect new events or circumstances.

Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Consistent Value Creation

Corporate Overview

terasen

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Clean Energy
    - Terasen International

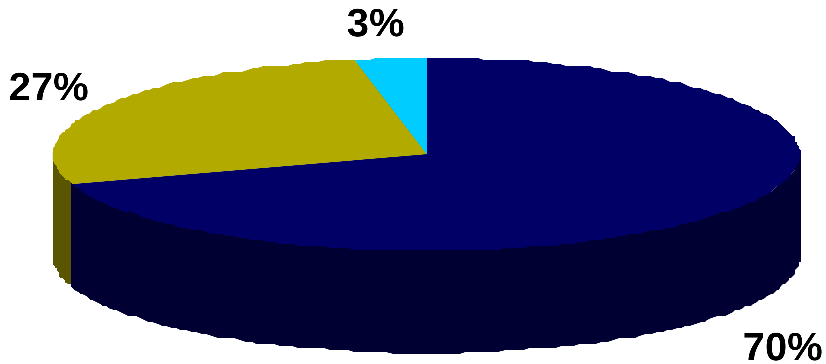
Corporate Overview

Terasen

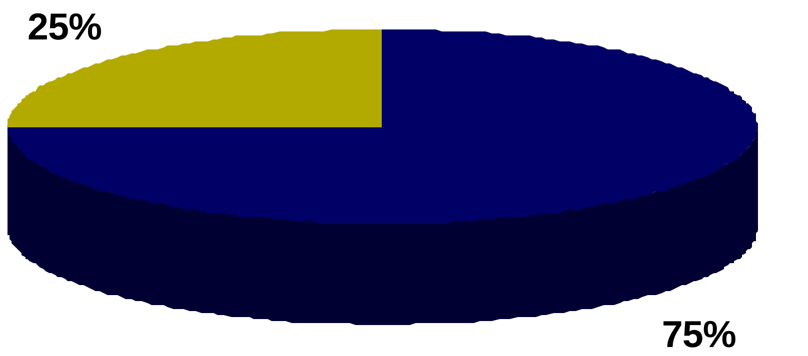
Corporate Overview

terasen

Assets: $4,915 million
(as at December 31, 2003)



Operating Income: $366 million
(12 months ended December 31, 2003)



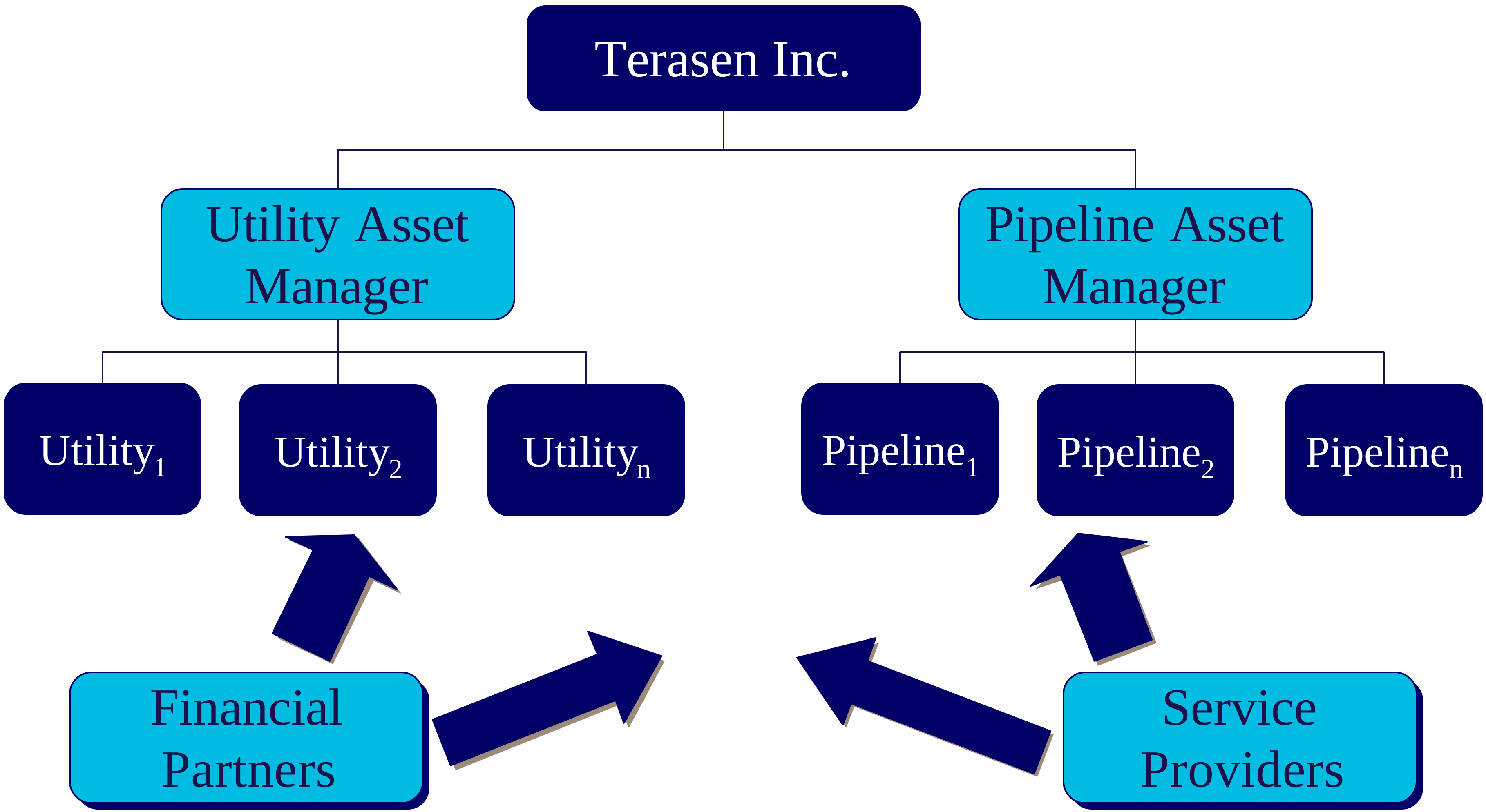
Natural Gas Distribution | Petroleum Transportation | Other Activities

Strategic Vision

- Leading provider of energy transportation and utility asset management services

- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision

Strategic Vision



Value Drivers

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

Strong Regulatory Relationships

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Similar to 1998-2001 regulatory settlement
  - New deferral accounts for insurance and pension costs
- Terasen Gas (Vancouver Island) settlement agreed upon
  - 3 year term beginning in 2003
  - Allowed ROE set 0.50% above Terasen Gas
- Operational integration of Terasen Gas & TGVI
  - Implemented Q4/03

Strong Regulatory Relationships

terasen

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
  - 79% of post-expansion capacity contracted
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

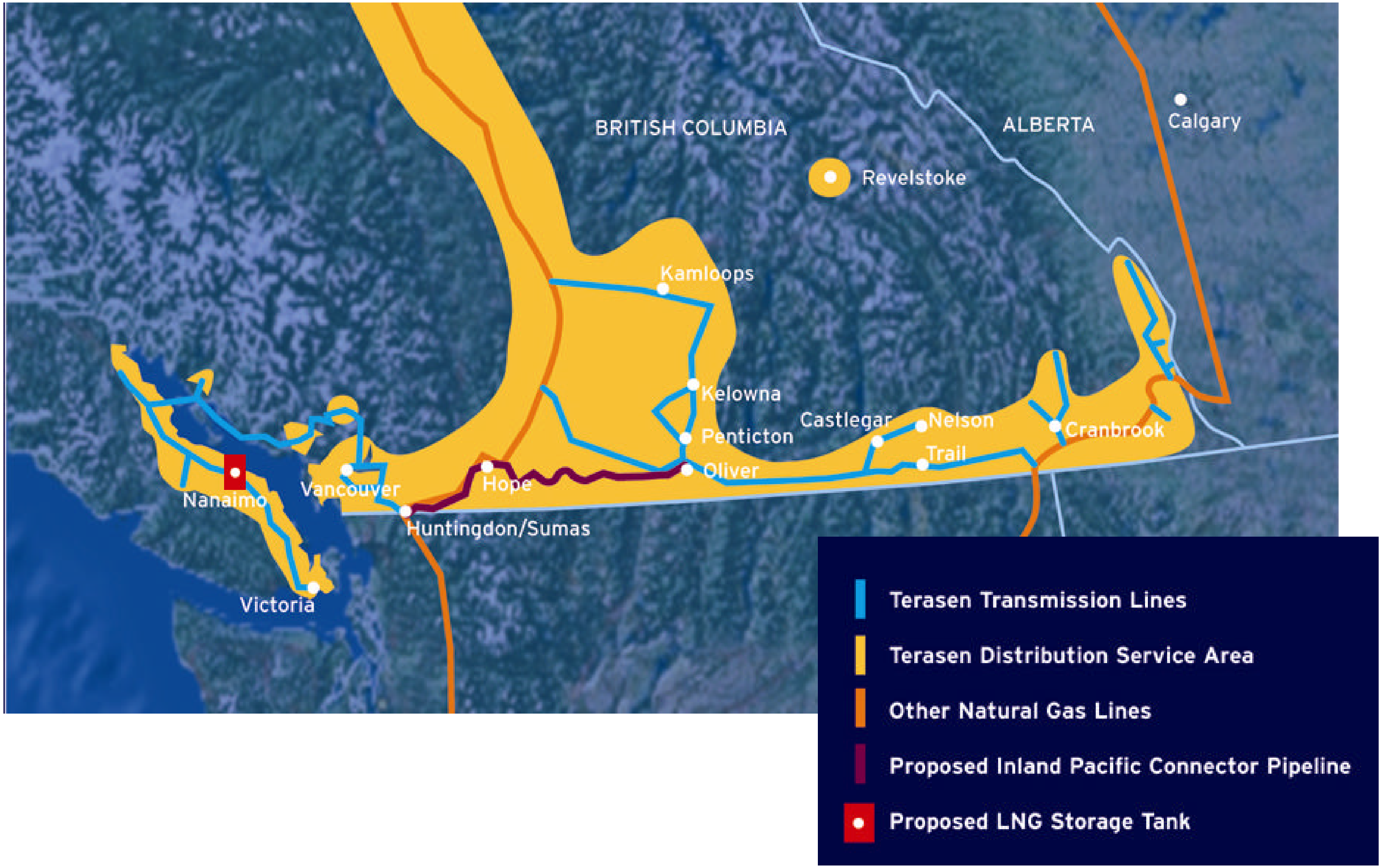
Asset and Risk Management

- 97% of assets and 99% of operating income are regulated
  - Major growth is in regulated activities
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

Growth From Core Competencies

- Organic growth from base businesses
  - Natural gas distribution – customer growth
  - Trans Mountain – throughput growth
- Water and multi-utility services
  - Growth through operating contracts and modest acquisitions
- Investments
  - CustomerWorks
  - Clean Energy

New Infrastructure Projects: Natural Gas Distribution



New Infrastructure Projects: Natural Gas Distribution

Terasen

Capacity expansion to Vancouver Island

- New on-Island power generation needed
- $180 million capacity expansion proposed
  - Additional compression and a new LNG tank

Inland Pacific Connector

- New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

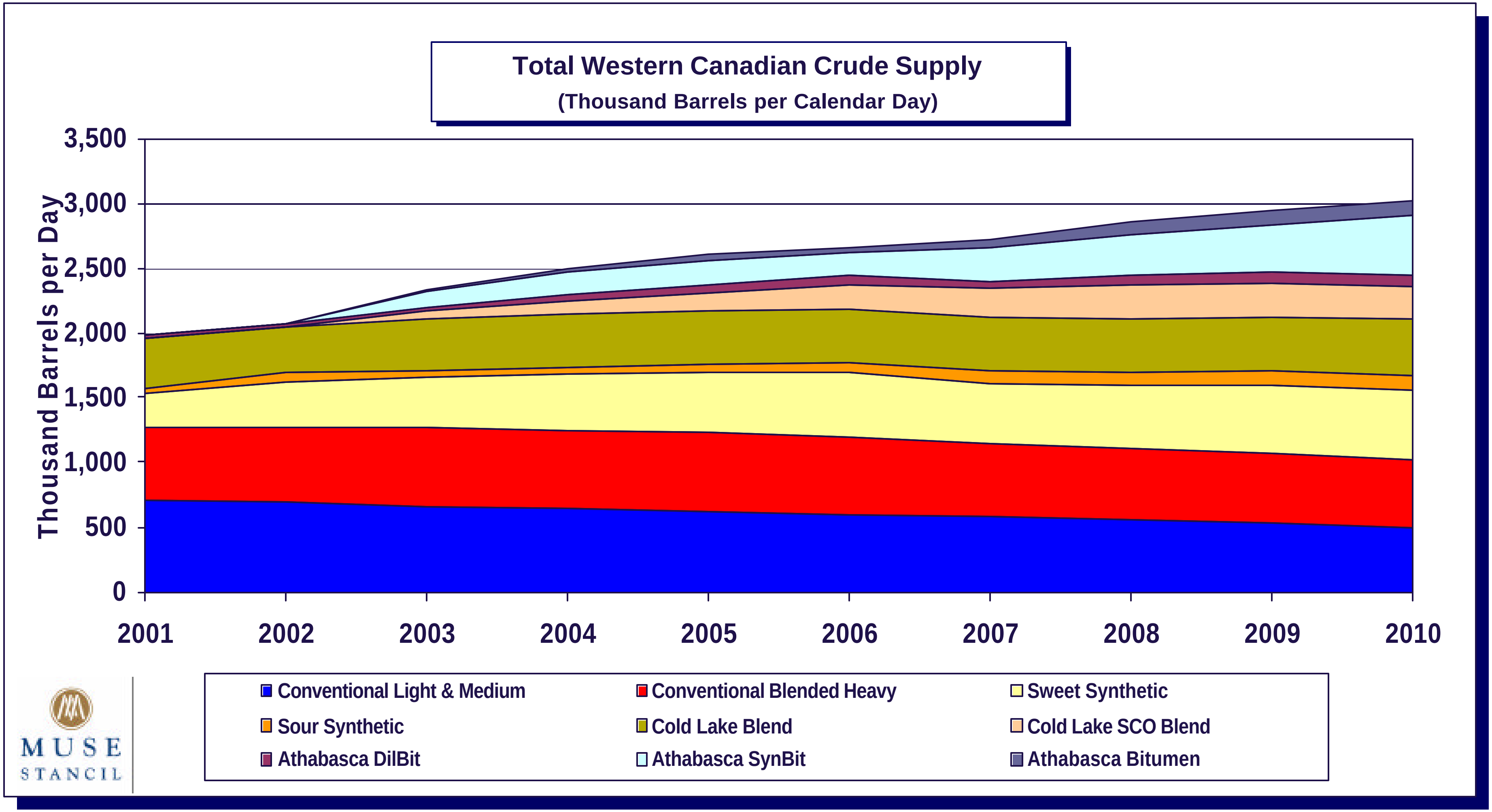
New Infrastructure Projects: Petroleum Transportation

Terasen

Petroleum Transportation – a continent of opportunities

New Infrastructure Projects: Petroleum Transportation

terasen

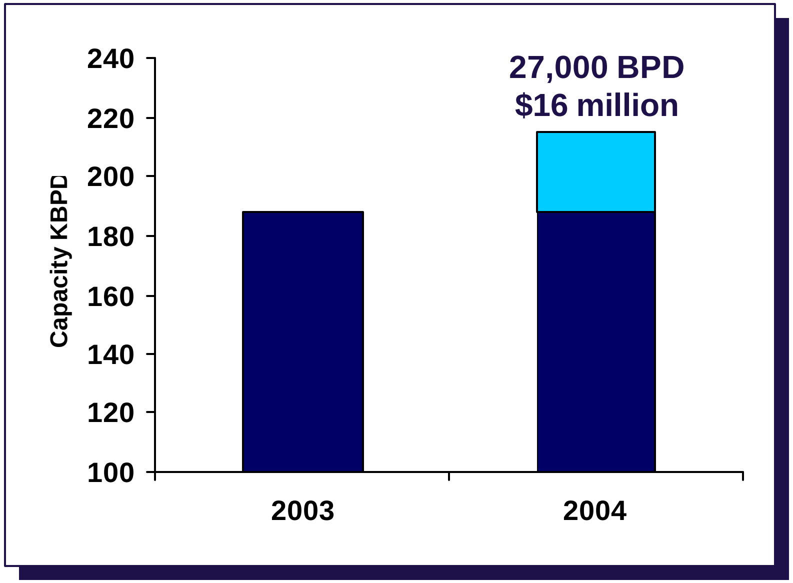


CAPP Upper Supply Case – Total Supply

Trans Mountain Pipeline

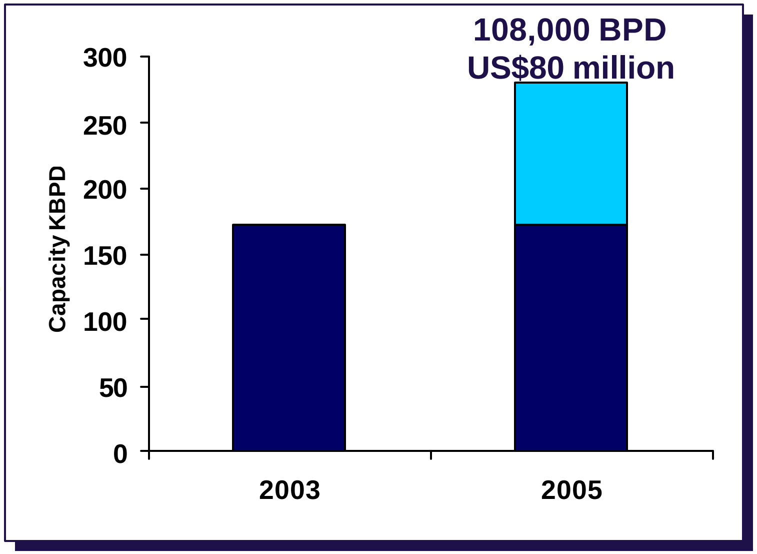
terasen

- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



Express Pipeline

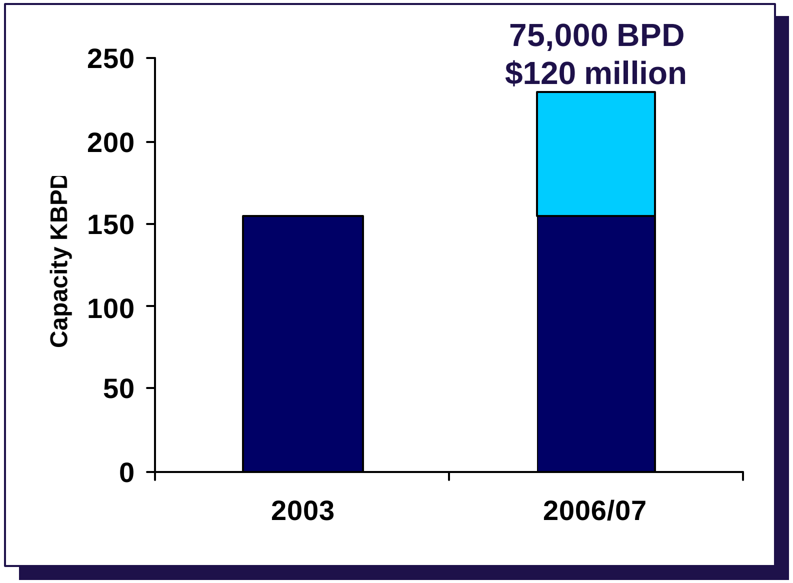
- Acquired January 2003
- Strong shipper response to recent open season
- Proceeding with expansion in one phase instead of two



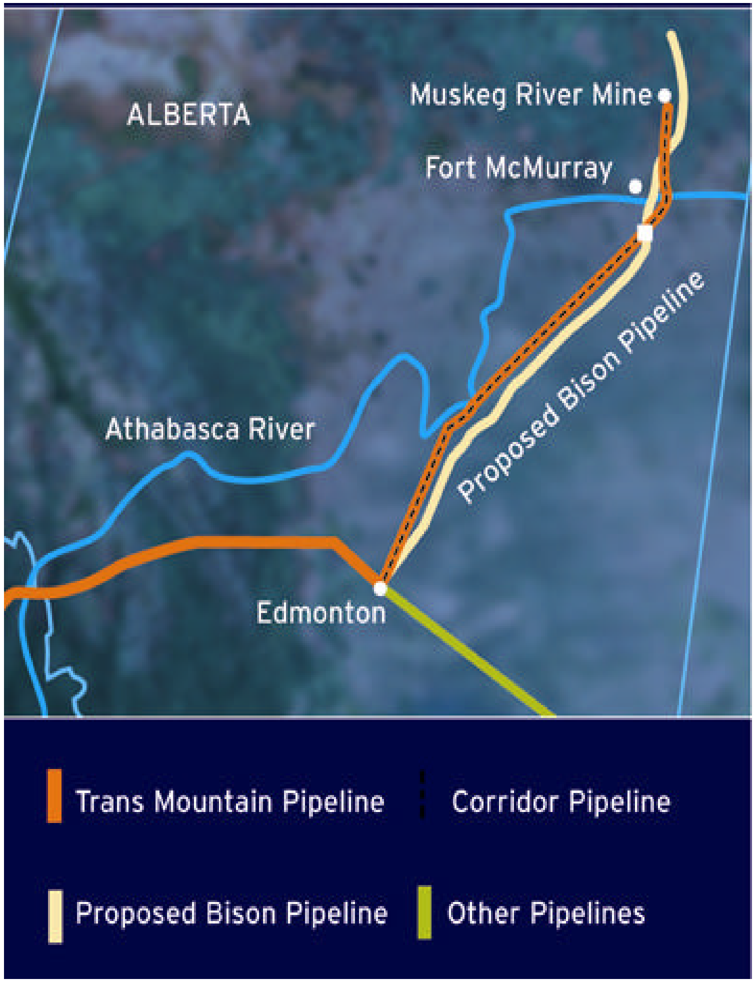
Corridor Pipeline

terasen

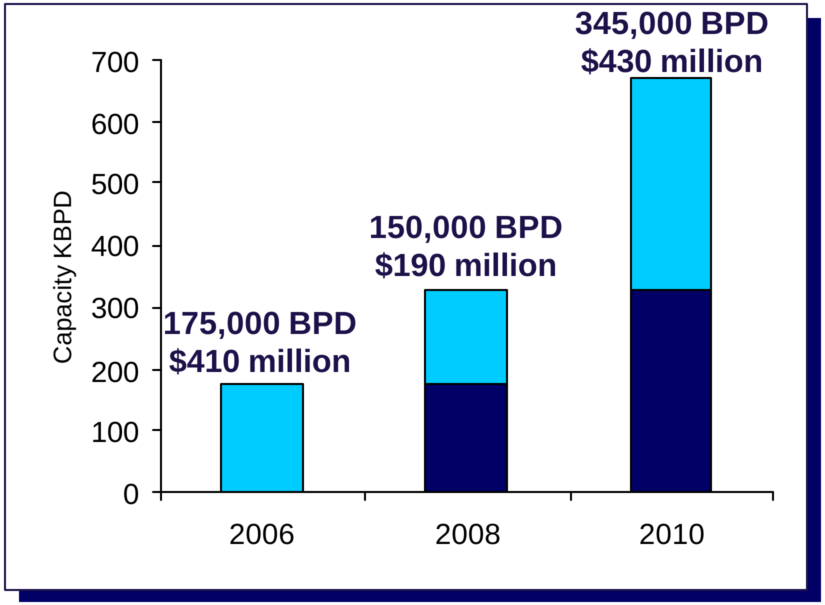
- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003



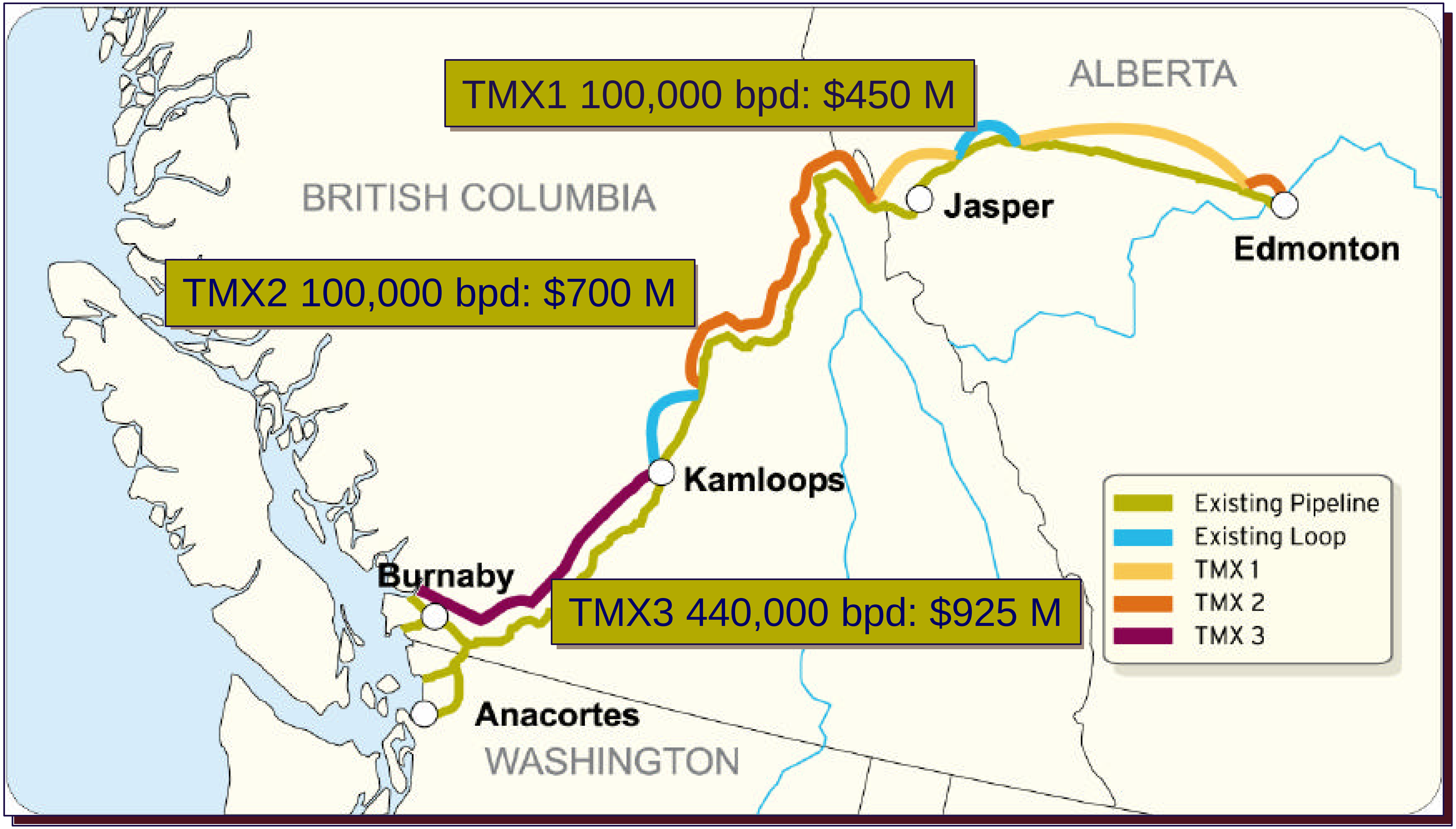
Bison Pipeline



- Multi-shipper
- Access to Edmonton
- Benefits from Corridor rights-of-way and experience



TMX Project – Staged Looping



TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

Access to Low Cost Capital

terasen

	2001	2002	2003
Debt/(Debt+Equity)	75%	66%	67%
EBITDA Interest Coverage	2.6x	2.8x	2.9x
EBIT Interest Coverage	2.0x	2.1x	2.1x

- Strengthened financial position
- "A" credit ratings have been reaffirmed by Moody's and DBRS

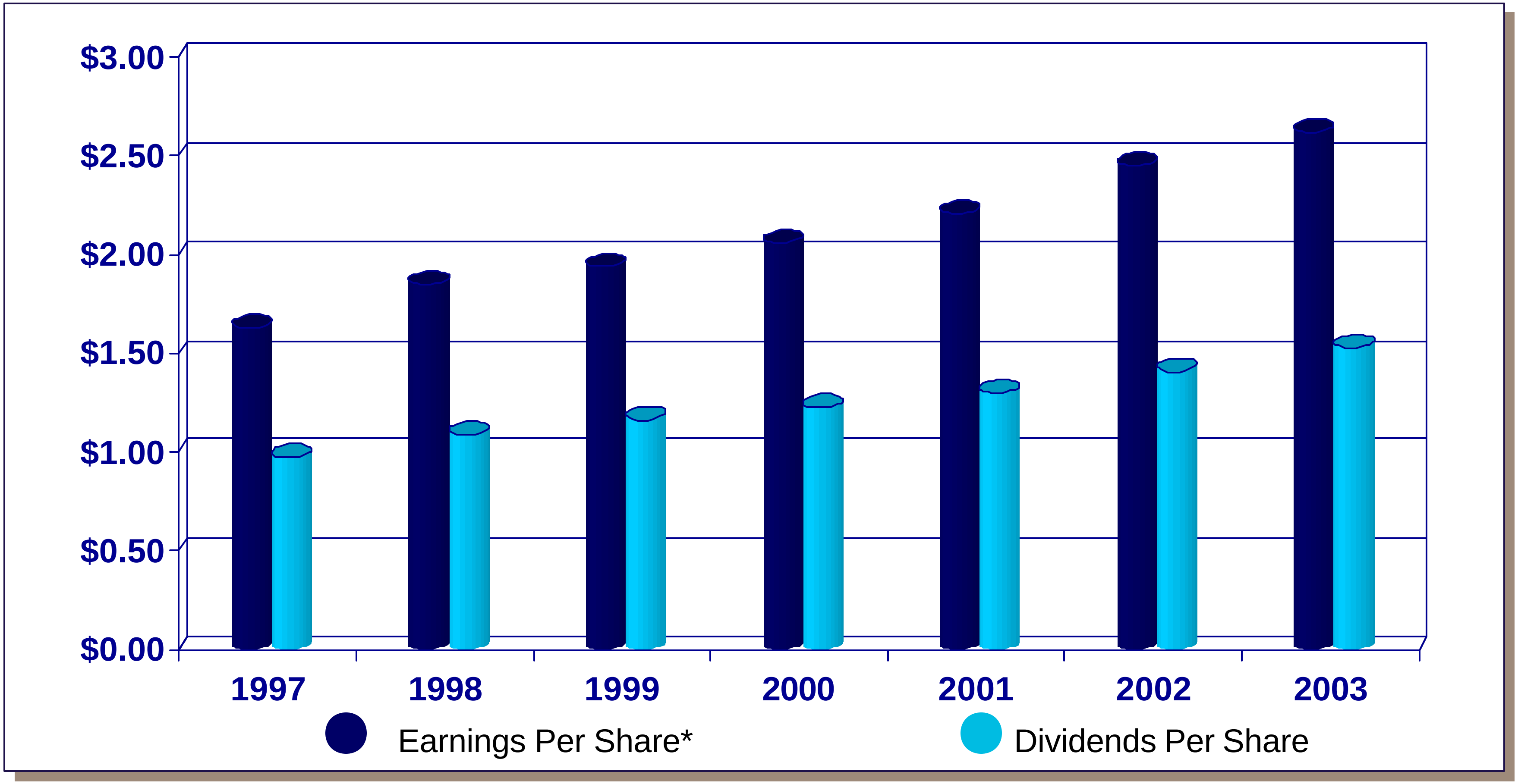
Access to Low Cost Capital

- Express acquisition consortium formed with two major Canadian pension funds
  - Terasen: manager/operator
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital without the funding risk of income trusts or MLPs
- Potential for other future opportunities

Consistent Value Creation

Terasen

Earnings and Dividend Per Share Growth

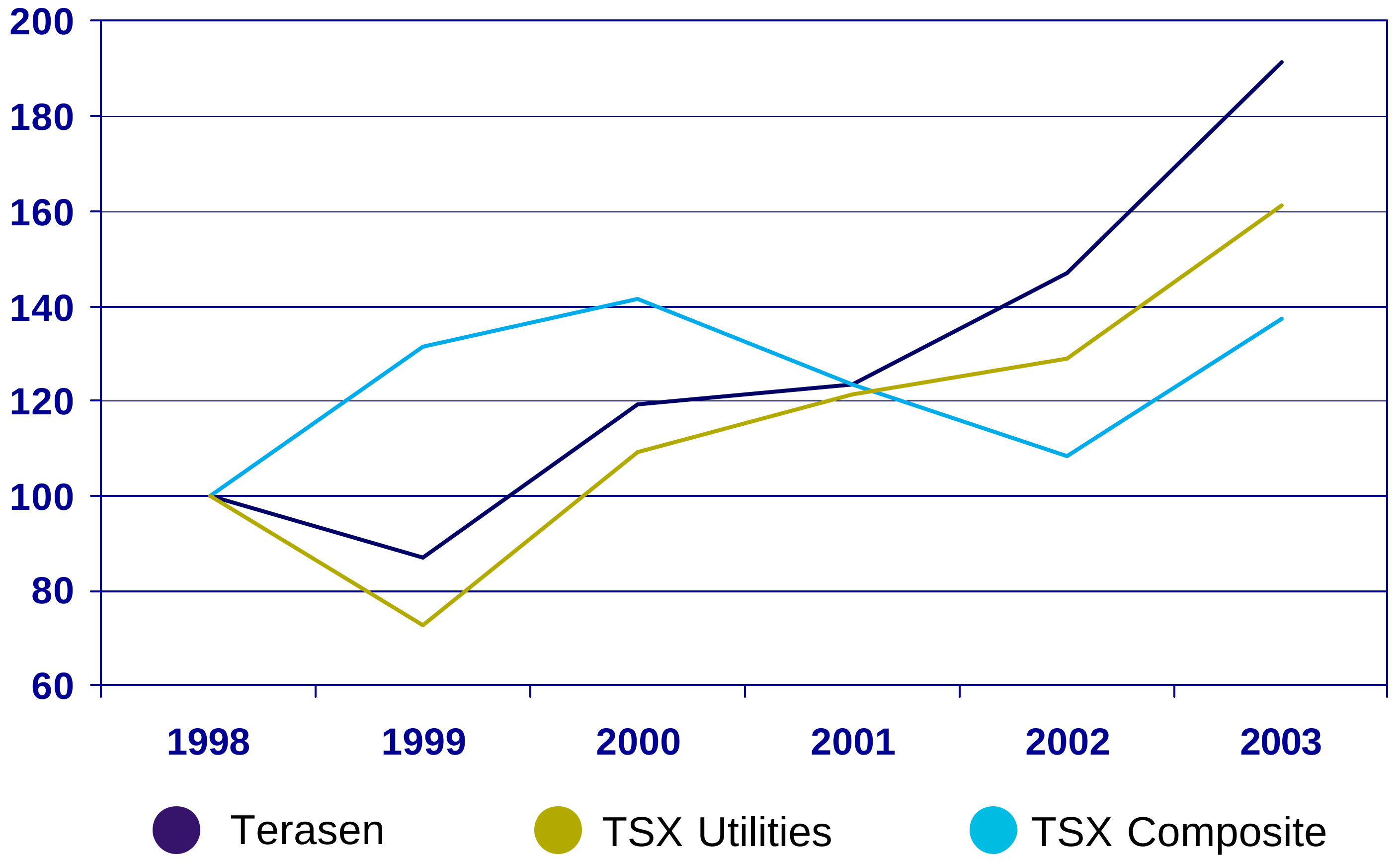


**Earnings per share excludes non-recurring items*

Consistent Value Creation

terasen

Total Shareholder Returns



Summary

- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

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BC GAS INC.

Presentation to CIBC World Markets Whistler Conference February 2002

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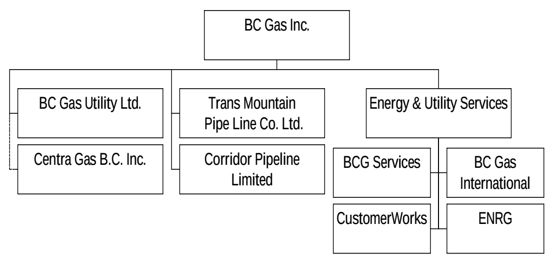
BC Gas

Presentation Overview

- Corporate Overview
- Strategic Plan
- Financial Results
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
- Summary

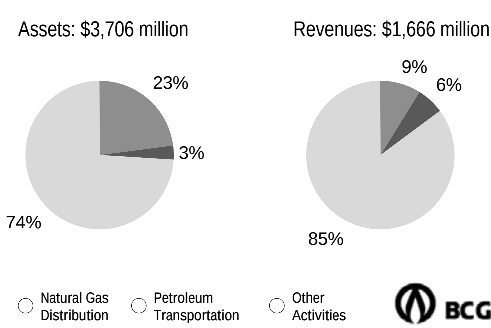
BC Gas

Corporate Structure



BC Gas

Segmented Contributions (2001)



BC Gas

Vision

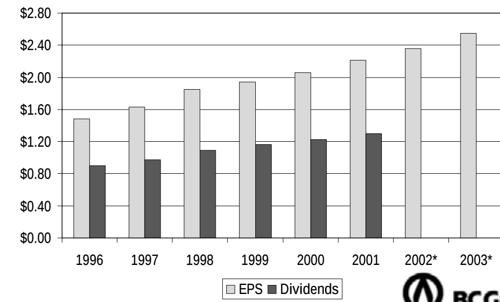
- To become the leading multi-utility gas, electric and water asset manager in the Pacific Northwest by:
  - > Strengthening and expanding our base businesses
  - > Growing from our core gas and oil competencies to become a gas, electric, water and oil asset manager

BC Gas

Financial Targets

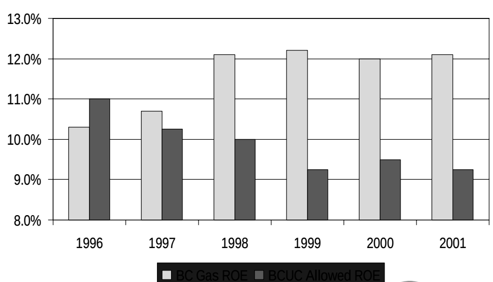
- EPS Growth
  - 6%+ per year, delivering double-digit total returns with dividends
- Return on Equity
  - 12% or higher
- Capital Structure
  - 30% equity, 70% debt

Earnings & Dividend Growth

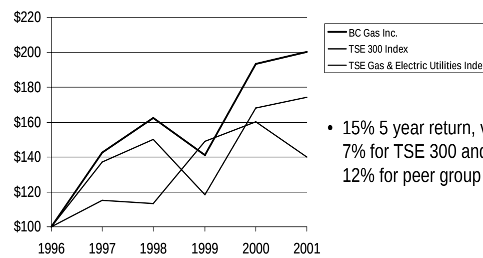


* - Consensus Estimates

Corporate Return on Equity



Total Returns



- 15% 5 year return, vs. 7% for TSE 300 and 12% for peer group

Future Value - Key Themes

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

Business Activities - 1995

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION	○	○		○
TRADING		○		
TRANSPORTATION	○	○		
SERVICES		○		

BC GAS INC. > STRATEGIC PLAN

Business Activities - 2005

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION				
TRADING				
TRANSPORTATION	○	○	○	○
SERVICES		○	○	○

○ Strengthen and Expand Our Base Businesses
○ Grow From Our Core Competencies

BC Gas

STRATEGIC PLAN > STRATEGIC INITIATIVES

Growth Initiatives

- Strengthening Our Base Businesses
  - Incentive Regulation - Natural Gas Distribution
  - Incentive Regulation - Petroleum Transportation
- Expanding Our Base Businesses
  - Inland Pacific Connector
  - Centra Gas B.C.
  - Alberta Oil Sands - Corridor & Bison Pipelines
- Growing From Our Core Competencies

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - Settlements expire Dec. 2002
- Coordinating regulatory settlements for BC Gas/Centra in context of emerging provincial energy policy

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- BC Gas revenue requirement application withdrawn for 2002
  - 2002 rates remain at 2001 levels
  - Provides a bridge to a new multi-year settlement to be arranged for BC Gas and Centra
  - Reflects the preferred framework of a new multi-year settlement: margin cap

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

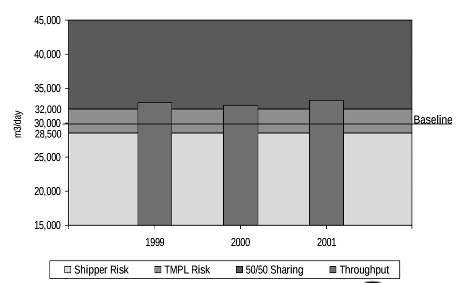
Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
  - No escalation of tolls for inflation
- Trans Mountain assumes limited throughput risk
  - No limit to shared upside, downside floor
- Incentives for additional throughput
  - Tanker loadings

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation



BC Gas

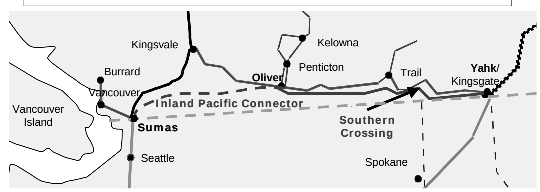
Southern Crossing Pipeline

- Put in service November 2000
  - On time, on budget
- Expanding customer choice in gas supply
- Partial solution to supply-demand imbalance in Pacific Northwest
  - Next step: Inland Pacific Connector

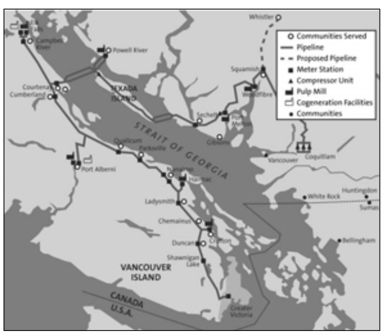
BCGas™

Inland Pacific Connector

- $495 million, 246 km pipeline to extend Southern Crossing Pipeline to market hub at Sumas
- Currently firming up expressed shipper interest
- Proposed in-service date November 2004



Centra Gas B.C.



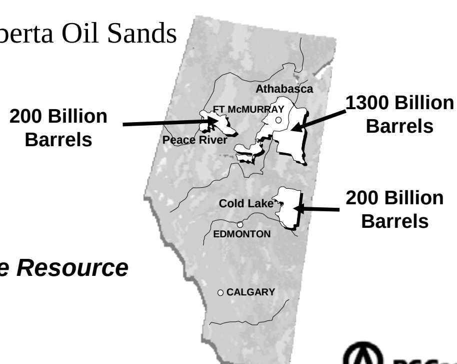
BCGas™

Centra Gas B.C.

- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

BCGas™

Alberta Oil Sands



A Huge Resource

BCGas™

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
- Shell has announced plans to expand output of Muskeg River Mine by 70,000 bbl/day by 2005-2010
  - To be followed by new 300,000 bbl/day mine

BCGas™

Bison Pipeline

- $800 million heated bitumen pipeline connecting mine sites to Edmonton
- Currently engaged in feasibility studies with Petro-Canada and TrueNorth Energy
- AEUB application July 2002
- In-service targeted for mid-2005

Electric Distribution

- New government in B.C. intent on reducing scope/scale of public sector
- Energy policy currently under development
- Privatization potential - services/distribution

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services
- ENRG (56% owned)
  - Formerly BCG eFuels
  - Largest provider of alternative vehicle fuels in North America

Growing From Our Core Competencies

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Profitable, with growth potential

Delivering On Our Targets

Objective	Results
• 6%+ EPS Growth	1997-2001: 8% growth rate
• 12% Return on Equity	1998-2001: 12%+ ROE
• Double-digit total shareholder returns	1997-2001: 15% total annual return

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in all areas of the base businesses, with high visibility EPS growth

BC Gas Inc.
Presentation to CIBC World Markets
Whistler Conference

February 25, 2000

John M. Reid
President & CEO

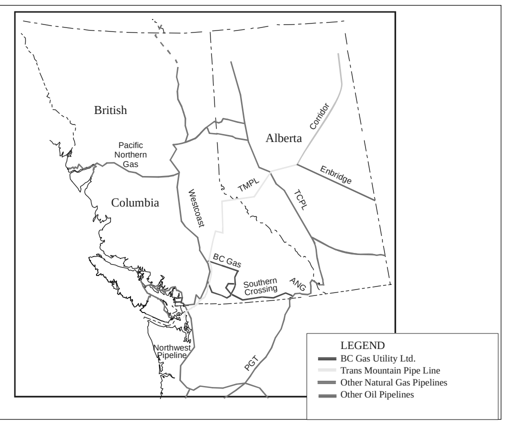
Presentation Summary

- Corporate Overview
- Strategic Plan
- Business Initiatives
- Financial Results

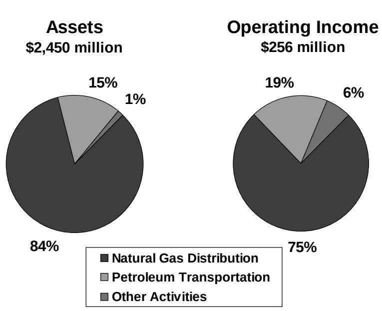
Corporate Overview

Three business units:

- Natural Gas Distribution
  - BC Gas Utility
- Petroleum Transportation
  - Trans Mountain Pipe Line
  - Corridor Pipeline
- Energy and Utility Services



Corporate Overview



Strategic Plan

Shareholder value:

- Reasonable rates of return
  - 5-6% EPS growth plus 4-5% dividend yield
- Low risk
  - Focused on core businesses and activities which lever off our core competencies

Business Activities - 1995

	Petroleum	Natural Gas	Water	Electricity
Production	✘	✘		✘
Trading		✘		
Transportation				
Services				

Business Activities - 2000+

	Petroleum	Natural Gas	Water	Electricity
Production				
Trading				
Transportation	Base Businesses			
Services		New Products	Multi-Utility	

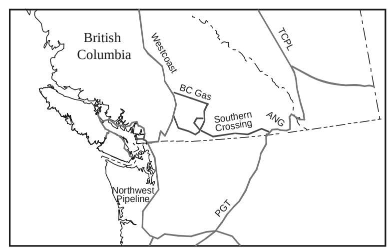
Strategic Plan

Growth strategies:

- Strengthen and expand our base businesses
- Deliver new products to our existing customers
- Grow our multi-utility business

Multi-Utility	New Products
Base Businesses	

Southern Crossing Project



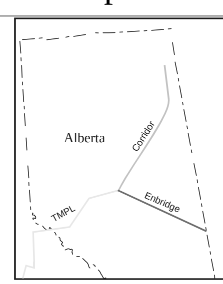
Multi-Utility	New Products
Base Businesses	

Southern Crossing Project

- $376 million, 316 km, 250 mmcf/d natural gas pipeline
- Received regulatory approval in May 1999
- On track for completion in November 2000
  - Subject only to receipt of construction bids
- Will meet growing demand for natural gas in Pacific Northwest cost-effectively and competitively

Multi-Utility	New Products
Base Businesses	

Corridor Pipeline Project



Multi-Utility	New Products
Base Businesses	

Corridor Pipeline Project

- $690 million, 450 km dual pipeline
- 100% owned and operated
- Backed by long term ship-or-pay contracts with Shell Canada and their partners.
- Construction will begin in Q2/2000
- Operations to commence late 2002

Corridor Pipeline

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- Both BC Gas and Trans Mountain have achieved incremental returns from incentive-based regulatory settlements
  - Provides opportunities to create value for customers and shareholders
  - Both settlements mitigate shareholder risks (e.g. weather, throughput)

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- BC Gas Utility in discussions to extend the existing 1998-2000 settlement for one additional year
- Trans Mountain currently in negotiations with shippers for a multi-year renewal of their 1996-2000 agreement

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- Evaluating all utility services from a cost/value perspective
- Become a value maximizing, networked provider of utility services
  - Enabled by information technology

Multi-Utility | New Products
Base Businesses

Deliver New Products to Existing Customers

"A measured approach"

- Strengthen the core business
  - Customer Care Technology
  - Branding
  - Value Delivery
- Lever off the core business
  - Retail Energy Services

Multi-Utility | New Products
Base Businesses

Customer Care/Branding

- New Customer Information System being rolled out in 2000-2001
  - Successfully piloted in 1998-99
  - Provides a platform for enhancing customer relationships and delivering new services to customers
- Brand development activities initiated in 1999

Multi-Utility | New Products
Base Businesses

Retail Energy Services

- Home*works* brand provides energy services to residential customers in B.C.
  - Provides a variety of services through dealer networks
- New Senior VP, Residential Customers
  - Mandated to bring a common focus to all parts of the business that interact with residential customers

Multi-Utility | New Products
Base Businesses

Grow Our Multi-Utility Business

What is multi-utility at BC Gas?
  - Gas, water & electricity
  - Transmission, distribution & services
- Waterworks Supplies & Services
- Measurement Technologies
- Energy Services
- Electricity

Multi-Utility | New Products
Base Businesses

Waterworks Supplies & Services

- Acquired two small waterworks supply businesses in 1999; more planned for 2000
  - Customers are municipalities, developers and industrials
  - Plan to generate annualized revenues of $85+ million by end of 2000
- Emphasis on waterworks supplies and services, rather than large-scale waterworks infrastructure projects

Multi-Utility | New Products
Base Businesses

Energy Services

- Leverages core competencies into service opportunities in Canada and internationally
  - Provides non-regulated energy and utility services to industrial and institutional customers in B.C.
  - BC Gas has recently been awarded Phase 2 of a successful construction project in the United Arab Emirate of Sharjah

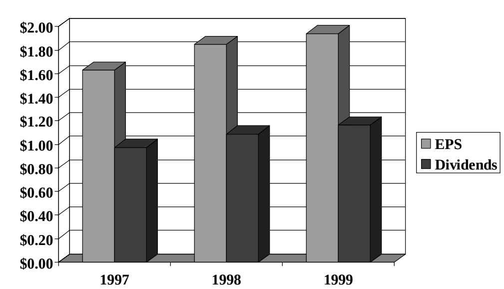
Multi-Utility | New Products
Base Businesses

Electricity

- Exploring opportunities in the electricity business
- Positioning for possible privatization in B.C.

Multi-Utility | New Products
Base Businesses

Financial Results



* EPS before non-recurring items

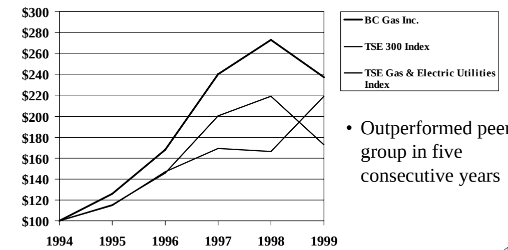
Financial Results

Earnings Per Share

	1999	1998
Natural gas distribution	$1.35	$1.35
Petroleum transportation	0.51	0.59
Other activities	0.08	(0.09)
	$1.94	$1.85
Income tax benefits from NW Energy	0.18	–
Earnings per share	$2.12	$1.85

Financial Results

5 Year Total Returns



- Outperformed peer group in five consecutive years

Financing Requirements

- Objective - avoid issuing new common equity
- Corridor project financing is under way
  - 100% debt financed until completion in 2002
- Southern Crossing debt to be financed with MTN Debentures
- Southern Crossing equity to be financed with $100-125 million of preferred equity in 2000

Earnings Objectives

- Target EPS in 2004: $2.50 per share
  - Requires $0.56 in earnings growth over 5 years
- Strong portfolio of growth opportunities:
  - Southern Crossing
  - Corridor Pipeline
  - Multi-utility
  - New products and services
- Earnings growth objectives are achievable

Summary

- Continued the trend of strong financial results in 1999
  - Completed non-core asset dispositions
- Focused on executing our strategic plan
  - Strengthen and expand our base businesses
  - Grow our multi-utility business
  - Deliver new products to our existing customers

BC GAS INC.

Presentation to Edward Jones
October 4, 2002

David Bryson
Assistant Treasurer

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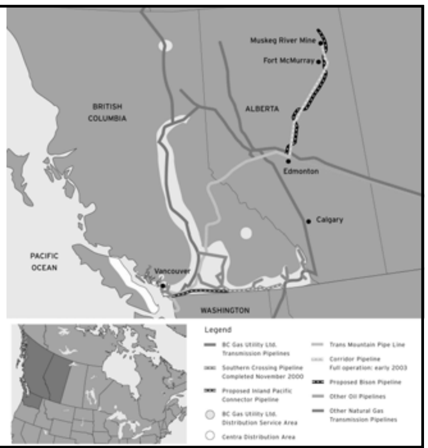
BC Gas

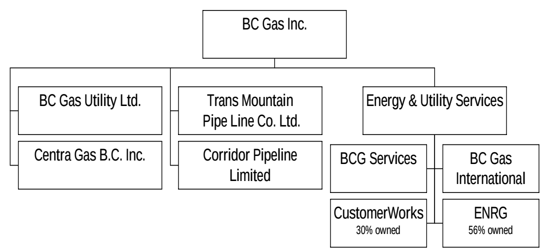
Presentation Overview

- Corporate Overview
- Strategic Plan
- Financial Results
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
  - > Governance and Sustainability
- Summary

BC Gas

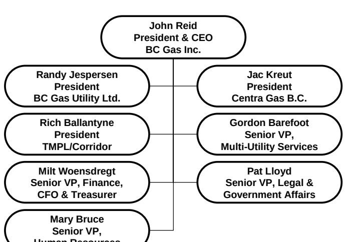


Corporate Structure



BC Gas

Management

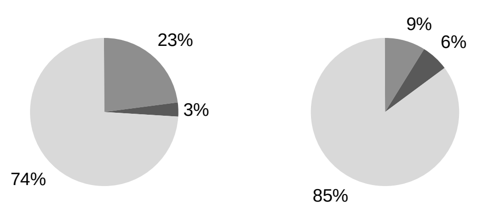


BC Gas

Segmented Contributions (2001)

Assets: $3,706 million

Revenues: $1,666 million



Natural Gas Distribution
Petroleum Transportation
Other Activities

BC Gas

BC GAS INC. > STRATEGIC PLAN

Vision

- To become the leading multi-utility gas, electric and water asset manager in the Pacific Northwest by:
  - Strengthening and expanding our base businesses
  - Growing from our core gas and oil competencies to become a gas, electric, water and oil asset manager

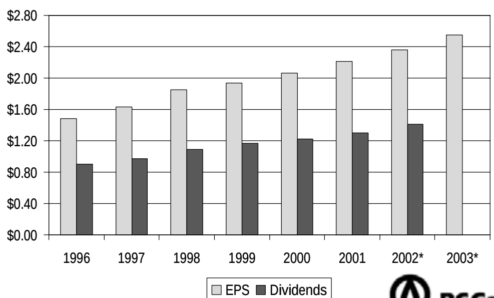
BC GAS INC. > STRATEGIC PLAN

Financial Targets

- EPS Growth
  - 6%+ per year, delivering double-digit total returns with dividends
- Return on Equity
  - 12% or higher

BC GAS INC. > FINANCIAL RESULTS

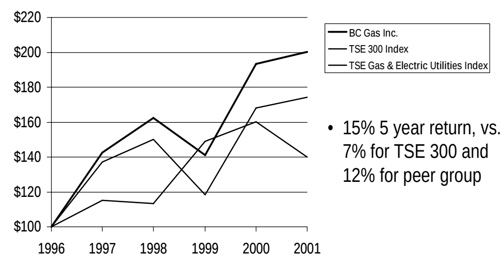
Earnings & Dividend Growth



* - Consensus Estimates

BC GAS INC. > FINANCIAL RESULTS

Total Returns



- 15% 5 year return, vs. 7% for TSE 300 and 12% for peer group

BC GAS INC. > STRATEGIC PLAN

Future Value - Key Themes

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

BC GAS INC. > STRATEGIC PLAN

Business Activities - 1995

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION	○	○		○
TRADING		○		
TRANSPORTATION	○	○		
SERVICES		○		

BC GAS INC. > STRATEGIC PLAN

Business Activities - 2005

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION				
TRADING				
TRANSPORTATION	○	○	○	○
SERVICES		○	○	○

○ Strengthen and Expand Our Base Businesses
○ Grow From Our Core Competencies

BCGas™

STRATEGIC PLAN > STRATEGIC INITIATIVES

Growth Initiatives

- Strengthening Our Base Businesses
  - > Incentive Regulation - Natural Gas Distribution
  - > Incentive Regulation - Petroleum Transportation
- Expanding Our Base Businesses
  - > Inland Pacific Connector
  - > Centra Gas B.C.
  - > Alberta Oil Sands - Corridor & Bison Pipelines
- Growing From Our Core Competencies

BCGas™

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - > Settlements expire Dec. 2002

BCGas™

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
- Trans Mountain assumes limited throughput risk
  - > No limit to shared upside, downside floor
- Incentives for additional throughput
  - > Tanker loadings

BCGas™

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Southern Crossing Pipeline

- Put in service November 2000
  - > On time, on budget
- Expanding customer choice in gas supply
- Partial solution to supply-demand imbalance in Pacific Northwest
  - > Next step: Inland Pacific Connector

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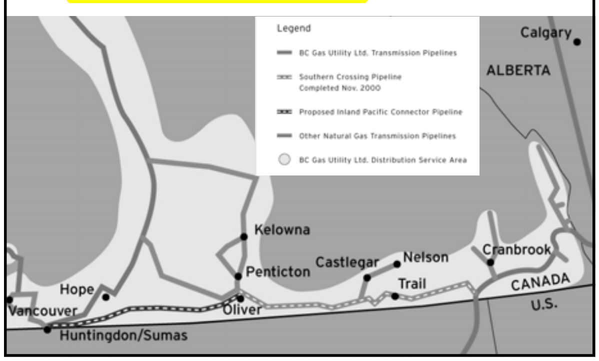
STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Inland Pacific Connector



STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Inland Pacific Connector

- $495 million, 237 km pipeline to extend Southern Crossing Pipeline to market hub at Sumas
- Next logical expansion of capacity to Pacific Northwest

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STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Centra Gas B.C.

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

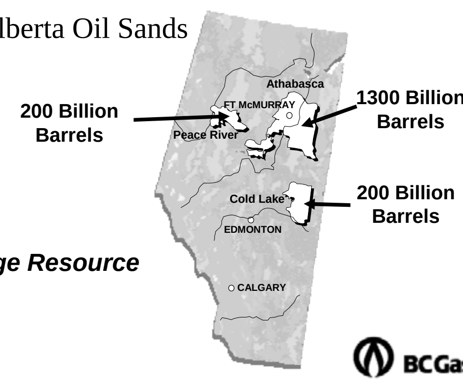
Centra Gas B.C.

- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

BCGas™

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Alberta Oil Sands

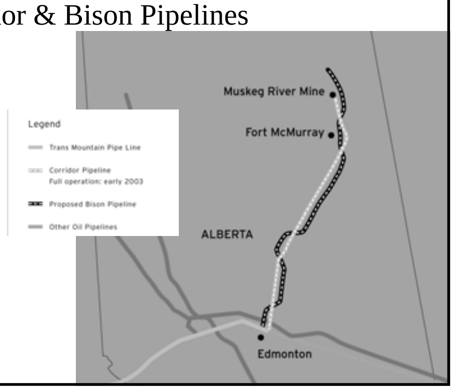


A Huge Resource

BCGas™

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor & Bison Pipelines



STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
- Shell has announced plans to expand output of Muskeg River Mine by 70,000 bbl/day by 2005-2010
  - To be followed by new 300,000 bbl/day mine

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STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Bison Pipeline

- $800 million heated bitumen pipeline connecting mine sites to Edmonton
- Currently engaged in feasibility studies with Petro-Canada and TrueNorth Energy
- In-service targeted for 2005

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Electric Distribution

- New government in B.C. reducing scope/scale of public sector
- Energy policy currently under development
- Privatization potential - services/distribution

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services
- ENRG (56% owned)
  - Formerly BCG eFuels
  - Largest provider of alternative vehicle fuels in North America

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Joined with Accenture to enhance profitability and growth opportunities

STRATEGIC INITIATIVES > GOVERNANCE AND SUSTAINABILITY

Governance and Sustainability

- Canadian Business Board
  - BC Gas board of directors ranked 7th in Canada
- Dow Jones Sustainability Index
  - BC Gas ranked 3rd in the world for 2002 for gas utilities

BC GAS INC. > SUMMARY

Delivering On Our Targets

Objective	Results
• 6%+ EPS Growth	1997-2001: 8% growth rate
• 12% Return on Equity	1998-2001: 12%+ ROE
• Double-digit total shareholder returns	1997-2001: 15% total annual return

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in all areas of the base businesses, with high visibility EPS growth

Investor Presentation

March 2004

Forward Looking Statement

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Presentation Overview

Terasen

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Consistent Value Creation

Corporate Overview

terasen

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Clean Energy
    - Terasen International

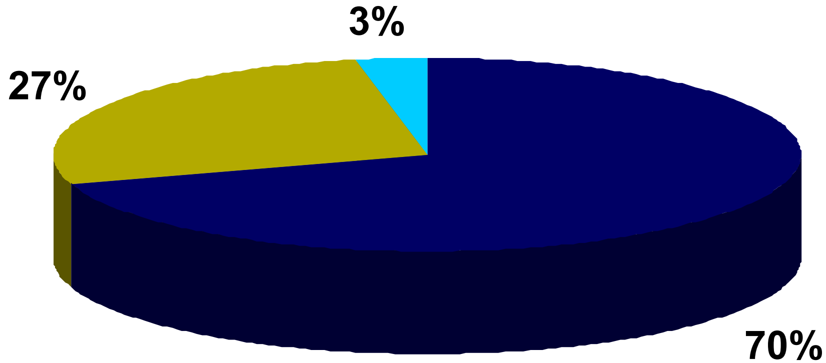
Corporate Overview

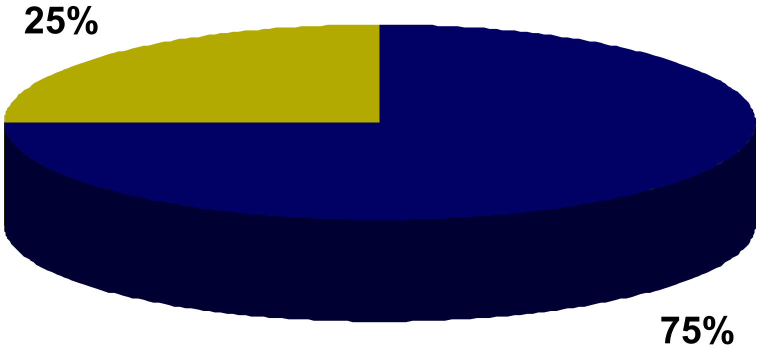
Corporate Overview

Terasen

Assets: $4,915 million
(as at December 31, 2003)

Operating Income: $366 million
(12 months ended December 31, 2003)

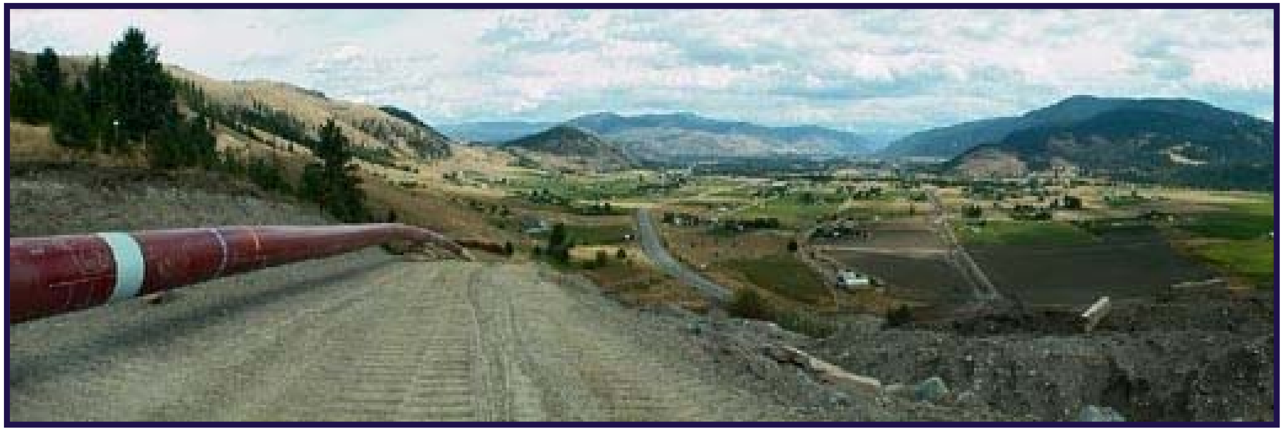




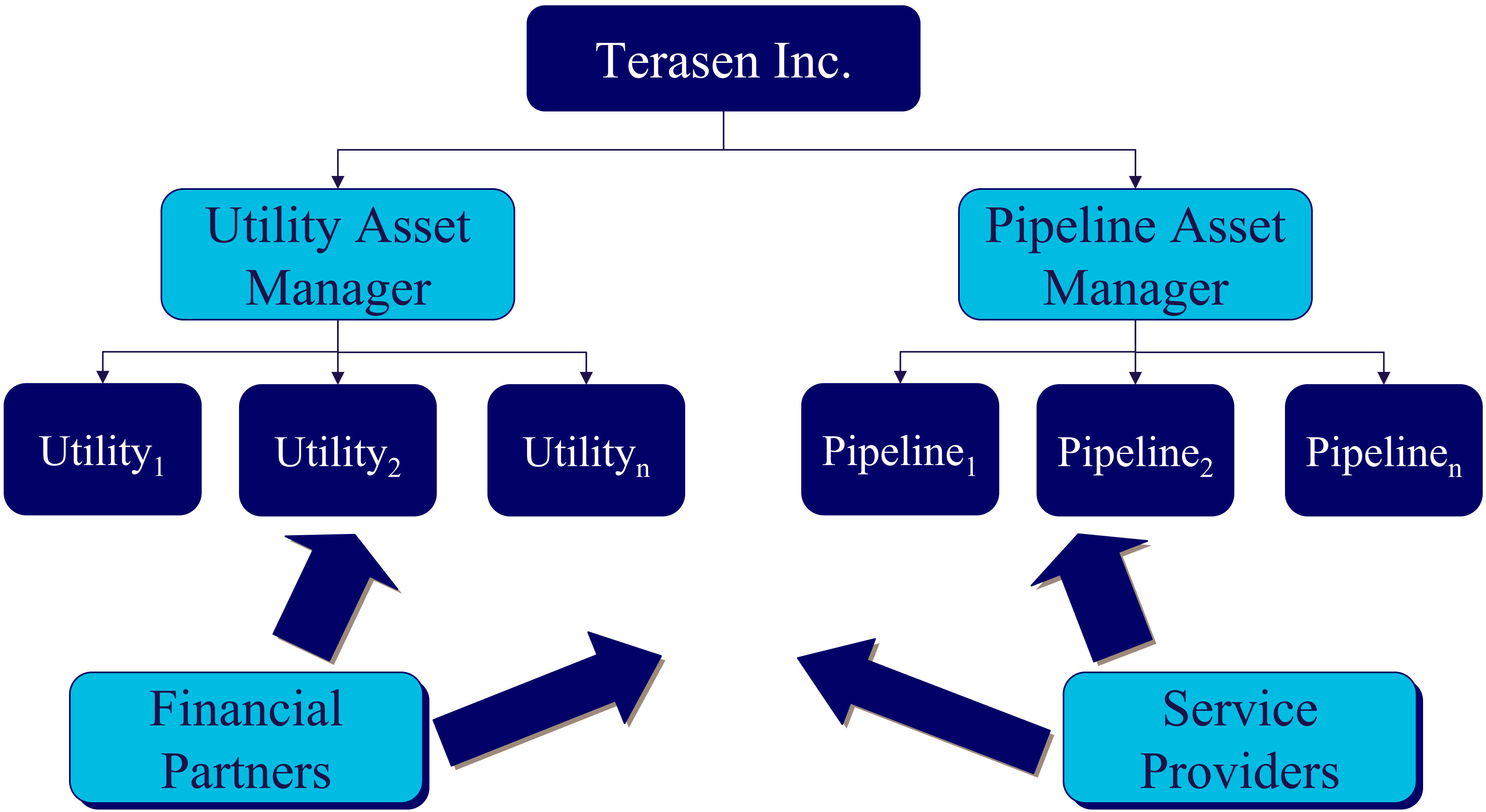
Natural Gas Distribution — Petroleum Transportation — Other Activities

Strategic Vision

- Leading provider of energy transportation and utility asset management services
- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision



Strategic Vision



Value Drivers

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

Strong Regulatory Relationships

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Similar to 1998-2001 regulatory settlement
  - New deferral accounts for insurance and pension costs
- Terasen Gas (Vancouver Island) settlement agreed upon
  - 3 year term beginning in 2003
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- Operational integration of Terasen Gas & TGVI
  - Implemented Q4/03

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  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
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  - Incentives for cash flow optimization
  - 79% of post-expansion capacity contracted
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

Asset and Risk Management

- 97% of assets and 99% of operating income are regulated
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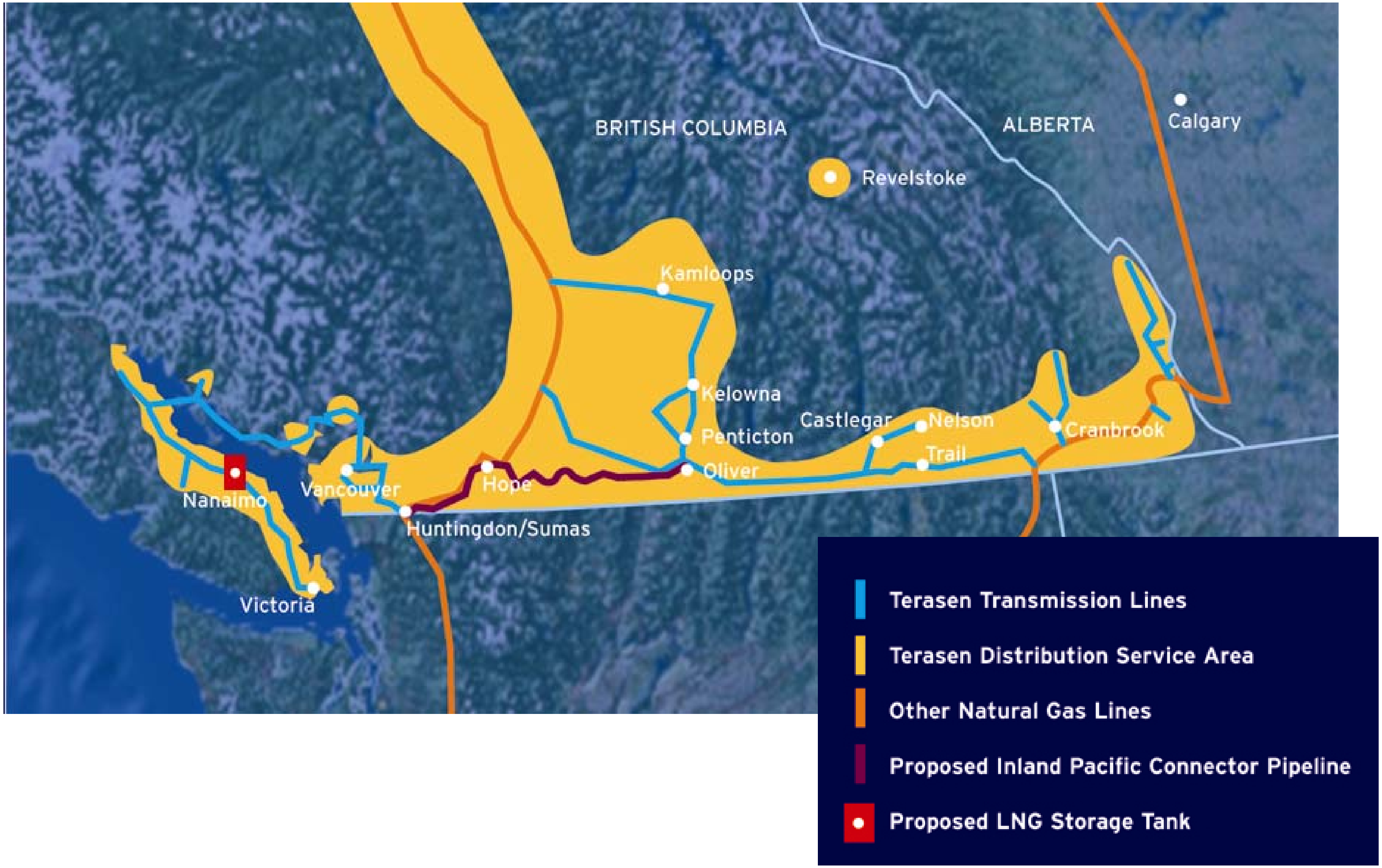
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

Growth From Core Competencies

- Organic growth from base businesses
  - Natural gas distribution – customer growth
  - Trans Mountain – throughput growth
- Water and multi-utility services
  - Growth through operating contracts and modest acquisitions
- Investments
  - CustomerWorks
  - Clean Energy

New Infrastructure Projects: Natural Gas Distribution

Terasen

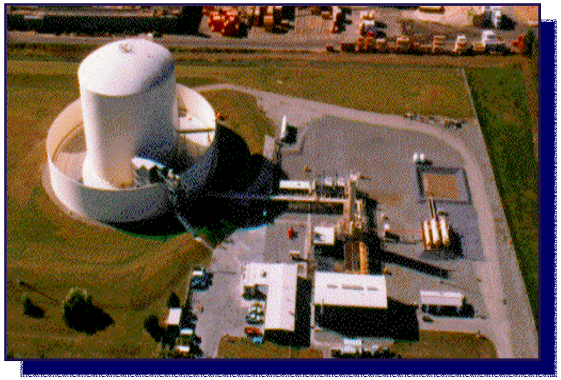


New Infrastructure Projects: Natural Gas Distribution

terasen

Capacity expansion to Vancouver Island

- New on-Island power generation needed
- $180 million capacity expansion proposed
  - Additional compression and a new LNG tank



Inland Pacific Connector

- New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

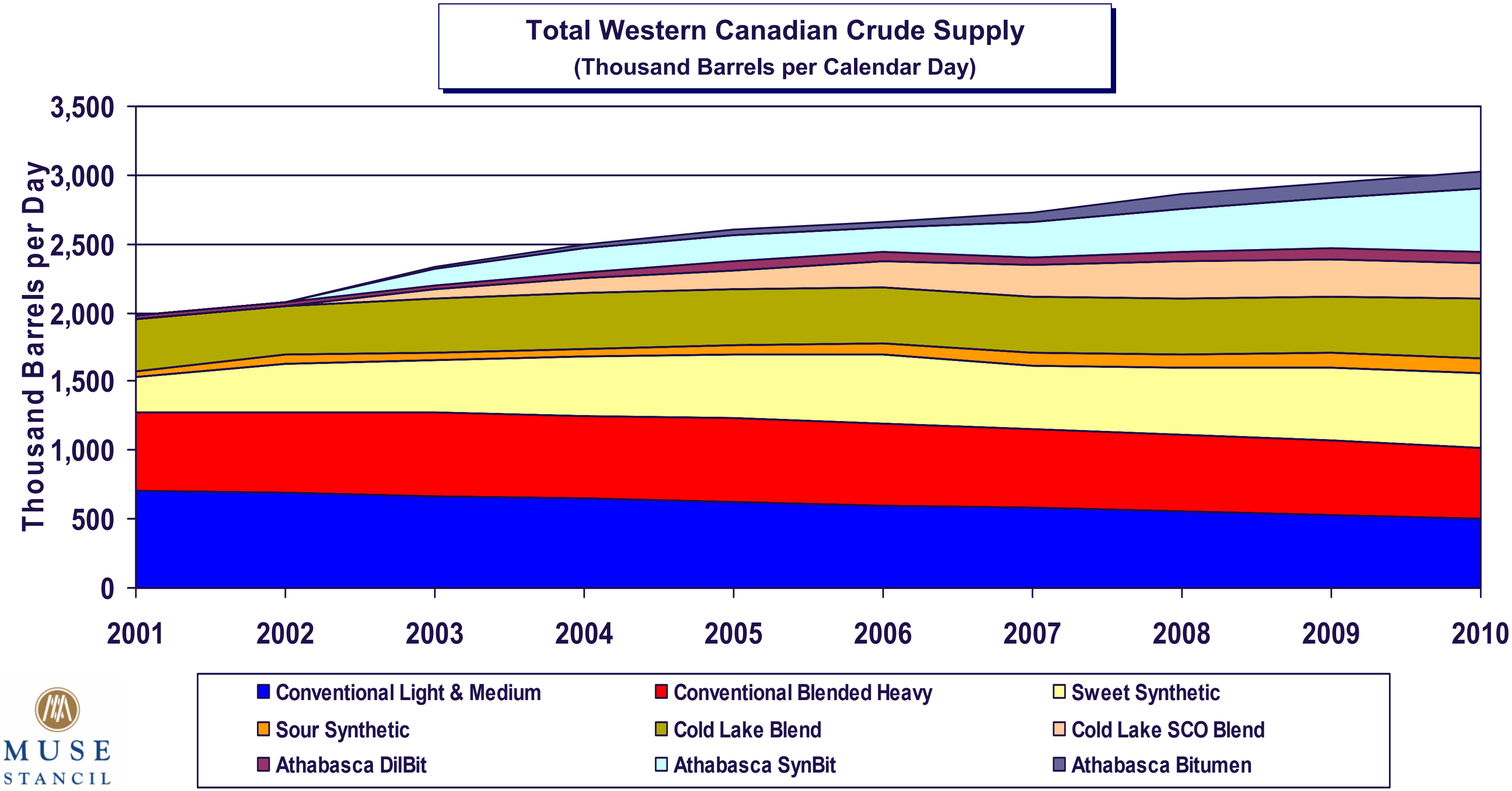
New Infrastructure Projects: Petroleum Transportation

terasen

Petroleum Transportation – a continent of opportunities

New Infrastructure Projects: Petroleum Transportation

terasen

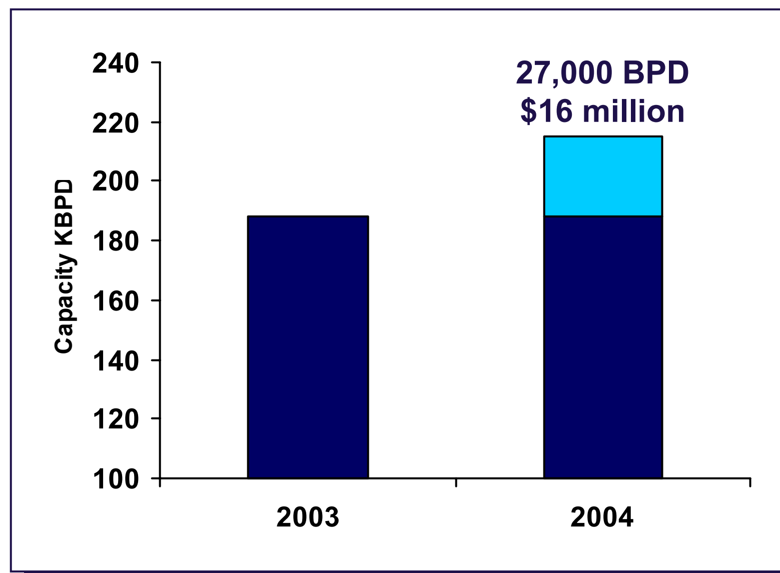


MUSE STANCIL

CAPP Upper Supply Case – Total Supply

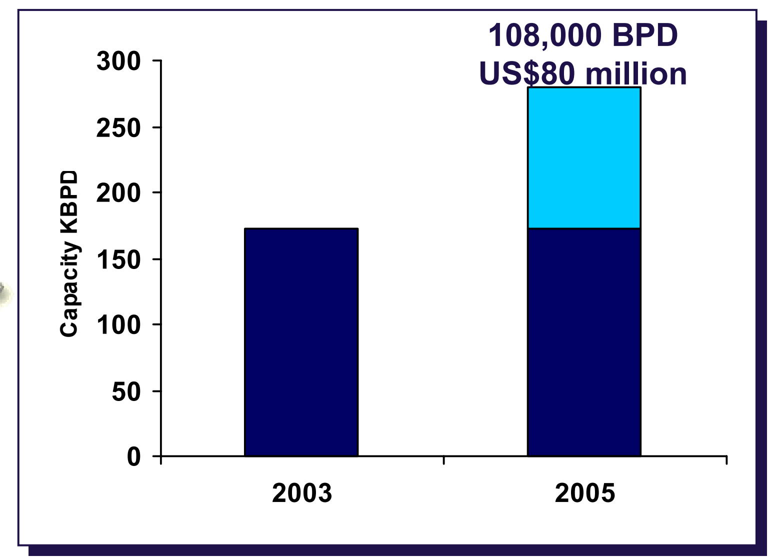
Trans Mountain Pipeline

- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



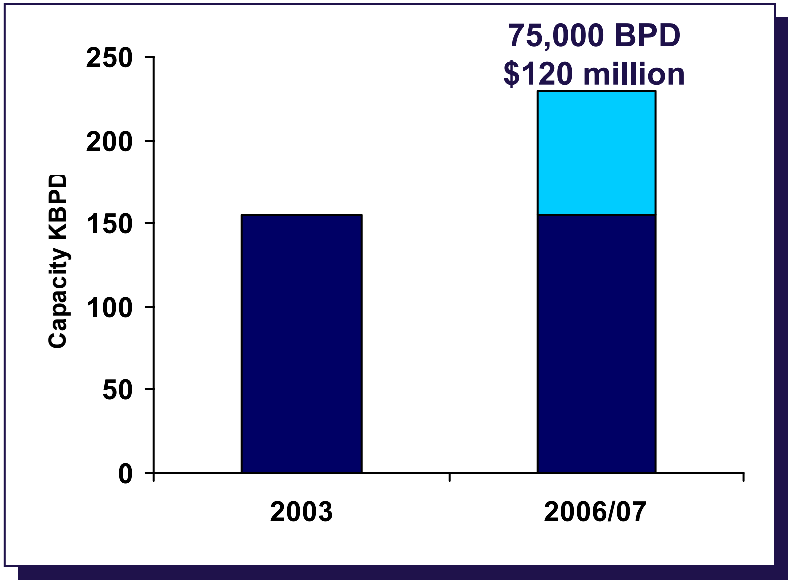
Express Pipeline

- Acquired January 2003
- Strong shipper response to recent open season
- Proceeding with expansion in one phase instead of two



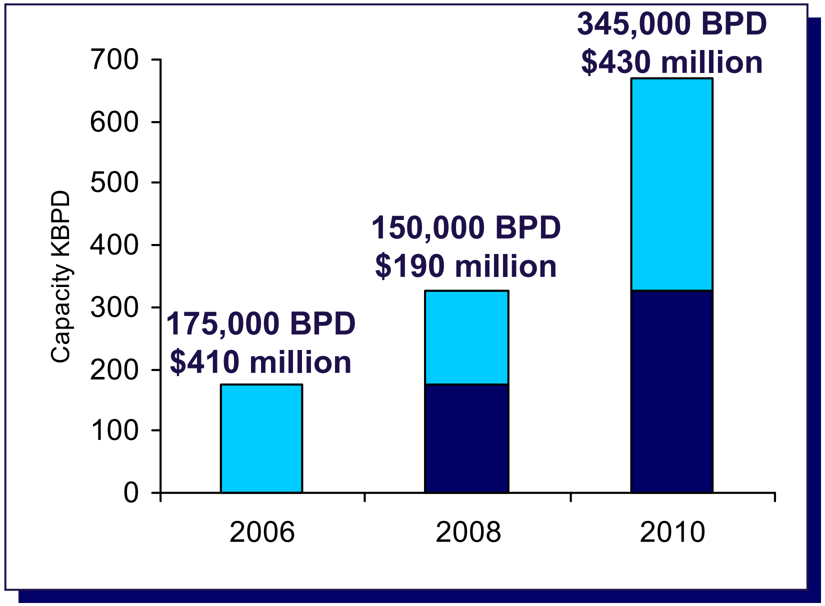
Corridor Pipeline

- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003

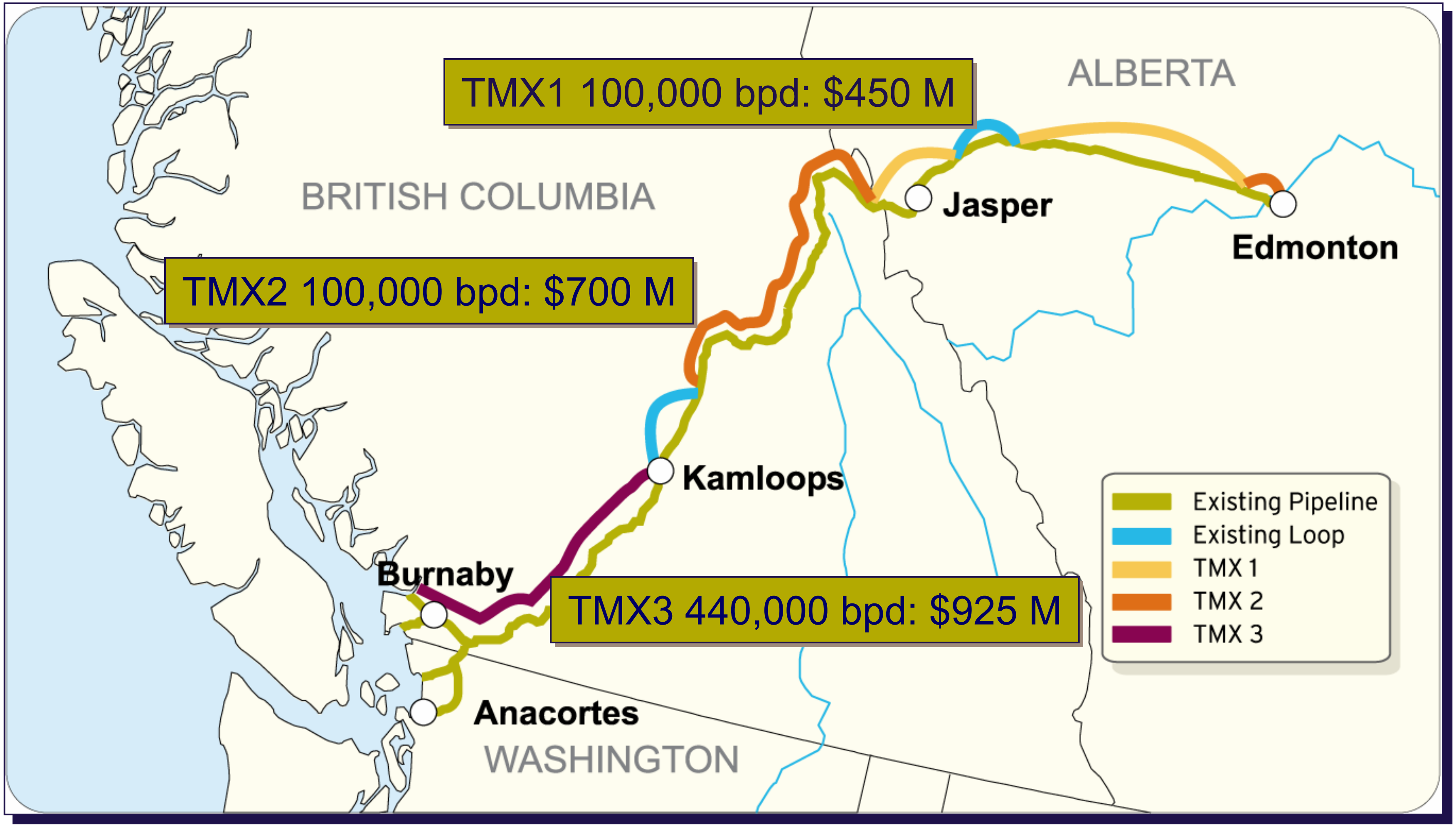


Bison Pipeline

- Multi-shipper
- Access to Edmonton
- Benefits from Corridor rights-of-way and experience



TMX Project – Staged Looping



TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

Access to Low Cost Capital

	2001	2002	2003
Debt/(Debt+Equity)	75%	66%	67%
EBITDA Interest Coverage	2.6x	2.8x	2.9x
EBIT Interest Coverage	2.0x	2.1x	2.1x

- Strengthened financial position
- “A” credit ratings have been reaffirmed by Moody’s and DBRS

Access to Low Cost Capital

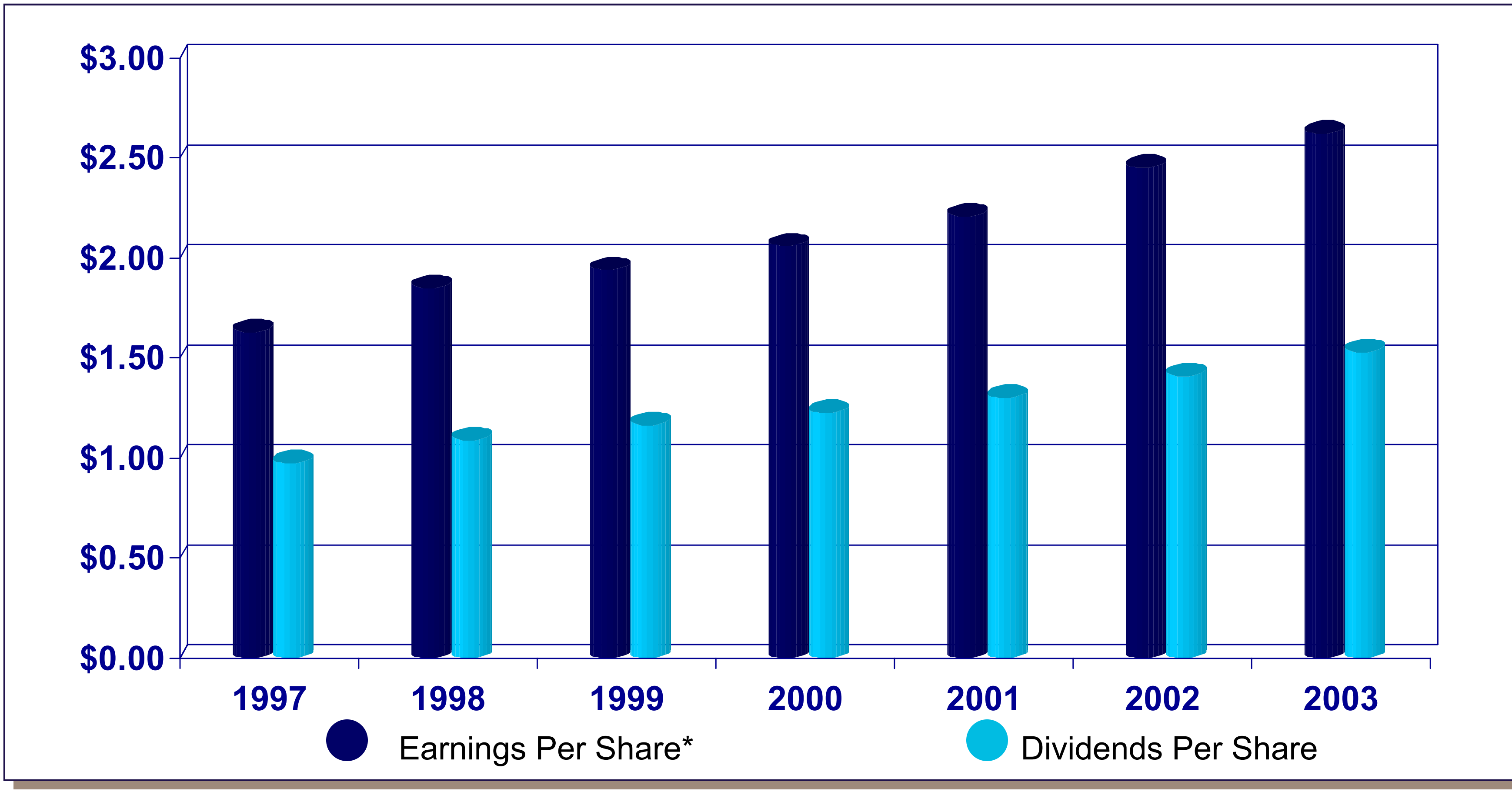
terasen

- Express acquisition consortium formed with two major Canadian pension funds
  - Terasen: manager/operator
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital without the funding risk of income trusts or MLPs
- Potential for other future opportunities

Consistent Value Creation

Terasen

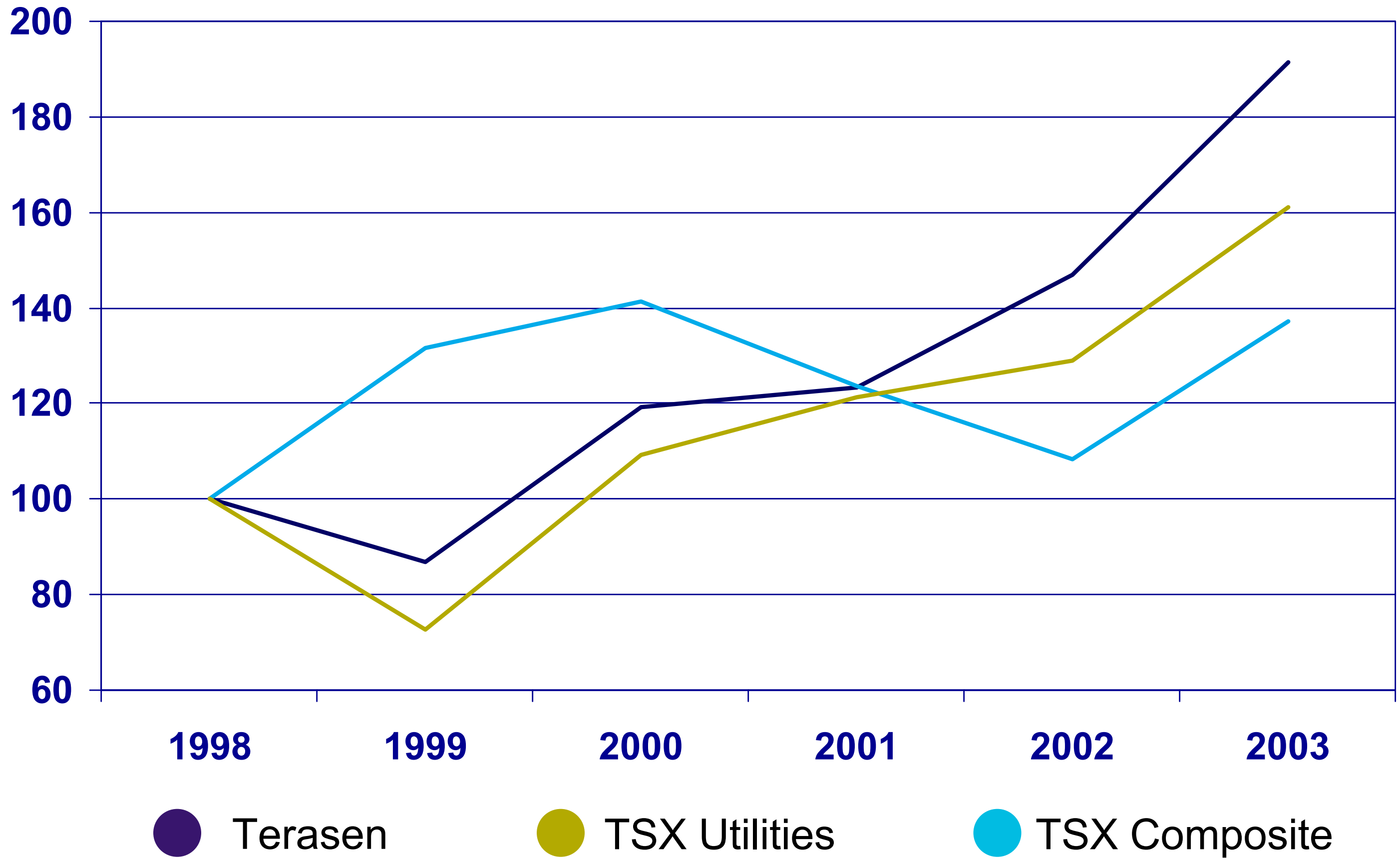
Earnings and Dividend Per Share Growth



*Earnings per share excludes non-recurring items

Consistent Value Creation

Total Shareholder Returns



Summary

- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

Contact Information

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Presentation to CIBC World Markets Whistler Conference

February 2004

terasen

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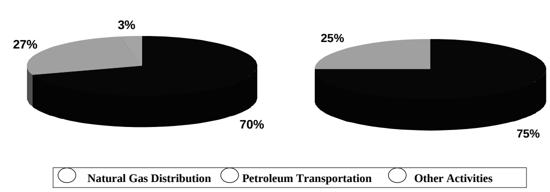

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terasen

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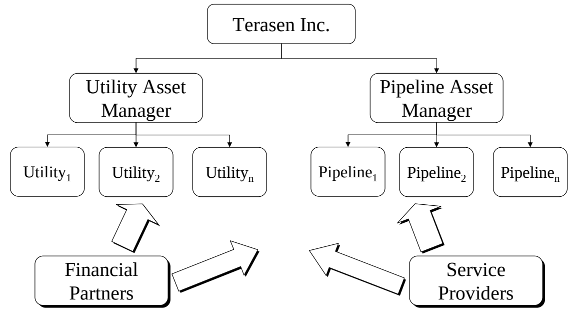
CIBC WHISTLER CONFERENCE FEBRUARY 2004

Strategic Vision

terasen



CIBC WHISTLER CONFERENCE FEBRUARY 2004

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terasen

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CIBC WHISTLER CONFERENCE FEBRUARY 2004

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terasen

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CIBC WHISTLER CONFERENCE FEBRUARY 2004

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CIBC WHISTLER CONFERENCE FEBRUARY 2004

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CIBC WHISTLER CONFERENCE FEBRUARY 2004

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terasen

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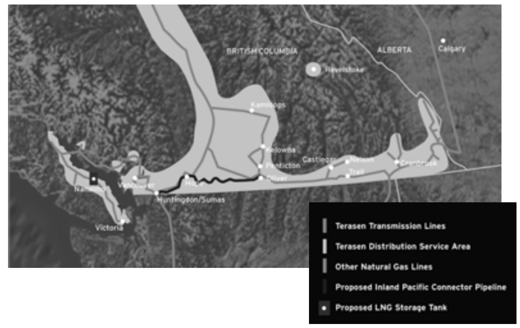
New Infrastructure Projects: Natural Gas Distribution

terasen



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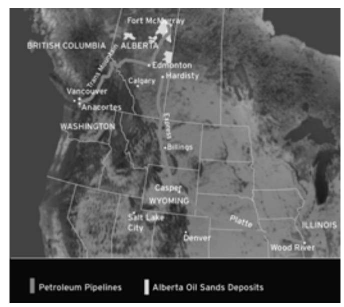
Petroleum Transportation – a continent of opportunities



New Infrastructure Projects: Petroleum Transportation

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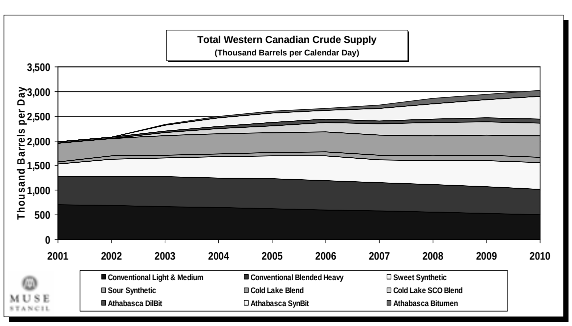

CAPP Upper Supply Case – Total Supply

Trans Mountain Pipeline

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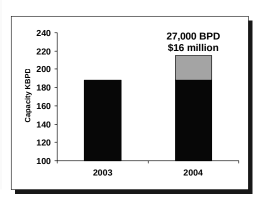
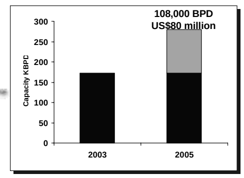
- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



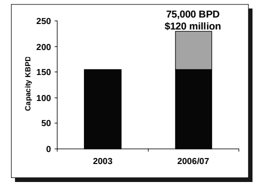
Express Pipeline

- Acquired January 2003
- Strong shipper response to recent open season
- Proceeding with expansion in one phase instead of two



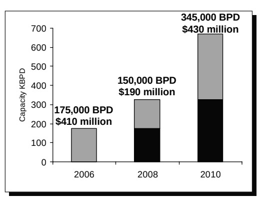
Corridor Pipeline

- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003

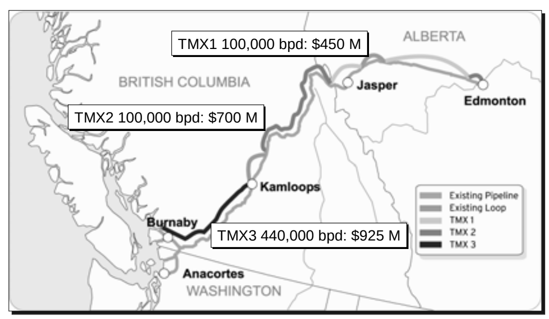


Bison Pipeline

- Multi-shipper
- Access to Edmonton
- Benefits from Corridor rights-of-way and experience



TMX Project – Staged Looping



TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

Access to Low Cost Capital

	2001	2002	2003
Debt/(Debt+Equity)	75%	66%	67%
EBITDA Interest Coverage	2.6x	2.8x	2.9x
EBIT Interest Coverage	2.0x	2.1x	2.1x

- Strengthened financial position
- "A" credit ratings have been reaffirmed by Moody's and DBRS

Access to Low Cost Capital

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- Express acquisition consortium formed with two major Canadian pension funds
  - Terasen: manager/operator
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital without the funding risk of income trusts or MLPs
- Potential for other future opportunities

Consistent Value Creation

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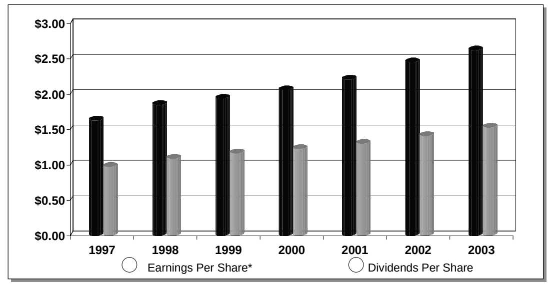
Earnings and Dividend Per Share Growth



Earnings per share excludes non-recurring items

Consistent Value Creation

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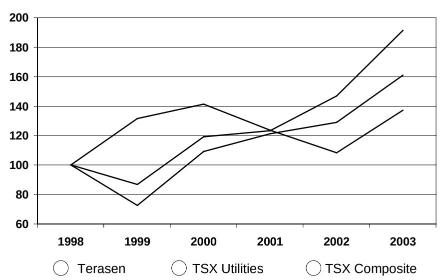
Total Shareholder Returns



Summary

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- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

Contact Information

terasen

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BC Gas Inc.
Equity Investor Presentation

February 2000

Investor Relations Contact:

David Bryson, Assistant Treasurer
Telephone: (604) 443-6527
Fax: (604) 443-6929
Email: ir@bcgas.com

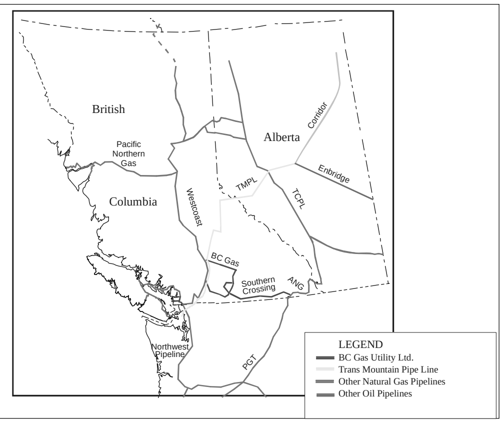
Presentation Summary

- Corporate Overview
- Strategic Plan
- Business Initiatives
- Financial Results

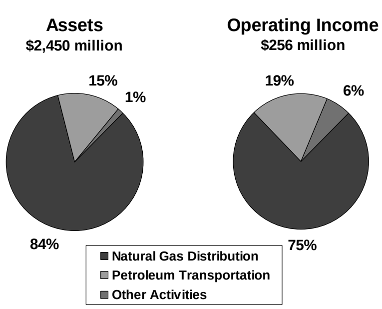
Corporate Overview

Three business units:

- Natural Gas Distribution
  - BC Gas Utility
- Petroleum Transportation
  - Trans Mountain Pipe Line
  - Corridor Pipeline
- Energy and Utility Services



Corporate Overview



Strategic Plan

Shareholder value:

- Reasonable rates of return
  - 5-6% EPS growth plus 4-5% dividend yield
- Low risk
  - Focused on core businesses and activities which lever off our core competencies

Business Activities - 1995

	Petroleum	Natural Gas	Water	Electricity
Production	✘	✘		✘
Trading		✘		
Transportation				
Services				

Business Activities - 2000+

	Petroleum	Natural Gas	Water	Electricity
Production				
Trading				
Transportation	Base Businesses		Multi-Utility	
Services		New Products		

Strategic Plan

Growth strategies:

- Strengthen and expand our base businesses
- Deliver new products to our existing customers
- Grow our multi-utility business

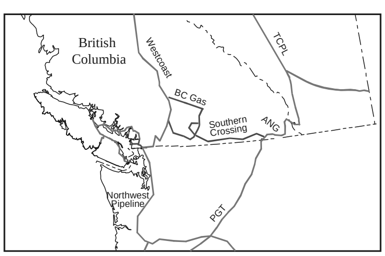
Multi-Utility	New Products
Base Businesses	

Strengthen and Expand Our Base Businesses

- Expand Scope and Scale
  - Southern Crossing Project
  - Corridor Pipeline Project
- Value Delivery/Incentive Regulation

Multi-Utility	New Products
Base Businesses	

Southern Crossing Project



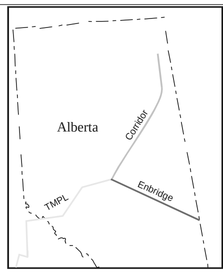
Multi-Utility	New Products
Base Businesses	

Southern Crossing Project

- $376 million, 316 km, 250 mmcf/d natural gas pipeline
- Received regulatory approval in May 1999
- On track for completion in November 2000
  - Subject only to receipt of construction bids
- Will meet growing demand for natural gas in Pacific Northwest cost-effectively and competitively

Multi-Utility	New Products
Base Businesses	

Corridor Pipeline Project



Corridor PIPELINE

Multi-Utility | New Products
Base Businesses

Corridor Pipeline Project

- $690 million, 450 km dual pipeline
- 100% owned and operated
- Backed by long term ship-or-pay contracts with Shell Canada and their partners.
- Construction will begin in Q2/2000
- Operations to commence late 2002

Corridor PIPELINE

Multi-Utility | New Products
Base Businesses

Corridor Pipeline Project

- Strategic fit
  - Positions BC Gas to participate in growth of Alberta oil sands
- Operational fit
  - Core competencies in petroleum transportation
- Financial fit

Corridor PIPELINE

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- Both BC Gas and Trans Mountain have achieved incremental returns from incentive-based regulatory settlements
  - Provides opportunities to create value for customers and shareholders
  - Both settlements mitigate shareholder risks (e.g. weather, throughput)

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- BC Gas Utility in discussions to extend the existing 1998-2000 settlement for one additional year
- Trans Mountain currently in negotiations with shippers for a multi-year renewal of their 1996-2000 agreement

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- Evaluating all utility services from a cost/value perspective
- Utility services may be outsourced, exited or moved into non-regulated businesses
- Become a value maximizing, networked provider of utility services
  - Enabled by information technology

Multi-Utility | New Products
Base Businesses

Deliver New Products to Existing Customers

"A measured approach"

- Strengthen the core business
  - Customer Care Technology
  - Branding
  - Value Delivery
- Lever off the core business
  - Retail Energy Services

Multi-Utility	New Products
Base Businesses	

Customer Care/Branding

- New Customer Information System being rolled out in 2000-2001
  - Successfully piloted in 1998-99
  - Provides a platform for enhancing customer relationships and delivering new services to customers
- Brand development activities initiated in 1999

Multi-Utility	New Products
Base Businesses	

Retail Energy Services

- Home*works* brand provides energy services to residential customers in B.C.
  - Provides a variety of services through dealer networks
- New Senior VP, Residential Customers
  - Mandated to bring a common focus to all parts of the business that interact with residential customers

Multi-Utility	New Products
Base Businesses	

Grow Our Multi-Utility Business

What is multi-utility at BC Gas?

- Gas, water & electricity
- Transmission, distribution & services

- Waterworks Supplies & Services
- Measurement Technologies
- Energy Services
- Electricity

Multi-Utility	New Products
Base Businesses	

Waterworks Supplies & Services

- Acquired two small waterworks supply businesses in 1999; more planned for 2000
  - Customers are municipalities, developers and industrials
  - Plan to generate annualized revenues of $85+ million by end of 2000
- Emphasis on waterworks supplies and services, rather than large-scale waterworks infrastructure projects

Multi-Utility	New Products
Base Businesses	

Measurement Technologies

- Provides metering services to utilities
- Announced a partnership in Dec. 1999 with Invensys (a global supplier of meters) to deliver integrated meter supply, management and maintenance services

Multi-Utility	New Products
Base Businesses	

Energy Services

- Leverages core competencies into service opportunities in Canada and internationally
  - Provides non-regulated energy and utility services to industrial and institutional customers in B.C.
  - BC Gas has recently been awarded Phase 2 of a successful construction project in the United Arab Emirate of Sharjah

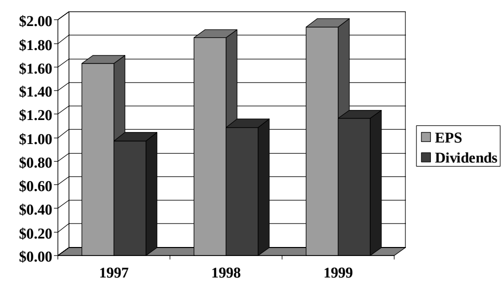
Multi-Utility | New Products
Base Businesses

Electricity

- Exploring opportunities in the electricity business
- Positioning for possible privatization in B.C.

Multi-Utility | New Products
Base Businesses

Financial Results



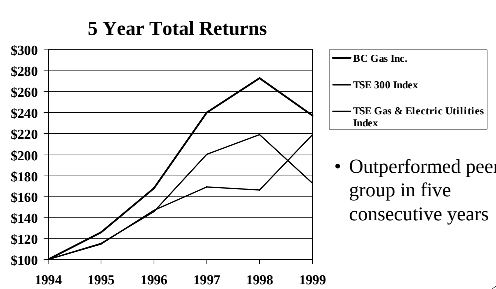
* EPS before non-recurring items

Financial Results

Earnings Per Share

	1999	1998
Natural gas distribution	**$1.35**	**$1.35**
Petroleum transportation	**0.51**	**0.59**
Other activities	**0.08**	**(0.09)**
	$1.94	**$1.85**
Income tax benefits from NW Energy	**0.18**	**–**
Earnings per share	**$2.12**	**$1.85**

Financial Results



- Outperformed peer group in five consecutive years

Financing Requirements

- Objective - avoid issuing new common equity
- Corridor project financing is under way
  - 100% debt financed until completion in 2002
- Southern Crossing debt to be financed with MTN Debentures
- Southern Crossing equity to be financed with $100-125 million of preferred equity in 2000

Earnings Objectives

- Target EPS in 2004: $2.50 per share
  - Requires $0.56 in earnings growth over 5 years
- Strong portfolio of growth opportunities:
  - Southern Crossing
  - Corridor Pipeline
  - Multi-utility
  - New products and services
- Earnings growth objectives are achievable

Summary

- Continued the trend of strong financial results in 1999
  - Completed non-core asset dispositions
- Focused on executing our strategic plan
  - Strengthen and expand our base businesses
  - Grow our multi-utility business
  - Deliver new products to our existing customers


Terasen's 2004
Financial Analyst and Investor Conference
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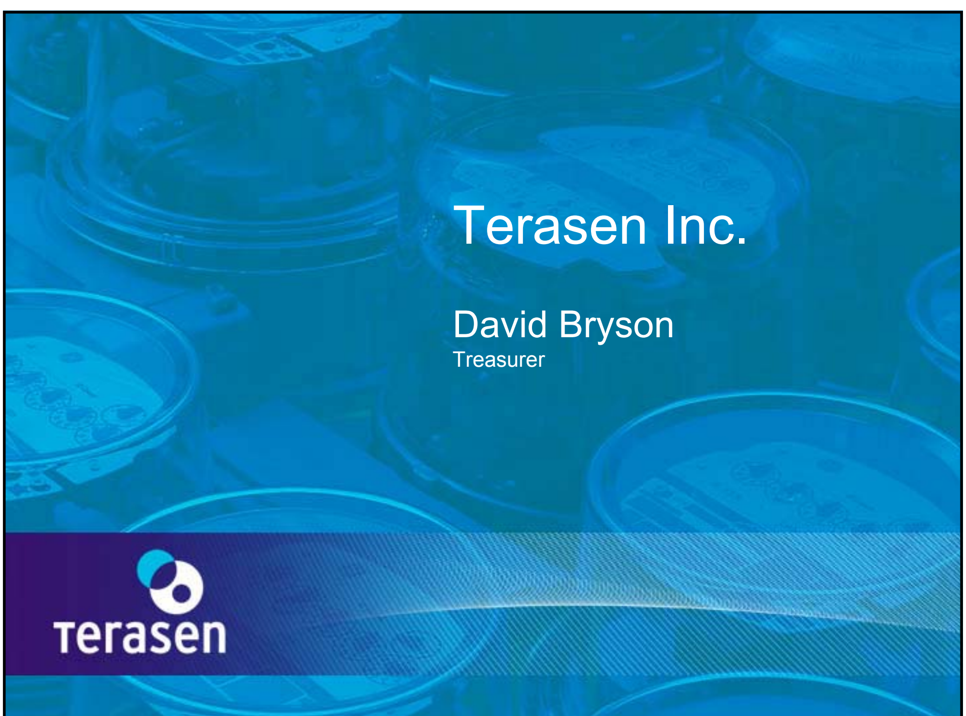
Terasen Inc.
David Bryson
Treasurer
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Welcome

Terasen's 2004 Financial Analyst and Investor Conference

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Agenda

Time	Topic	Presenter
8:00	Continental Breakfast	—
8:30 – 8:35	Introductory Remarks	David Bryson
8:35 – 9:00	Strategy and Vision	John Reid
9:00 – 9:30	Natural Gas Distribution	Randy Jespersen
9:30 – 10:15	Petroleum Transportation	Rich Ballantyne
10:15 – 10:30	Break	—

Agenda

Time	Topic	Presenter
10:30 – 11:00	Water and Utility Services	Brett Hodson
11:00 – 11:30	Strategic Opportunities	Steve Swaffield
11:30 – 11:50	Financial Objectives	Gord Barefoot
11:50 – 12:00	Closing Comments	John Reid
12:00 – 1:30	Lunch	—

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Forward Looking Statement

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2003 Annual Information Form, and other filings available on SEDAR.

Terasen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Thank you.
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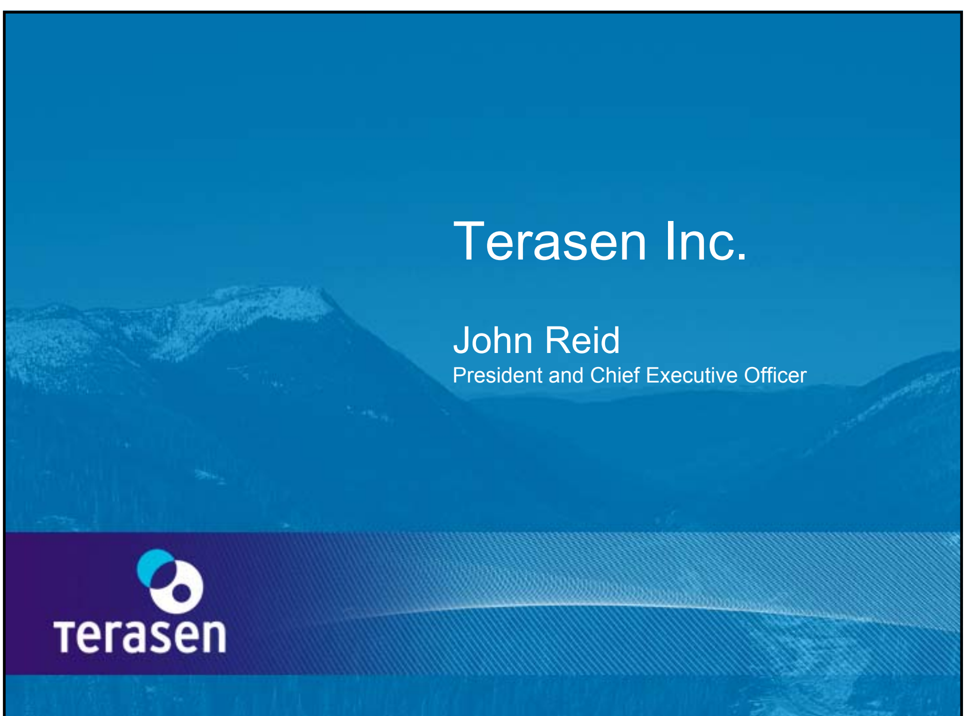
Terasen Inc.
John Reid
President and Chief Executive Officer
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Overview

- Vision
- Key Beliefs
- Terasen's Value Proposition
- Value Growth Drivers 1998 – 2004
- Value Growth Drivers 2005 – 2010

Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

Key Beliefs

- Economic growth closely correlated to energy demand and the need for expanded energy infrastructure
- Alberta Oil Sands will become an increasingly meaningful supply source to the U.S. and Asia

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Key Beliefs

- Operating competencies critical to our energy infrastructure business are highly compatible with the water and utility services business
- Energy and utility infrastructure provide opportunities for secure, low risk investment and steady returns

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Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

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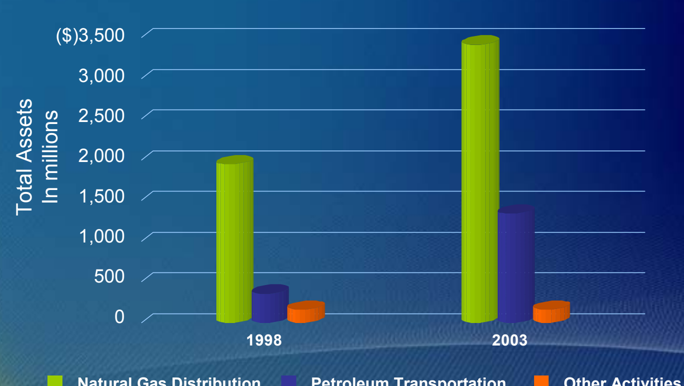
Focused

- Two established core businesses
- One emerging business



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Focused

- Acquisitions and greenfield projects with a clear strategic fit

1957	1983	1988	2000 & 2001	2004
Inland Gas	TMPL Acquisition	BCH Gas Acquisition	Southern Crossing Pipeline & Centra	Express/Platte Corridor
$18.5 million	$236 million	$1.2 billion	$3.7 billion	$4.9 billion

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Focused

> Western Canadian base

> Continental opportunities

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Reliable

- Adding value through asset management
- Strong regulatory relationships
- Low risk business profile

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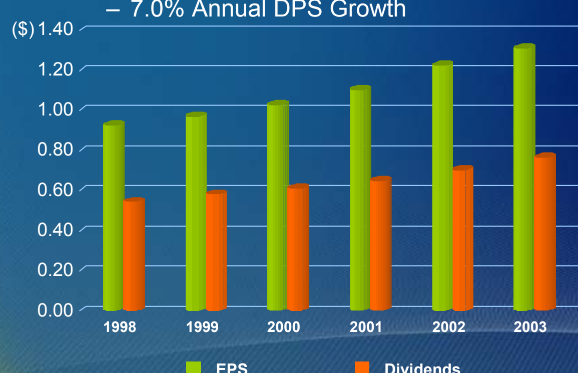
Terasen Gas

Terasen Pipelines

Terasen Water & Utility Services

Growing

- Consistent delivery on 6% EPS growth target, and corresponding growth in dividends
  - 7.2% Annual EPS Growth
  - 7.0% Annual DPS Growth



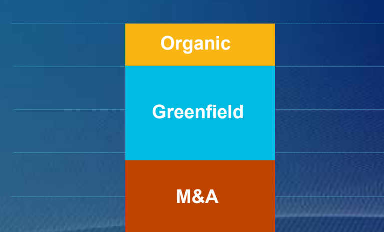
Growing

- Annualized total shareholder return of 19% over the past 10 years

December 31, 1994 – October 31, 2004

Value Growth Drivers 1998 – 2004

- 1998-2004 growth driven by a combination of:
  > Organic growth
  > Greenfield projects
  > Successful M&A transactions

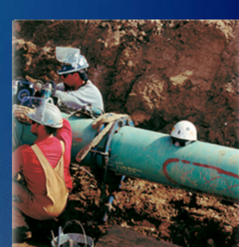


Value Growth Drivers 1998 – 2004

- Excellent returns from organic growth
  - > Strong cost management
  - > Strong pipeline throughput growth
  - > Earnings levels higher than allowed/negotiated rates of return

Value Growth Drivers 1998 – 2004

- Securing and constructing greenfield projects on time, on budget
  - > Southern Crossing
  - > Corridor Pipeline



Value Growth Drivers 1998 – 2004

- Successful execution (acquisition and integration) of M&A transactions
  - > Centra (TGVI)
  - > Express/Platte Pipeline
  - > Terasen Water and Utility Services

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Value Growth Drivers 2005 – 2010

Organic growth

- Continued excellence in asset and risk management
- Increase in customer base for natural gas distribution
- Strong demand for oil pipeline transportation
- Requirements for enhanced water and utility services infrastructure

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Value Growth Drivers 2005 – 2010

Projects

- Primary growth platform for value creation
- Regional natural gas infrastructure development
- Superior leverage to Oil Sands growth through low risk infrastructure
- Continued demand for water and utility services infrastructure, upgrades and expansions

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Value Growth Drivers 2005 – 2010

Potential Project Portfolio *In C$ millions*	
Vancouver Island LNG	$ 100
Whistler Gas Pipeline	40
Inland Pacific Connector	300 – 500
Express Expansion (US$)	110
Corridor Expansion	300+
TMX1	600 – 700
TMX2	600 – 700
TMX3	800 – 900
Heartland Terminal	30 – 120
Water and Utility Services	100+
Total (in billions)	$ 3.0 – 3.6
Current Asset Base (in billions)	$ 4.9

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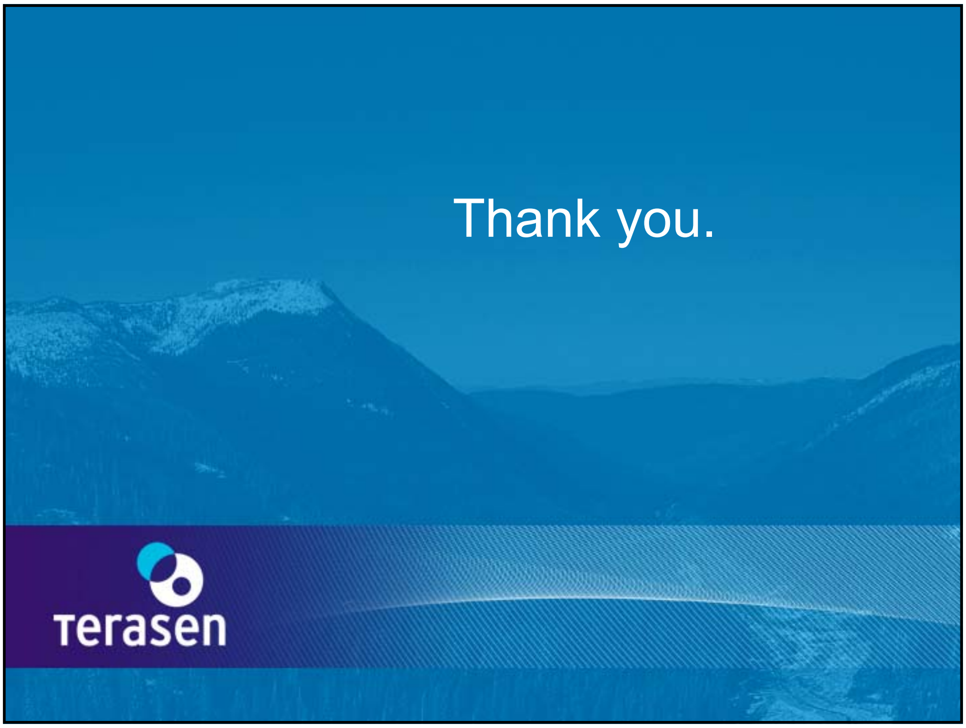
Value Growth Drivers 2005 – 2010

Mergers & Acquisitions

- Disciplined approach
- Value opportunity associated with organic and project growth of acquired assets
- Will pursue vigorously, but with discipline

Value Growth Drivers 2005 – 2010

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH
- Increase shareholder value by applying core competencies and skills to a larger asset base
- Grow the assets through a combination of organic growth, greenfield expansions and accretive M&A transactions


Thank you.
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Terasen Gas
Randy Jespersen
President
terasen

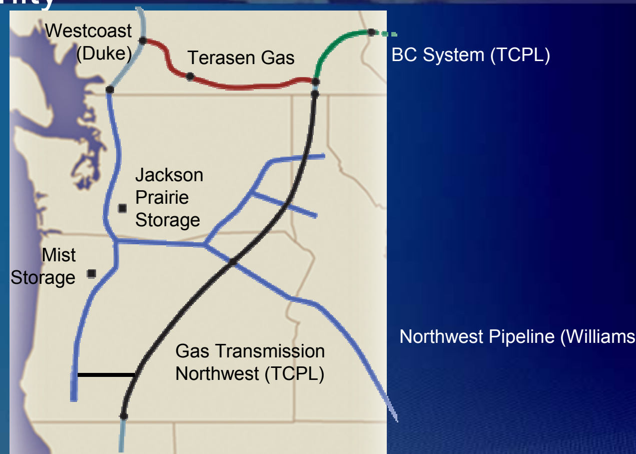
Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

Our Opportunity

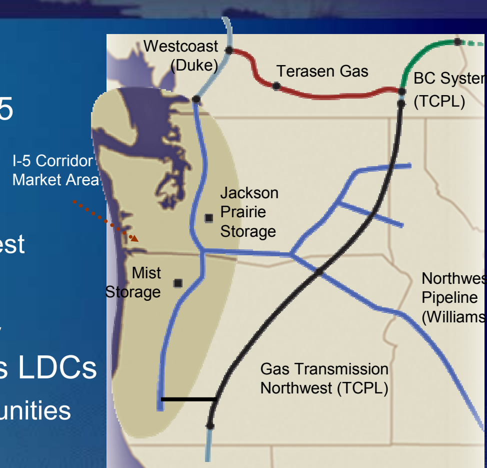
- Strong natural gas distribution franchise in a unique region
- Electric/gas rate compression
  - > Challenging opportunity
- Leadership position to develop new gas infrastructure for regional needs
- Well positioned for consolidation opportunities

Our Opportunity

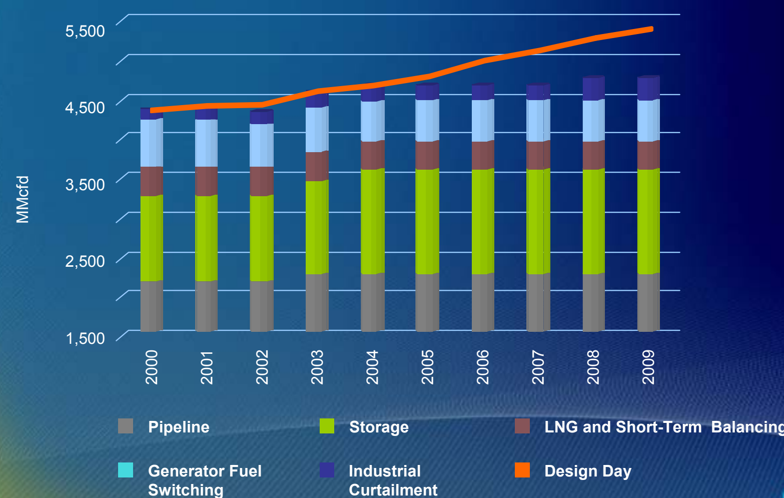


Our Opportunity

- Pacific Northwest I-5 Corridor is unique
  - > Market area is geographically separated from the rest of North America
- Region is served by several different gas LDCs
  - > Consolidation opportunities



Regional Supply and Demand



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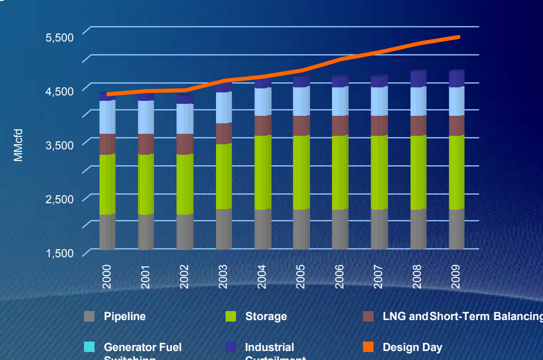
Regional Supply and Demand

- Regional natural gas demand growth is strong
- Region will be short capacity on a design day in 2005
- Delivery capacity will need to be addressed in the near future



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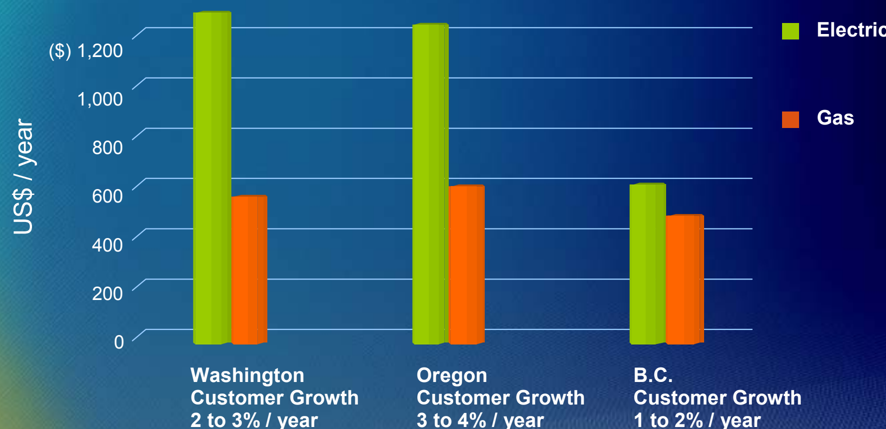
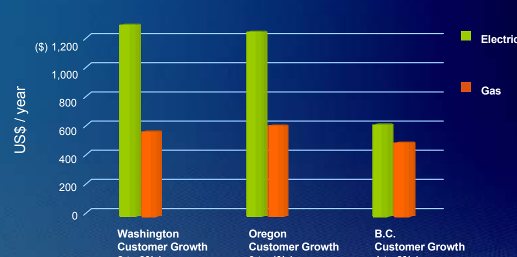
Gas/Electric Competitiveness



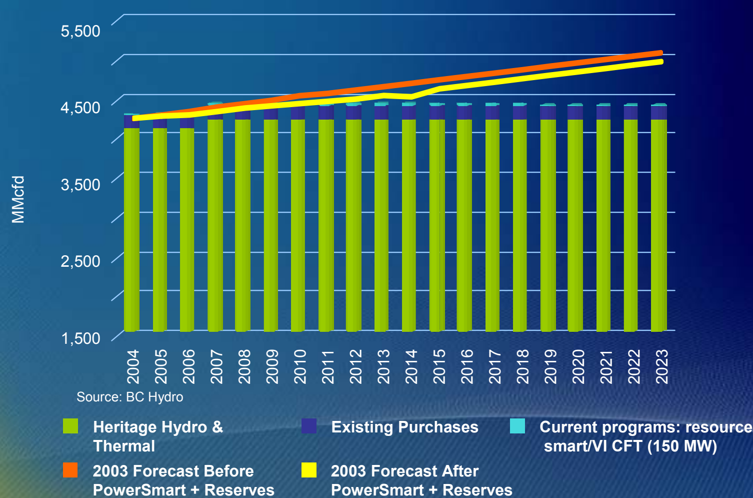
Gas/Electric Competitiveness

- Other gas markets in the Pacific Northwest are highly competitive, with correspondingly attractive growth potential
- Movement of B.C. electric rates towards market prices over time



Gas/Electric Competitiveness

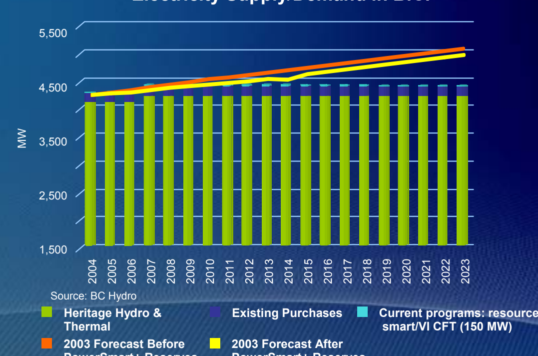
Electricity Supply/Demand in B.C.



Gas/Electric Competitiveness

- Electric rates move towards market
- Expansion of gas infrastructure

Electricity Supply/Demand in B.C.



Capabilities — Asset Management

- Operational Excellence
  - > Public and employee safety
  - > Cost management
  - > Customer satisfaction
  - > Environmental responsibility

Stakeholder Credibility
and Value Sharing

Capabilities — Asset Management

- TGI/TGVI integration
  - > Utilities integrated under single management and common platforms
  - > Significant cost reductions
  - > Skills transferable to other acquisition opportunities

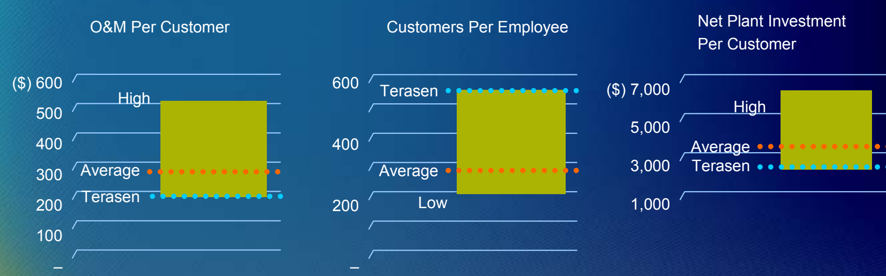
Natural Gas Distribution

Terasen Gas Inc.

Terasen Gas Vancouver Island Inc.

Capabilities — Asset Management

- Terasen is a leader in operating efficiency



Source: LSM Consulting

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Capabilities — Risk Management

- "No surprises" approach to stakeholder relationships
- Significant initiatives reviewed and approved by regulator prior to implementation
- Performance-based rate plans in place for both Terasen Gas and TGVI
- Deferral accounts for Terasen Gas
  - > Cost of gas, consumption levels, insurance, pension and financing costs

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Competitive Advantages

- Regulatory relationship management
- Utility asset management skills – integration capabilities
- Leadership role in Pacific Northwest gas infrastructure planning
- Project management capabilities

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Key Initiatives: ROE and PBR Extension

- TGVI PBR re-negotiation
- Generic return on equity review scheduled by the BCUC for Q3 2005

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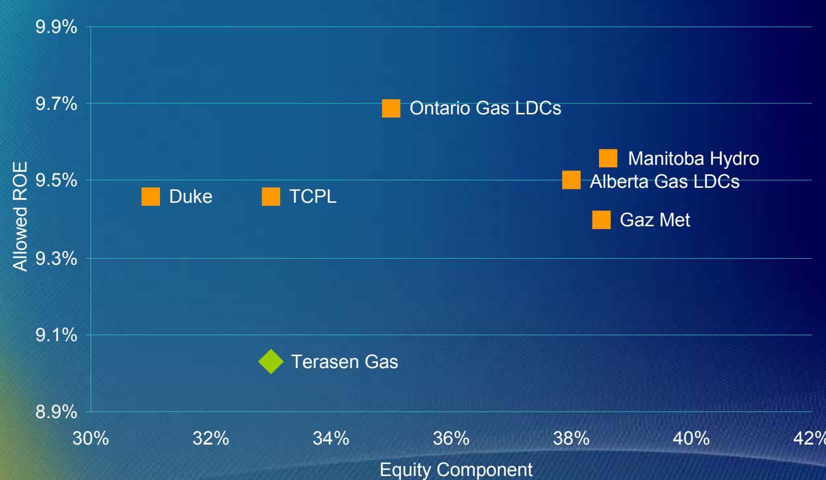
Key Initiatives: ROE and Capital Structure



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Key Initiatives: TGVI Expansion

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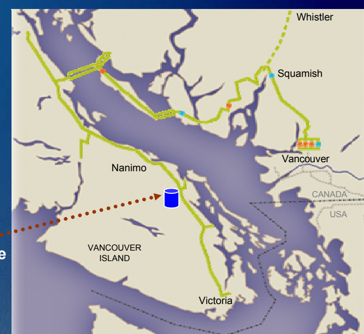
Key Initiatives: TGVI Expansion

- CPCN application filed for $100 mln Vancouver Island LNG Project
- Decision by Q1 2005
- Potential for additional $70 to $80 mln compression based on BC Hydro's future generation needs

Proposed LNG Storage

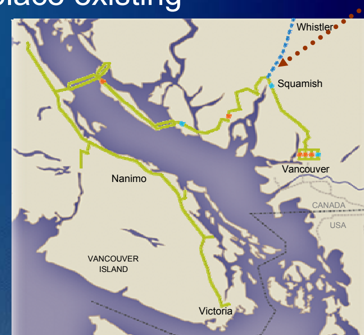


Proposed LNG Storage Facility | Existing Compressor Units | Proposed Compressor Units

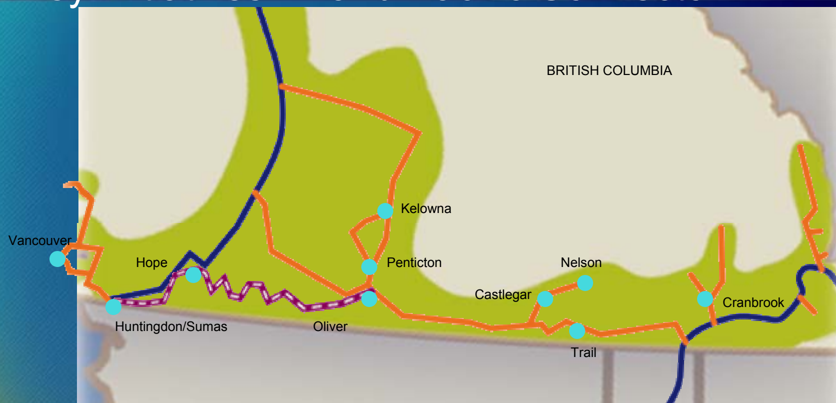
Key Initiatives: Whistler Pipeline

- Analysis of Whistler Pipeline project underway ($40 million), potential to replace existing propane system
- Depends on municipal decisions regarding future growth in Whistler and Sea to Sky Corridor

Proposed pipeline



Key Initiatives: Inland Pacific Connector



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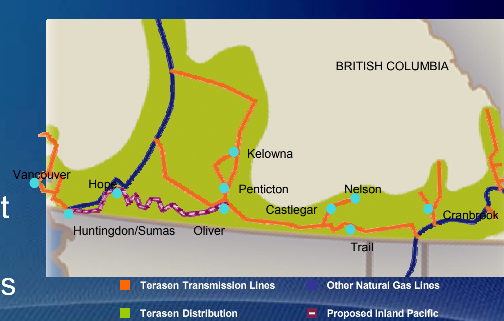
Key Initiatives: Inland Pacific Connector

- Potential $300 to $500 million gas transmission line connecting SCP to the Lower Mainland and Sumas (NWPL)
- Project will require support from multiple shippers to move forward
- Potential shippers must have requirement to diversify supply sources



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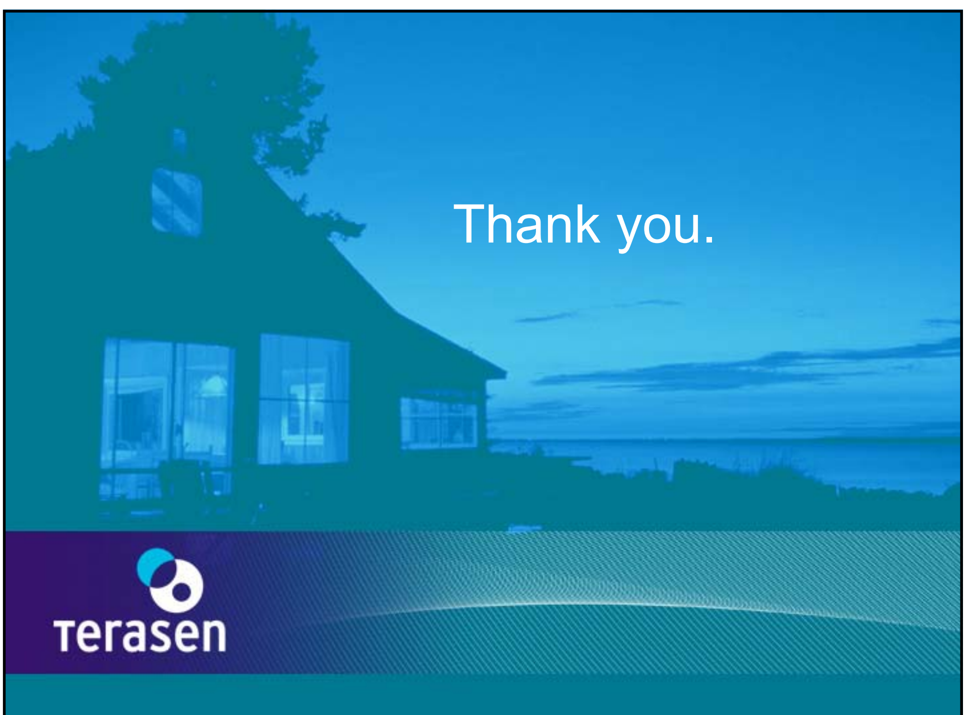
Conclusion

- Strong, stable cash flow provides solid financial base for growth opportunities
- Strong asset management and stakeholder relations skills
- Opportunities to invest in new gas infrastructure
- Well positioned for consolidation opportunities



Terasen Pipelines

Rich Ballantyne

President, Terasen Pipelines

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Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

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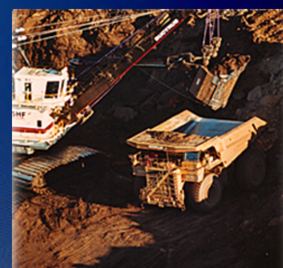
Our Opportunity

- Pipelines is focused on matching growing supply to growing demand
- Global oil demand growth prospects are strong
- Alberta's Oil Sands production is a world class growth opportunity



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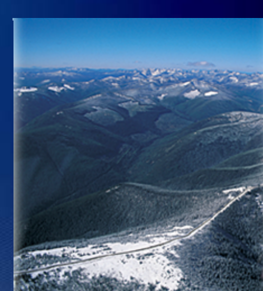
Our Opportunity

- Project opportunities lever off the existing asset base
- Manage acquisition opportunity risks by staying within knowledge set and geography



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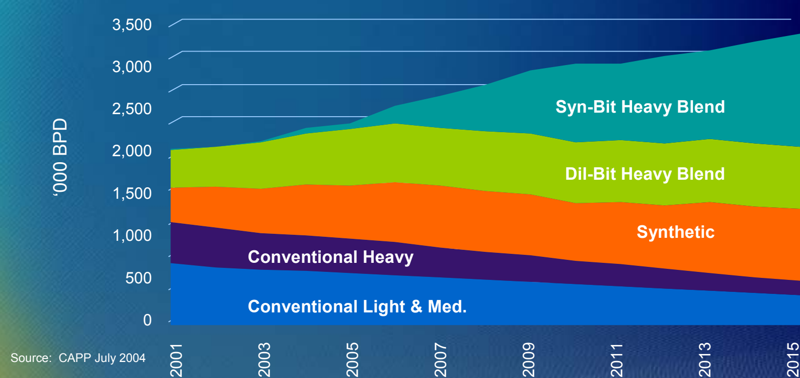
Western Canadian Crude Supply



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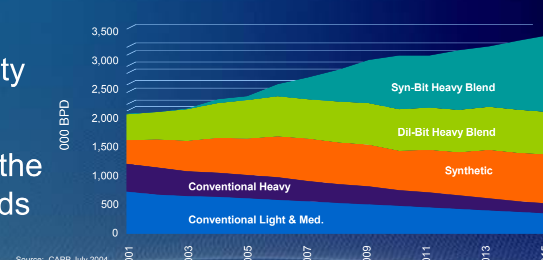
Western Canadian Crude Supply

- Higher oil prices and new technology will drive projects forward
- Demand for transportation is outstripping capacity
- New markets are required to realize the full value of oil sands products



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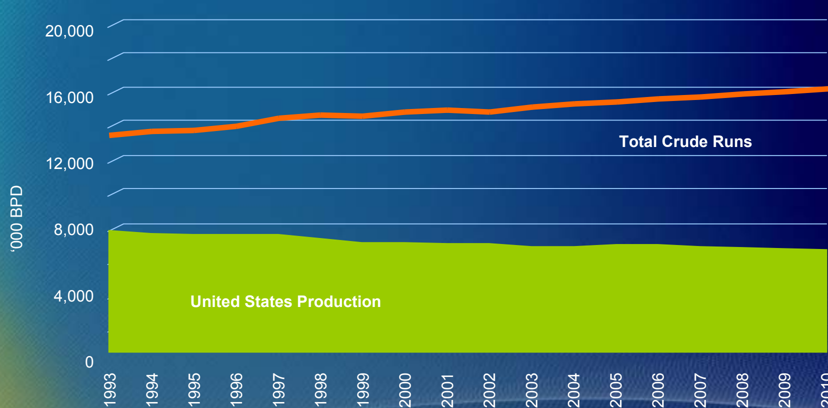
U.S. Crude Supply Demand Balance



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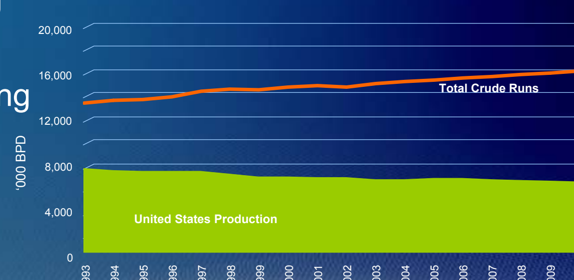
U.S. Crude Supply Demand Balance

- The gap between U.S. crude demand and domestic production is large and growing
- Security of supply concerns is pushing U.S. attention northward



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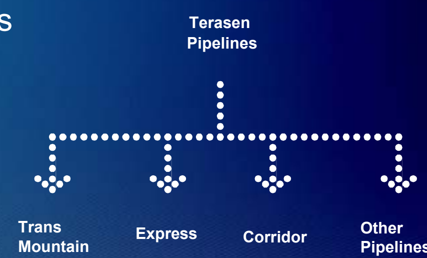
Capabilities – Operational Excellence

- Cost management drives efficiency for the benefit of customers and shareholders
- Safe and environmentally responsible operations
  - > Top quartile performance in U.S. and Canada
  - > Consistent operating s standards
- Credibility with regulators and stakeholders



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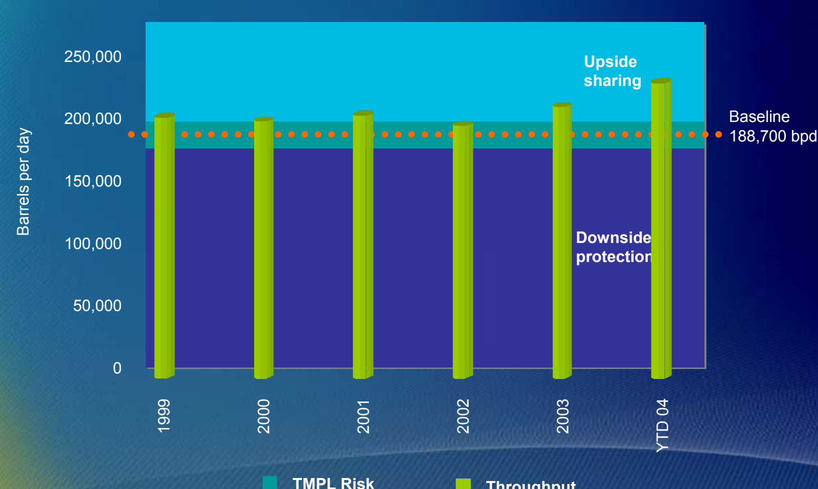
Capabilities – Throughput Risk Management



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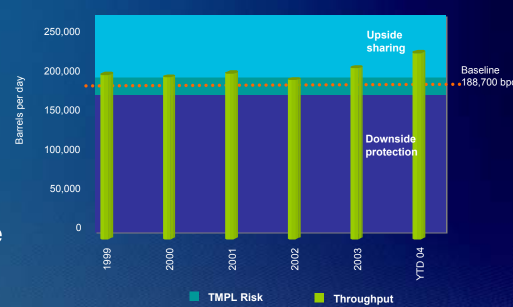
Capabilities – Throughput Risk Management

- Trans Mountain
  - > 2001-2005 Incentive Toll Settlement toll certainty
  - > Upside potential with downside protection
  - > Strong incentive for cost management
  - > Renewal discussions have started



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Capabilities – Throughput Risk Management

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Capabilities – Throughput Risk Management

Express system

- 85% of current 172,000 bpd is committed via long-term contracts
- 79% of post-expansion capacity of 280,000 bpd is contracted to 2012 – 2015
- Uncommitted capacity provides upside

Capabilities – Throughput Risk Management

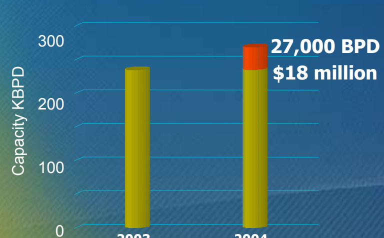
- Corridor Pipeline
  - > Single source of supply – no throughput risk
  - > Backed by 25 year ship-or-pay contracts with Shell Canada (60%), Chevron Canada (20%) and Western Oil Sands (20%)
  - > Earnings based on a cost of service approach with recovery of all operating costs
  - > Low risk asset

Competitive Advantages

- Customer Focused
  - > Flexible toward taking appropriate risks that provide value for customers
- Project Development
  - > Solutions tailored to meet customer needs
  - > Lever off existing platforms
- Project Execution – On Time and On Budget
  - > Corridor Pipeline construction
  - > Trans Mountain Pipeline and Express-Platte Pipeline expansions

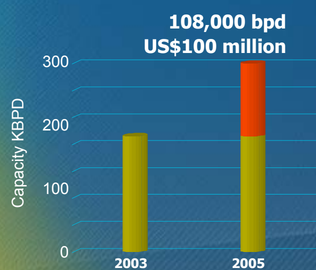
Key Initiatives: Trans Mountain Upgrade

- Strong West Coast demand has resulted in capacity apportionment for most of 2003/04
- Now in service



Key Initiatives: Express Expansion

- Feeds PADD IV demand growth
- Model for acquisitions
  - > Good fit and organic growth



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Key Initiatives: Express Opportunities

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Key Initiatives: Corridor Expansion/Bison

- Linked to expansion plans for Athabasca Oil Sands Project
  - > Increase bitumen production to 290,000 bpd by 2010
- Will require looping of Corridor system – the Bison project
- Estimated cost $300+ million
  - > Depending on configuration
- Opportunities for third party shipper volumes
- Status: Examining options with Anchor tenant

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Key Initiatives: Heartland Terminal

- Up to 7 million bbls of tank and cavern storage 50km N.E. of Edmonton
- Connections to Oil Sands pipelines and to Edmonton hub
- Estimates: $30 – $120 million
- Initial in-service date of 2006 with completion by 2010
- Status: working on commercial arrangements with customers; regulatory process

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Key Initiatives: TMX Expansion

- Trans Mountain upgrade was the first step
- Oil Sands supply is actively seeking new markets
- Match with continued import growth on U.S. West Coast and Asia
- Status: Working with customers on options and volume support

Key Initiatives: TMX Expansion

- Further 550,000 bpd capacity to either Northern or Southern port
- TMx1 plus Southern option C$2.2 billion
- TMx1 plus Northern option C$2.9 billion
- Full range of potential options to match marketing plans of Producers

TMX Advantages – Staged Expansion

- Capacity additions timed to meet supply and demand growth
  - > Allows wait and see
  - > Progressive decisions reduces risk to producers and pipeline
- Ability to add horsepower as early as 2006 to match supply
- First looping complete by late 2007

TMX Advantages – Markets

Flexibility to support the customer's market choices

- Washington State
  - > Increase of existing business
  - > Simplicity of pipeline deliveries
- California
  - > Replace declining domestic production
  - > Tanker sizes match current limitations
- Asia
  - > Looking for new sources of crude supply
  - > VLCC sized tankers improve economics

TMX Advantages – Marine Exports

Westridge Marine Terminal

- 50 years of experience
- Expansion to fully support laden Aframax tankers
  - > Improved quality
  - > Can handle all expansion volumes
- Northern Option
  - > New terminal in Kitimat or Prince Rupert
  - > Staging allows time for decision on this option

TMX Advantages – Costs

- Terasen's 50 yrs of experience building and operating pipelines through rugged terrain
- Staging reduces individual project size to manage capital cost risks
- TMX tolling consistent with established principles
  - > Roll in for common service to common location
  - > Competitive tolls without subsidy

Conclusion

Looking After the Base Business

- ‘Top of the class’ pipeline operator and developer underpins a stable base business
- Cash flow stability through managing throughput risks

Capitalize on Oil Sands Growth

- Variety of expansion opportunities on existing systems
- Opportunities with low-risk infrastructure projects
- Potential acquisitions provide incremental upside

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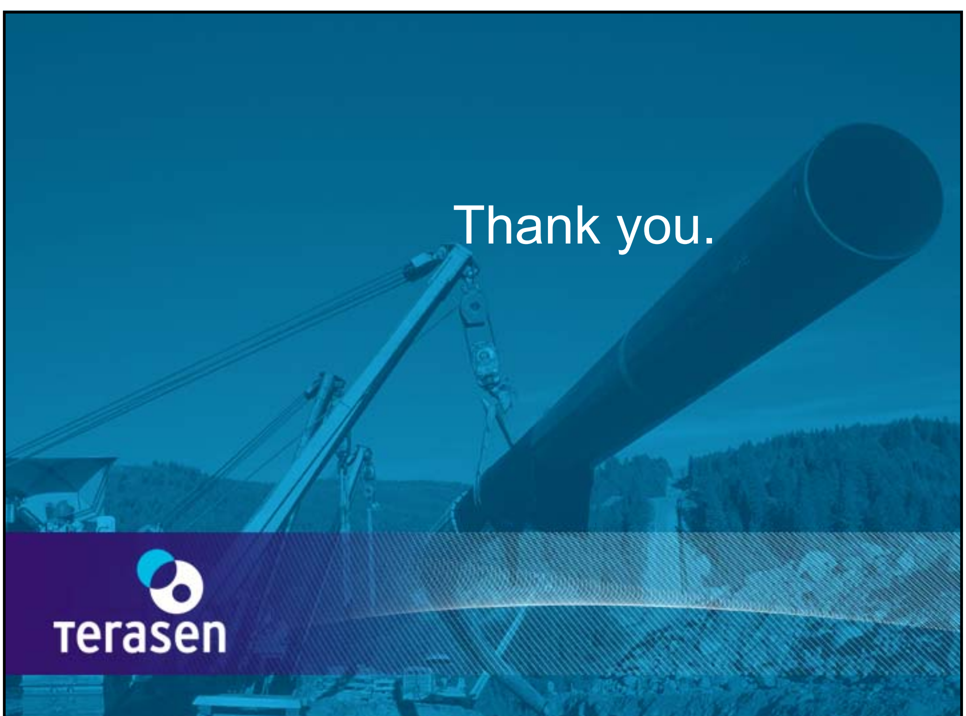

Terasen Water and Utility Services

Brett Hodson
President, Terasen Water and Utility Services

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Overview

- Our Opportunity
- Our Capabilities
- Key Initiatives
- Conclusion

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Our Opportunity

- High growth industry and long term sustainable market
  - > Demand is greater than supply
  - > Approximately $100 billion in water infrastructure investments needed in Canada over next 20 years
  - > Opportunities for attractive returns from low risk greenfield infrastructure investments

Our Opportunity

- Highly fragmented industry
  - > Growth through acquisition and small systems consolidation
  - > Aggregating fragmented water services businesses in Western Canada

Our Opportunity

- Alignment with core businesses
  - > Same core skills and values as gas utility business
- Attractive valuations among comparable group
  - > North American water companies trading at 22 times forward earnings

Our Opportunity: Value Proposition

- Water business characterized by many separate small water and sewer utilities
  - > Typical municipally owned
  - > Enormous duplication
- Terasen can present growing municipalities with an option to significantly lower their costs of water services

Our Opportunity: Value Proposition

- Risk/return profile to Terasen investors is comparable to natural gas distribution
- End state – a water LDC business comparable to Terasen Gas

Capabilities

Capabilities

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 75 systems in over 40 communities

Capabilities

- Entered market with water products business — acquired customer relationships
- Terasen brings capabilities at all points on the water distribution value chain
- Flexible solutions to meet individual requirements
- Capability to deliver integrated solutions

Capabilities

CustomerWorks

- Customer care joint venture outsourced to Accenture
- Provides call centre and billing capabilities
- Generates steady earnings stream through Accenture involvement

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Capabilities – Risk Management

- Maintaining best-in-class operational and safety skills
- Focus on annuity contracts and municipal utility franchise acquisitions
- Fairbanks acquisition – a typical, regulated water LDC

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Competitive Advantages

- Ability to lever off core competencies and process without additional overhead
- Community focus
- Flexible solutions – supplies to services to operations to ownership

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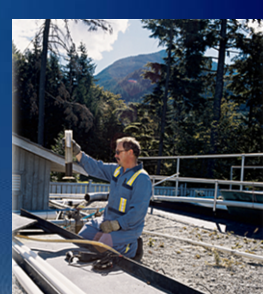
Competitive Advantages

- Efficient project/construction management skills
- Use resources on numerous projects and communities
  - > Higher utilization rates



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Key Initiatives: Growth Opportunities

- Pursuing high potential municipal sewer and water projects
- Target builders of unique communities
- Lever competencies in gas/ propane system design, construction and operations
- Use initial contracts in part of value chain to expand to other activities

Key Initiatives: Fairbanks Acquisition

- Municipal water and sewer utility privatized to local investors in 1997
  - Example of a successful water utility privatization
  - Example of what we want the water business to become
- 50% interest acquired to retain local knowledge and expertise of existing management
  - Option to acquire 100% in 2009

Key Initiatives: Fairbanks Acquisition

- Regulated by Regulatory Commission of Alaska
  - > 70% equity component, 13+% allowed ROE
  - > Revenue requirement application scheduled for 2005
- Terasen brings technical expertise and resources
- Several complementary growth opportunities
  - > Military base privatization
  - > Other municipal/city water utility in Alaska
  - > Other gas utilities

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Key Initiatives: B.C. and Alberta Growth Opportunities

Two examples:

- City of Langford, B.C.
  - > Victoria suburb has outsourced sewer ownership and operations to Terasen
  - > Expected Terasen investment of $12 million over 10 years, total investment of $30 million
- Rockyview, Alberta
  - > Municipal district surrounding Calgary selected Terasen to build, operate and manage water and sewer system
- Specific market focus is small to medium sized communities that need to support rapid growth

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Conclusion

- Utilizing utility asset management skills in a growing market
- Positive contributor to near-term earnings growth
- Positioned to be a significant growth driver in the next decade
- End state – a water LDC business comparable to Terasen Gas

Thank you.

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Terasen Inc.

Steve Swaffield

Senior Vice President,
Corporate Development

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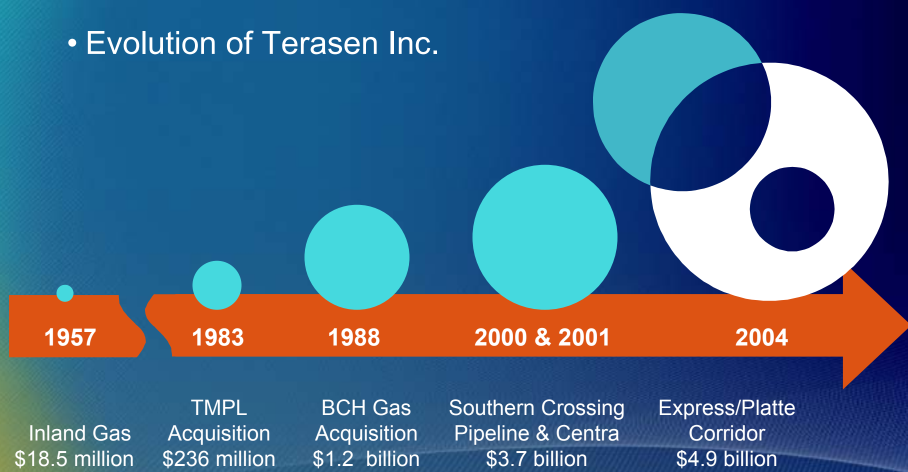
Overview

- Growth Philosophy
- Areas of Growth
- Decision Filters
- Non-Strategic Areas
- Sources of Capital
- Conclusion

Growth Philosophy

- Evolution of Terasen Inc.



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Growth Philosophy

- Strategic Direction
- Leadership
- Functional Support
- Growth Management

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terasen Gas

terasen Pipelines

terasen Water & Utility Services

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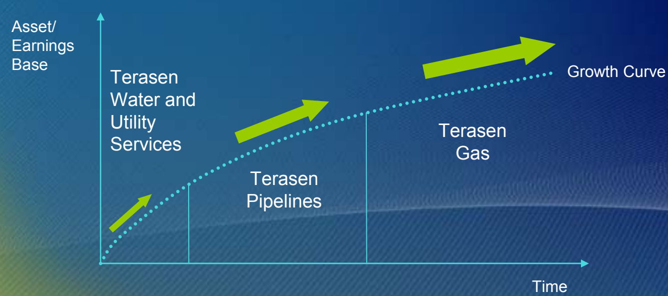
Growth Philosophy

- Business at different stages of growth
- Providing a portfolio of growth opportunities
- Platform provides the option of entering adjacent businesses



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Areas of Growth – Terasen Gas

Organic
- Customer attachments in line with regional economic growth

Greenfield
- Vancouver Island LNG
- Whistler Pipeline
- Inland Pacific Connector

M&A
- Gas and electric LDC acquisitions
- Building on our existing footprint

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Areas of Growth – Terasen Pipelines

Organic

- Maximizing throughput on existing pipelines

Greenfield

- Express expansion ongoing
- Corridor expansion/Bison
- TMX expansion
- Heartland Terminal

M&A

- Acquisition of petroleum and products pipelines
- Building on our existing footprint

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Areas of Growth –Terasen Water & Utility Services

Organic

- Additional contracts in B.C. and Alberta

Greenfield

- B.C. and Alberta (e.g. Langford and Rockyview)

M&A

- Municipally and privately owned water utilities (e.g. Fairbanks)

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Decision Filters

Business Knowledge/ Relationship to Base

Positive Financial Impact

Compatibility with Operating Competencies

Manageable Geography/ Relationship to Base

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Decision Filters

- Business knowledge/relationship to base
  - Consistent with existing risk profile
  - Ensure successful integration
- Compatibility with operating competencies
  - Value creation through pipeline or utility asset management competencies

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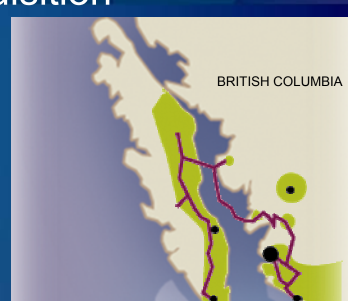
Decision Filters

- Geographic fit
  - > Maximizes value opportunities
- Positive financial impact
  - > Earnings accretive
  - > Growth opportunities from greenfield investments and/ or retained synergies
  - > DCF of returns

Case Study: TGVI Acquisition

Acquisition Date:	March 2002
Equity Price:	$333 mln
2002 Earnings:	$23 mln
P/E Multiple:	14.5x
2003 Earnings:	$26 mln
P/E Multiple:	12.8x



Strategic Fit

Business Knowledge/Relationship to Base	✓
Compatibility with Operating Competencies	✓
Positive Financial Impact	✓
Manageable Geography/Relationship to Base	✓

Case Study: Express Acquisition

Acquisition Date:	January 2003
Equity Price:	$207 mln
2002 Earnings:	$13 mln
P/E Multiple:	15.5x
2003 Earnings:	$14 mln
P/E Multiple:	14.8x

Strategic Fit

Business Knowledge/Relationship to Base	✓
Compatibility with Operating Competencies	✓
Positive Financial Impact	✓
Manageable Geography/Relationship to Base	✓

Non-Strategic Areas

- International
- Commodity exposure
  - Power generation
  - Upstream oil and gas
- Retail services
- Clean Energy

Sources of Capital

- Ready access to capital for the right opportunities
  - > Capital markets are supportive
  - > Pension funds provide a competitive financing alternative
- Income trusts and MLPs are nice to have but not essential

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Conclusion

- Organic growth opportunities and greenfield expansions are the platform for growth
- Pursuing acquisitions vigorously, but with discipline
- Acquisition efforts are focused

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BRITISH
COLUMBIA
Thank you.
ALBERTA
CANADA
U.S.
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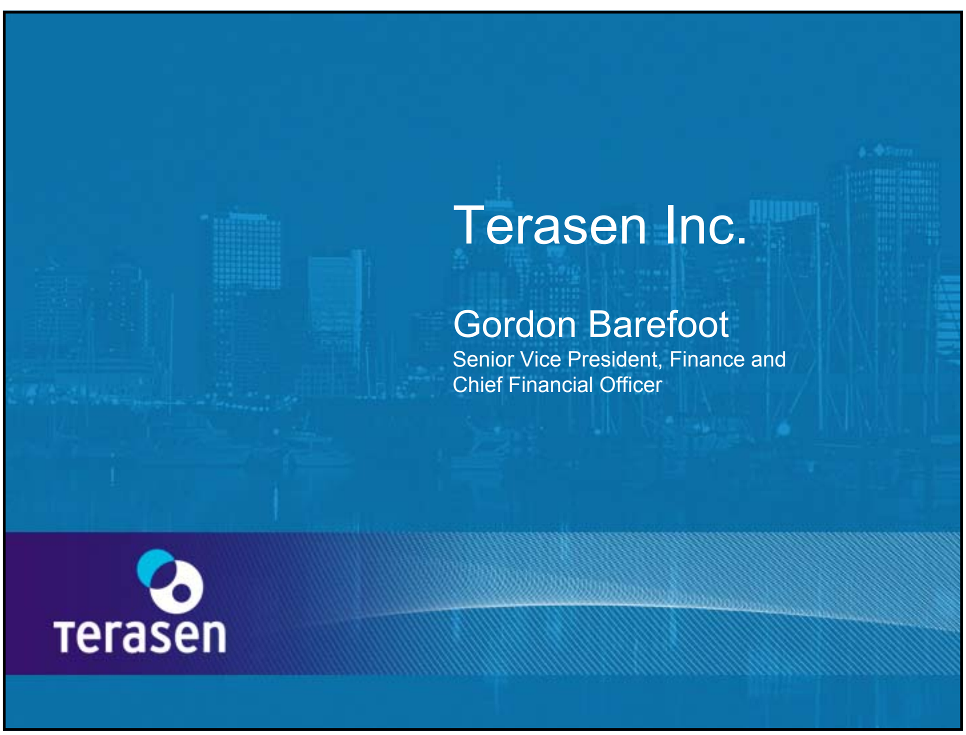
Terasen Inc.
Gordon Barefoot
Senior Vice President, Finance and
Chief Financial Officer
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Overview

- Financial Objectives
- Financing Strategy
- Financial Reporting
- Conclusion

Financial Objectives

- Generate shareholder value
  > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

Generate Shareholder Value

- Consistent delivery of earnings and dividend growth
  - 7.2% Annual EPS Growth
  - 7.0% Annual DPS Growth

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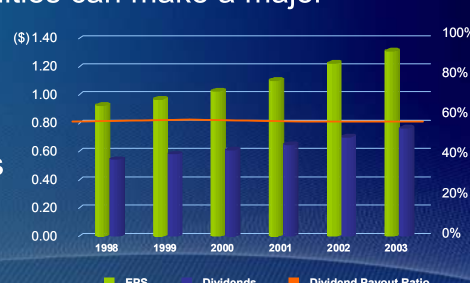
Generate Shareholder Value

- Deliver minimum 6% EPS growth consistently while maintaining low-risk profile
- Strong track record of earnings growth
- Organic growth opportunities can make a major contribution to achieving long-term growth targets
- Acquisitions can help to meet and exceed targets



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Generate Shareholder Value

Deliver 10% + shareholder returns over time

Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	**30%**	**17%**	**14%**	**16%**
TSX Utilities Index	**27%**	**14%**	**10%**	**12%**
TSX Composite Index	**27%**	**-1%**	**7%**	**9%**

For the period ended December 2003

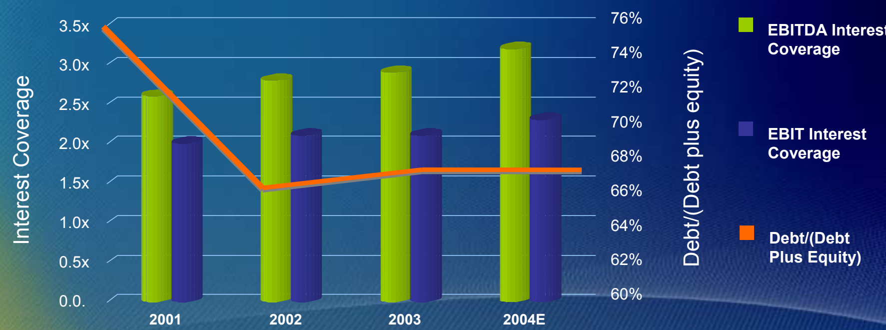
Total Shareholder Returns

Strong Balance Sheet and Credit Ratings

- Minimum 33% equity component
  - > Consistent with average deemed equity components in operating units
  - > Consistent with low business risk profile
- Ensure that new investments are financed appropriately to their risk and return profile
- Surplus equity will be returned to shareholders if growth opportunities are not available

Strong Balance Sheet and Credit Ratings

- Strengthened financial position
- “A” credit ratings from Moody’s and DBRS with stable outlook



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Ensure Access to Low-Cost Capital

- Pension fund structure delivers cost of capital to compete effectively with income trusts and MLPs
- Share valuation provides strength to capitalize on value-creating M&A opportunities

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Financing Strategy

- Balance sheet is actively managed to ensure that capitalization is optimal
  - Share repurchases and new equity issuance as needed
  - Mitigates the problems of having excess equity
- Strong, low-risk portfolio of assets ensures reliable access to capital
  - Recent issue of 10-year Terasen Inc. bonds was distributed to 34 major institutional investors

Financial Strategy

- Existing assets generating free cash flow to finance organic growth opportunities

(C$) millions	2004E
Operating Cash Flow	300
Maintenance Capital	(110)
Dividends	(95)
Free Cash Flow	95

Financial Strategy

- Major new acquisitions in the near term would require new equity
- TMX project would also require new equity
  - > Requirement would likely not arise until 2007

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Financial Strategy

- All available sources of equity will be considered if new equity is required to support investment opportunities
  - > Conventional treasury issuance
  - > Asset monetization
  - > Hybrid equity
  - > Financial partners
- Income trusts a less likely option for closely regulated LDCs

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Financial Strategy

Financing requirements

- TGVI and Corridor debt to be refinanced with long-term debt
  - Corridor: In progress
  - Terasen Gas (Vancouver Island): Spring 2005
  - TGVI and Corridor facilities represent most of the scheduled long-term debt maturities in 2006
- Some Terasen Gas refinancing planned for 2005

Financial Reporting

- Financial reporting reflects transparent business model
- Fully compliant with OSC requirements for CEO/CFO certification
- Reported earnings from each significant legal entity in Q1/03
- Segmented Water and Utility Services results in Q1/04
- Included income statements for each segment in quarterly MD&A in Q2/04

Conclusion

- Terasen has a strong track record of delivering on our financial objectives
- Balance sheet is actively managed to ensure efficiency while maintaining financial strength
- Current financing structure provides competitive advantage in the ownership of low-risk infrastructure assets
  - > Matches low business risk with strong balance sheet

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Thank you.

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Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

Terasen's Total Shareholder Return
December 31, 1994 – October 31, 2004

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Thank you.

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Presentation to Global Securities

November 2003

Investor Relations Contact

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Forward Looking Statements

Certain information in this presentation constitutes forward-looking statements. Wherever possible, words such as “anticipate”, “believe”, “expects”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to Terasen’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. Although Terasen believes that these statements are based on reasonable assumptions, a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Terasen disclaims any obligation to update or revise any forward-looking statements to reflect new events or circumstances.

Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Summary

Corporate Overview

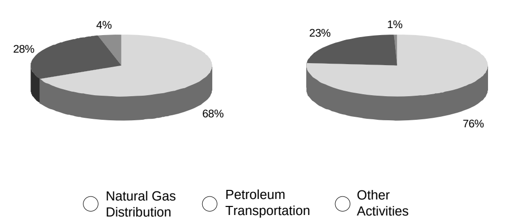
- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Terasen International
    - Clean Energy

Corporate Overview

Corporate Overview

Assets: $4,820 million
(Sept. 30, 2003)

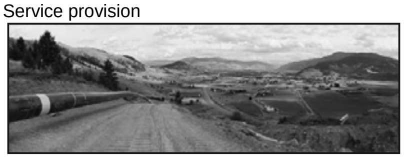
Operating Income: $370 million
(12 months ended Sept. 30, 2003)



TERASEN INC. > STRATEGIC VISION

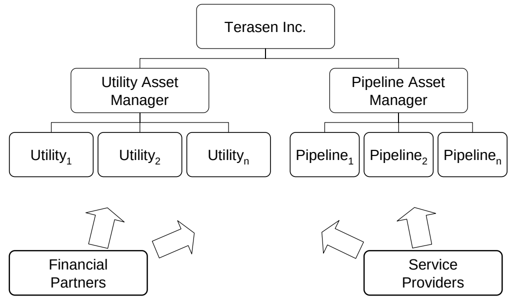
Strategic Vision

- Leading provider of energy transportation and utility asset management services
- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision



TERASEN INC. > STRATEGIC VISION

Strategic Vision



TERASEN INC. > STRATEGIC VISION

Value Drivers

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Strong Regulatory Relationships

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Continues pattern of win-win negotiated settlements with customers
- Terasen Gas (Vancouver Island) settlement in place
  - Three year term beginning in 2003
  - Allowed ROE increased by 0.375%
- Operational integration is under way

VALUE DRIVERS > OPERATIONAL EXCELLENCE

Strong Regulatory Relationships

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - Strong incentives to manage operating costs
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Corridor Pipeline Firm Service Agreement
  - Long-term, ship-or-pay contract

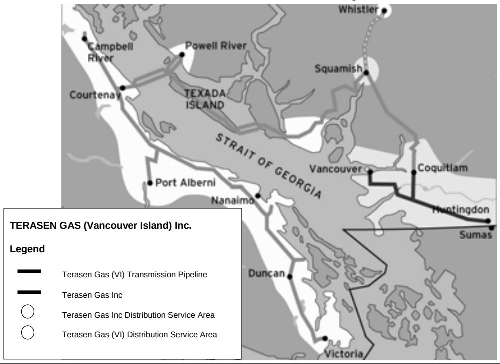
VALUE DRIVERS > OPERATIONAL EXCELLENCE

Asset and Risk Management

- 96% of assets and 99% of operating income are regulated
  - Major growth is in regulated activities
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects



VALUE DRIVERS > BUSINESS DEVELOPMENT

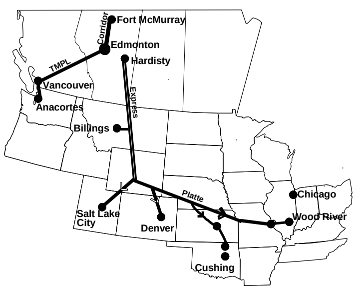
New Infrastructure Projects

- Capacity expansion to Vancouver Island
  - New on-Island power generation needed
  - $180 million capacity expansion proposed
    - $80 million for additional compression
    - $100 million for a new LNG tank

VALUE DRIVERS > BUSINESS DEVELOPMENT

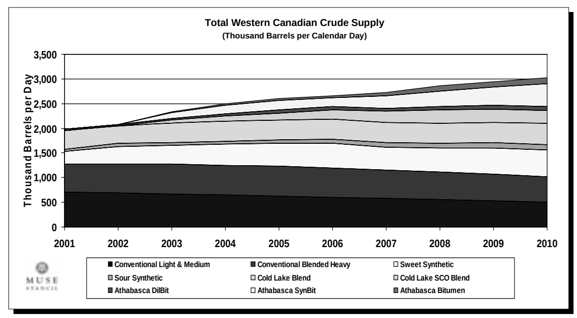
New Infrastructure Projects

- Petroleum Pipelines - a continent of opportunities



VALUE DRIVERS > BUSINESS DEVELOPMENT

New Infrastructure Projects

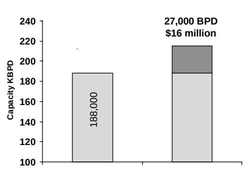


CAPP Upper Supply Case – Total Supply

VALUE DRIVERS > BUSINESS DEVELOPMENT

Trans Mountain Pipeline

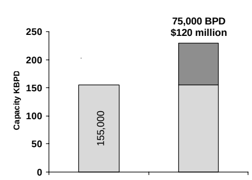
- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



VALUE DRIVERS > BUSINESS DEVELOPMENT

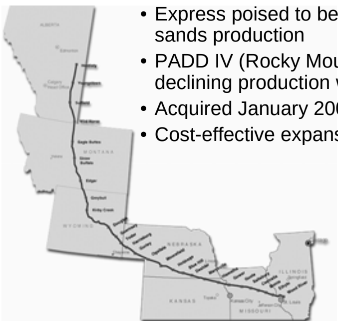
Corridor Pipeline

- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003

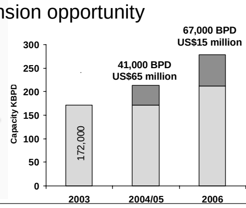


VALUE DRIVERS > BUSINESS DEVELOPMENT

Express Pipeline

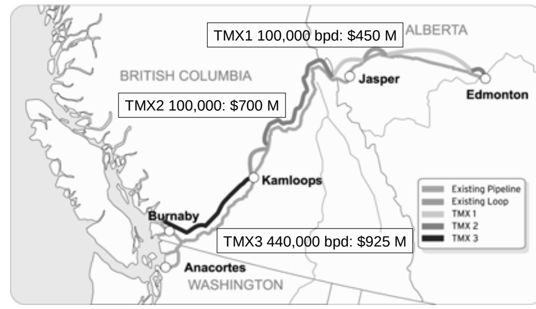


- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Acquired January 2003
- Cost-effective expansion opportunity



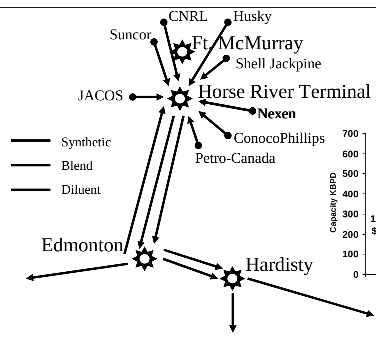
VALUE DRIVERS > BUSINESS DEVELOPMENT

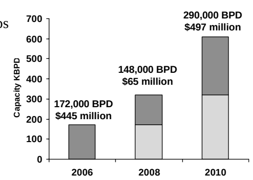
TMX Project – Staged Looping



VALUE DRIVERS > BUSINESS DEVELOPMENT

Bison Pipeline





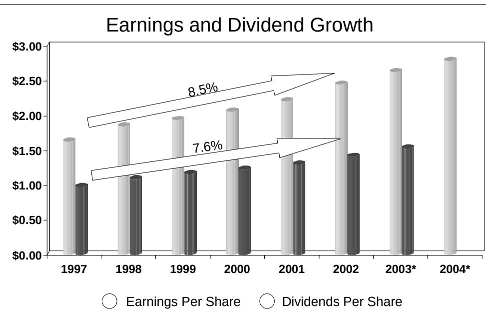
TERASEN INC. > VALUE CREATION

Value Proposition

- Minimum annual earnings growth of 6%
- 3-4% Dividend yield
  - Total Shareholder Returns of 10%+
- Low-risk business profile coupled with attractive returns and growth potential

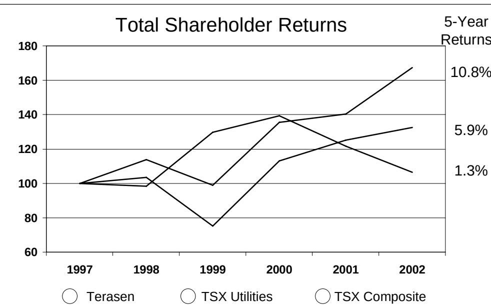
TERASEN INC. > VALUE CREATION

Consistent Value Creation



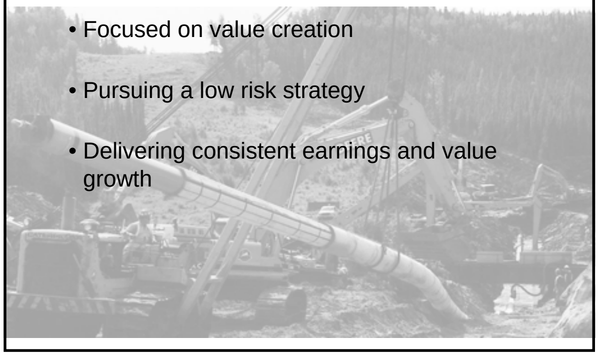
TERASEN INC. > VALUE CREATION

Consistent Value Creation



TERASEN INC. > VALUE CREATION

Summary



- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

Investor Presentation

Terasen Inc. (TER – TSX)

John Reid

President and Chief Executive Officer

David Bryson

Treasurer

June 2005

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Forward Looking Statements

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2004 Annual Information Form, and other filings available on SEDAR.

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Overview

- Who We Are
- Terasen's Value Proposition
- Core Value Strategies
  - Operational Excellence
  - Focused Growth
  - Financial Excellence
- Summary

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Vision

To be a leading provider of energy transportation and utility infrastructure management services

Characterized by:

- Operational excellence
- Consistent financial performance, and
- Sustained growth

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Who we are

- Natural Gas Distribution – Strong, low-risk utility franchises
- Petroleum Transportation – Continental scope – leverage to Alberta oil sands growth
- Water & Utility Services – an emerging business providing similar utility asset management services

Terasen

- Terasen Gas
- Terasen Pipelines
- Terasen Water & Utility Services

Where we are

- Western Canadian base
- Continental opportunities

Terasen's Value Proposition

- FOCUSED on our core businesses
- RELIABLE and consistent results from low risk businesses
- GROWING and steadily outperforming through value creation

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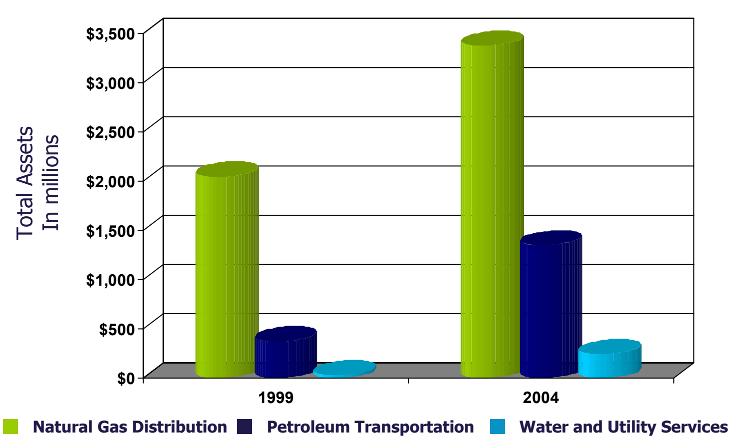
Focused

- Two established core businesses
- One emerging business



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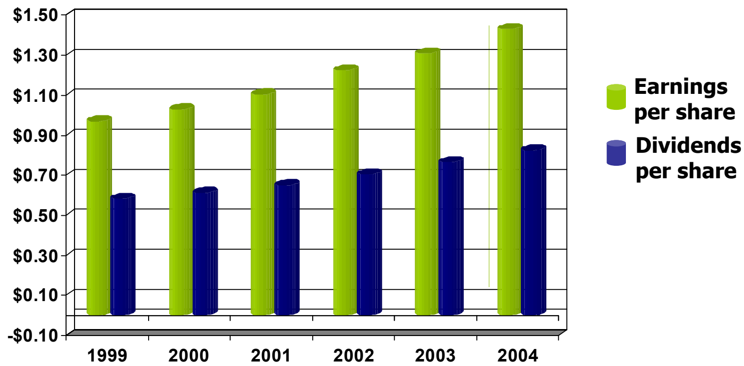
Reliable

- Consistent delivery on 6% EPS growth target, and corresponding growth in dividends
  - 8.1% Annual EPS Growth
  - 7.2% Annual DPS Growth



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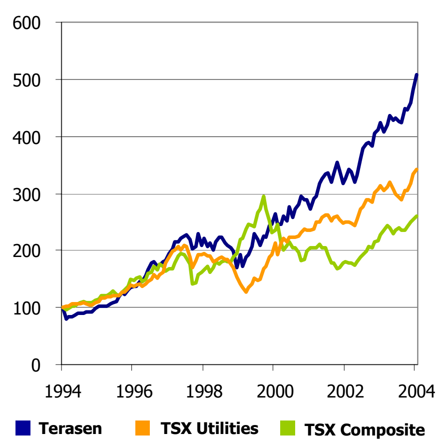
Growing

Deliver 10% + shareholder returns over time

Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	19%	23%	21%	18%
TSX Utilities Index	9%	13%	19%	13%
TSX Composite Index	15%	8%	4%	10%

For the period ended December 2004



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Key Beliefs

- Economic growth is closely correlated to energy demand and the need for expanded energy infrastructure
- Alberta oilsands will become an increasingly meaningful supply source to the U.S. and Asia
- Operating competencies critical to our energy infrastructure business are highly compatible with the water and utility services business
- Energy and utility infrastructure provide opportunities for secure, low risk investment and steady returns

Core Value Strategies

Capitalize on key beliefs through the provision of:

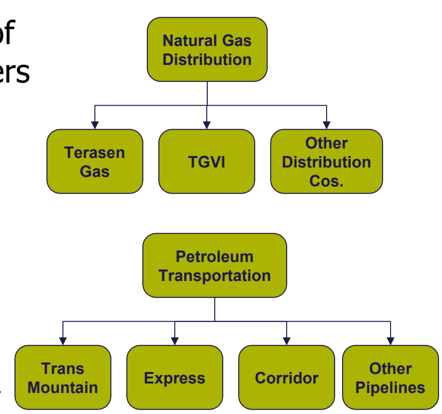
- Operational excellence – top level asset management within incentive regulation
- Focused growth based on value creation
- Financial excellence ensuring access to competitive sources of capital

Operational Excellence – Regulation

- Long history of negotiating and renewing incentive regulatory settlements
- Terasen Gas and TGVI settlements in place
  - > Four year term from 2004-2007 for Terasen Gas
  - > Vancouver Island settlement expires in Dec. 2005
- Generic return on equity and capital structure review scheduled by the BCUC for Q3 2005
- Trans Mountain toll settlement expires Dec. 2005
  - > Discussions underway with shippers
  - > TMX expansion being developed

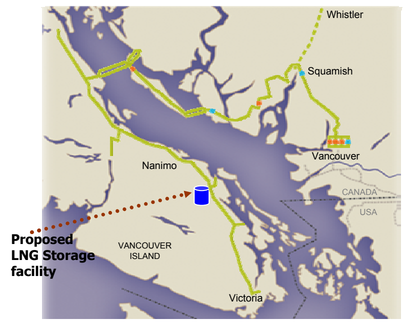
Operational Excellence – Asset Management

- Cost management drives efficiency for the benefit of customers and shareholders
- Safe and environmentally responsible operations
  - Top quartile performance in U.S. and Canada
  - Consistent operating standards
- Credibility with regulators, customers and stakeholders



Growth – TGVI Expansion

- CPCN application filed for $100 mln Vancouver Island LNG Project
- Approved by the BCUC in February 2005
- $50 mln of additional compression
- Finalizing a transportation service agreement with BC Hydro



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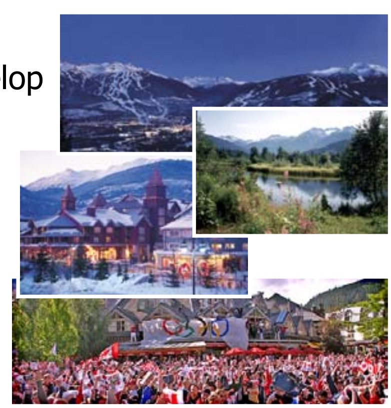
Growth – Whistler



- Working with the Resort Municipality of Whistler to develop a Sustainable Energy Strategy
  - Establish a hybrid gas/GSHP energy utility
  - Construct a natural gas pipeline from Squamish to Whistler
  - Develop renewable district energy systems or other sustainable options
- Estimated pipeline cost – $35 million
- Model for integrating natural gas with renewable energy sources

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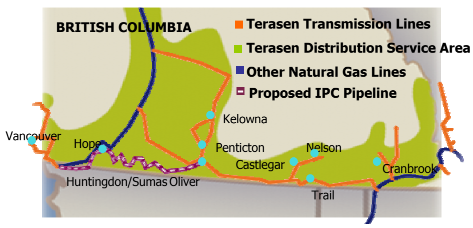
Growth – Inland Pacific Connector



- Potential $300 to $500 mln gas transmission line connecting SCP to the Lower Mainland & Sumas (NWPL)
- Project will require support from multiple shippers to move forward
- Increasing tolls on Duke System improving competitiveness

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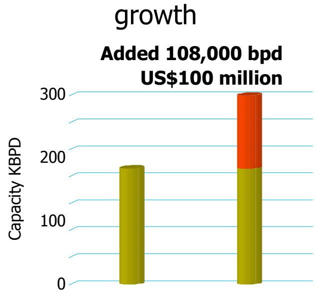
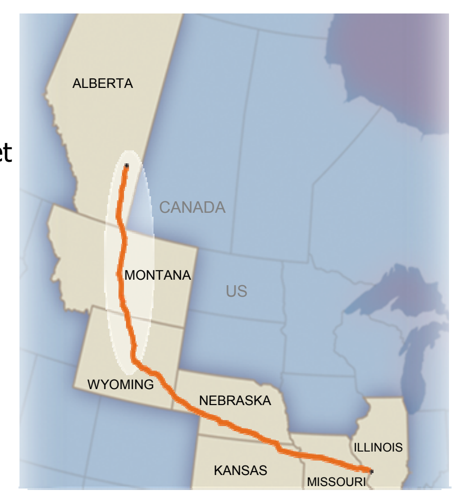
Growth – Express System

- Feeds PADD IV demand growth
  > Completed in April 2005, on-time and under-budget
- Model for acquisitions
  > Good fit and organic growth





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Growth – Corridor Expansion/Bison

- Phased expansion linked to the Athabasca Oil Sands Project
  - Phase 1 – increase pumping capacity adding 35,000 bpd capacity by fall 2005 at a cost of $8.4 mln
  - Phase 2 – loop existing pipeline at a cost of $700 to $800 mln with an in-service date of 2009
- Opportunities for third party shipper volumes and further expansion beyond 500,000 bpd
- Status: Examining options with Corridor shippers

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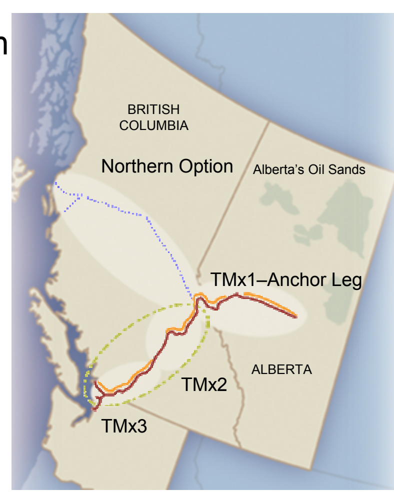
Growth – TMX Expansion

- Trans Mountain upgrade in 2004 was the first step
- Oilsands supply is actively seeking new markets
- Match with continued import growth on U.S. West Coast and Asia
- Expressions of Interest from potential shippers confirm demand for new capacity



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Growth – TMx1 Expansion: Two Components

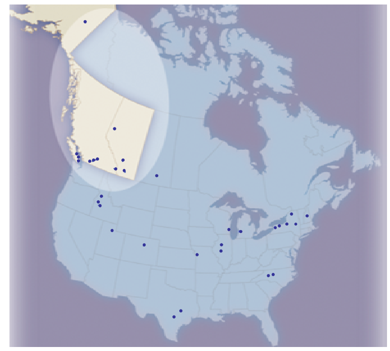
- Pump Station Expansion Project
  - $205 million to add 35,000 bpd of pumping capacity for 2006
  - Currently discussing expedited shipper approvals
- Anchor Loop Project
  - $365 million to loop pipeline (40,000 bpd additional capacity) for 2008
  - Actively pursuing commercial discussions with shippers
  - Open season targeted for summer 2005

Growth – TMX Expansion

- Further 550,000 bpd capacity to either Northern or Southern port
- TMx1 plus Southern option C$2.3 billion
- TMx1 plus Northern option C$2.6 billion
- Full range of potential options to match marketing plans of Producers

Growth - Water and Utility Services

- Western Canada's private sector market leader providing water/wastewater infrastructure services
- Primary operator for outsourced utility services
- Operate over 90 systems in over 50 communities
- Successful acquisition of Fairbanks water utility in 2004



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Growth – Water & Utility Services

- Water business characterized by many separate small water and sewer utilities
  - > Typically municipal owned
  - > Enormous duplication
- Terasen can present growing municipalities with an option to significantly lower their costs of water services
- Utilizing utility asset management skills in a growing market
- End state – a water LDC business comparable to Terasen Gas

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Financial Excellence

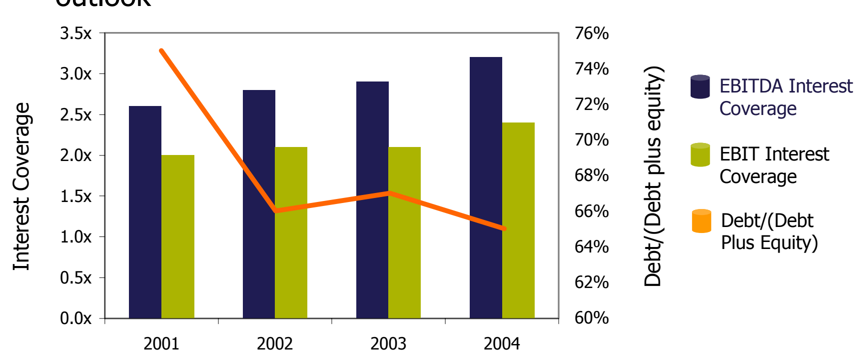
Key Financial Objectives

- Generate shareholder value
  > Deliver 6% EPS growth consistently while maintaining low-risk profile
- Maintain strong, efficient balance sheet and credit ratings
- Ensure access to low-cost capital for investments and acquisitions

Financial Excellence

Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings from Moody's and DBRS with stable outlook



Financial Excellence

Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund partnership structure delivers cost of capital to compete effectively with income trusts and MLPs – synthetic income trust
- Share valuation provides strength to capitalize on value-creating M&A opportunities

Value Growth Drivers – Organic Growth

1998 - 2004	2005 - 2010
• Effective cost management • Strong pipeline throughput growth • Earnings levels higher than allowed/negotiated rates of return	• Continued excellence in asset and risk management • Increase infrastructure base for natural gas transmission and distribution • Growing demand for oil pipeline transportation capacity • Requirements for enhanced water and utility services infrastructure

Value Growth Drivers – Projects

1998 - 2004	2005 - 2010
• Securing and constructing greenfield projects on time, on budget > Southern Crossing > Corridor Pipeline	• Primary growth platform for value creation • Regional natural gas infrastructure development • Superior leverage to oilsands growth through low risk infrastructure • Continued demand for water and utility services infrastructure, upgrades and expansions

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Value Growth Drivers – M&A

1998 - 2004	2005 - 2010
• Successful execution of M&A transactions > Centra (TGVI) > Express/Platte Pipeline > Terasen Water and Utility Services	• Disciplined approach • Value opportunity associated with organic and project growth of acquired assets • Will pursue vigorously, but with discipline

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Value Growth Drivers 2005 – 2010

- Strong FOCUS
- RELIABLE, well managed business
- Sustained value GROWTH

- Increase shareholder value by applying core competencies and skills to a larger asset base
- Grow the assets through a combination of organic growth, greenfield expansions and accretive M&A transactions

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Appendix

Market Details	2004
Recent price[1]	$27.69
Shares outstanding (mln)	105.0
Market capitalization (mln)[1]	$2,907
52-week high/low[1]	$29.91/$22.00
Dividend per share[1]	$0.90
Earnings per share (2005E[2])	$1.49
Dividend yield[1]	3.3%
Price/2005E earnings per share[1]	18.6x

[1] As at June 2, 2005
[2] Based on FirstCall consensus estimates

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Appendix

Market Details	2004
Total revenue ($mln)	$1,957
EBITDA ($mln)	$524
Earnings applicable to common shares ($mln)	$150
Cash flow from operating activities ($mln)	$342
Total assets ($mln)	$4,971
Return on common equity	11.2%
Dividend payout ratio	0.59
Interest coverage ratio	2.4
Debt to total capital	65%

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Appendix

Natural Gas Distribution	2004
Total revenue (mln)	$1,494
Kilometres of pipelines	44,168
Total customers	875,200
Terasen Gas Inc.	
Rate base (mln)	$2,306
Allowed rate of return	9.03%[1]
Terasen Gas Vancouver Island	
Rate base (mln)	$441
Allowed rate of return	9.53%[1]

[1]Allowed rate of return for 2005

Appendix

Petroleum Transportation	2004	
Total revenue (mln)	$226	
Kilometres of pipelines	4,720	
Transportation volumes (barrels per day)		**Total Capacity[1]**
Trans Mountain – Canadian mainline	236,100	272,300
Trans Mountain – U.S. mainline	91,700	166,000
Express System	175,300	172,000
Corridor	100% take-or-pay	

[1]Based on light crude volumes

Investor Presentation:
RBC North American Energy and Power Conference 2004

Gordon Barefoot
Senior Vice President, Finance and Chief Financial Officer

Terasen Inc. (TER-TSX)

June 2004

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Presentation Overview

- Who We Are
- Our Value Proposition
- Core Value Strategies
- Summary

Terasen – Who We Are

A company engaged in the transportation of energy and the provision of related utility management services

Two core businesses:

- Natural Gas Distribution
  - Strong, low-risk gas utility franchises
- Petroleum Transportation
  - Continental scope – leverage to Alberta oil sands growth

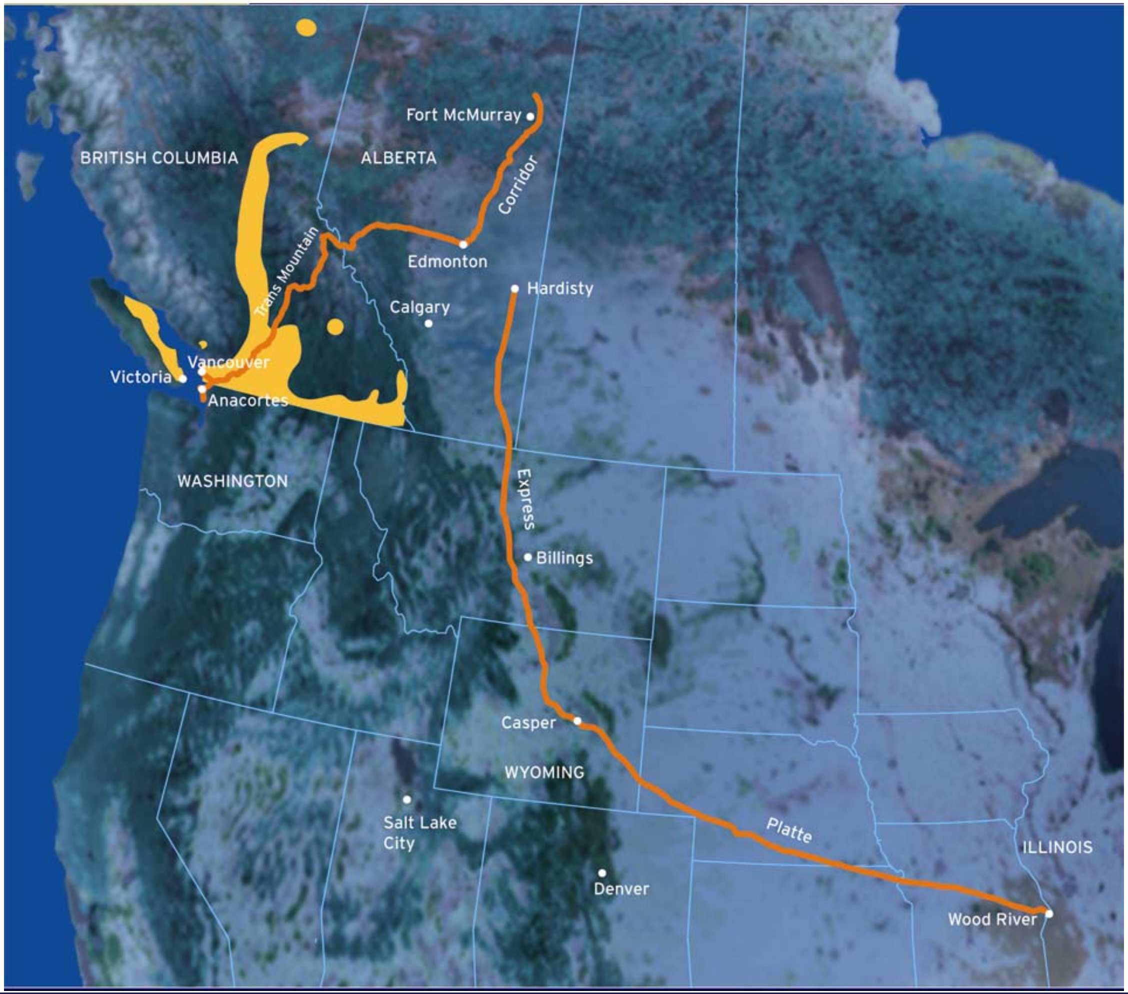
One emerging business:

- Additional growth potential from emerging waterworks and utility services businesses

Terasen – Who We Are

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines (33.3% ownership)
  - Water & Utility Services
    - Terasen Utility Services
    - Terasen Waterworks
    - Customerworks (30% ownership)

Terasen – Where We Are



- Western Canadian base
- Continental opportunities

Natural Gas Distribution

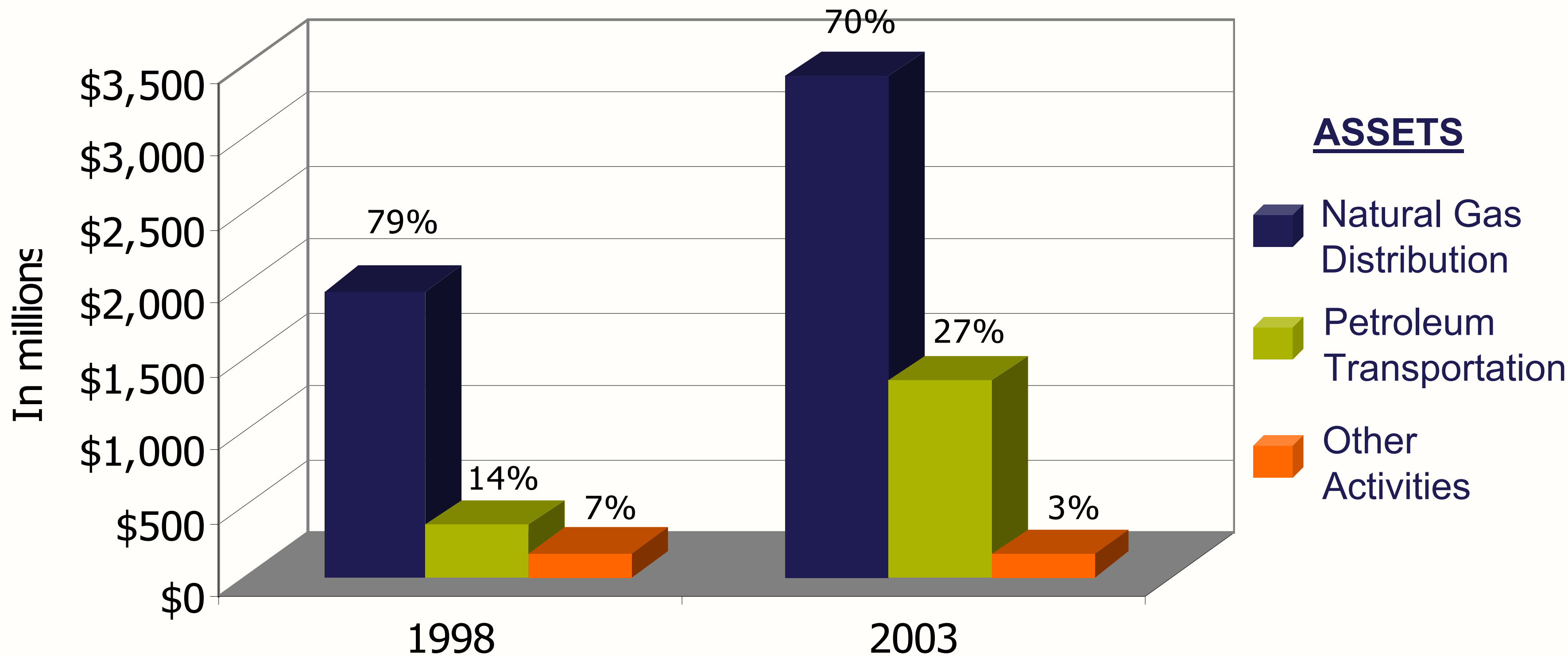
Petroleum Transportation

Our Value Proposition

- **Focused** on our regulated businesses
- **Reliable** and consistent results from low risk businesses
- **Growing** and steadily outperforming through value creation

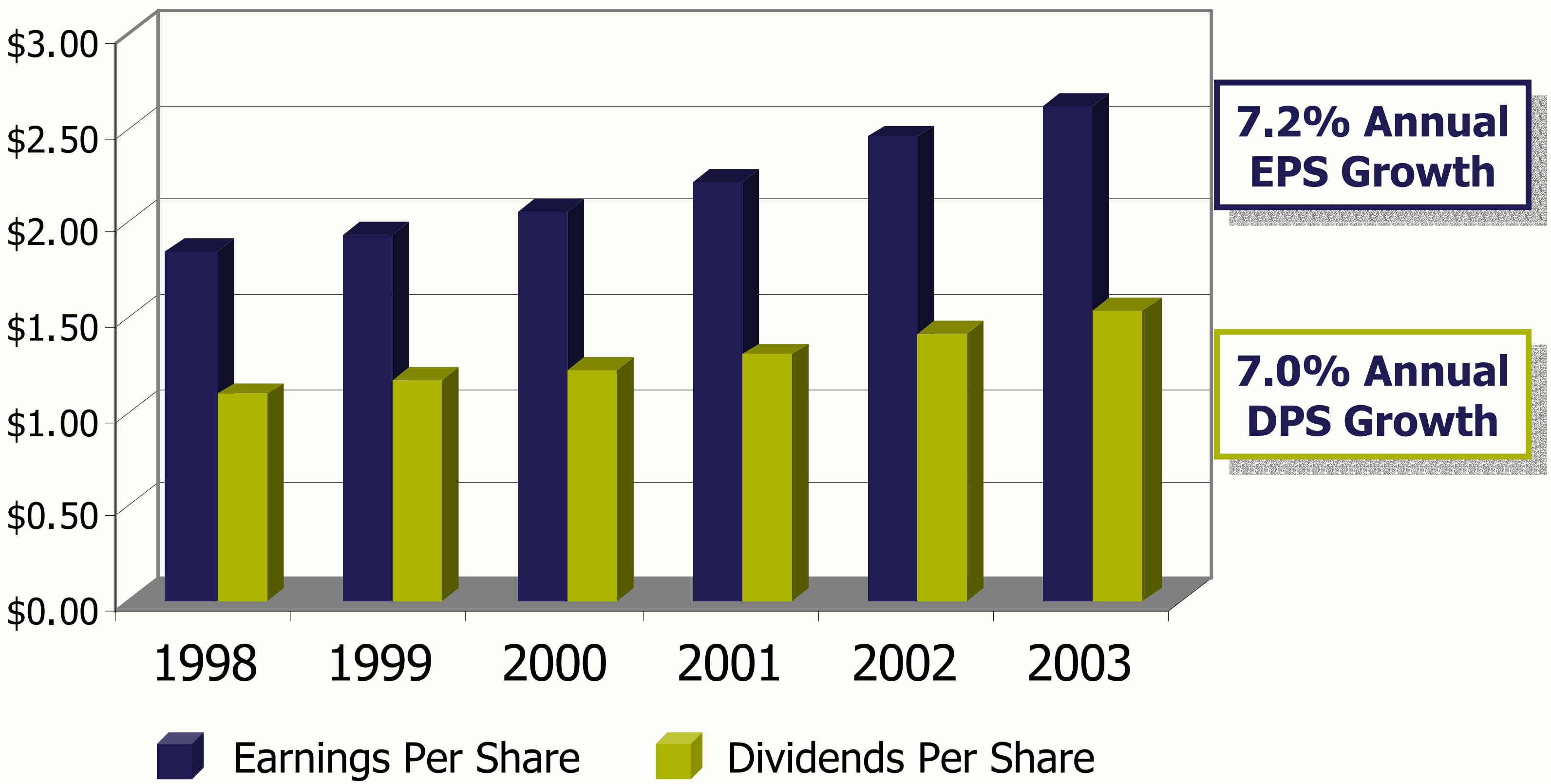
Focused

Growth in regulated assets – more than doubling since 1998 – has provided the base for growth in value



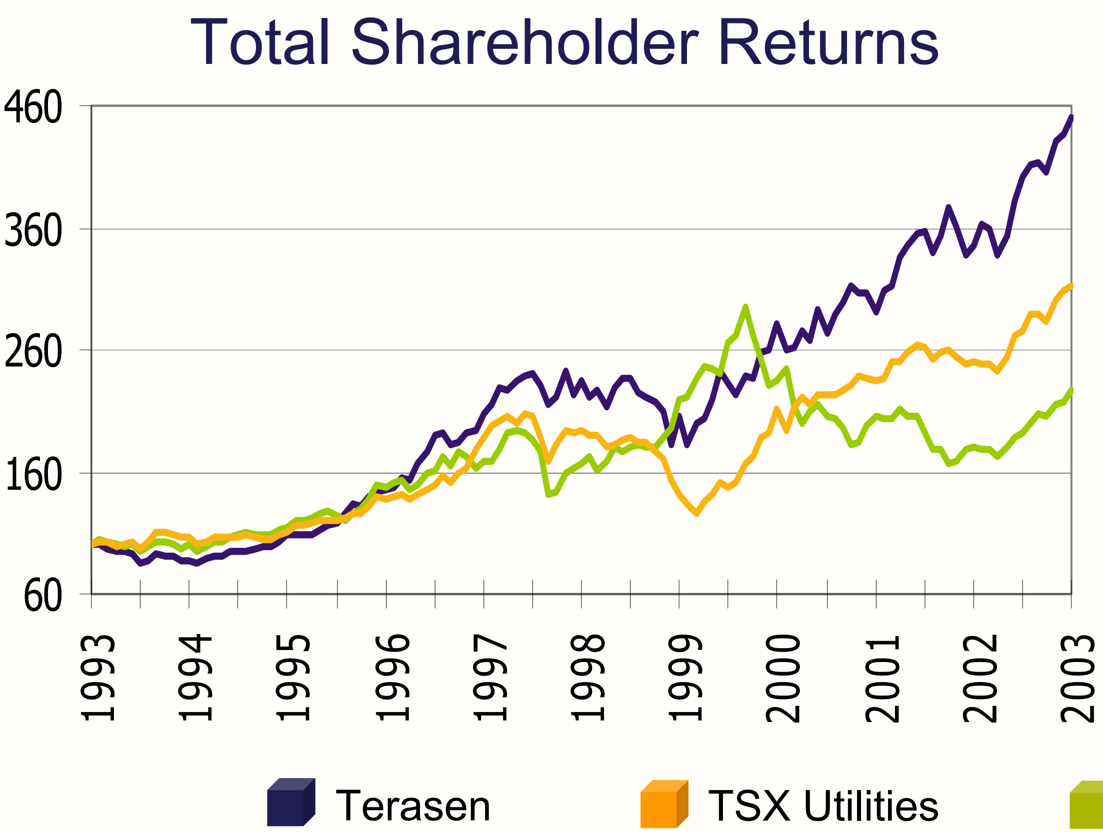
Reliable

Consistent results from low risk businesses – target earnings growth of 6% and dividend payout of 60%



Growing

Consistent outperformance through value creation



Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	30%	17%	14%	16%
TSX Utilities Index	27%	14%	10%	12%
TSX Composite Index	27%	-1%	7%	9%

For the period ended December 2003

Core Value Strategies

- **Operational excellence** within incentive regulation
- **Focused growth** based on value creation
- **Financial excellence** ensuring access to competitive sources of capital

Operational Excellence

Within Incentive Regulation

- 97% of assets are regulated – strong regulatory relationships and performance-based regulatory settlements
    - Very limited throughput risk
    - No commodity price risk

- Demonstrated top quartile asset management capabilities
- Commitment to the highest level of corporate governance
- Proactive risk identification and mitigation strategies

Focused Growth

Based On Value Creation

Our growth strategies are based on the belief that

- Overall economic growth is closely correlated to energy demand growth
- Economic growth in the Pacific Northwest will drive gas supply infrastructure growth in Western Canada
- The Alberta Oil Sands in particular will become an increasingly economic and meaningful source of supply of petroleum to the continental United States

Financial Excellence

Ensuring Access To Competitive Sources Of Capital

- Sustaining superior equity return levels
- Maintaining strong balance sheet and credit ratings
- When necessary, work with advantaged cost of capital partners

Terasen Gas – Operational Excellence

Regulatory Frameworks

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Incentives for managing operating and capital costs
  - Incentive regulation has been in place since 1994
- Terasen Gas (Vancouver Island) settlement in place
  - Three year term beginning in 2003
  - Allowed ROE set 0.50% above Terasen Gas
- Operational integration of Terasen Gas & TGVI complete
  - Implemented Q4/03

Terasen Gas – Operational Excellence

Asset Management

- Track record of exceeding productivity targets in incentive regulatory settlements
- Top-rate Canadian gas distribution utility on the measures of customers per employee and operating costs per customer
- Regulatory arrangements include service quality indicators to ensure appropriate service levels are maintained

Terasen Gas – Focused Growth

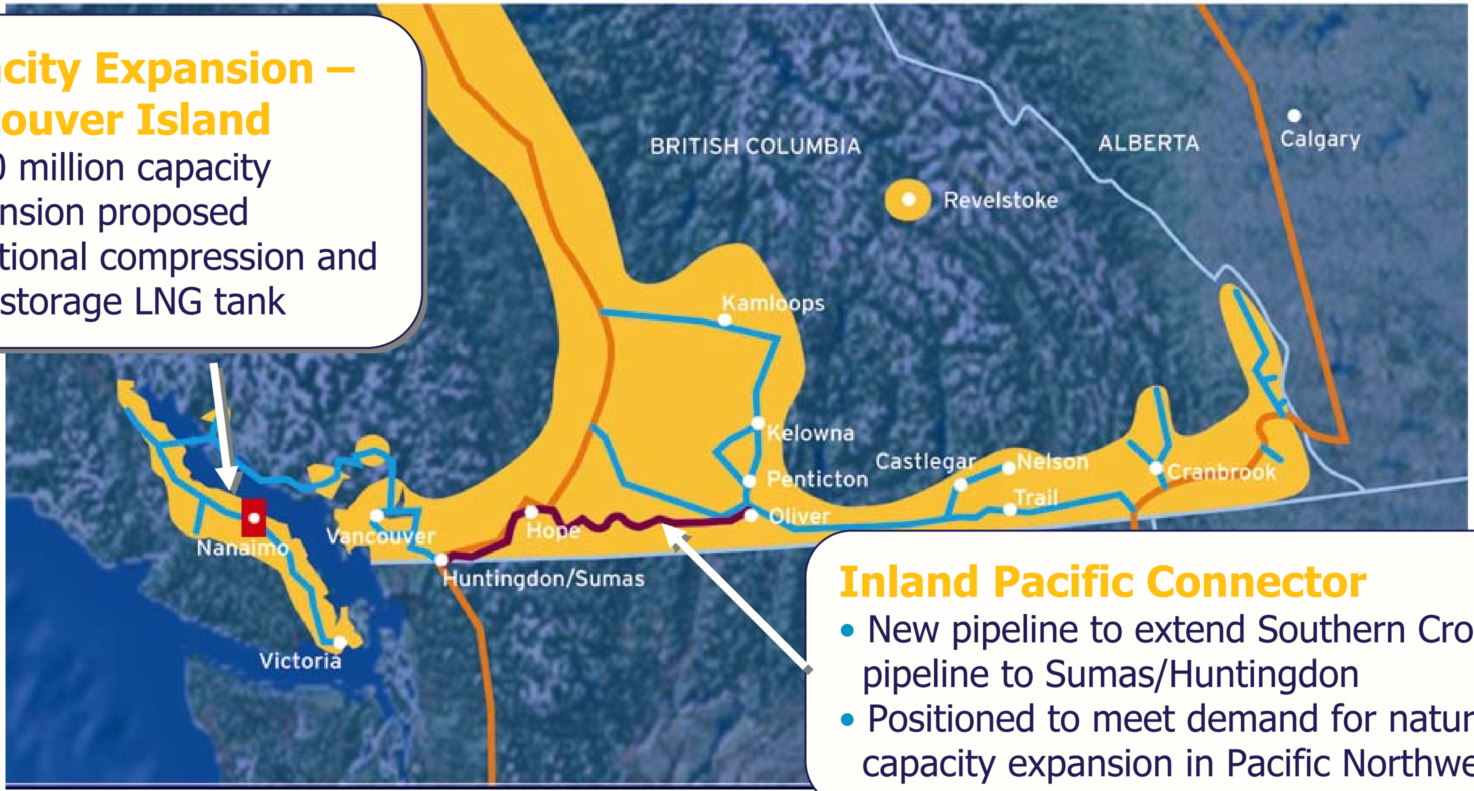
- Organic growth in terms of customer and consumption growth is low
  - Approximately 1% per annum (± 8,000 customers)

- Growth in transmission supply opportunities to meet total gas demand – two proposed projects:

1. Vancouver Island generation needs
2. Inland Pacific Connector

Terasen Gas – Focused Growth

Capacity Expansion – Vancouver Island
- $180 million capacity expansion proposed
- Additional compression and new storage LNG tank



Inland Pacific Connector
- New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

Terasen Transmission Lines
Terasen Distribution Service Area
Other Natural Gas Lines
Proposed Inland Pacific Connector Pipeline
Proposed LNG Storage Tank

Terasen Pipelines – Operational Excellence

Regulatory Framework

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
  - 79% of post expansion capacity fully committed
- Corridor Firm Service Agreement
  - Future incentive opportunities

Terasen Pipelines – Focused Growth

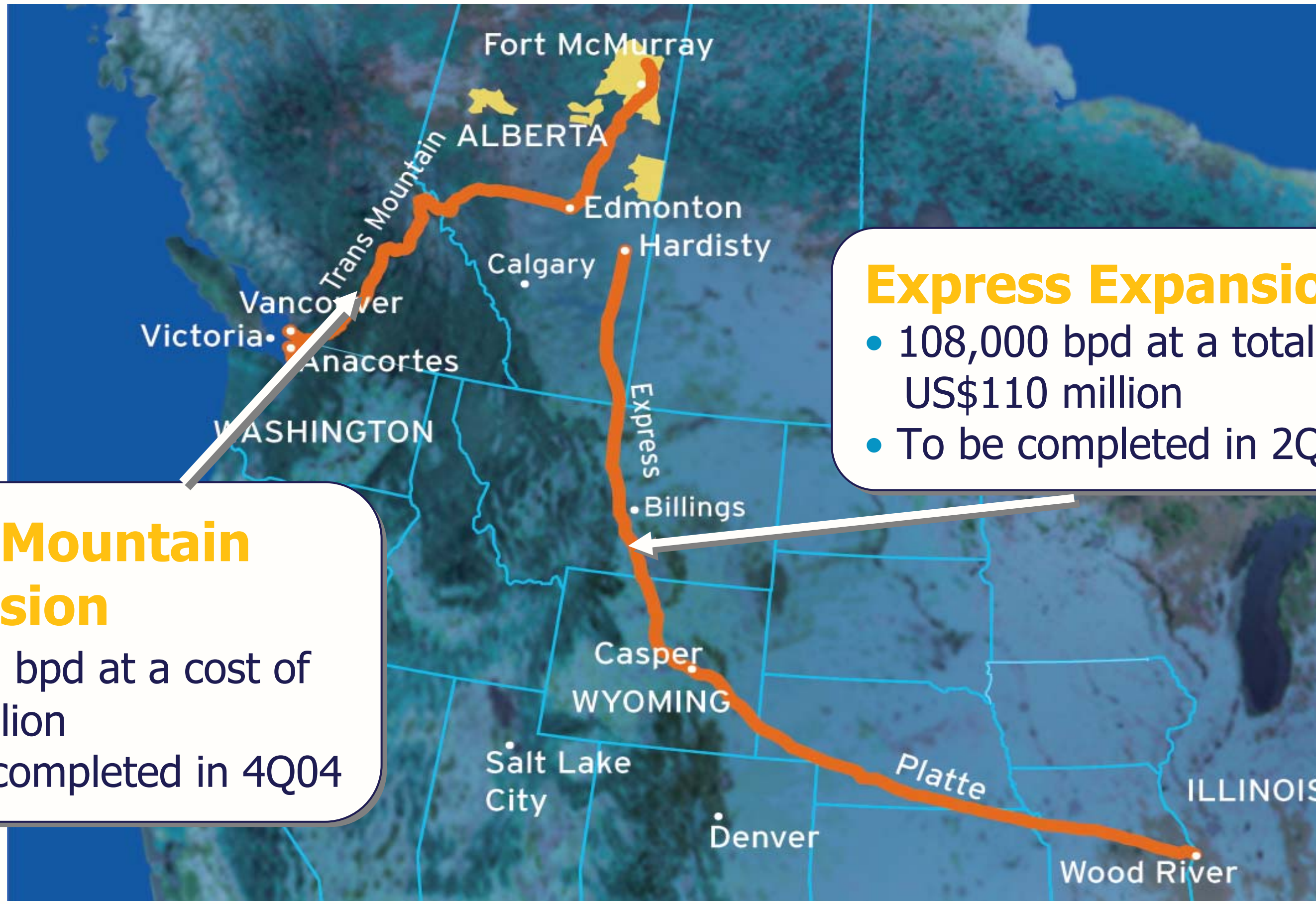
- Providing competitive transportation linkages between oil sands producers and continental refinery demands

- Supply push/demand pull
  - One million barrels per day of oil sands production growing to three million barrels per day in ± 20 years
  - Existing pipelines at or near full capacity

- Two projects underway
- Three proposed projects

terasen

Terasen Pipelines – Focused Growth



Express Expansion

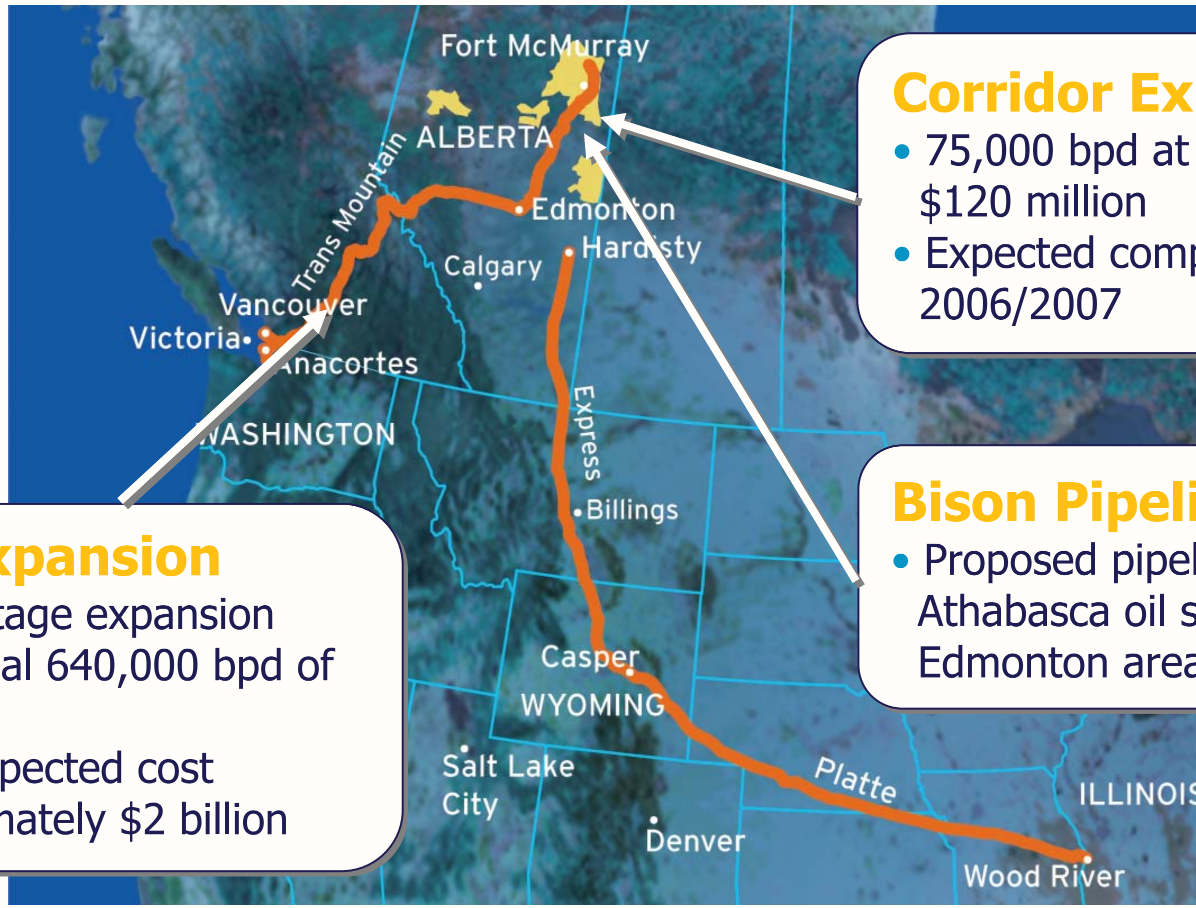
- 108,000 bpd at a total cost of US$110 million
- To be completed in 2Q05

Trans Mountain Expansion

- 27,000 bpd at a cost of $16 million
- To be completed in 4Q04

Petroleum Pipelines   Alberta Oil Sands Deposits

Terasen Pipelines – Focused Growth



Corridor Expansion
- 75,000 bpd at a cost of $120 million
- Expected completion 2006/2007

Bison Pipeline
- Proposed pipeline from the Athabasca oil sands to the Edmonton area

TMX Expansion
- Three-stage expansion
- Additional 640,000 bpd of capacity
- Total expected cost approximately $2 billion

Petroleum Pipelines Alberta Oil Sands Deposits

Terasen Pipelines – Focused Growth

TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

Terasen Water and Utility Services – Focused Growth

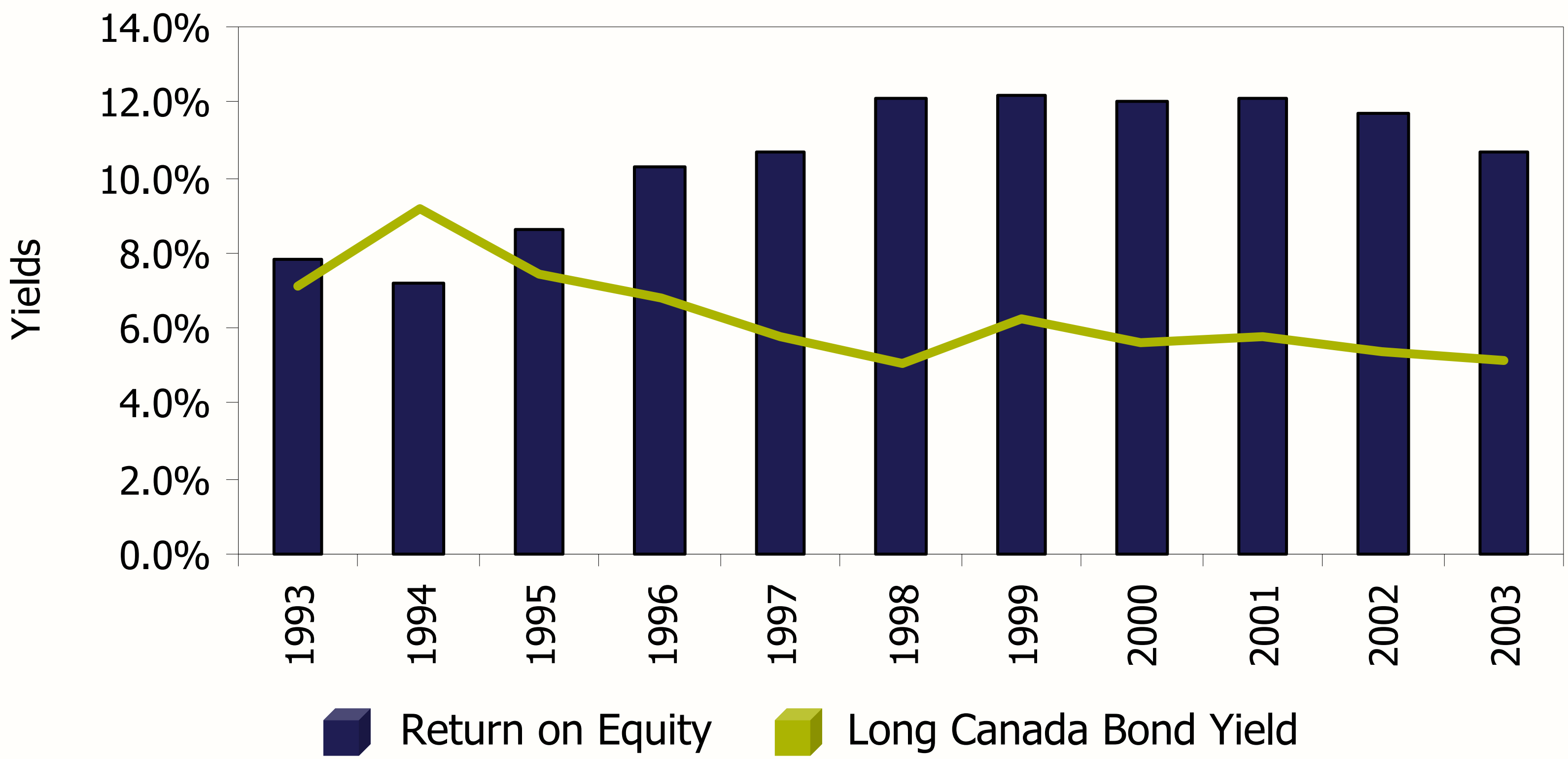
- An infrastructure management business
- Largest private water services company in Western Canada
- Acquiring a 50% interest in Fairbanks Sewer & Water (FSW) for US$30 million
- FSW will provide a model for other opportunities in Western North America

Present branch and operation centre locations for Terasen's water business

Financial Excellence

Competitively Sourced Capital

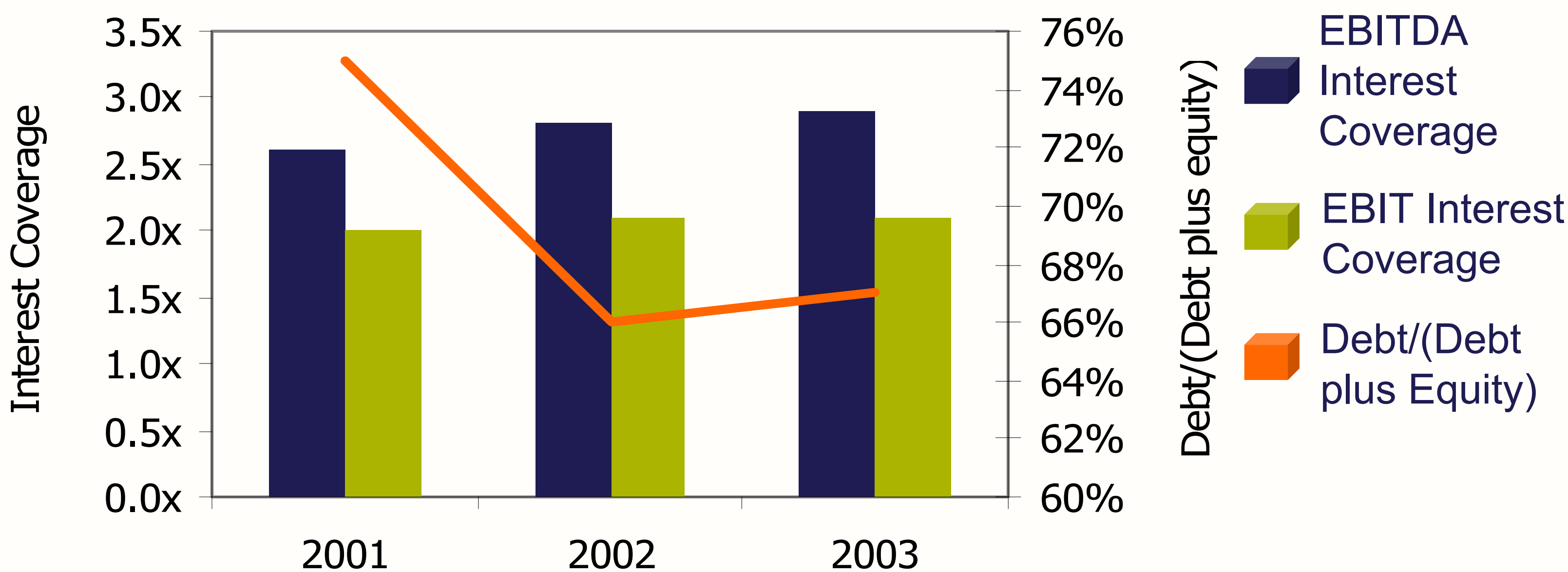
- Consistent delivery of attractive equity returns



Financial Excellence

Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings have been reaffirmed by Moody's [A3] and DBRS [A (low)]



Financial Excellence

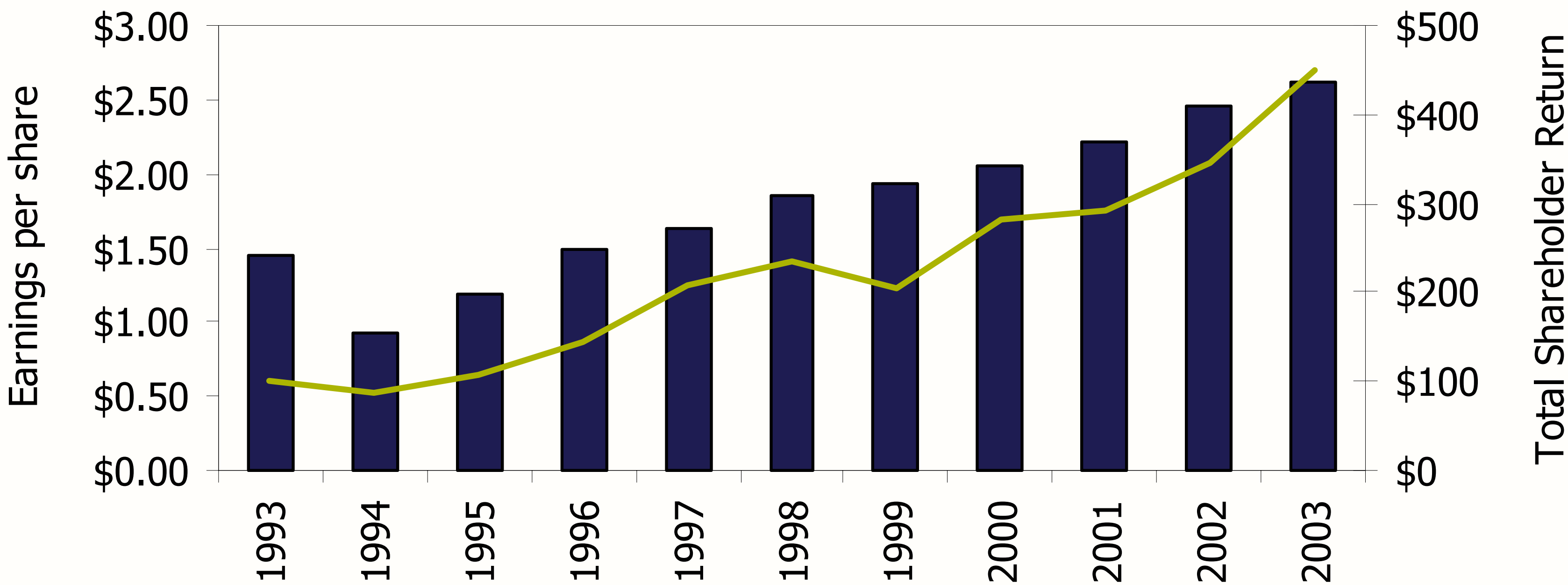
Competitively Sourced Capital

- Corporate cost of capital is very competitive
- Pension fund structure provides an alternative option for financing – synthetic income trust

Why Invest in Terasen?

- Focused – discipline to say “no” to transactions
- Reliable – low-risk regulated businesses with strong regulatory relationships and proven ability to execute
- Growing – track record of earnings and dividend growth, and visible growth opportunities in core businesses

Why Invest in Terasen?



10-year Compound Annual Growth Rate:

Earnings Per Share	6.1%
Total Shareholder Return	16.3%

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Appendix:
Financial Highlights

Market Details

Recent price[1]	$48.00
Shares outstanding (mln)	52.0
Market capitalization (mln)[1]	$2,496
52-week high/low[1]	$50.00/$38.20
Dividend per share	$1.56
Earnings per share (2004E[2])	$2.80
Dividend yield	3.4%
Price/2004E earnings per share	17.1x

[1] As at May 31, 2004

[2] Based on FirstCall consensus estimates

Financial Details

	2003
Total revenue ($mln)	$1,877
EBITDA ($mln)	$1,644
Net earnings ($mln)	$133
Operating cash flow per share	$5.20
Total assets ($mln)	$4,915
Return on common equity	10.7%
Dividend payout ratio	0.60
Interest coverage ratio	2.1
Debt to total equity	67%

Natural Gas Distribution

	2003
Total revenue (mln)	$1,498
Kilometres of pipelines	43,777
Total customers	862,000
Terasen Gas Inc.	
Rate base (mln)	$2,259
Allowed rate of return	9.15%
Terasen Gas Vancouver Island	
Rate base (mln)	$454
Allowed rate of return	9.65%

Petroleum Transportation

	2003	
Total revenue (mln)	$200	
Kilometres of pipelines	4,720	
Transportation volumes (barrels per day)		**Total Capacity[1]**
Trans Mountain – Canadian mainline	216,100	245,300
Trans Mountain – U.S. mainline	54,600	166,000
Express System	171,200	172,000

[1]Based on light crude volumes

BC Gas Inc.
Presentation to Equity Investors

March, 2000

John M. Reid
President & CEO

What Differentiates BC Gas?

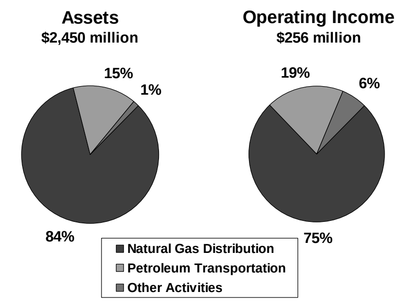
- Focus
- Low Risk
- Growth Opportunities

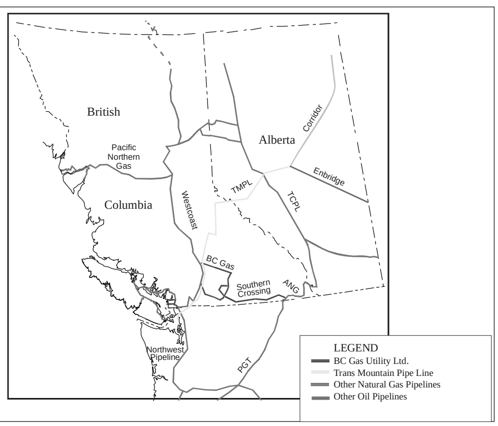
Corporate Overview

Three business units:

- Natural Gas Distribution
  - BC Gas Utility
- Petroleum Transportation
  - Trans Mountain Pipe Line
  - Corridor Pipeline
- Energy and Utility Services

Corporate Overview

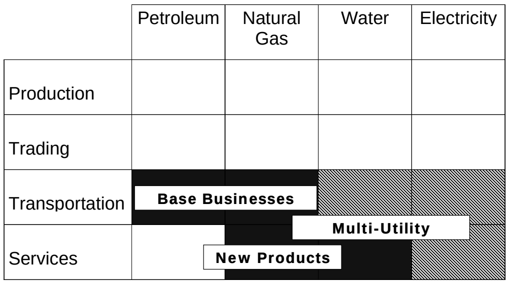




Business Activities - 1995

	Petroleum	Natural Gas	Water	Electricity
Production	✗	✗		✗
Trading		✗		
Transportation				
Services				

Business Activities - 2000+



Southern Crossing Project

- $376 million, 316 km, 250 mmcf/d natural gas pipeline
- Received regulatory approval in May 1999
- On track for completion in November 2000
  - Subject only to receipt of construction bids
- Will meet growing demand for natural gas in Pacific Northwest cost-effectively and competitively

Multi-Utility | New Products
Base Businesses

Corridor Pipeline Project

- $690 million, 450 km dual pipeline
- 100% owned and operated
- Backed by long term ship-or-pay contracts with Shell Canada and their partners.
- Construction will begin in Q2/2000
- Operations to commence late 2002

Multi-Utility | New Products
Base Businesses

Value Delivery/Incentive Regulation

- Both BC Gas and Trans Mountain have achieved higher returns from incentive-based regulatory settlements
  - Provides opportunities to create value for customers and shareholders
  - Both settlements reduce shareholder risks
- Discussions under way to renew both agreements

Multi-Utility | New Products
Base Businesses

Deliver New Products to Existing Customers

"A measured approach"

- New Customer Information System being rolled out in 2000-2001
- Brand development activities initiated in 1999
- Home*works* brand provides energy services to residential customers in B.C.
  - Provides a variety of services through dealer networks

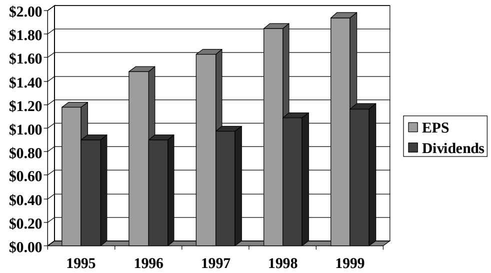
Multi-Utility | New Products
Base Businesses

Grow Our Multi-Utility Business

- Acquired three small waterworks supply businesses in 1999 and 2000
- BC Gas was recently awarded Phase 2 of a successful construction project in the United Arab Emirate of Sharjah
- Exploring opportunities in the electricity business
  - Positioning for possible privatization in B.C.

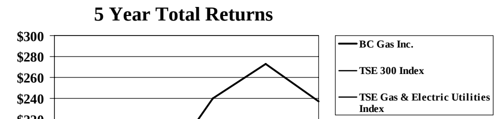
Multi-Utility | New Products
Base Businesses

Financial Results



* EPS before non-recurring items

Financial Results



- Outperformed peer group in five consecutive years

Earnings Objectives

- Target EPS in 2004: $2.50 per share
  - Requires $0.56 in earnings growth over 5 years
- Strong portfolio of growth opportunities:
  - Southern Crossing
  - Corridor Pipeline
  - Multi-utility
  - New products and services
- Earnings growth objectives are achievable

Summary

- Continued the trend of strong financial results in 1999
- Focused on executing our strategic plan
- What makes BC Gas different from other pipelines and utilities?
  - Focus
  - Low Risk
  - Growth Opportunities

BC GAS INC.

Presentation to Raymond James Institutional Investor Conference June 3, 2002

John M. Reid
President and CEO

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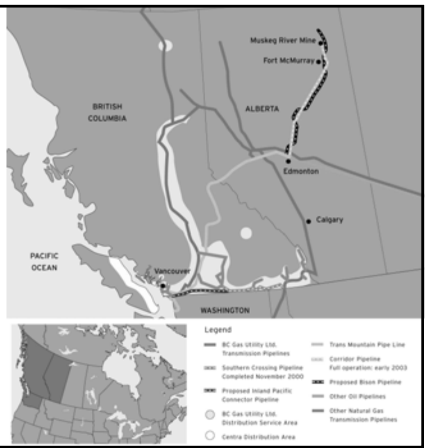
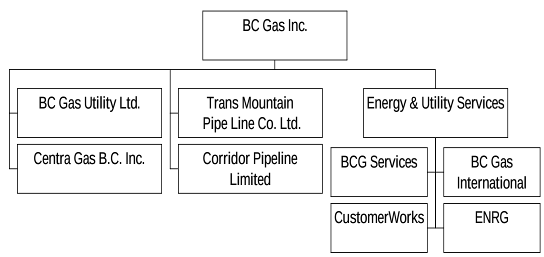
Presentation Overview

- Corporate Overview
- Strategic Plan
- Financial Results
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
- Summary



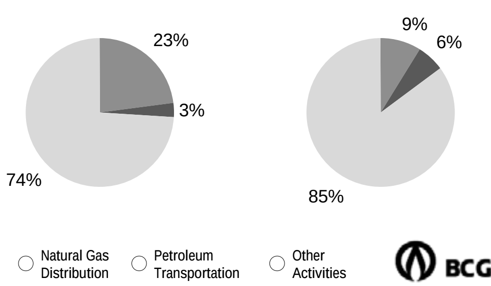
Corporate Structure



Segmented Contributions (2001)

Assets: $3,706 million

Revenues: $1,666 million



Vision

- To become the leading multi-utility gas, electric and water asset manager in the Pacific Northwest by:
  - > Strengthening and expanding our base businesses
  - > Growing from our core gas and oil competencies to become a gas, electric, water and oil asset manager

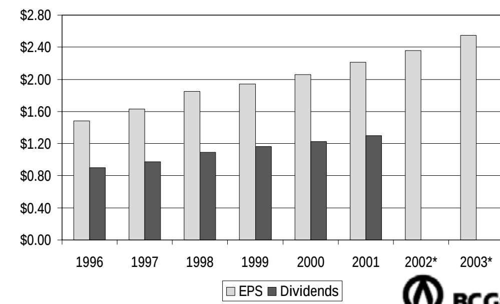
BC GAS INC. > STRATEGIC PLAN

Financial Targets

- EPS Growth
  - 6%+ per year, delivering double-digit total returns with dividends
- Return on Equity
  - 12% or higher
- Capital Structure
  - 30% equity, 70% debt

BC GAS INC. > FINANCIAL RESULTS

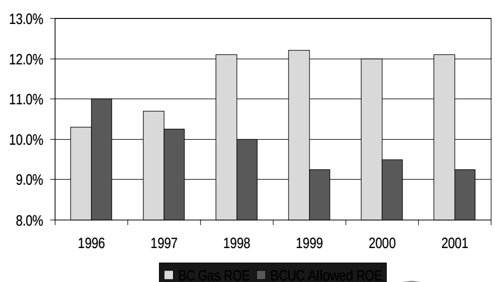
Earnings & Dividend Growth



* - Consensus Estimates

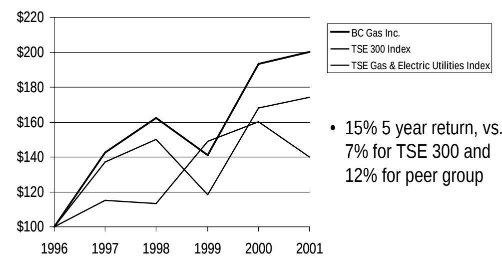
BC GAS INC. > FINANCIAL RESULTS

Corporate Return on Equity



BC GAS INC. > FINANCIAL RESULTS

Total Returns



- 15% 5 year return, vs. 7% for TSE 300 and 12% for peer group

BC GAS INC. > STRATEGIC PLAN

Future Value - Key Themes

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

BC GAS INC. > STRATEGIC PLAN

Business Activities - 1995

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION	○	○		○
TRADING		○		
TRANSPORTATION	○	○		
SERVICES		○		

BC GAS INC. > STRATEGIC PLAN

Business Activities - 2005

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION				
TRADING				
TRANSPORTATION	○	○	○	○
SERVICES		○	○	○

○ Strengthen and Expand Our Base Businesses
○ Grow From Our Core Competencies

BC Gas

STRATEGIC PLAN > STRATEGIC INITIATIVES

Growth Initiatives

- Strengthening Our Base Businesses
  - Incentive Regulation - Natural Gas Distribution
  - Incentive Regulation - Petroleum Transportation
- Expanding Our Base Businesses
  - Inland Pacific Connector
  - Centra Gas B.C.
  - Alberta Oil Sands - Corridor & Bison Pipelines
- Growing From Our Core Competencies

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - Settlements expire Dec. 2002
- Coordinating regulatory settlements for BC Gas/Centra in context of emerging provincial energy policy

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- BC Gas revenue requirement application withdrawn for 2002
  - 2002 rates remain at 2001 levels
  - Provides a bridge to a new multi-year settlement to be arranged for BC Gas and Centra
  - Reflects the preferred framework of a new multi-year settlement: margin cap

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

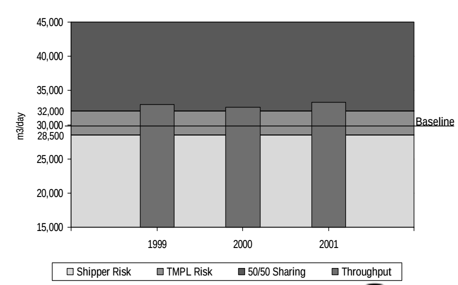
Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
  - No escalation of tolls for inflation
- Trans Mountain assumes limited throughput risk
  - No limit to shared upside, downside floor
- Incentives for additional throughput
  - Tanker loadings

BC Gas

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation

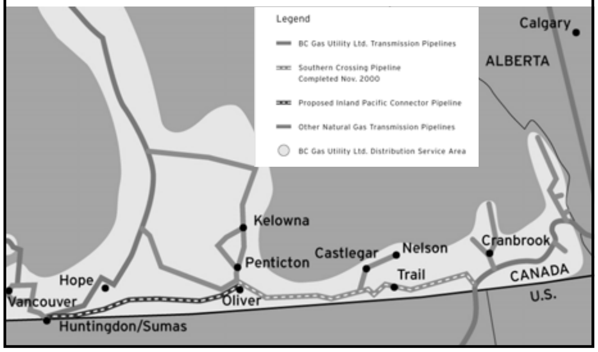


BC Gas

Southern Crossing Pipeline

- Put in service November 2000
  - On time, on budget
- Expanding customer choice in gas supply
- Partial solution to supply-demand imbalance in Pacific Northwest
  - Next step: Inland Pacific Connector

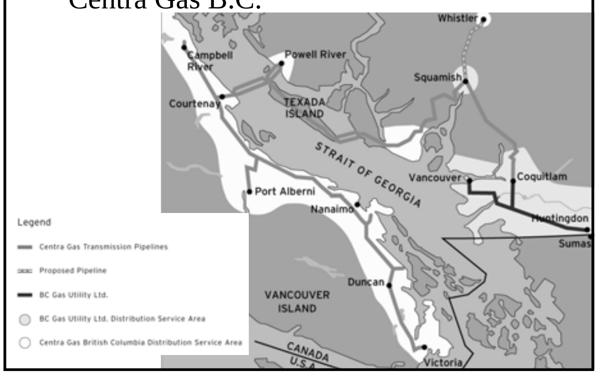
Inland Pacific Connector



Inland Pacific Connector

- $495 million, 237 km pipeline to extend Southern Crossing Pipeline to market hub at Sumas
- Currently firming up expressed shipper interest
- Proposed in-service date November 2004

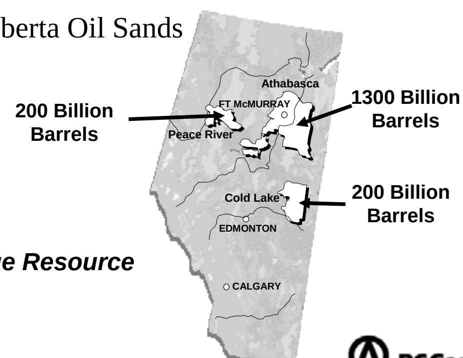
Centra Gas B.C.



Centra Gas B.C.

- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

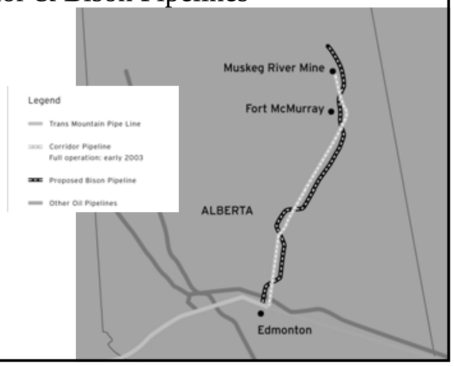
Alberta Oil Sands



A Huge Resource

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor & Bison Pipelines



STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
- Shell has announced plans to expand output of Muskeg River Mine by 70,000 bbl/day by 2005-2010
  - To be followed by new 300,000 bbl/day mine

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Bison Pipeline

- $800 million heated bitumen pipeline connecting mine sites to Edmonton
- Currently engaged in feasibility studies with Petro-Canada and TrueNorth Energy
- In-service targeted for 2005

STRATEGIC INITIATIVES > EXPANDING OUR BASE BUSINESSES

Electric Distribution

- New government in B.C. intent on reducing scope/scale of public sector
- Energy policy currently under development
- Privatization potential - services/distribution

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services - exiting supply business
- ENRG (56% owned)
  - Formerly BCG eFuels
  - Largest provider of alternative vehicle fuels in North America

STRATEGIC INITIATIVES > GROWING FROM OUR CORE COMPETENCIES

Growing From Our Core Competencies

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Profitable, with growth potential

Delivering On Our Targets

Objective	Results
• 6%+ EPS Growth	1997-2001: 8% growth rate
• 12% Return on Equity	1998-2001: 12%+ ROE
• Double-digit total shareholder returns	1997-2001: 15% total annual return

BCGas™

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in all areas of the base businesses, with high visibility EPS growth

BCGas™

Investor Presentation

John Reid
President and Chief Executive Officer
Gordon Barefoot
Senior Vice President, Finance and Chief Financial Officer

Terasen Inc. (TER-TSX)

May 2004

Forward Looking Statements

This presentation and answers to questions contain forward-looking statements about expected future events and financial and operating results that are subject to risks and uncertainties. Terasen's actual results, performance, or achievements could differ materially from those expressed or implied by such statements. For additional information on potential risk factors, see Terasen's 2003 Annual Information Form, and other filings available on SEDAR.

Terasen disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Presentation Overview

- Who We Are
- Our Value Proposition
  - Focused
  - Reliable
  - Growing
- Core Value Strategies
  - Operational Excellence
  - Focused Growth
  - Financial Excellence
- Summary

Terasen – Who We Are

A company engaged in the transportation of energy and the provision of related utility management services

Two core businesses:

- Natural Gas Distribution
  - Strong, low-risk gas utility franchises
- Petroleum Transportation
  - Continental scope – leverage to Alberta oil sands growth

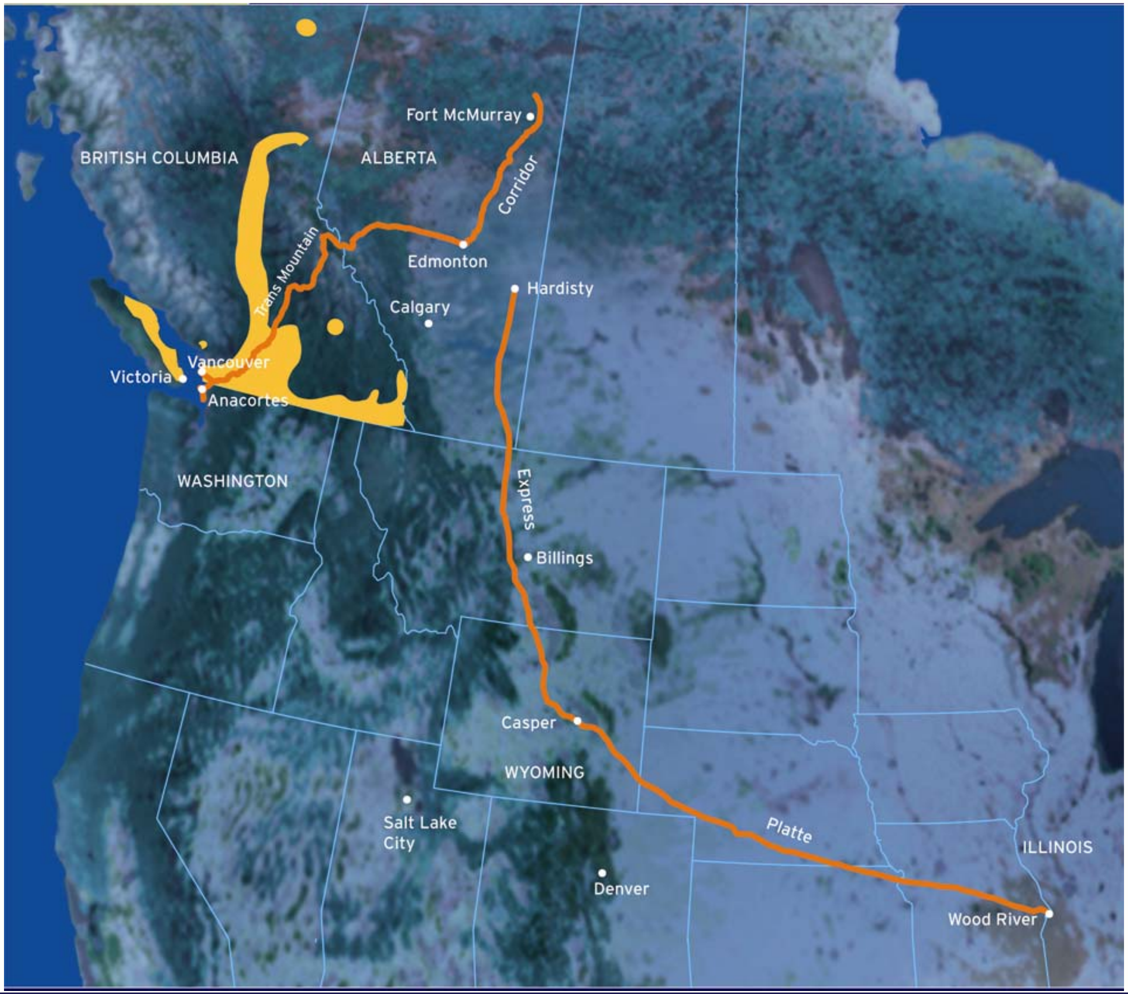
One emerging business:

- Additional growth potential from emerging waterworks and utility services businesses

Terasen – Who We Are

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines (33.3% ownership)
  - Water & Utility Services
    - Terasen Utility Services
    - Terasen Waterworks
    - Customerworks (30% ownership)

Terasen – Where We Are



- Western Canadian base
- Continental opportunities

Natural Gas Distribution

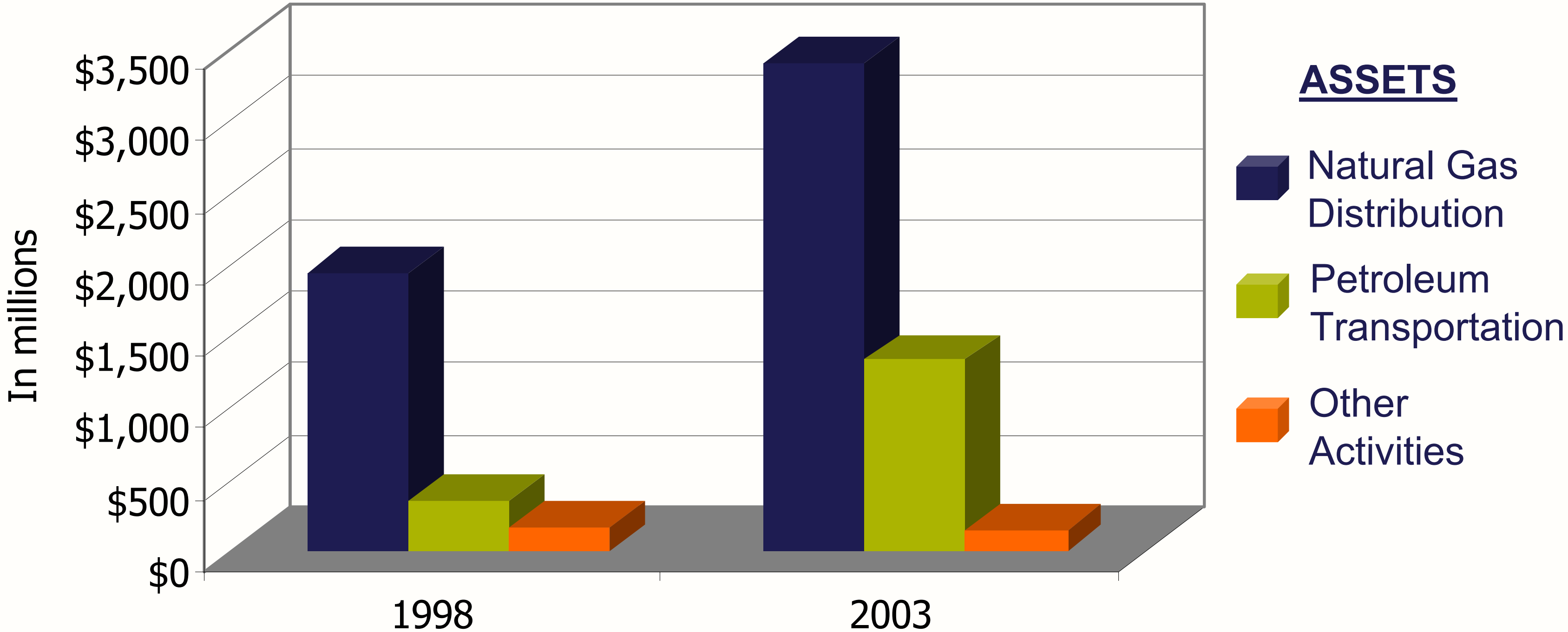
Petroleum Transportation

Our Value Proposition

- **Focused** on our regulated businesses
- **Reliable** and consistent results from low risk businesses
- **Growing** and steadily outperforming through value creation

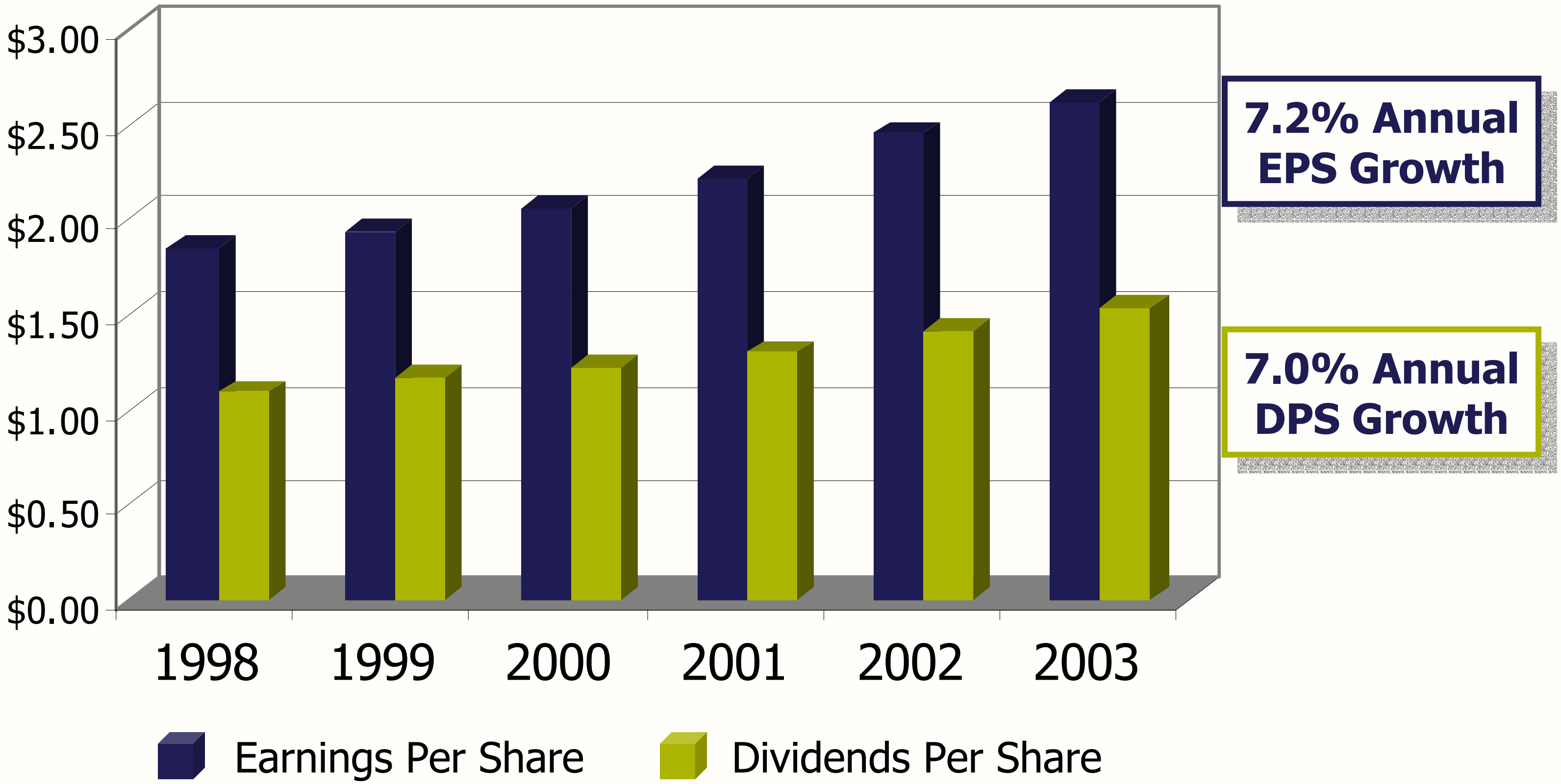
Focused

Growth in regulated assets – more than doubling since 1998 – has provided the base for growth in value



Reliable

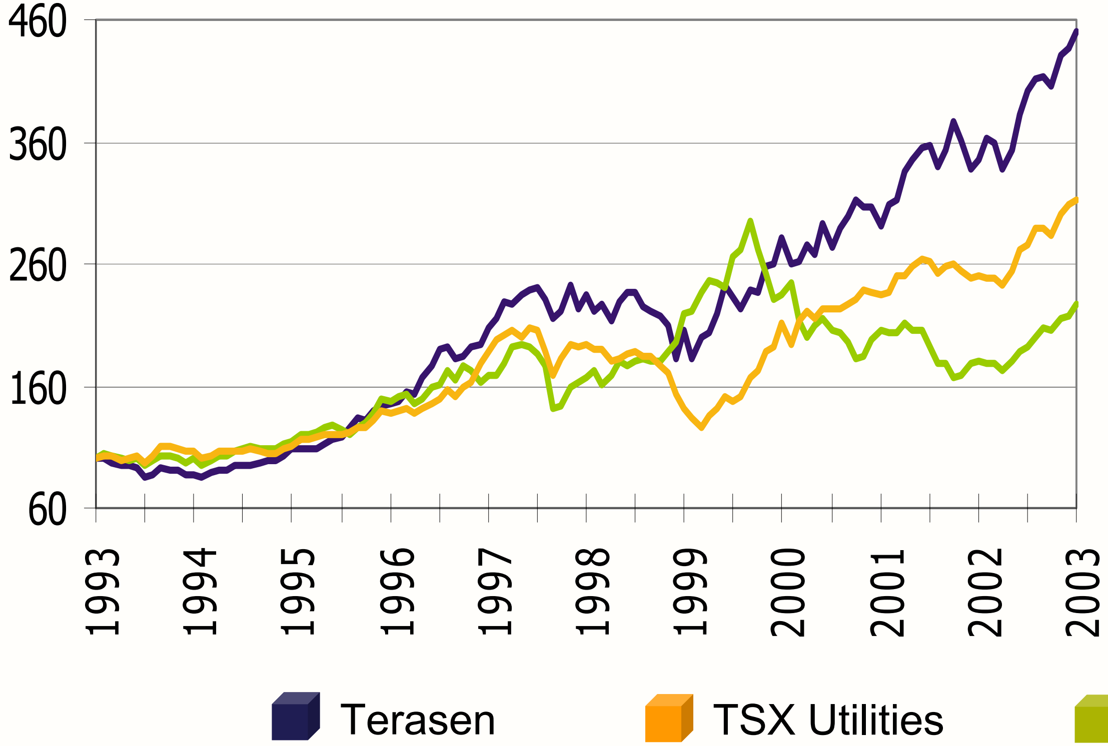
Consistent results from low risk businesses – target earnings growth of 6% and dividend payout of 60%



Growing

Consistent outperformance through value creation

Total Shareholder Returns



Annualized Total Returns

	One Year	Three Year	Five Year	Ten Year
Terasen	30%	17%	14%	16%
TSX Utilities Index	27%	14%	10%	12%
TSX Composite Index	27%	-1%	7%	9%

For the period ended December 2003

Core Value Strategies

- **Operational excellence** within incentive regulation
- **Focused growth** based on value creation
- **Financial excellence** ensuring access to competitive sources of capital

Regulatory Frameworks – Gas

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Incentives for managing operating and capital costs
  - Incentive regulation has been in place since 1994
- Terasen Gas (Vancouver Island) settlement in place
  - Three year term beginning in 2003
  - Allowed ROE set 0.50% above Terasen Gas
- Operational integration of Terasen Gas & TGVI complete
  - Implemented Q4/03

Regulatory Frameworks – Pipelines

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
  - 79% of post expansion capacity fully committed
- Corridor Firm Service Agreement
  - Future incentive opportunities

Regulatory Frameworks – Risk

- 97% of assets are regulated
- Regulatory arrangements provide low-risk business profile for distribution and pipeline businesses
  - Very limited throughput risk
  - No commodity price risk
  - Residual risk in controllable operating costs and capital expenditures
- No international investments
- No non-regulated energy trading

Focused Growth
Based on value creation

Our growth strategies are based on the belief that

- Overall economic growth is closely correlated to energy demand growth
- Economic growth in the Pacific Northwest will drive gas supply infrastructure growth in Western Canada
- The Alberta Oil Sands in particular will become an increasingly economic and meaningful source of supply of petroleum to the continental United States

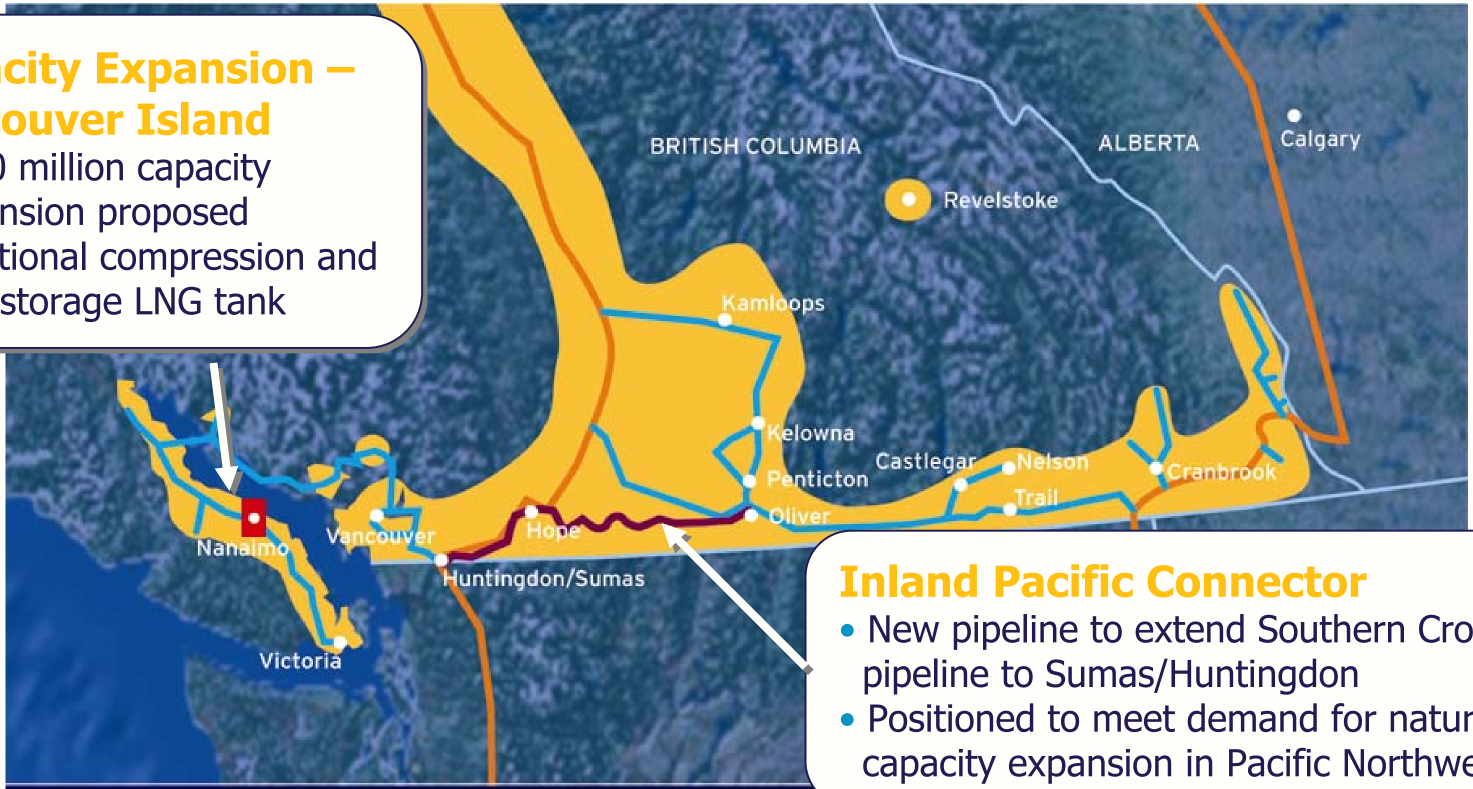
Focused Growth – Gas Distribution

- Organic growth in terms of customer and consumption growth is low
  - Approximately 1% per annum (± 8,000 customers)

- Growth in transmission supply opportunities to meet total gas demand – two proposed projects:

1. Vancouver Island generation needs
2. Inland Pacific Connector

Natural Gas Distribution – Proposed Projects



Capacity Expansion – Vancouver Island
- $180 million capacity expansion proposed
- Additional compression and new storage LNG tank

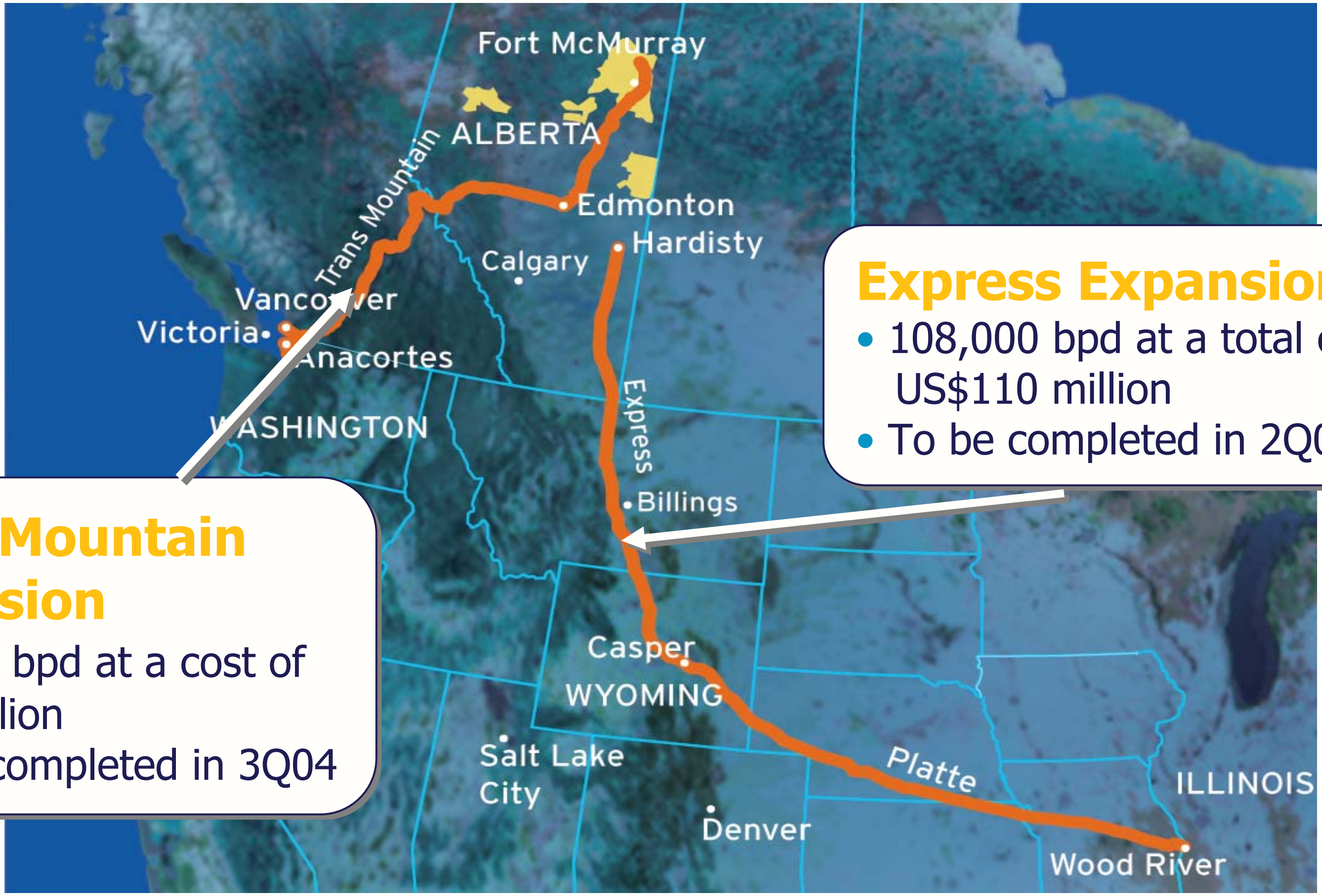
Inland Pacific Connector
- New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

Terasen Transmission Lines | Terasen Distribution Service Area | Other Natural Gas Lines | Proposed Inland Pacific Connector Pipeline | Proposed LNG Storage Tank

Focused Growth – Petroleum Pipelines

- Providing competitive transportation linkages between oil sands producers and continental refinery demands
- Supply push/demand pull
  - One million barrels per day of oil sands production growing to three million barrels per day in ± 20 years
  - Existing pipelines at or near full capacity
- Two projects underway
- Three proposed projects

Petroleum Transportation – Projects Underway

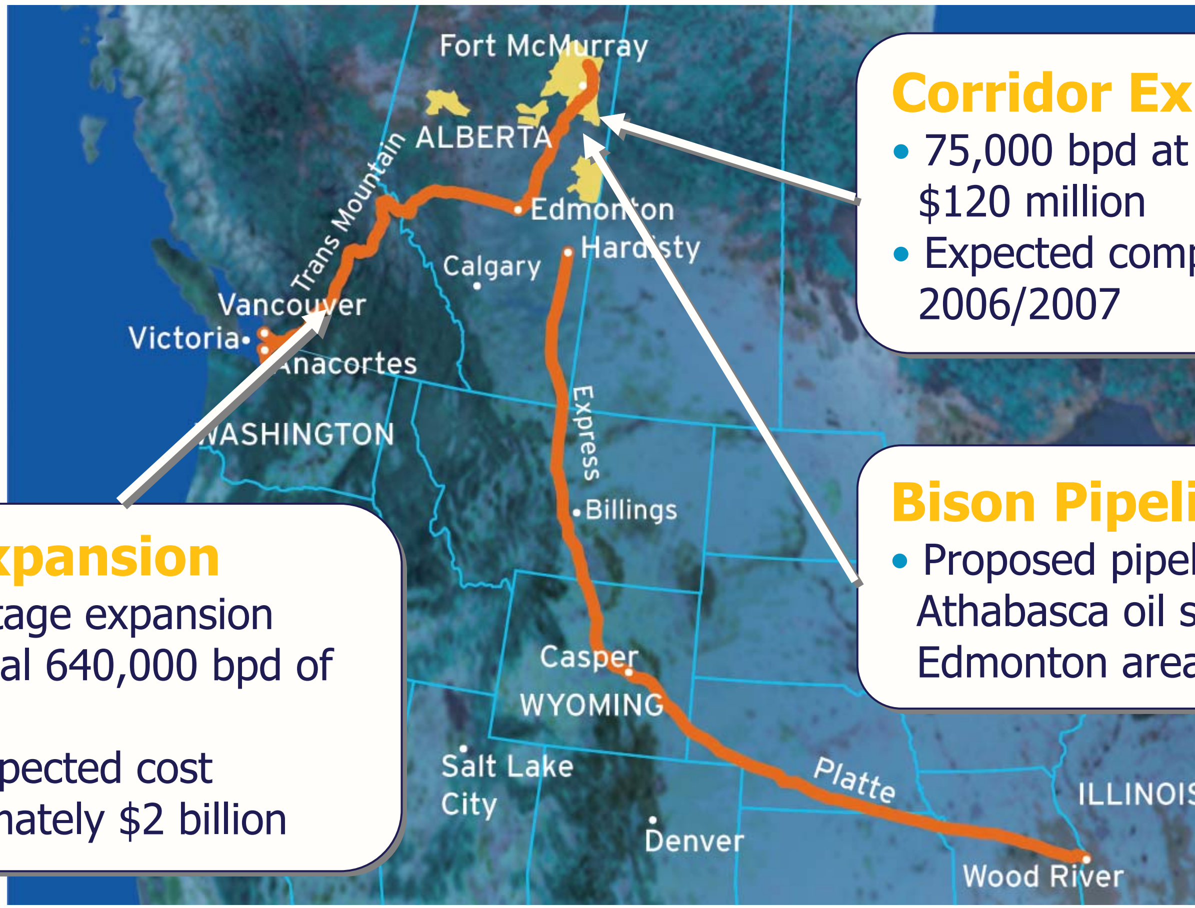


Express Expansion
- 108,000 bpd at a total cost of US$110 million
- To be completed in 2Q05

Trans Mountain Expansion
- 27,000 bpd at a cost of $16 million
- To be completed in 3Q04

Petroleum Pipelines   Alberta Oil Sands Deposits

Petroleum Transportation – Proposed Projects



Corridor Expansion
- 75,000 bpd at a cost of $120 million
- Expected completion 2006/2007

Bison Pipeline
- Proposed pipeline from the Athabasca oil sands to the Edmonton area

TMX Expansion
- Three-stage expansion
- Additional 640,000 bpd of capacity
- Total expected cost approximately $2 billion

Petroleum Pipelines   Alberta Oil Sands Deposits

TMX Advantages

- Built in stages
  - Lower construction risk
  - Matches capacity with supply/demand growth
  - Lowers risk of overbuild
- Washington State refinery access
  - 550,000 bpd capacity
  - 10% current market share
- Existing rights-of-way
  - Options on private land

Focused Growth – Water and Utility Services

- An infrastructure management business
- Largest private water services company in Western Canada
- Acquiring a 50% interest in Fairbanks Sewer & Water (FSW) for US$30 million
- FSW will provide a model for other opportunities in Western North America

Present branch and operation centre locations for Terasen's water business

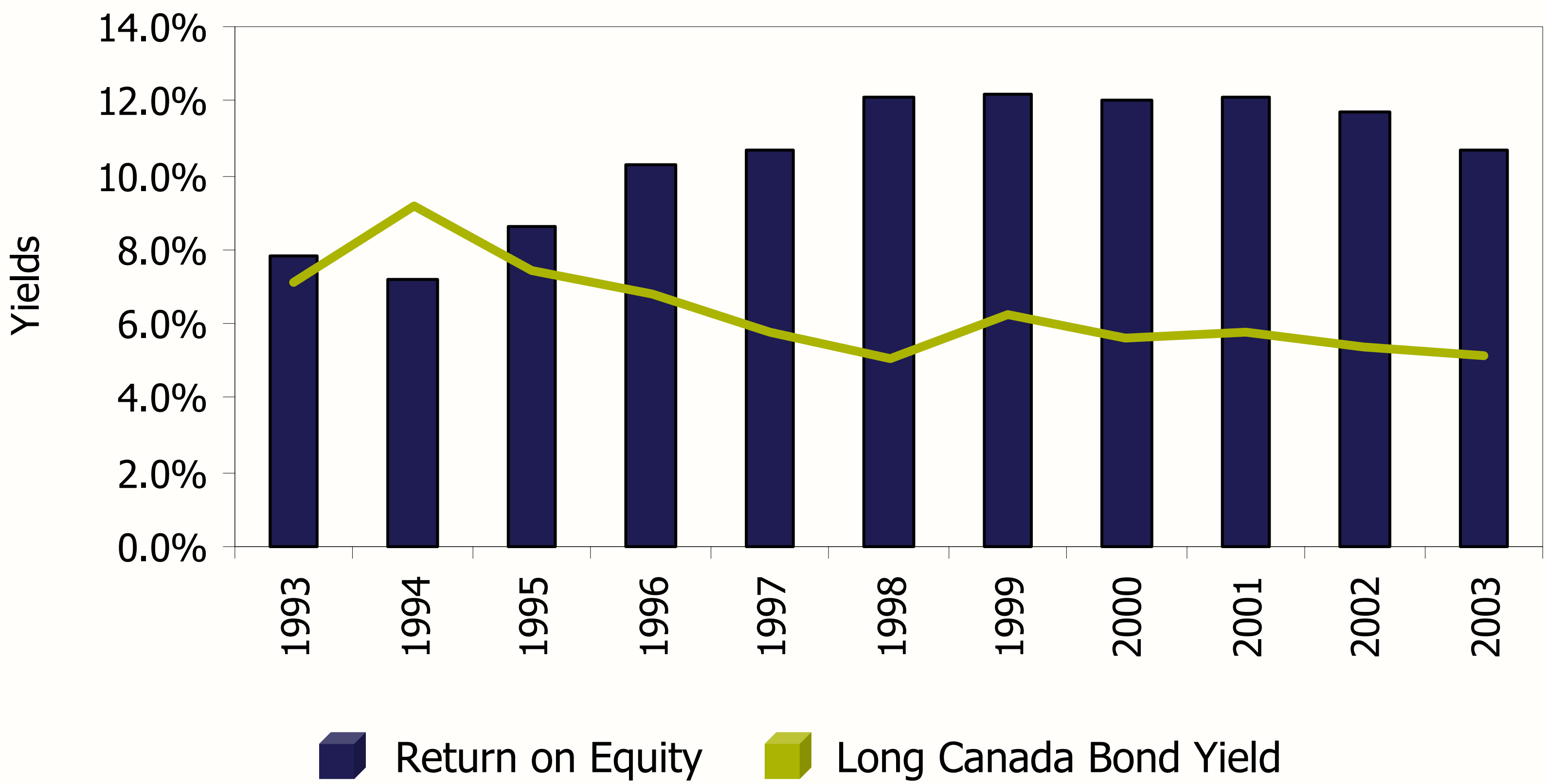
Financial Excellence

Ensuring access to competitive sources of capital

- Sustaining superior equity return levels
- Maintaining strong balance sheet and credit ratings
- When necessary, work with advantaged cost of capital partners

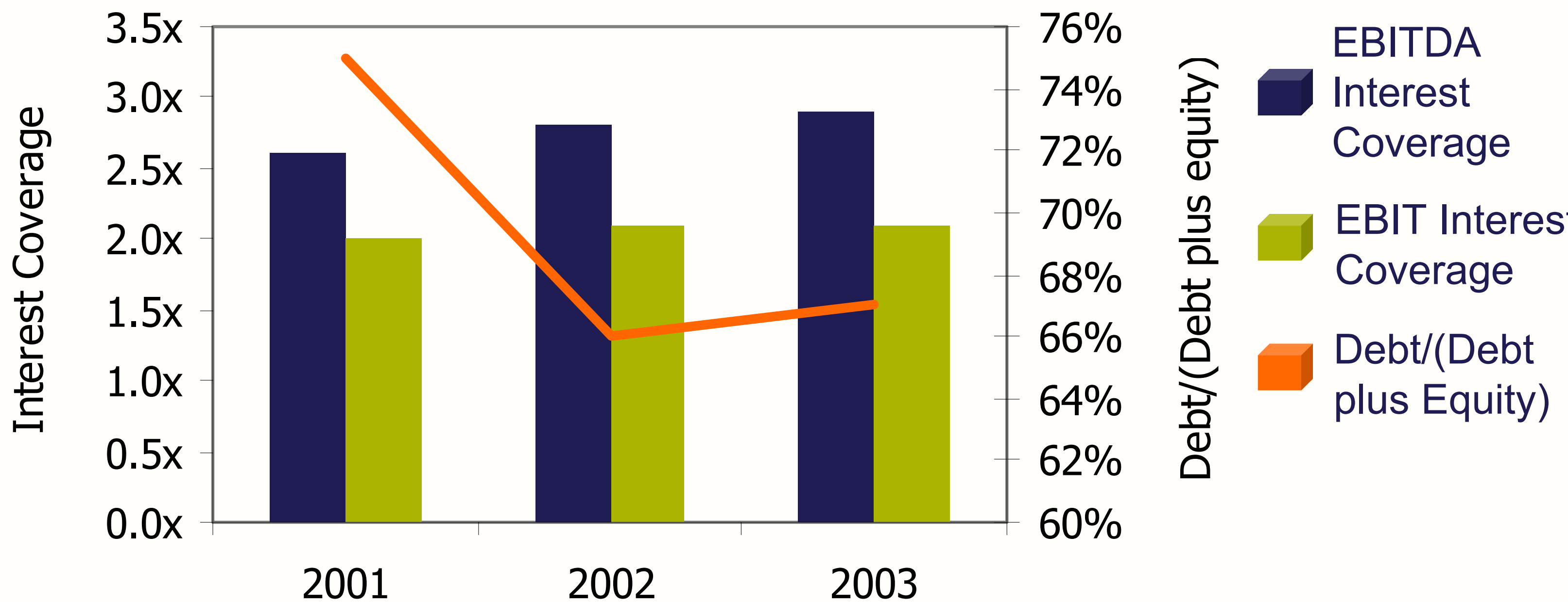
Competitively Sourced Capital

- Consistent delivery of attractive equity returns



Competitively Sourced Capital

- Strengthened financial position
- "A" credit ratings have been reaffirmed by Moody's [A3] and DBRS [A (low)]



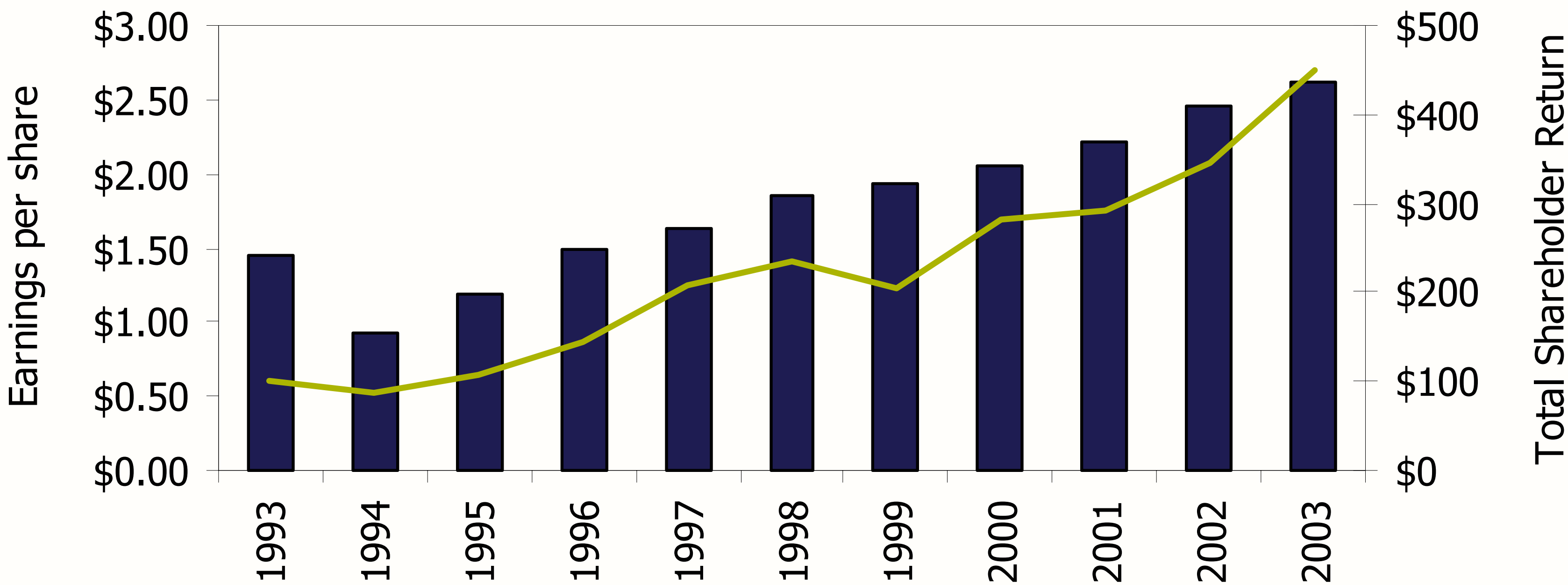
Competitively Sourced Capital

- Express acquisition consortium formed with two major Canadian pension funds
  - Terasen: manager/operator
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital of income trusts or MLPs without execution risk
- Potential for other future opportunities

Why Invest in Terasen?

- Focused – long track record of "sticking to our knitting"
- Reliable – low-risk regulated businesses with strong regulatory relationships
- Growing – track record of earnings and dividend growth, and visible growth opportunities in core businesses

Why Invest in Terasen?



10-year Compound Annual Growth Rate:

Earnings Per Share	6.1%
Total Shareholder Return	16.3%

Investor Relations Contact

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Rhonda Dyce
Senior Financial Analyst
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Appendix:
Financial Highlights

Market Details

Recent price[1]	$47.11
Shares outstanding (mln)	52.0
Market capitalization (mln)[1]	$2,450
52-week high/low[1]	$50.00/$38.20
Dividend per share	$1.56
Earnings per share (2004E[2])	$2.80
Dividend yield	3.4%
Price/2004E earnings per share	16.4x

[1] *As at April 27, 2004*

[2] *Based on FirstCall consensus estimates*

Financial Details

	2003
Total revenue ($mln)	$1,876.6
EBITDA ($mln)	$1,643.6
Net earnings ($mln)	$132.7
Operating cash flow per share	$5.20
Total assets ($mln)	$4,915.1
Return on common equity	10.7%
Dividend payout ratio	0.60
Interest coverage ratio	2.1
Debt to total equity	67%

Natural Gas Distribution

	2003
Total revenue (mln)	$1,497.9
Kilometres of pipelines	43,777
Total customers	862,000
Terasen Gas Inc.	
Rate base (mln)	$2,258.8
Allowed rate of return	9.15%
Terasen Gas Vancouver Island	
Rate base (mln)	$454
Allowed rate of return	9.65%

Petroleum Transportation

	2003
Total revenue (mln)	$200.0
Kilometres of pipelines	4,720
Transportation volumes (barrels per day)	
Trans Mountain – Canadian mainline	216,100
Trans Mountain – U.S. mainline	54,600
Express System	171,200

BC Gas NATURALLY RESOURCEFUL

BC Gas Inc.

Investor Presentation
December, 2002

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BC Gas NATURALLY RESOURCEFUL

Forward Looking Statements

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BC Gas NATURALLY RESOURCEFUL

Overview

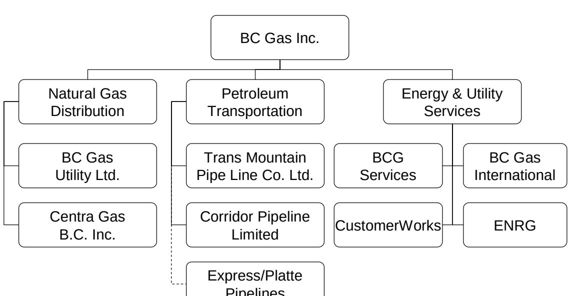
- Corporate Overview
- Transaction Summary
- Express Pipeline Overview
- Financial Summary/Financing Plans
- Transaction Rationale

BC Gas NATURALLY RESOURCEFUL

Area of Operations - Current

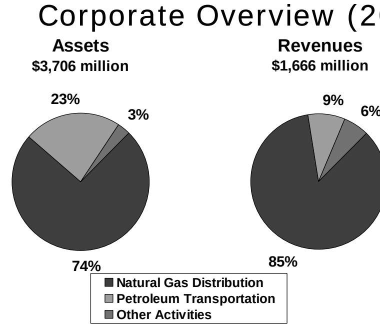
BC Gas NATURALLY RESOURCEFUL

Corporate Structure



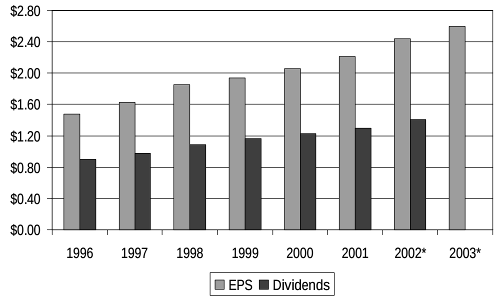
BC Gas NATURALLY RESOURCEFUL

Corporate Overview (2001)



BC Gas NATURALLY RESOURCEFUL

Earnings & Dividend Growth



* - Consensus Estimates

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BC Gas NATURALLY RESOURCEFUL

Future Value - Key Themes

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

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BC Gas NATURALLY RESOURCEFUL

Future Value – Key Strategies

Strengthen and Expand the Base Businesses

- Incentive Regulation
  - BC Gas Utility/Centra Gas/TMPL
- Natural Gas Distribution
  - Centra Gas Acquisition
  - Inland Pacific Connector
- Petroleum Transportation
  - Oil Sands – Corridor/Bison
  - Transportation Network – Express

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BC Gas NATURALLY RESOURCEFUL

Future Value – Key Strategies

Grow From Our Core Competencies

- BCG Services – multi utility services
- BC Gas International – consulting services
- CustomerWorks – Accenture backing
- ENRG – alternative fuel infrastructure

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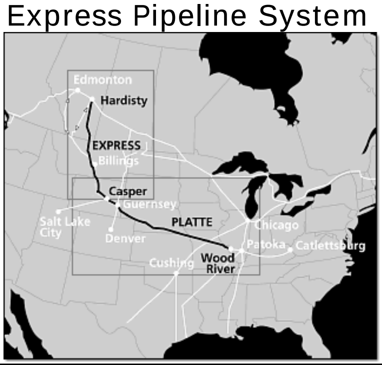
BC Gas NATURALLY RESOURCEFUL

Express Pipeline System



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BC Gas NATURALLY RESOURCEFUL

Strategic Opportunities

- Express is poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Opportunity for Canadian production to displace alternative sources of crude in lower PADD II (Midwest)

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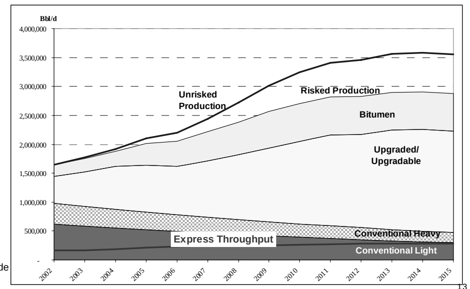
BC Gas NATURALLY RESOURCEFUL

Supply Push:
Western Canada Crude Supply Forecast



Source: First Energy
Note: Does not include C5+ diluent

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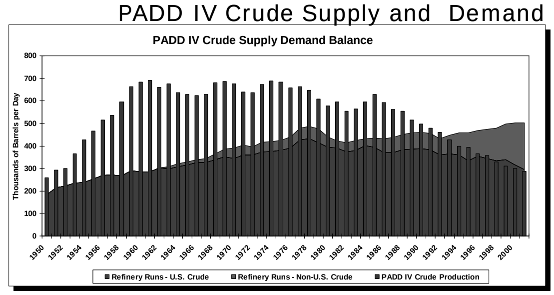
BC Gas NATURALLY RESOURCEFUL

Demand Pull:
PADD IV Crude Supply and Demand



- The widening crude deficit will be entirely satisfied by Canadian producers.

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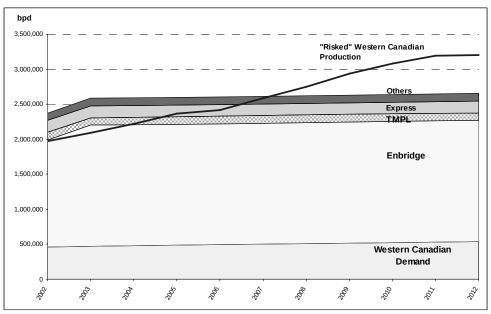
BC Gas NATURALLY RESOURCEFUL

Export Pipeline Capacity Constraints



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BC Gas NATURALLY RESOURCEFUL

Transaction Summary

- Consortium formed with two major pension funds for acquisition
  - BC Gas/TMPL – manager/operator
  - Borealis – subsidiary of OMERS
  - Ontario Teachers
- Each partner holds equal 1/3 interest
- Partnership matches financial capabilities with operating and management expertise
- Potential for other future opportunities

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BC Gas NATURALLY RESOURCEFUL

Transaction Summary

- Total acquisition price of C$1,175 million
- Equity purchase price of C$593 million
  - BC Gas share = $198 million
- Debt of C$582 million assumed
  - Project debt issued by Express
- Closing expected early 2003
  - Subject to regulatory approvals

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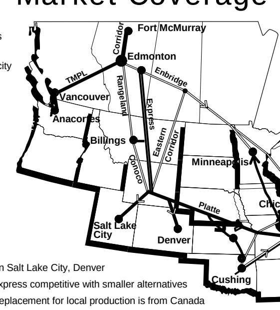
BC Gas NATURALLY RESOURCEFUL

Market Coverage

West Coast Markets
- TMPL actively pursuing capacity expansion



Refining Hub at Wood River
- Canadian can displace Medium Sour Imports
- Cost competitive with Enbridge
- Access to Lower PADD II refineries

Growth in Salt Lake City, Denver
- Express competitive with smaller alternatives
- Replacement for local production is from Canada

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BC Gas™ NATURALLY RESOURCEFUL

Expansion Opportunity

- Capacity on Express Pipeline can be expanded from 172,000 bpd to 280,000 bpd at a cost of approximately US$80 million
- Expected BC Gas EPS contribution from Express expansion of at least $0.10/share
- Expansion may be feasible as early as 2004

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BC Gas™ NATURALLY RESOURCEFUL

Express Pipeline Acquisition

Strategic Fit - Focus / Low Risk / Growth

- Fits with strategy of participating in oil sands growth
- Throughput risk is mitigated by EnCana commitments and open season plans
- Acquisition of Express Pipeline significantly expands BC Gas' petroleum transportation network to serve markets in Rocky Mountains and Midwest
- Significant upside opportunities from inexpensive capacity expansion as early as 2004

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BC Gas™ NATURALLY RESOURCEFUL

Financing Plan

- $300 million new common equity to be issued (Corridor & Express financing)
- Attractive 2003 earnings contributions from Corridor and Express
- Strong growth potential from Express expansion
- Confident that minimum annual EPS growth targets can be maintained in 2003

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BC Gas™ NATURALLY RESOURCEFUL

Transaction Rationale

- Express acquisition significantly enhances BC Gas' petroleum transportation strategy
  - Positioned to benefit from oil sands production growth
  - Diversifies market exposure – adds Rockies and Midwest to existing West Coast access
- Risk is mitigated through EnCana capacity commitments and open season opportunities

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BC Gas™ NATURALLY RESOURCEFUL

Transaction Rationale

- BC Gas – Borealis - Teachers partnership matches experienced operational management with competitive cost of capital
- Financing plan increases balance sheet strength while maintaining 2003 EPS growth targets
- Significant upside from expansion opportunities as early as 2004

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BC Gas™ NATURALLY RESOURCEFUL

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in all areas of the base businesses, with high visibility EPS growth

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BC GAS INC.

Investor Presentation

November 2001

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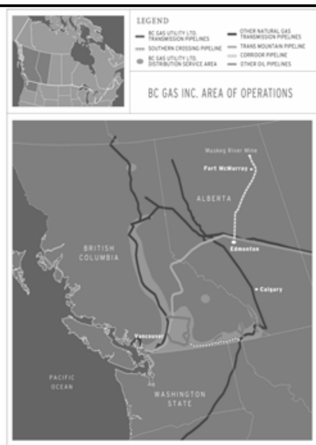
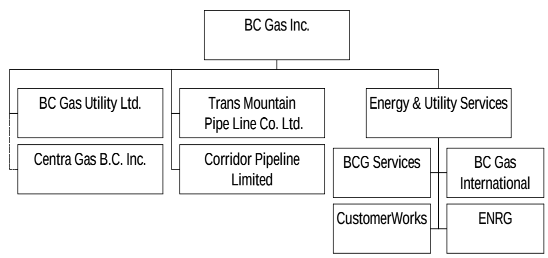
Presentation Overview

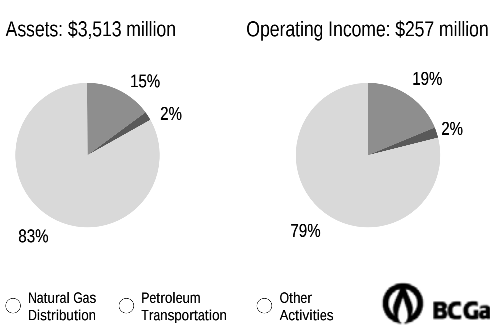
- Corporate Overview
- Financial Results
- Strategic Plan
- Strategic Initiatives
  - > Strengthening Our Base Businesses
  - > Expanding Our Base Businesses
  - > Growing From Our Core Competencies
- Summary



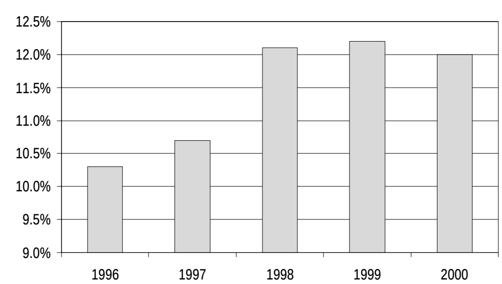
Corporate Structure



Segmented Contributions (2000)

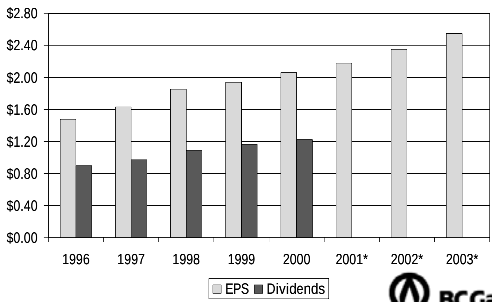


Corporate Return on Equity



BC GAS INC. > FINANCIAL RESULTS

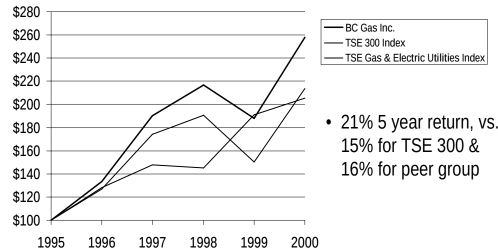
Earnings & Dividend Growth



* - Consensus Estimates

BC GAS INC. > FINANCIAL RESULTS

Total Returns



- 21% 5 year return, vs. 15% for TSE 300 & 16% for peer group

BC GAS INC. > STRATEGIC PLAN

What Differentiates BC Gas?

- Focus - strong infrastructure businesses
- Low Risk - low earnings volatility
- Growth - increasing shareholder value

BC GAS INC. > STRATEGIC PLAN

Vision

- To become the leading multi-utility gas, electric and water asset manager in the Pacific Northwest by:
  - Strengthening and expanding our base businesses
  - Growing from our core gas and oil competencies to become a gas, electric, water and oil asset manager

BC GAS INC. > STRATEGIC PLAN

Strategic Plan

- Strengthen Our Base Businesses
- Expand Our Base Businesses
- Grow From Our Core Competencies

- Focused Strategic Plan
- Based on Low Risk Businesses
- Generating Attractive Growth Opportunities

BC GAS INC. > STRATEGIC PLAN

Financial Targets

- EPS Growth
  - 6%+ per year, delivering double-digit total returns with dividends
- Return on Equity
  - 12% or higher
- Capital Structure
  - 30% equity, 70% debt

BC GAS INC. > STRATEGIC PLAN

Business Activities - 1995

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION	○	○		○
TRADING		○		
TRANSPORTATION	○	○		
SERVICES		○		

BC GAS INC. > STRATEGIC PLAN

Business Activities - 2005

	PETROLEUM	NATURAL GAS	WATER	ELECTRICITY
PRODUCTION				
TRADING				
TRANSPORTATION	○	○	○	○
SERVICES		○	○	○

○ Strengthen and Expand Our Base Businesses

○ Grow From Our Core Competencies

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- Incentive regulation has benefited both customers and shareholders since 1996
- Incentive settlement renewal process underway
  - Settlements expire Dec. 2001(BC Gas) and Dec. 2002 (Centra)
- Coordinating regulatory settlements for BC Gas/Centra in context of emerging provincial energy policy

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Natural Gas Distribution

- BC Gas revenue requirement application withdrawn for 2002
  - 2002 rates remain at 2001 levels
  - Provides a bridge to a new multi-year settlement to be arranged for BC Gas and Centra
  - Reflects the preferred framework of a new multi-year settlement: margin cap

STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Incentive Regulation – Petroleum Transportation

- New 2001-2005 incentive toll settlement
- Trans Mountain benefits from 100% of operating cost reductions
  - No escalation of tolls for inflation
- Trans Mountain assumes limited throughput risk
  - No limit to shared upside, downside floor
- Incentives for additional throughput
  - Tanker loadings

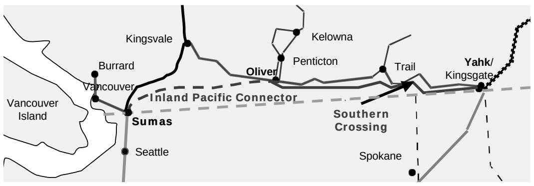
STRATEGIC INITIATIVES > STRENGTHENING OUR BASE BUSINESSES

Southern Crossing Pipeline

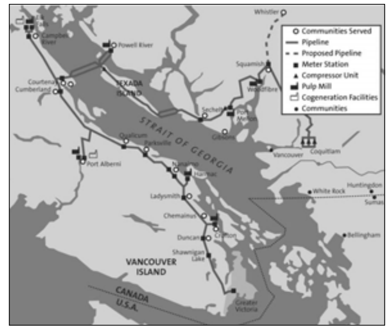
- Put in service November 2000
  - On time, on budget
- Expanding customer choice in gas supply
- Partial solution to supply-demand imbalance in Pacific Northwest
  - Next step: Inland Pacific Connector

Inland Pacific Connector

- $495 million, 246 km pipeline to extend Southern Crossing to market hub at Sumas
- Currently firming up expressed shipper interest
- Proposed in-service date November 2004



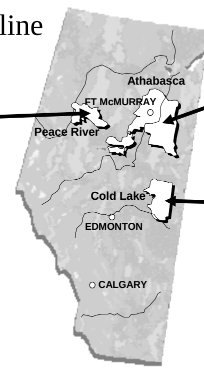
Centra Gas B.C.



Centra Gas B.C.

- Acquisition of Centra B.C. enhances BC Gas' natural gas distribution franchise in British Columbia
- Acquisition terms represent an attractive price relative to comparables
- Upside opportunities from new power generation facilities, increased penetration rates and incentive regulation
- Accretive to earnings per share in 2002; operating synergies represent further upside

Corridor Pipeline



A Huge Resource

Corridor Pipeline

- $690 million pipeline, connecting major capital investments at mine and upgrader
- Backed by long-term, ship-or-pay contracts with strong shippers
- Construction on time and on budget
- Shell has announced plans to expand output of Muskeg River Mine by 70,000 bbl/day by 2005-2010
  - To be followed by new 300,000 bbl/day mine

Corridor Pipeline

- Oil sands presence provides opportunities to serve other projects
  - Third party revenues and new pipeline projects
- New pipeline(s) from oil sands to Edmonton needed
- Actively pursuing other pipeline construction opportunities

Electric Distribution

- New (2001) government in B.C. intent on reducing scope/scale of public sector
- Energy policy currently under development
- Privatization potential - services/distribution

Growing From Our Core Competencies

- BCG Services (100% owned)
  - Positioning for future opportunities in water infrastructure
  - Focus on services
- ENRG (55% owned)
  - Formerly BCG eFuels
  - Largest provider of alternative vehicle fuels in North America

Growing From Our Core Competencies

- BC Gas International (100% owned)
  - Consulting and construction management opportunities focused in Persian Gulf
  - No equity investments
- CustomerWorks (30% owned)
  - Joint venture with Enbridge to combine customer care functions into largest provider in Canada
  - Will be immediately profitable, with growth potential

Delivering On Our Targets

Objective	Results
• 6%+ EPS Growth	1996-2000: 9% growth rate
• 12% Return on Equity	1998-2000: 12%+ ROE
• Double-digit total shareholder returns	1996-2000: 21% total annual return

Summary

- Focused strategic plan, based on strengthening and expanding our base businesses
- Low risk business profile, delivering results on target
- Growth opportunities in all areas of the base businesses, with high visibility EPS growth

INVESTOR PRESENTATION

December 2003

Contact Information

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Assistant Treasurer

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www.terasen.com

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Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Consistent Value Creation

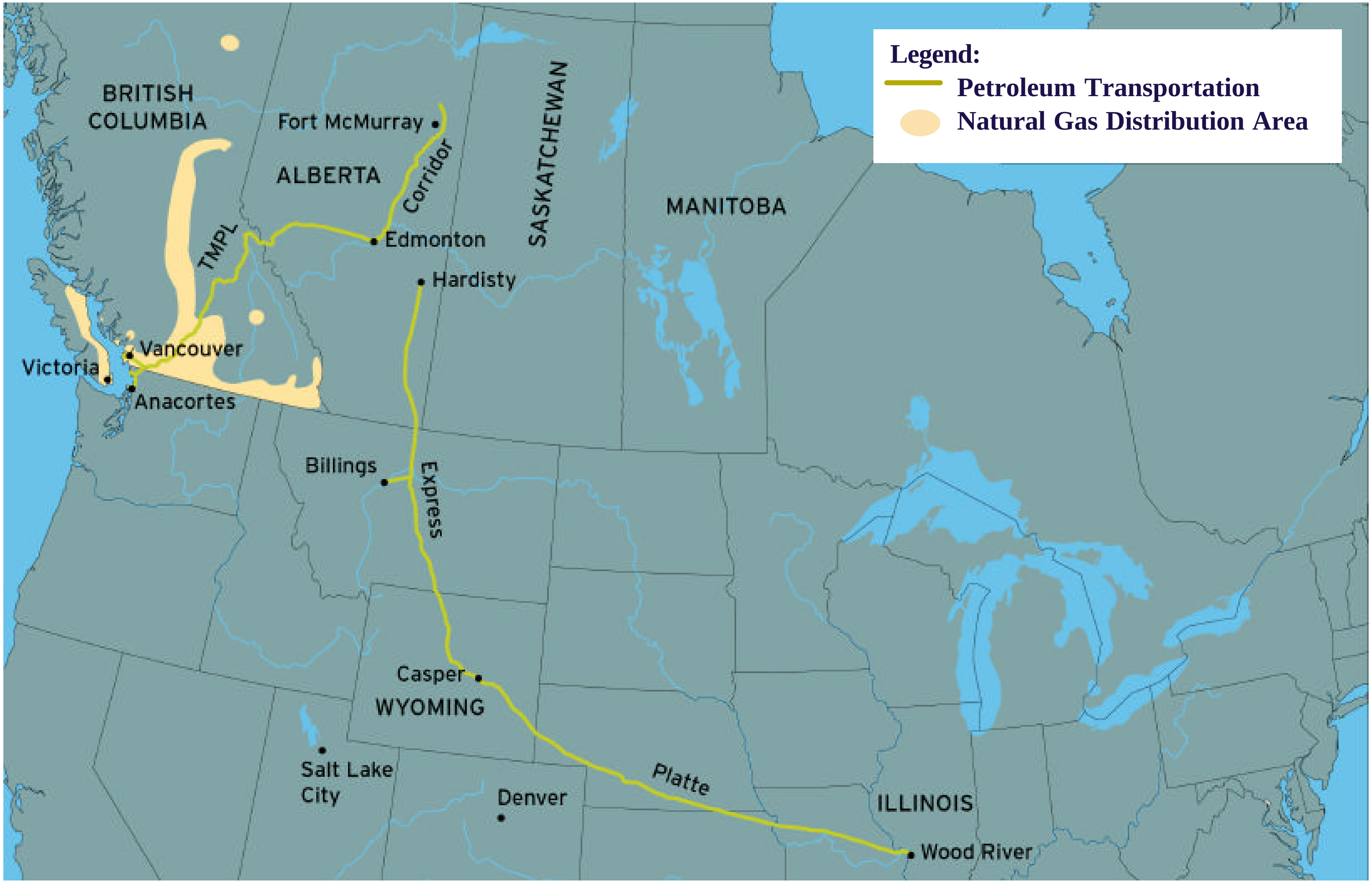
Corporate Overview

terasen

- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Clean Energy
    - Terasen International

Corporate Overview

Terasen



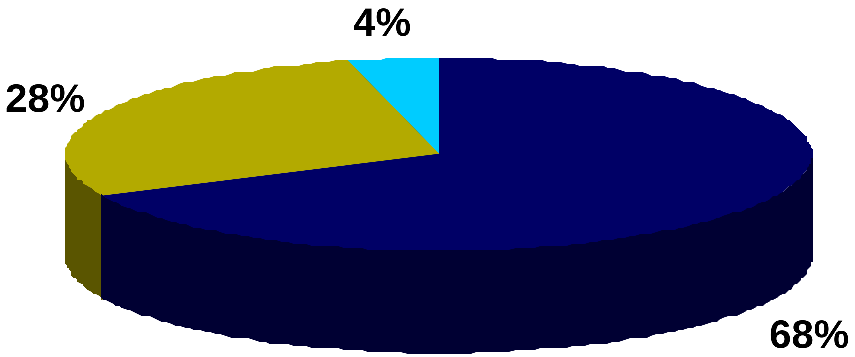
Corporate Overview

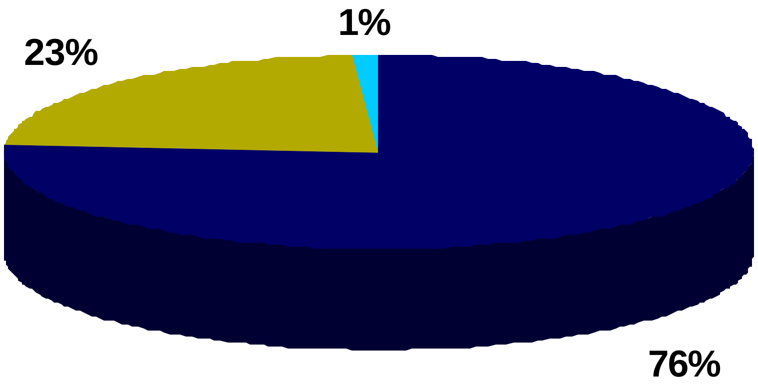
Assets: $4,820 million

(as at September 30, 2003)

Operating Income: $370 million

(12 months ended September 30, 2003)





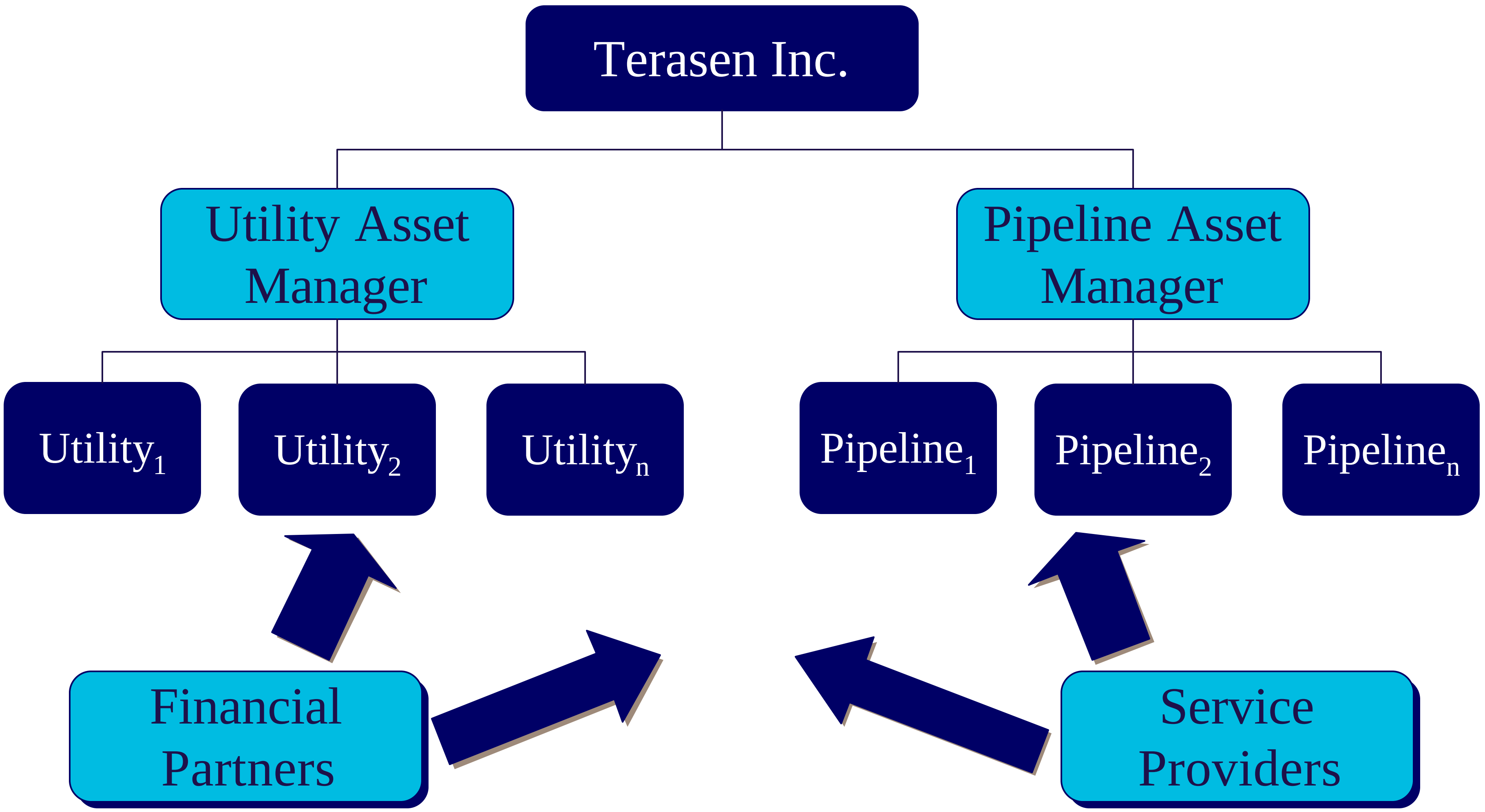
Natural Gas Distribution | Petroleum Transportation | Other Activities

Strategic Vision

- Leading provider of energy transportation and utility asset management services

- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision

Strategic Vision



Value Drivers

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

Strong Regulatory Relationships

- Terasen Gas regulatory settlement in place
  - Four year term from 2004-2007
  - Similar to 1998-2001 regulatory settlement
  - New deferral accounts for insurance and pension costs
- Terasen Gas (Vancouver Island) settlement agreed upon
  - 3 year term beginning in 2003
  - Allowed ROE set 0.50% above Terasen Gas
- Operational integration is underway

Strong Regulatory Relationships

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
  - 67% of capacity contracted; open season is underway
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

Asset and Risk Management

- 96% of assets and 99% of operating income are regulated
  - Major growth is in regulated activities
- Regulatory arrangements
  - No weather or customer usage risk
  - No cost of gas risk
- No international investments
- No non-regulated energy trading

Growth From Core Competencies

- Organic growth from base businesses
  - Natural gas distribution – customer growth
  - Trans Mountain – throughput growth
- Multi-utility services
  - Water supplies and services
- Related businesses
  - Terasen International
  - CustomerWorks
  - Clean Energy

New Infrastructure Projects: Natural Gas Distribution

terasen

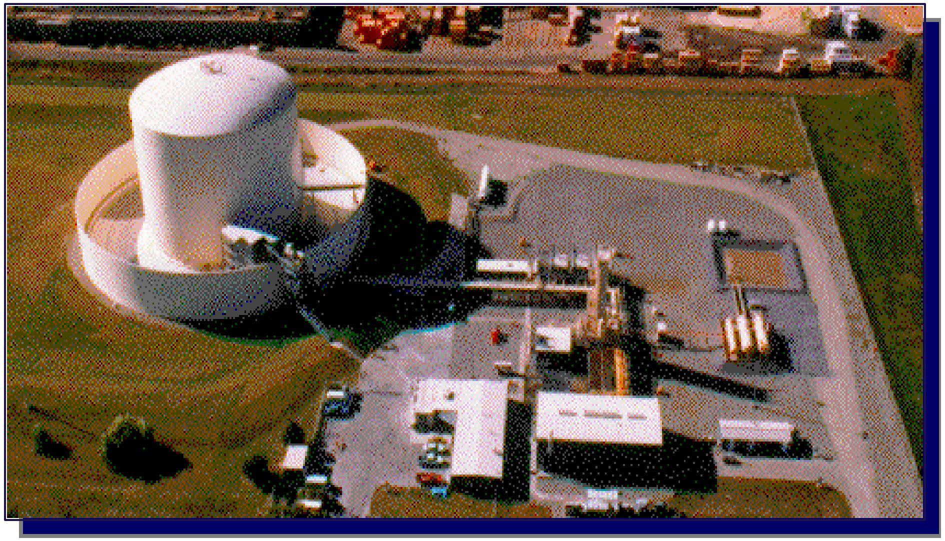
TERASEN GAS (Vancouver Island) Inc. Legend

- Terasen Gas (VI) Transmission Pipeline
- Terasen Gas Inc
- Terasen Gas Inc Distribution Service Area
- Terasen Gas (VI) Distribution Service Area

New Infrastructure Projects: Natural Gas Distribution

Capacity expansion to Vancouver Island

- New on-Island power generation needed
- $180 million capacity expansion proposed
  - $80 million for additional compression
  - $100 million for a new LNG tank

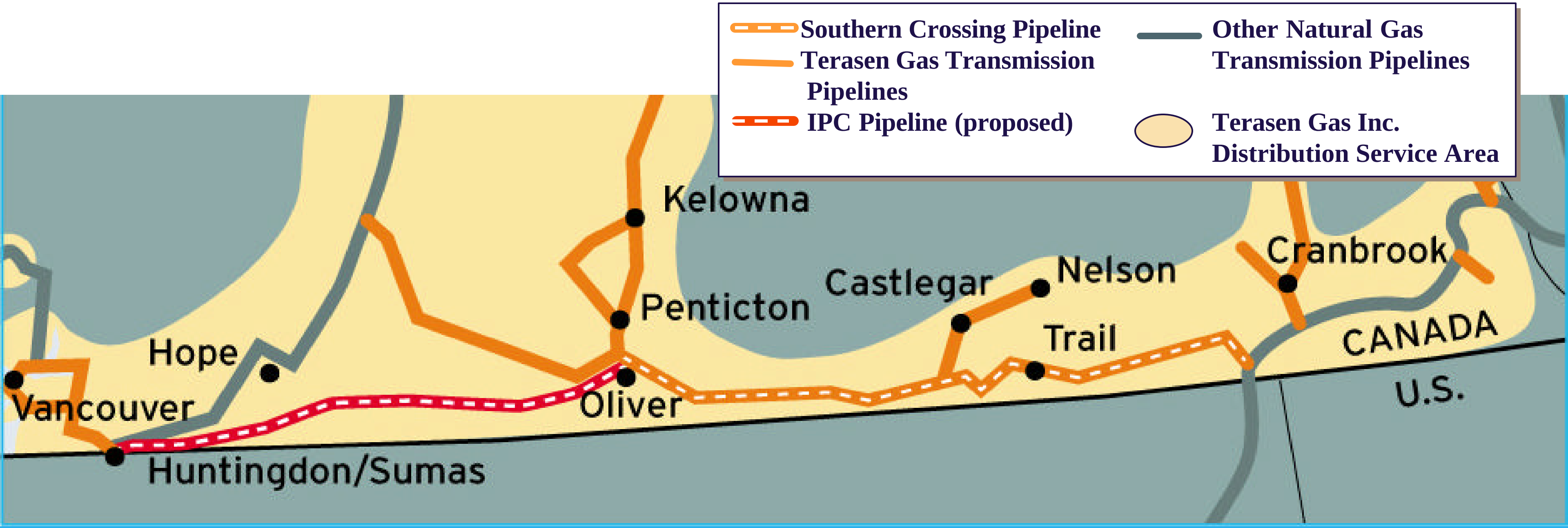


New Infrastructure Projects: Natural Gas Distribution

terasen

Inland Pacific Connector

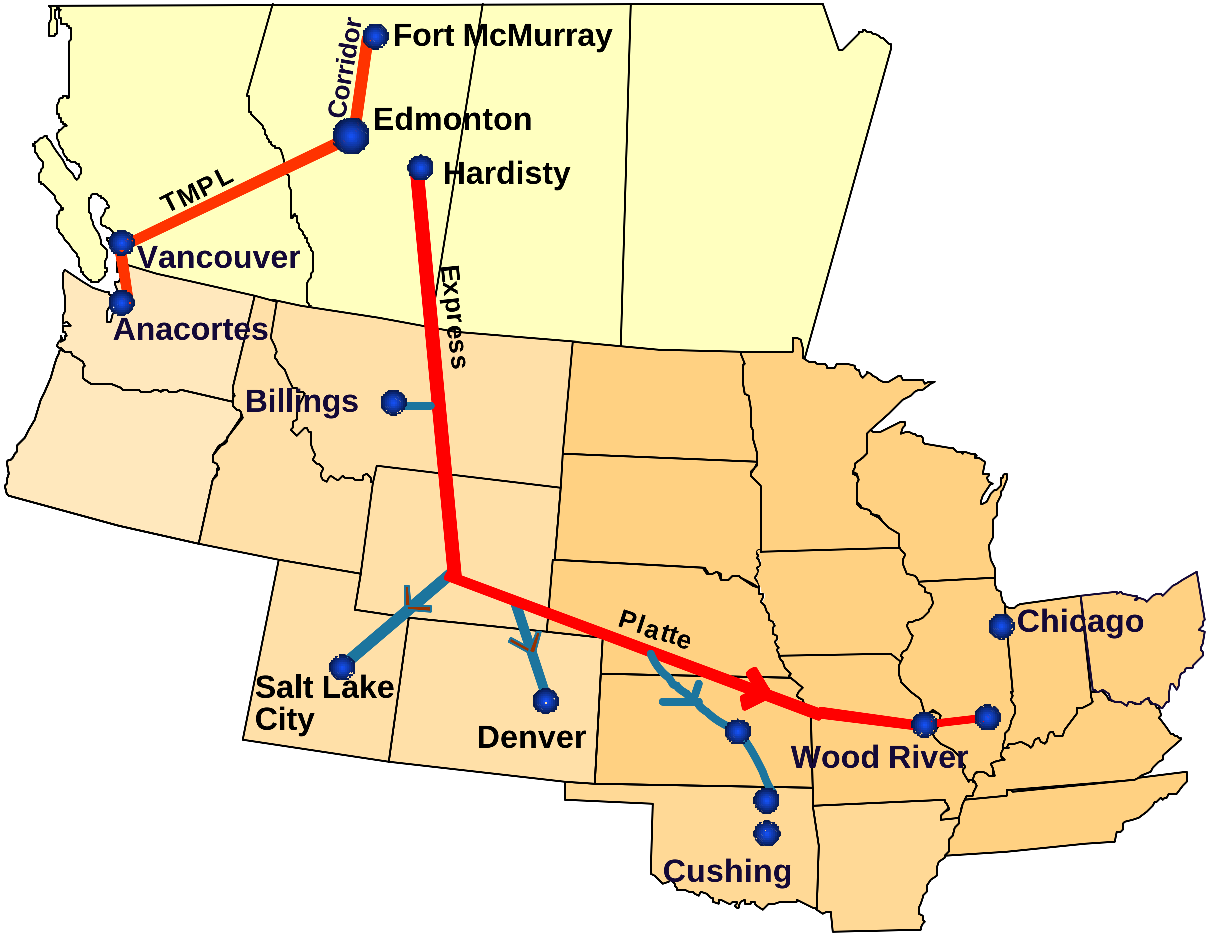
- New pipeline to extend Southern Crossing pipeline to Sumas/Huntingdon
- Positioned to meet demand for natural gas capacity expansion in Pacific Northwest



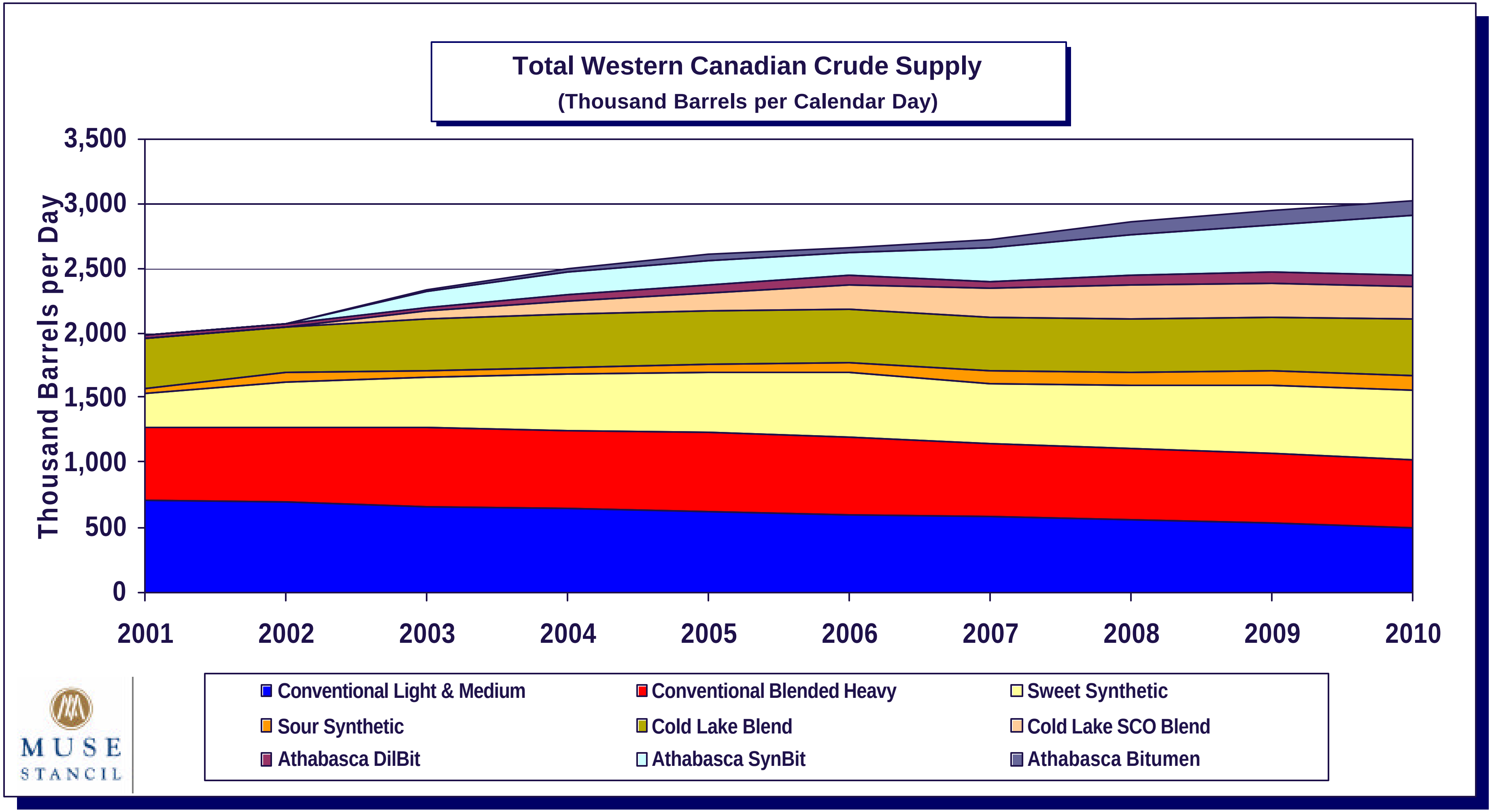
New Infrastructure Projects

terasen

Petroleum Transportation – a continent of opportunities



New Infrastructure Projects

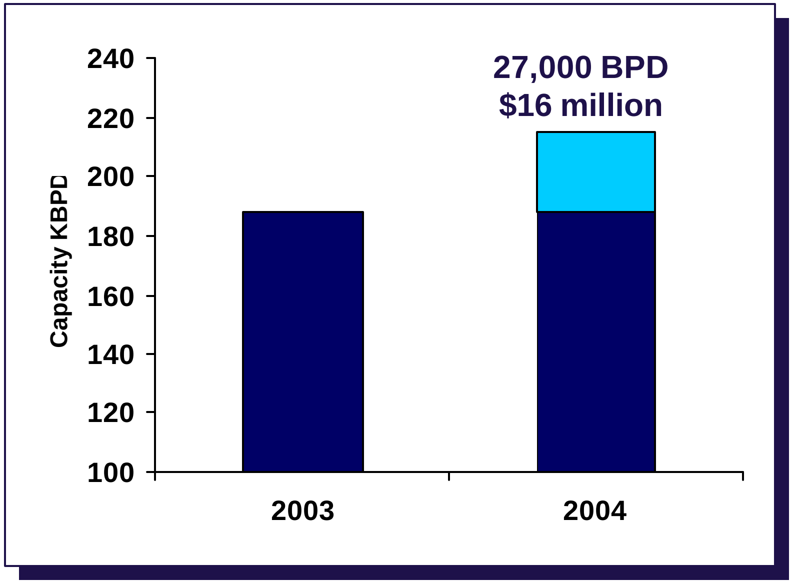


CAPP Upper Supply Case – Total Supply

Trans Mountain Pipeline

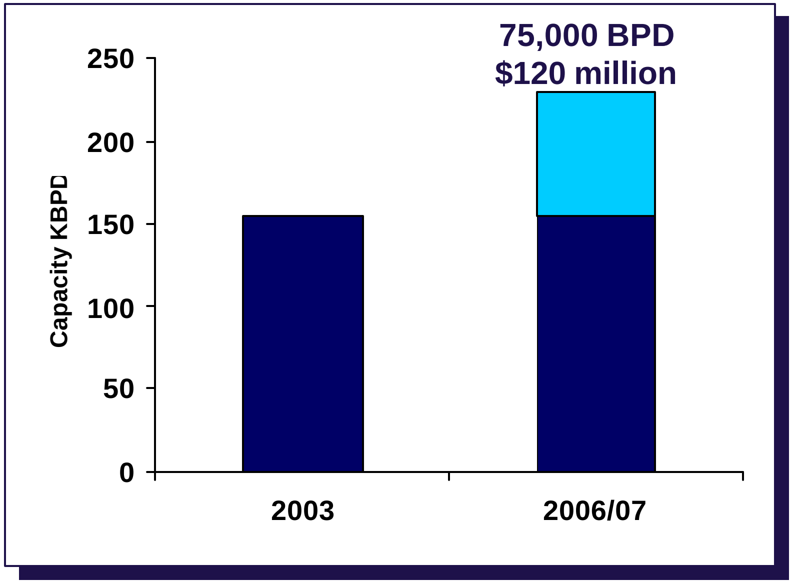
Terasen

- Oil sands production driving throughput growth
- Expansion can provide producers with greater access to California & Far East markets



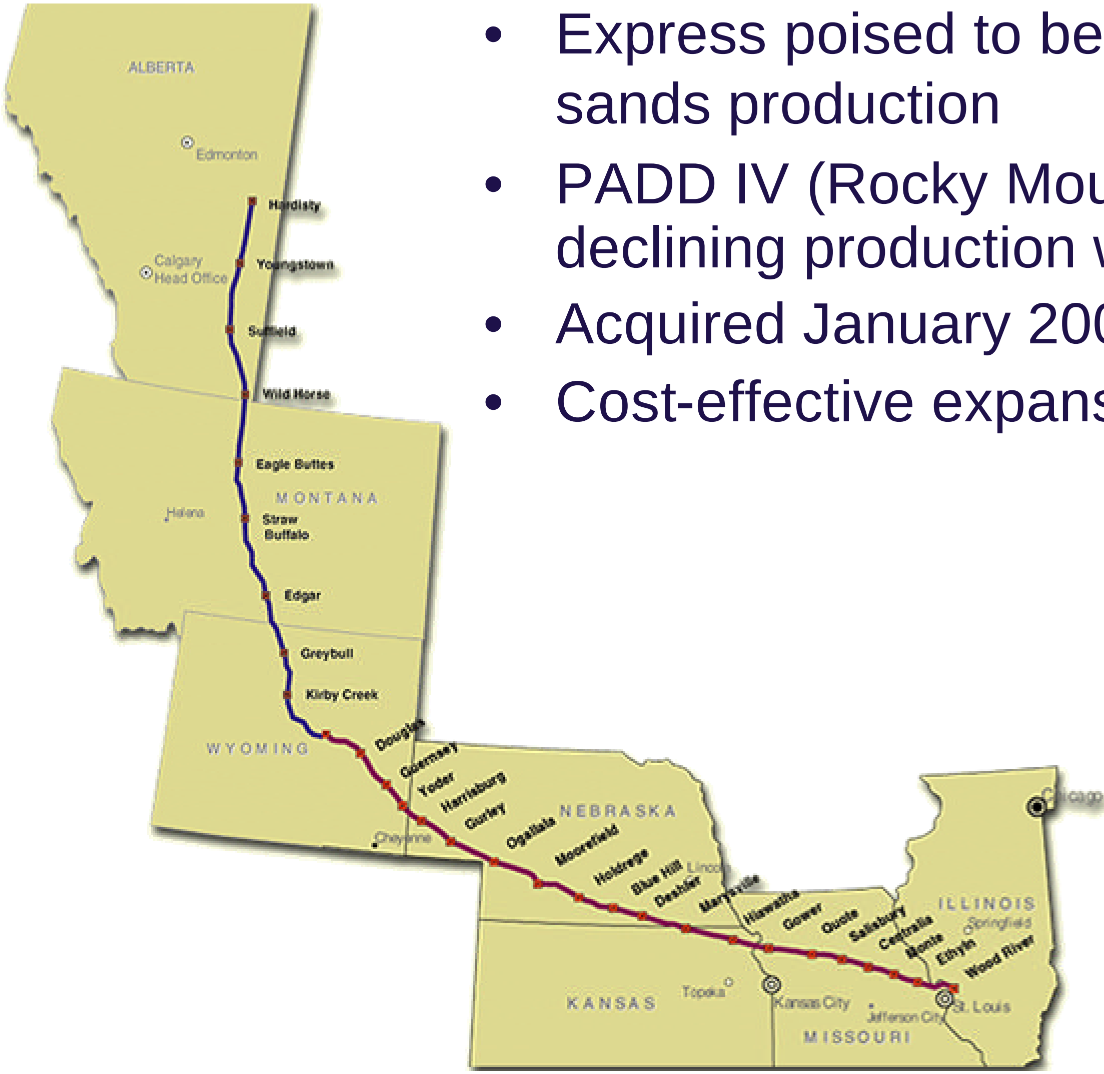
Corridor Pipeline

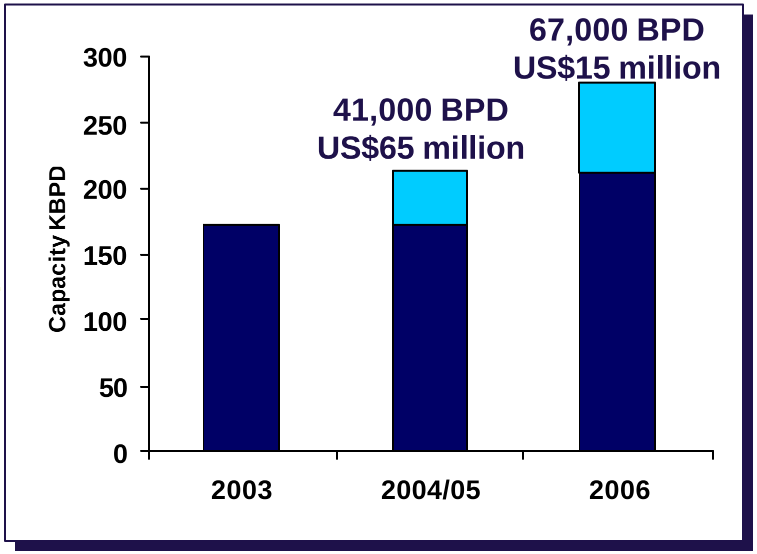
- Ship-or-pay contract with Shell Canada consortium
- Completed on-time, on-budget
- In service 2nd quarter 2003



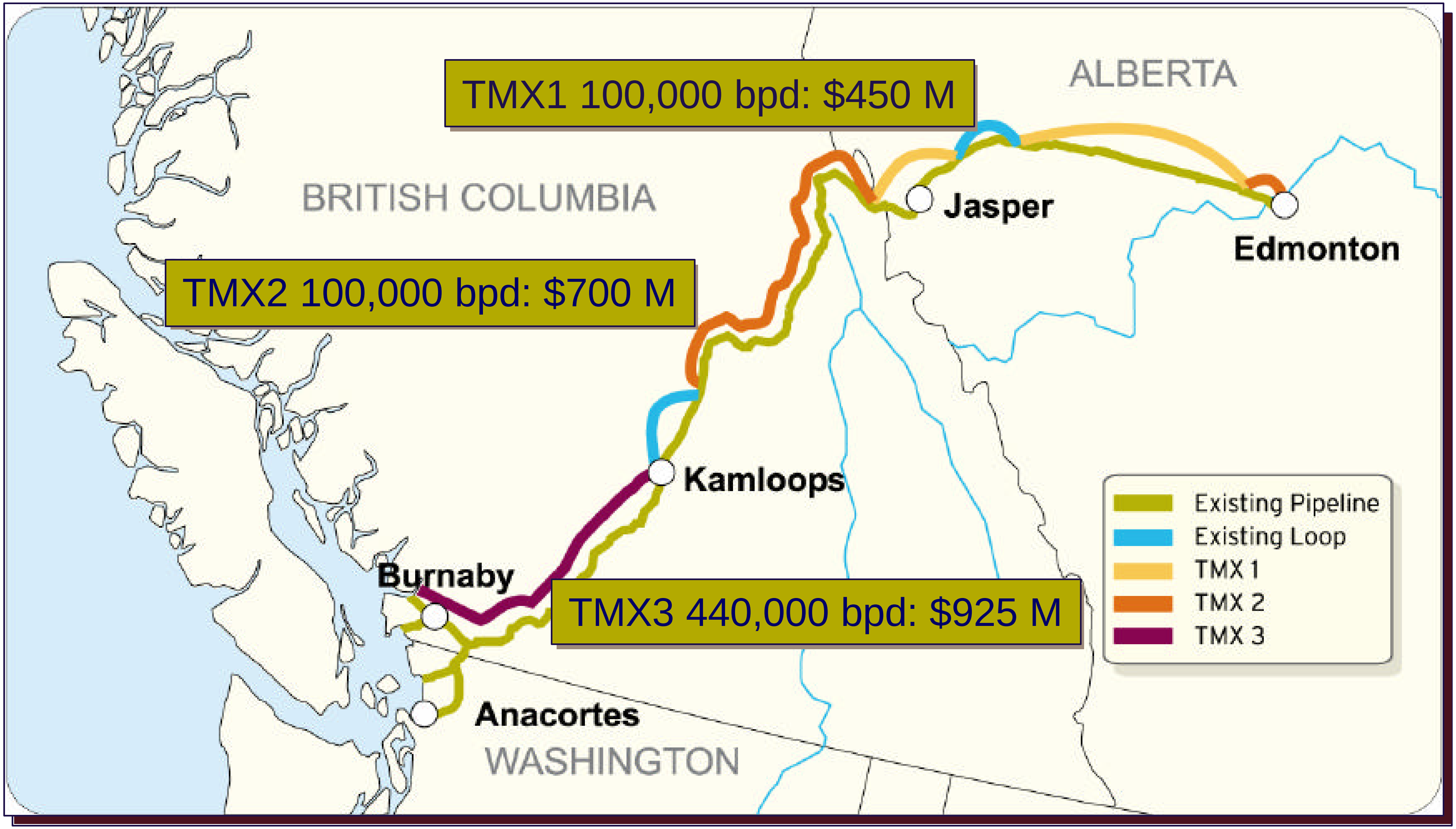
Express Pipeline

- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Acquired January 2003
- Cost-effective expansion opportunity

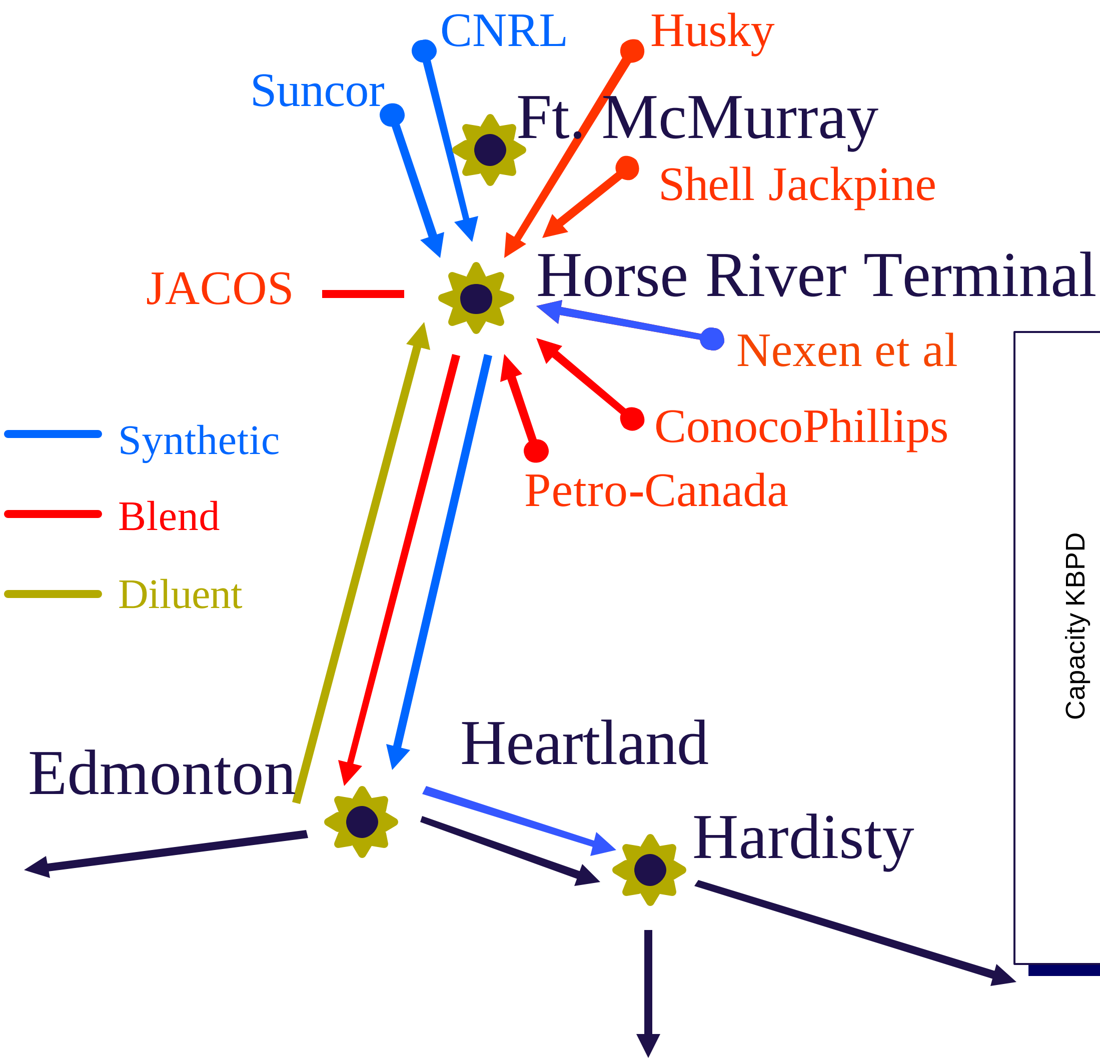


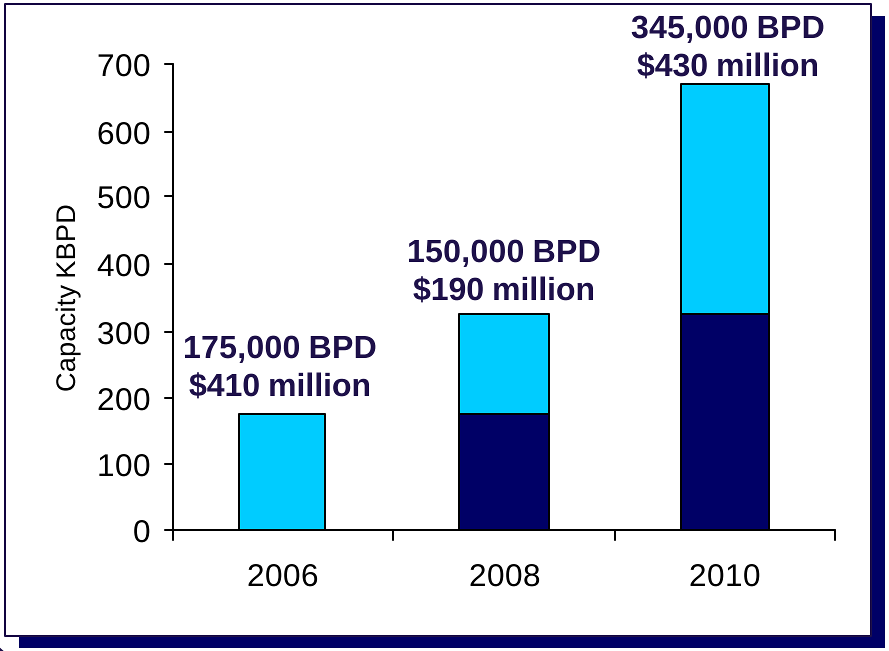


TMX Project – Staged Looping



Bison Pipeline





Access to Low Cost Capital

	2001	2002	Q3/03
Debt/(Debt+Equity)	75%	66%	68%
EBITDA Interest Coverage	2.6x	2.8x	3.0x
EBIT Interest Coverage	2.0x	2.1x	2.2x

- Strengthened financial position
- “A” credit ratings have been reaffirmed by Moody’s and DBRS

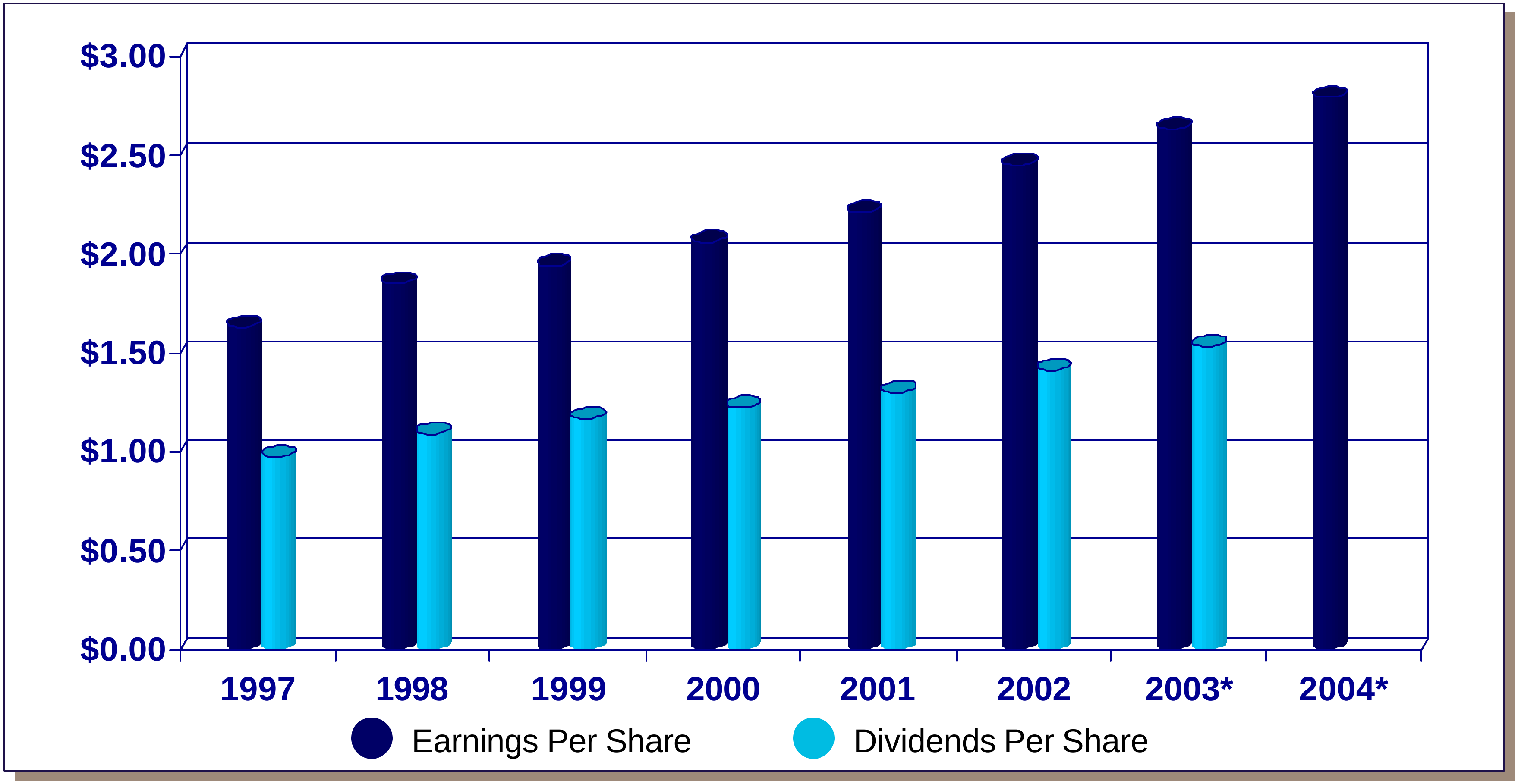
Access to Low Cost Capital

- Express acquisition consortium formed
  - Terasen – manager/operator
  - Borealis Capital – subsidiary of OMERS
  - Ontario Teachers
- Each partner holds equal 1/3 interest
- Delivers attractive cost of capital without the funding risk of income trusts or MLPs
- Potential for other future opportunities

Consistent Value Creation

terasen

Earnings and Dividend Per Share Growth



*Consensus estimates

Summary

- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

Terasen

Investor Presentation

June 2003

Investor Relations Contact

David Bryson
Assistant Treasurer
www.terasen.com

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E-mail: investor.relations@terasen.com

Forward Looking Statements

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Presentation Overview

- Corporate Overview
- Strategic Vision
- Value Drivers
  - Operational Excellence
  - Focused Business Development
  - Financial Excellence
- Value Creation

Corporate Overview

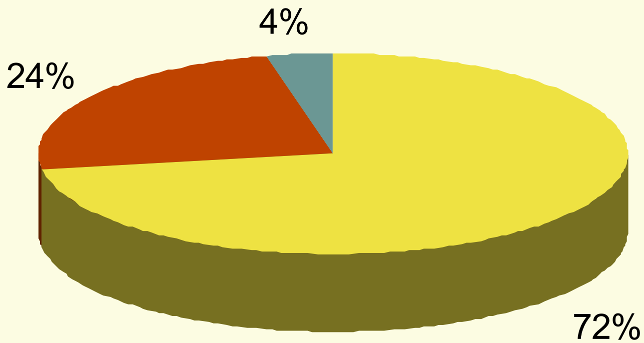
- Terasen Inc.
  - Natural Gas Distribution
    - Terasen Gas
    - Terasen Gas (Vancouver Island)
  - Petroleum Transportation
    - Trans Mountain Pipeline
    - Corridor Pipeline
    - Express/Platte Pipelines
  - Energy & Utility Services
    - Water Supplies & Services
    - CustomerWorks
    - Terasen International
    - Clean Energy

Corporate Overview

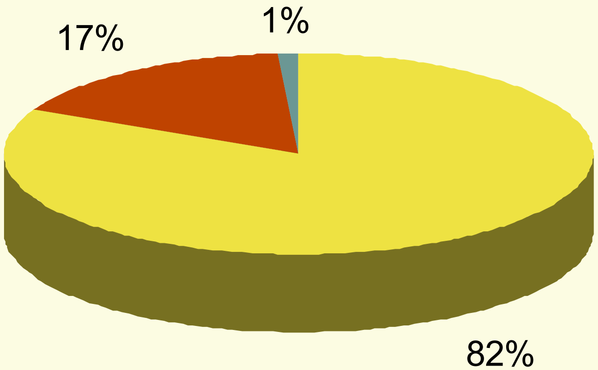
Corporate Overview

terasen

Assets: $4,522 million
(Dec. 31, 2002)



Operating Income: $336 million
(12 months ended Dec. 31, 2002)



Natural Gas Distribution

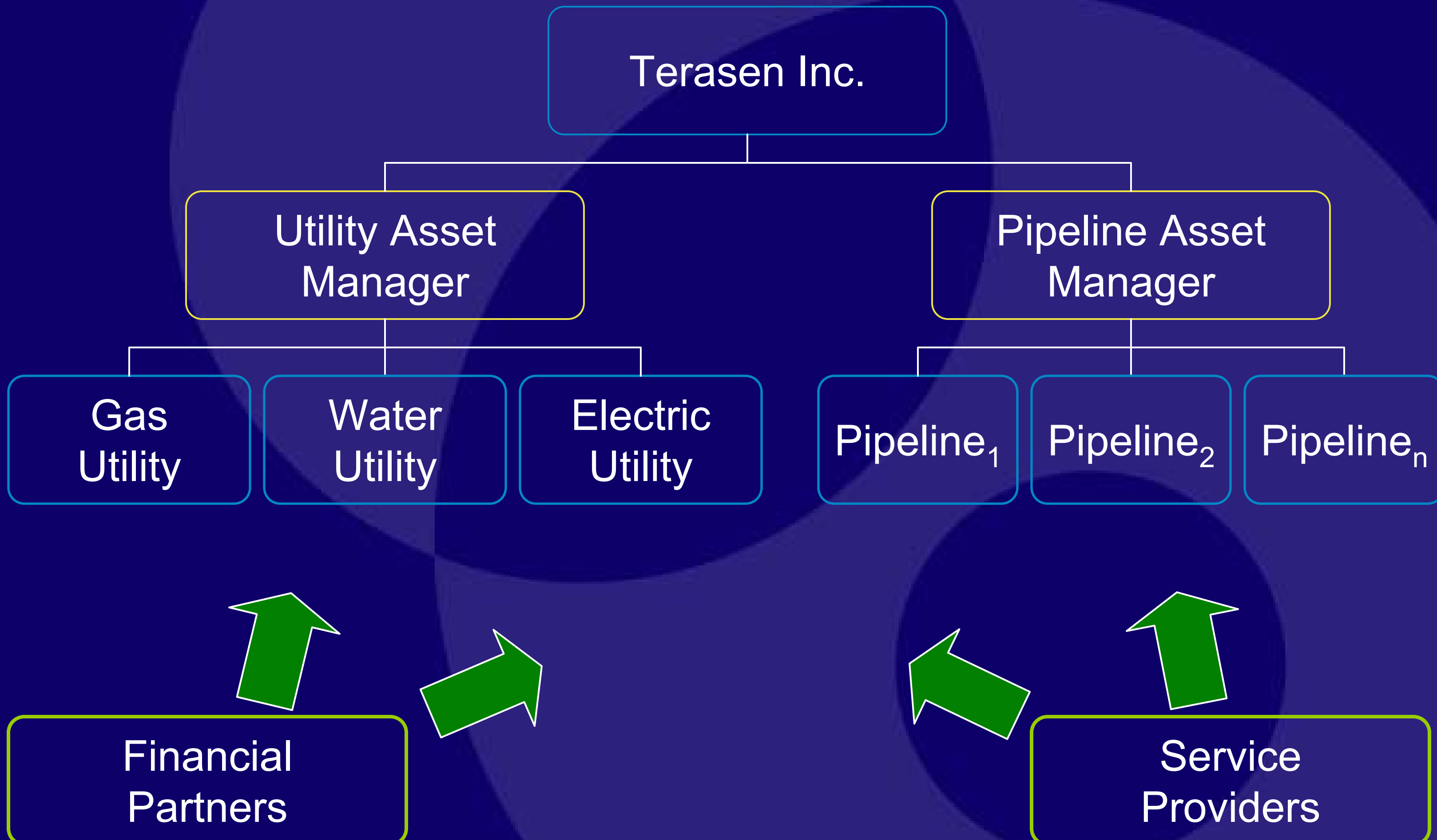
Petroleum Transportation

Other Activities

Strategic Vision

- Leading provider of energy transportation and utility asset management services
- Focus on optimal combination of:
  - Asset ownership
  - Asset management
  - Service provision

Strategic Vision



Strategic Vision

terasen

- Operational Excellence
  - Strong regulatory relationships
  - Asset and risk management excellence
- Focused Business Development
  - Grow from core competencies
  - New infrastructure projects
  - Selective acquisitions
- Financial Excellence
  - Access to low cost capital

Strong Regulatory Relationships

- Terasen Gas renewal process underway
  - 2003 Revenue Requirement decision received
  - 2004-2008 PBR application filed
  - Stakeholder negotiations underway
- Terasen Gas (Vancouver Island) settlement agreed upon
  - 3 year term beginning in 2003
  - Continues existing incentive and deferral mechanisms
  - Allowed ROE increased by 0.375%
  - Integration opportunities

Strong Regulatory Relationships

Terasen

- Trans Mountain 2001-2005 incentive toll settlement
  - Shipper tolls fixed
  - 100% of operating cost reductions to Trans Mountain
  - Limited throughput risk
    - Unlimited shared upside, downside floor
- Express Pipeline Management Agreement
  - Incentives for cash flow optimization
- Corridor Firm Service Agreement
  - Future incentive opportunities
  - Growth potential through expansion

Asset and Risk Management

Terasen

- Cost Management
  - Terasen Gas and Terasen Pipelines have performed well against incentive targets
  - Terasen Gas best performer among Canadian gas utilities on operating cost measures
- Service Quality
  - Public safety / service quality levels maintained or enhanced

Asset and Risk Management

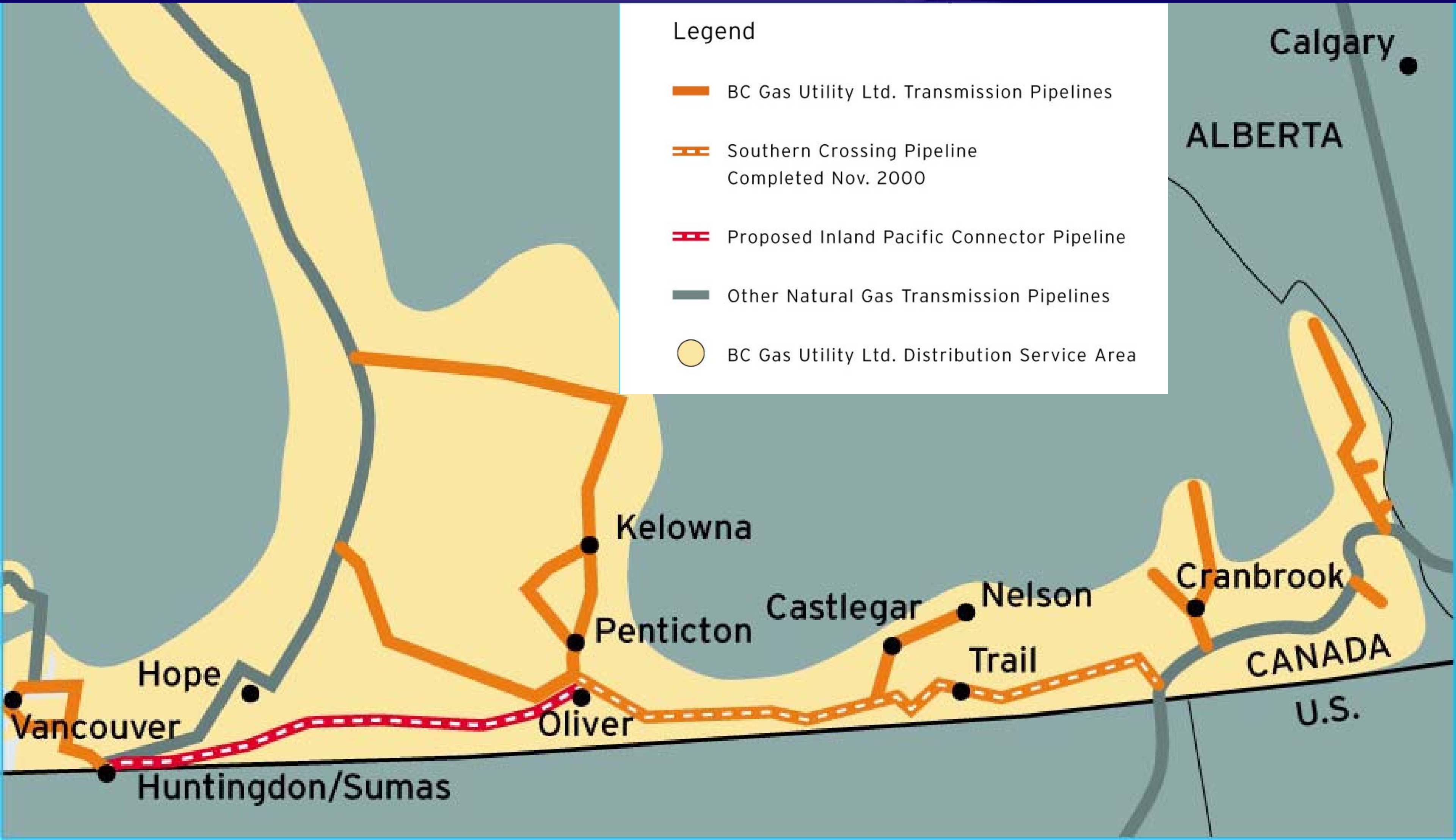
Terasen

- Risk management a key priority
- Recognized leadership in corporate governance
- Recognized leadership in environmental performance & sustainability

Grow From Core Competencies

- Organic growth from base businesses
  - – Natural gas distribution – customer growth
  - – Trans Mountain – throughput growth
- Multi-utility services
  - – Water supplies and services
- Related Businesses
  - – Terasen International
  - – CustomerWorks
  - – Clean Energy

New Infrastructure Projects



New Infrastructure Projects

Natural Gas Pipelines

- Southern Crossing Pipeline
  - Completed on-time, on-budget
  - In service Nov. 2000

- Inland Pacific Connector
  - Positioned to meet demand for natural gas capacity expansion in Pacific Northwest

New Infrastructure Projects

Legend

- Trans Mountain Pipe Line
- Corridor Pipeline
  Full operation: early 2003
- Proposed Bison Pipeline
- Other Oil Pipelines

New Infrastructure Projects

Petroleum Pipelines

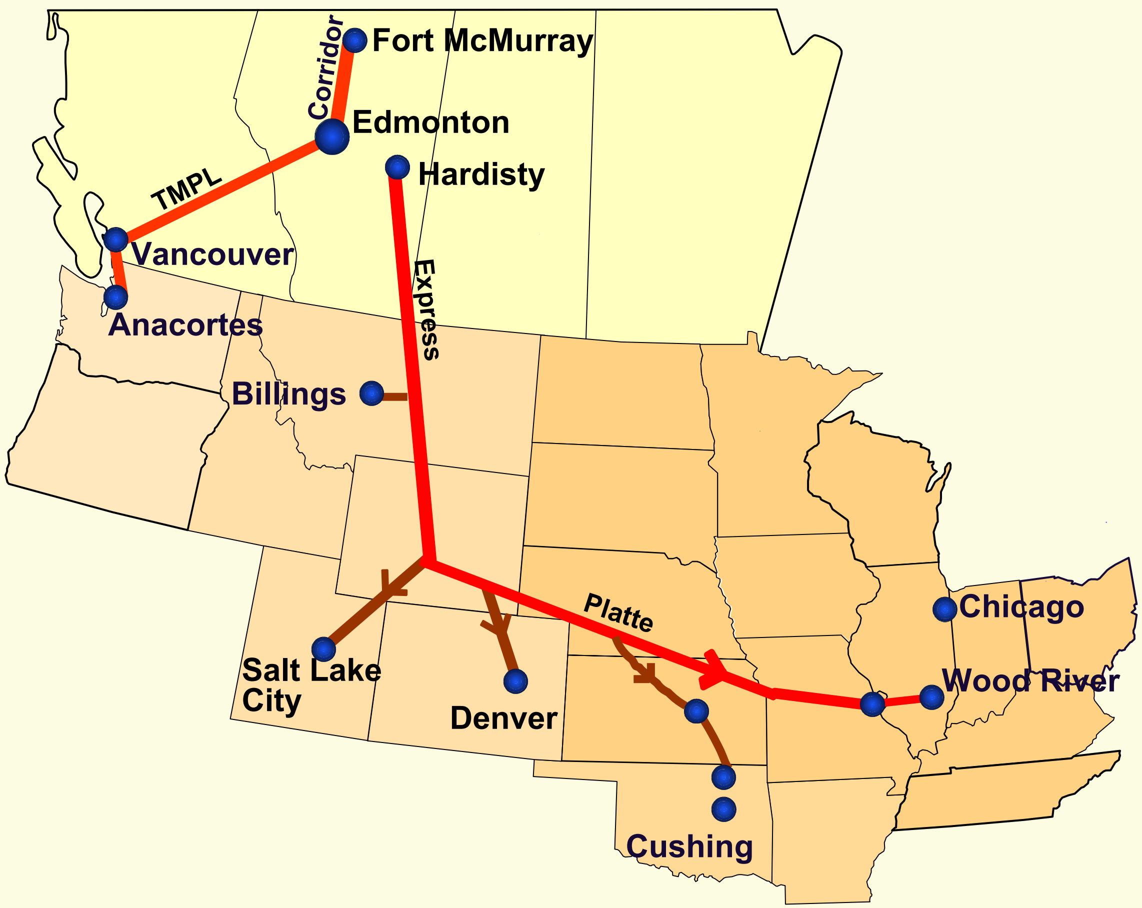
- Corridor Pipeline
  - Links Muskeg River Mine to Scotford Upgrader
  - Completed on-time, on-budget
  - In service 2nd quarter 2003
- Bison Pipeline Proposal
  - Multi-shipper pipeline to link other oil sands leases with Edmonton
  - Discussions continuing with producers

Selective Acquisitions

Terasen Gas (Vancouver Island)

- Logical acquisition within existing service area
- Upside opportunities:
  - New power generation facilities
  - Increased penetration rates
  - Incentive regulation
- Acquired 1st quarter 2002
- Immediately accretive; integration opportunities

Selective Acquisitions - Express Pipeline



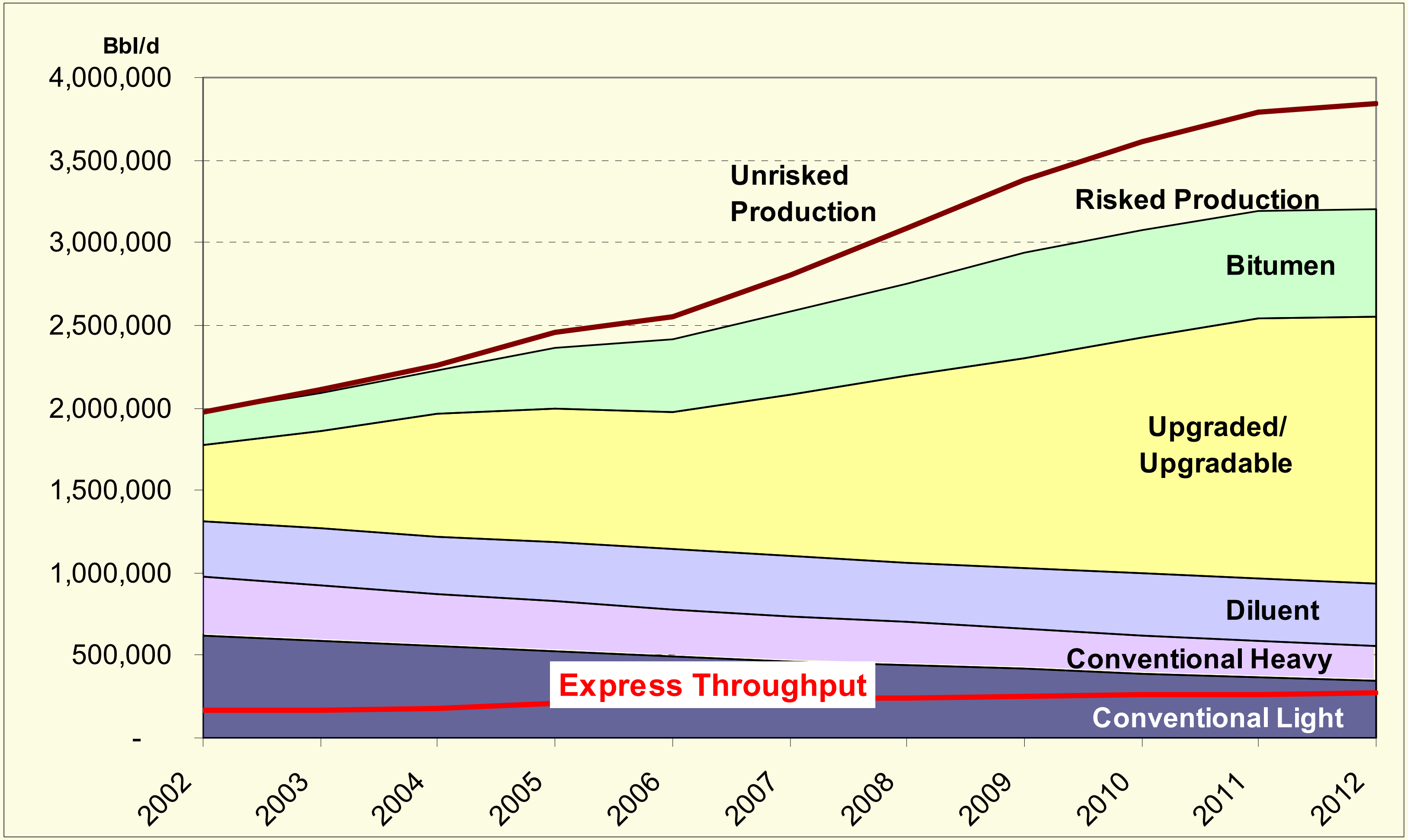
Selective Acquisitions

Terasen

Express/Platte Pipeline System

- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Opportunity for Canadian production to displace alternative sources of crude in lower PADD II (Midwest)
- Acquired January 2003

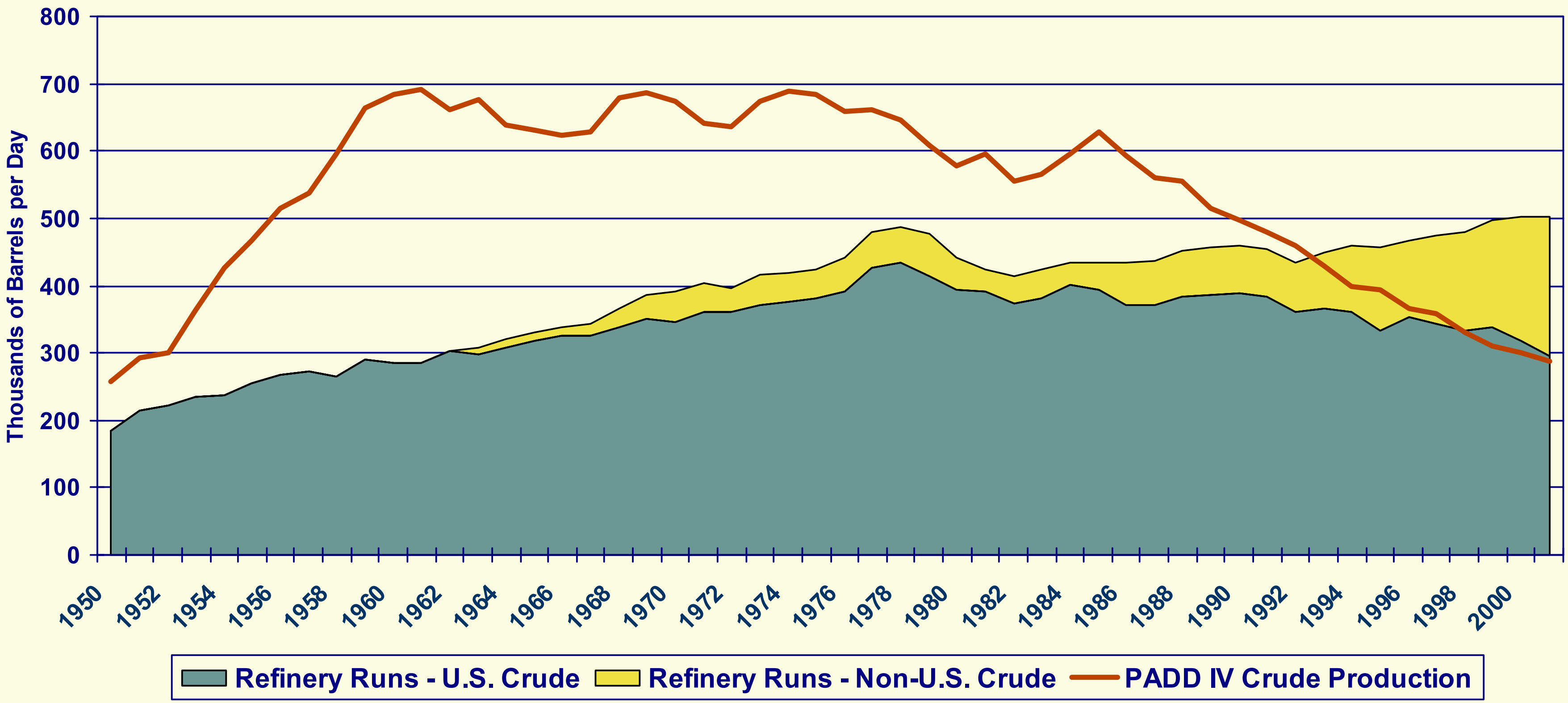
Supply Push:
Western Canada Crude Supply Forecast



Source: First Energy

VALUE DRIVERS > BUSINESS DEVELOPMENT

Demand Pull:
PADD IV Crude Supply and Demand



- The widening crude deficit will be entirely satisfied by Canadian producers.

Expansion Opportunities

	Capacity (bbl/day)	Terasen Investment	Potential In-Service
Trans Mountain *(currently 188,000)*			
• Phase 1	27,000	C$15 MM	2004
• Phase 2	17,000	C$20 MM	2005
Express/Platte *(currently 172,000)*			
• Phase 1	30,000	C$30 MM	2004/5
• Phase 2	68,000	C$10 MM	2006
Corridor *(currently 155,000)*			
	75,000	C$120 MM	2006/7

Access to Low Cost Capital

Terasen

- Express acquisition consortium formed
  - Terasen – manager/operator
  - Borealis Capital – subsidiary of OMERS
  - Ontario Teachers
- Each partner holds equal 1/3 interest
- Partnership matches financial capabilities with operating and management expertise
- Potential for other future opportunities

Access to Low Cost Capital

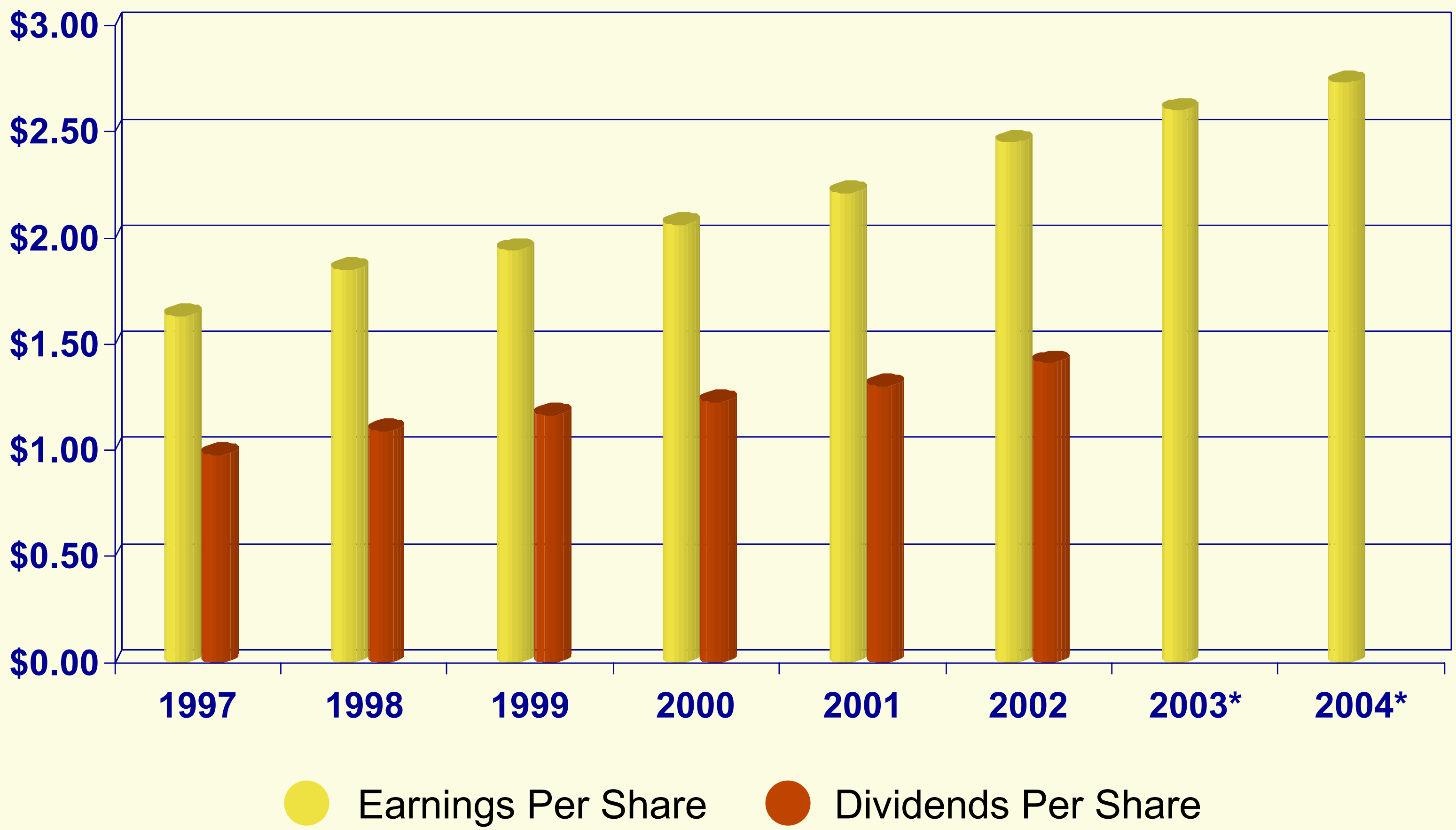
- Ensuring reliable access to capital
  - Equity issues in 2002 strengthened balance sheet
  - "A" credit ratings have been reaffirmed by Moody's and DBRS

Consolidated Capital Structure:

	Dec/00	Dec/01	Dec/02
Debt	71%	74%	68%
Equity	29%	26%	32%

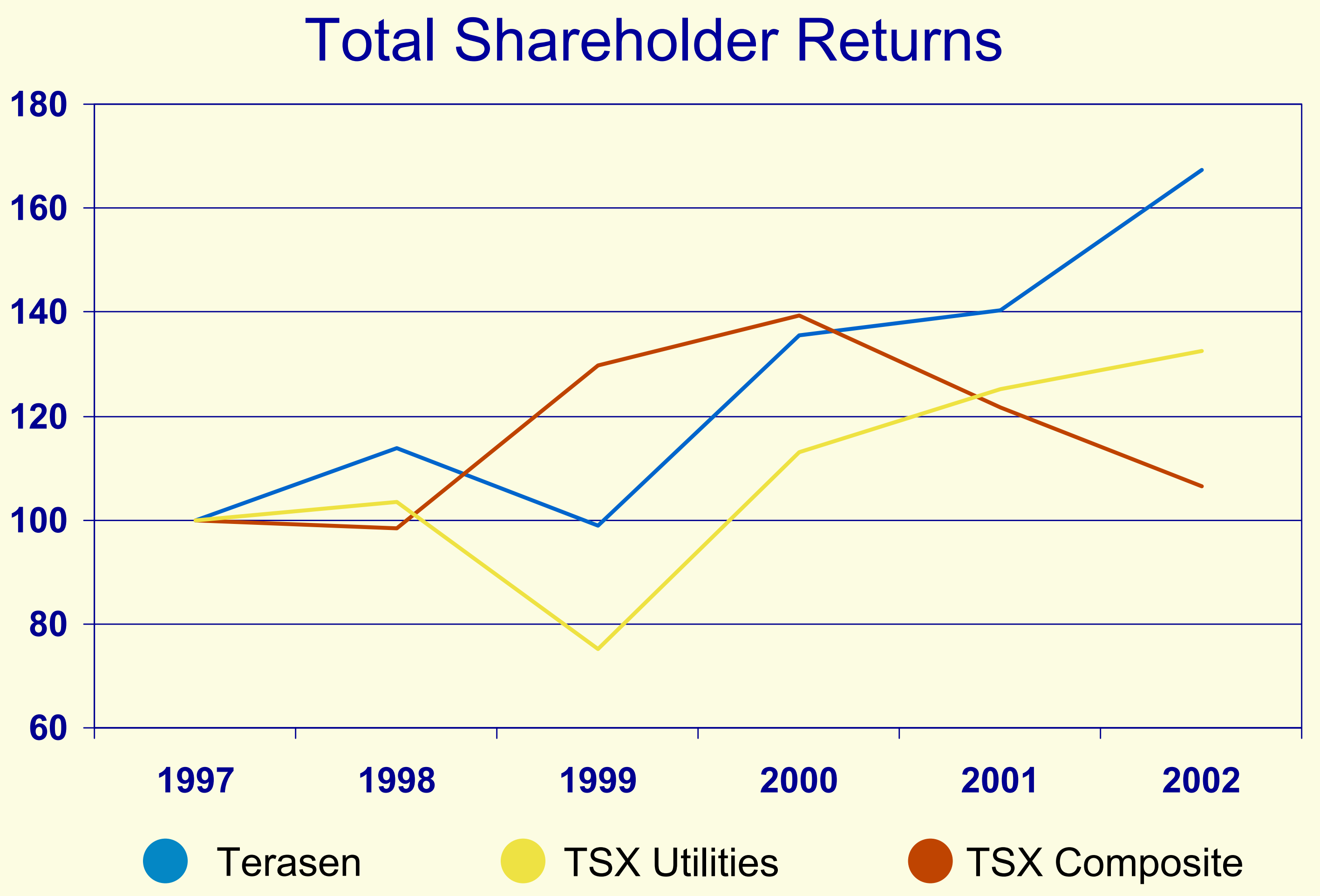
Consistent Value Creation

Earnings and Dividend Growth



* - Consensus Estimates

Consistent Value Creation



Summary

- Focused on value creation
- Pursuing a low risk strategy
- Delivering consistent earnings and value growth

Presentation to BMO Nesbitt Burns

Rich Ballantyne
President, Terasen Pipelines

June 5, 2003

Investor Contact

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Assistant Treasurer

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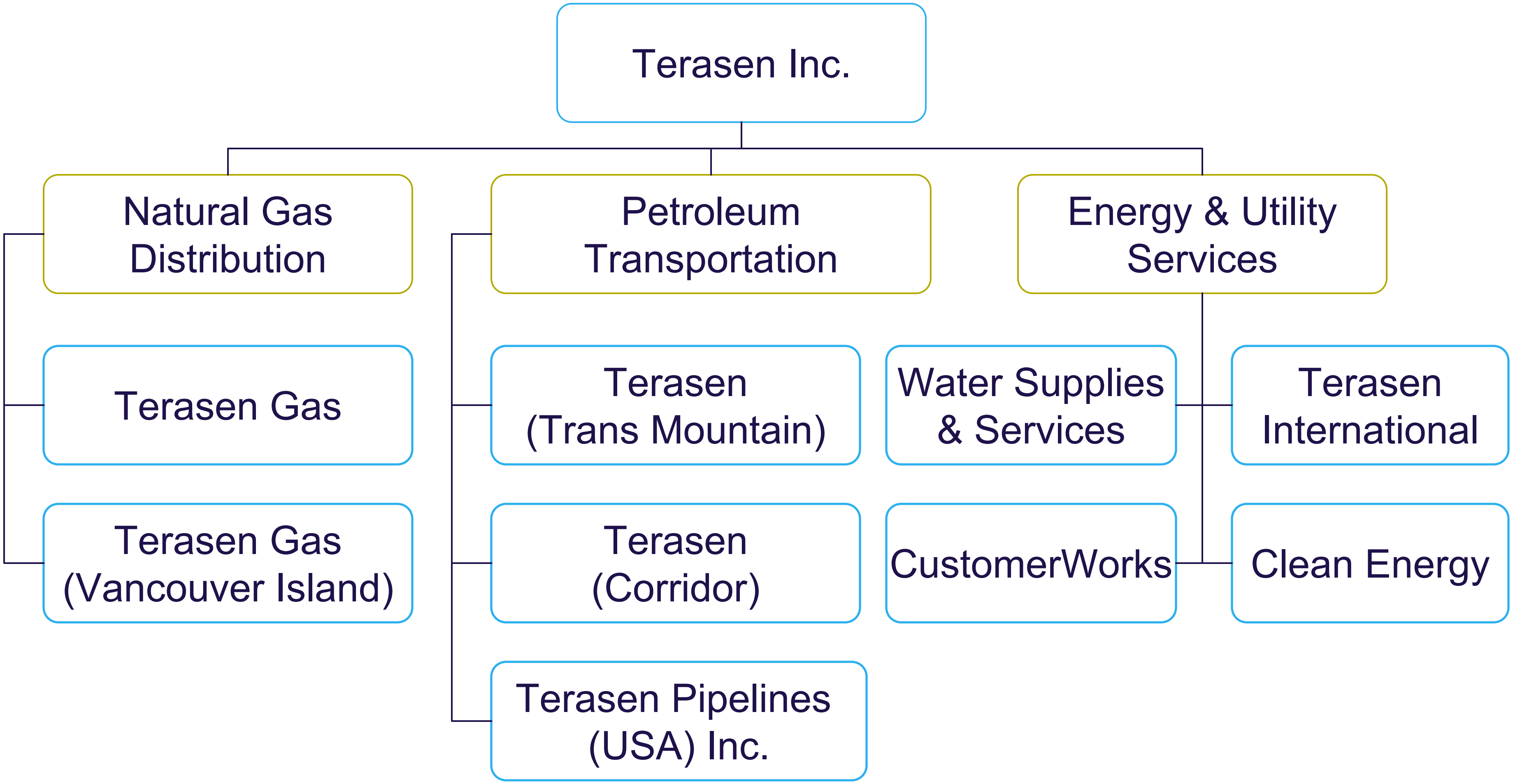
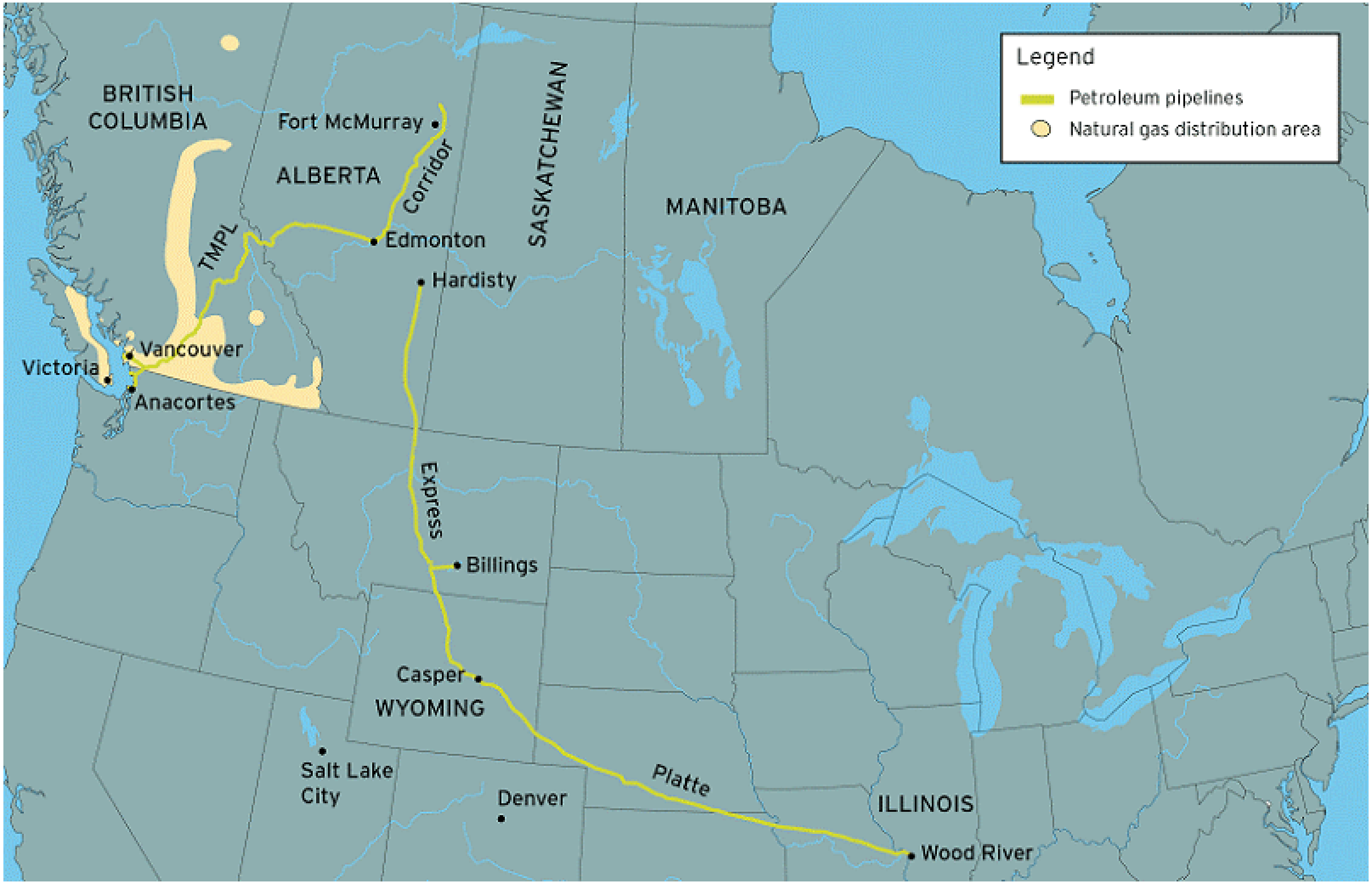
Corporate Overview



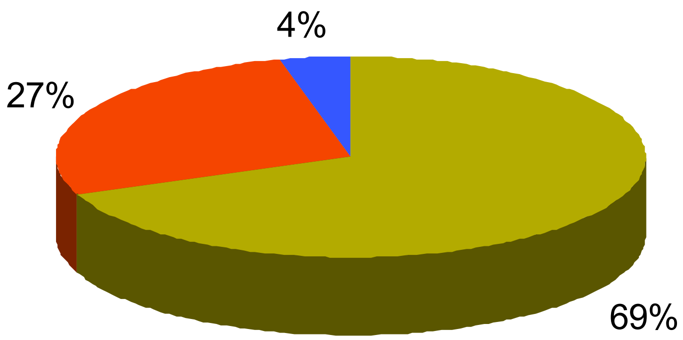
Corporate Overview

Terasen Pipelines

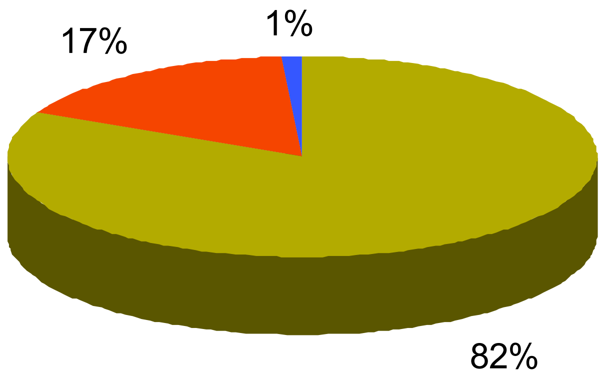


Corporate Overview

Assets: $4,832 million
(Mar. 31, 2003)



Operating Income: $336 million
(12 months ended Dec. 31, 2002)

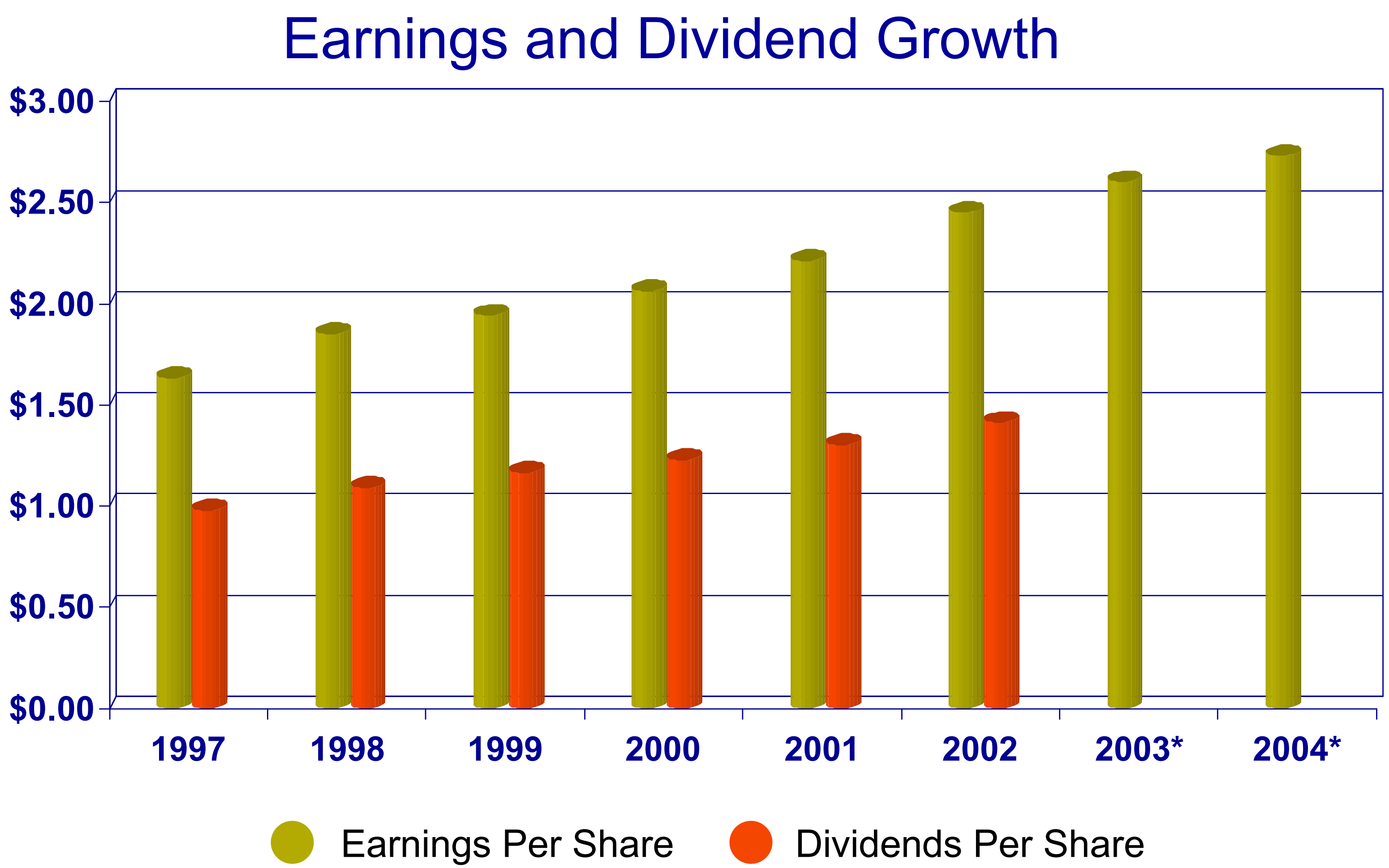


Natural Gas Distribution

Petroleum Transportation

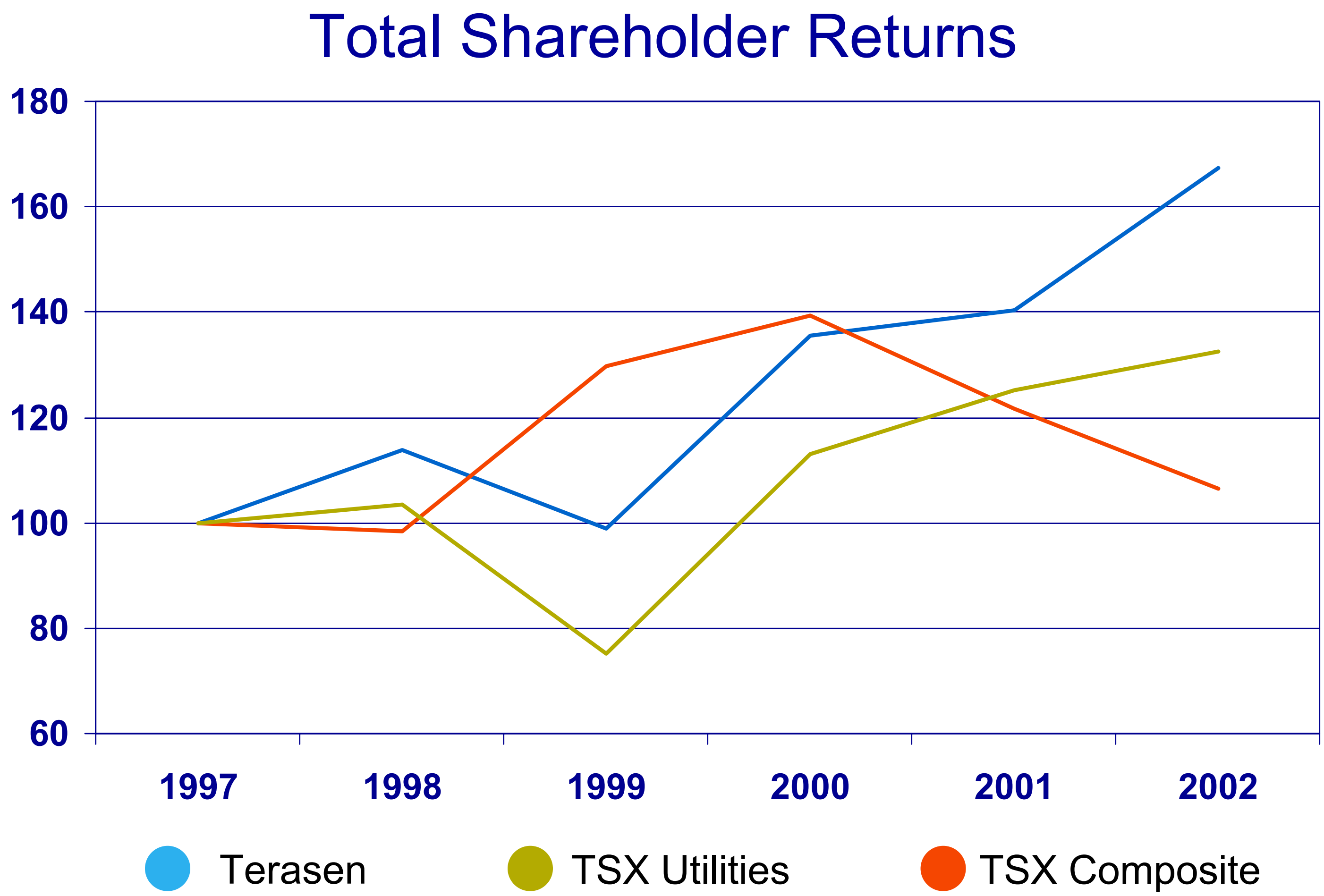
Other Activities

Financial Performance



* - Consensus Estimates

Shareholder Returns



Terasen Pipelines - Key Strengths

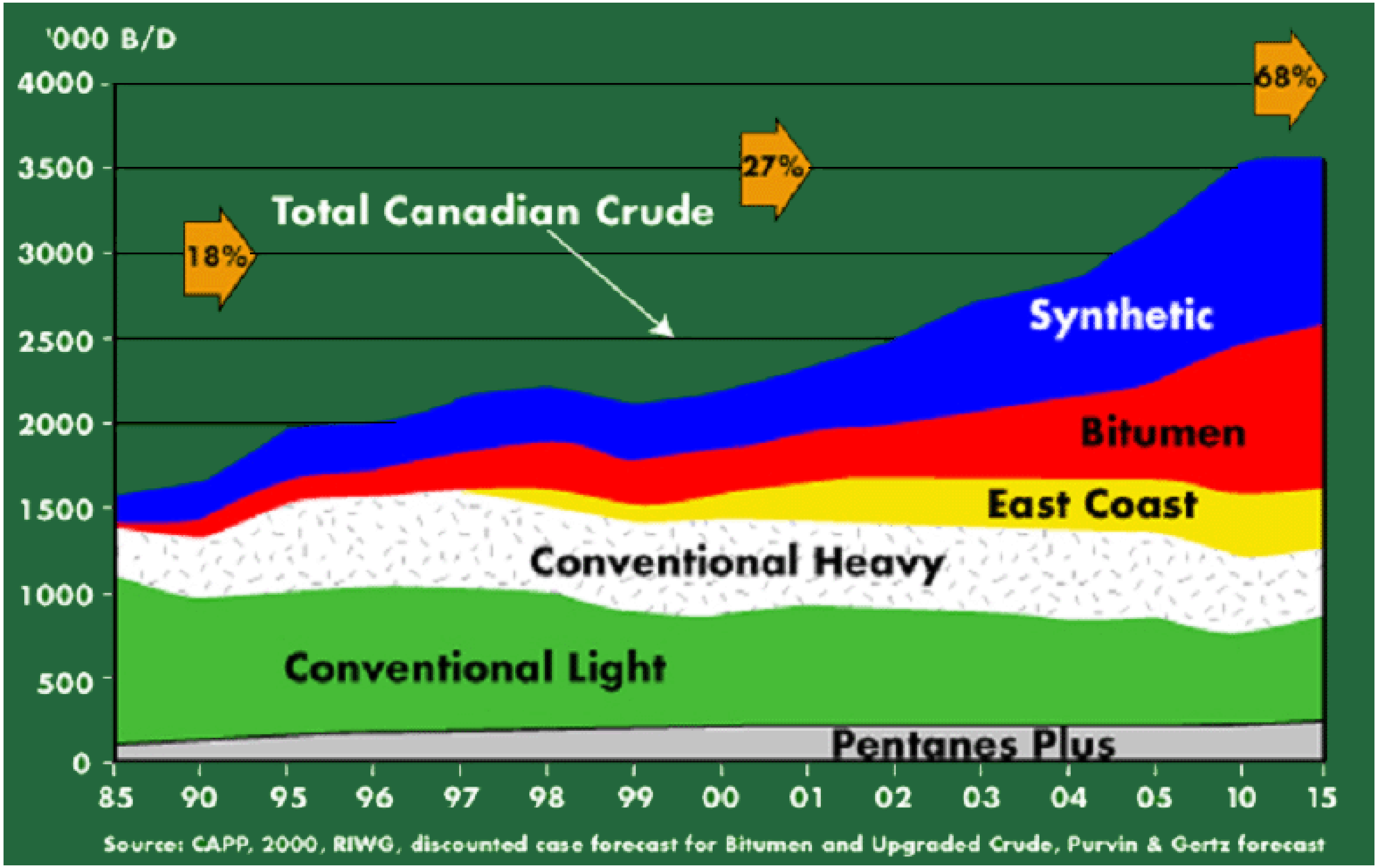
- Strong Terasen Balance Sheet to finance projects
- Proven Track Record for project completion on time and on budget
- Demonstrated Operational Excellence
  - Safe, Reliable Transportation at Lowest Possible Cost
- Technical Innovation
- Strong Customer Focus

Why Oilsands

- Size of resource vs. shrinking North American conventional production
- Conditions for development are ripe
  - Despite cost overrun and Kyoto concerns
- Increasing demand for imported crude in U.S.
  - Security of supply for North America
- Opportunities to work closely with Producers
- Closely aligned with Terasen's key strengths
- In our back yard to capture operational synergies

CANADIAN CRUDE OIL PRODUCTION

(THOUSANDS BBLS/DAY)



Terasen Opportunities

Terasen Pipelines

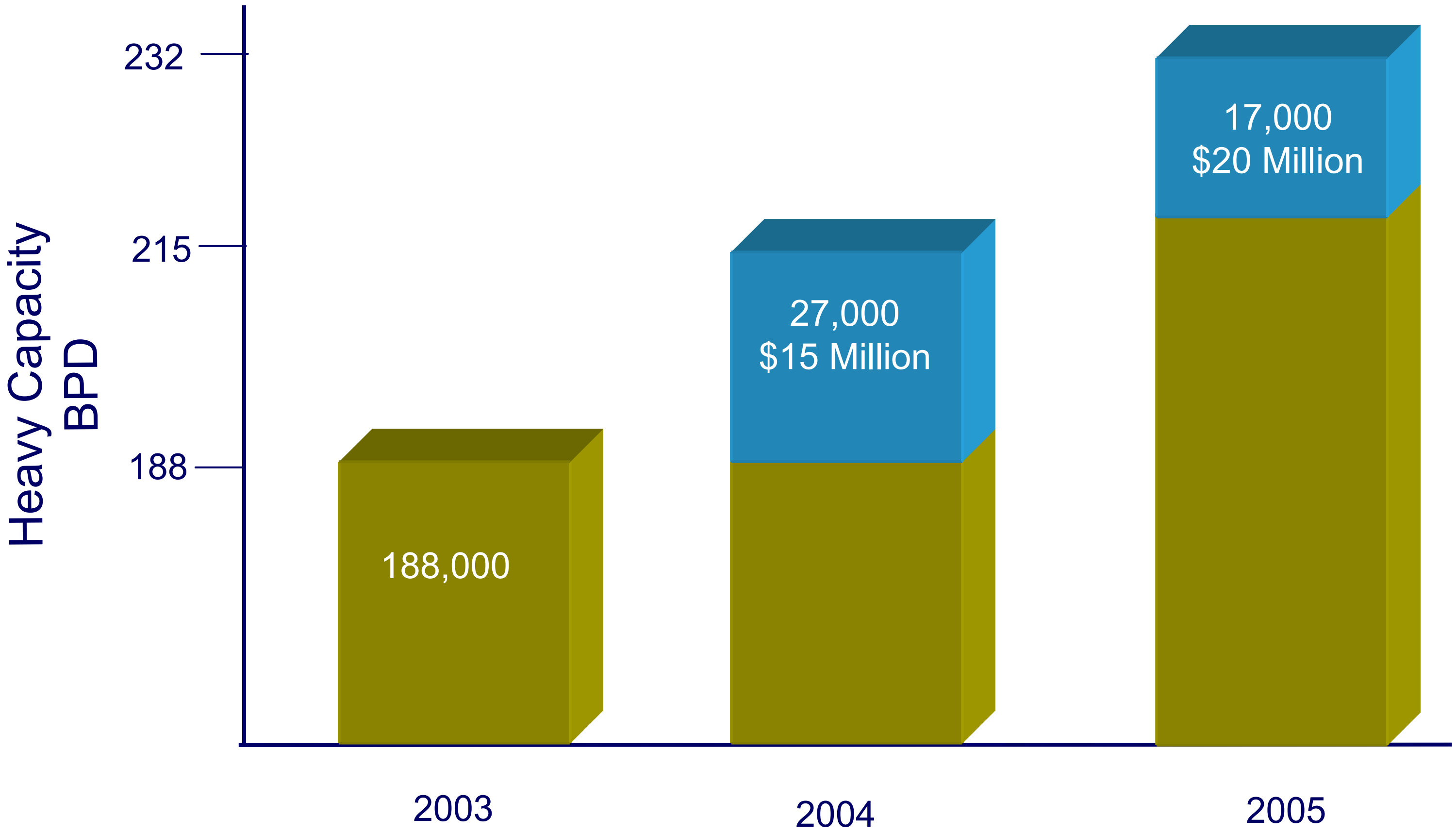
- Expansions
  - Trans Mountain
  - Express
  - Corridor
- New Projects
  - Bison
- Selective Acquisitions
  - Must Meet Strategy

Trans Mountain

Terasen Pipelines

TRANS MOUNTAIN PIPE LINE EXPANSION

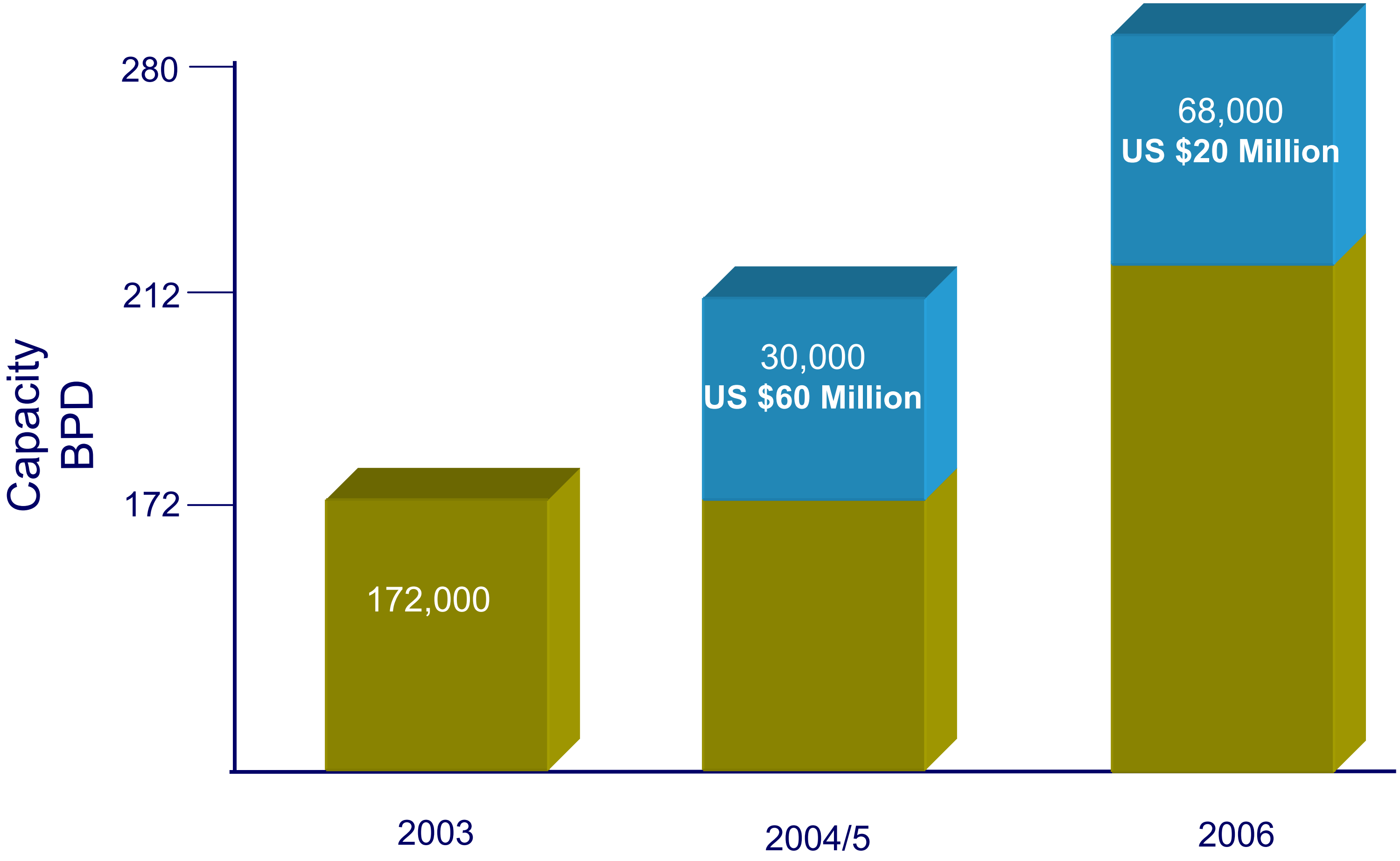
Terasen Pipelines



Express/Platte

EXPRESS/PLATTE – EXPANSION

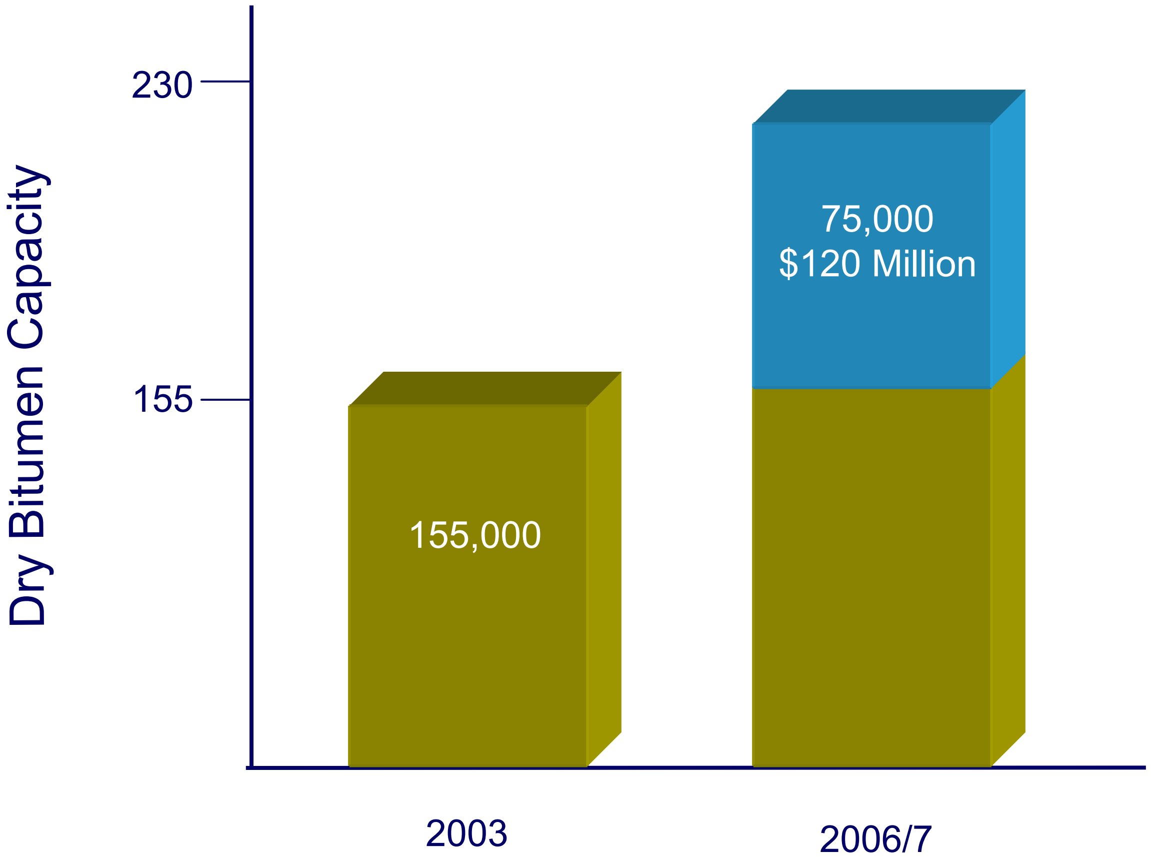
Terasen Pipelines



Corridor

Muskeg River
Fort McMurray
Hangingstone
Crow Lake
ALBERTA
Flat Lake
Scotford
Edmonton
Edmonton Terminal
Calgary Head Office

Corridor Expansion



Drivers For New Pipeline Capacity

Terasen Pipelines

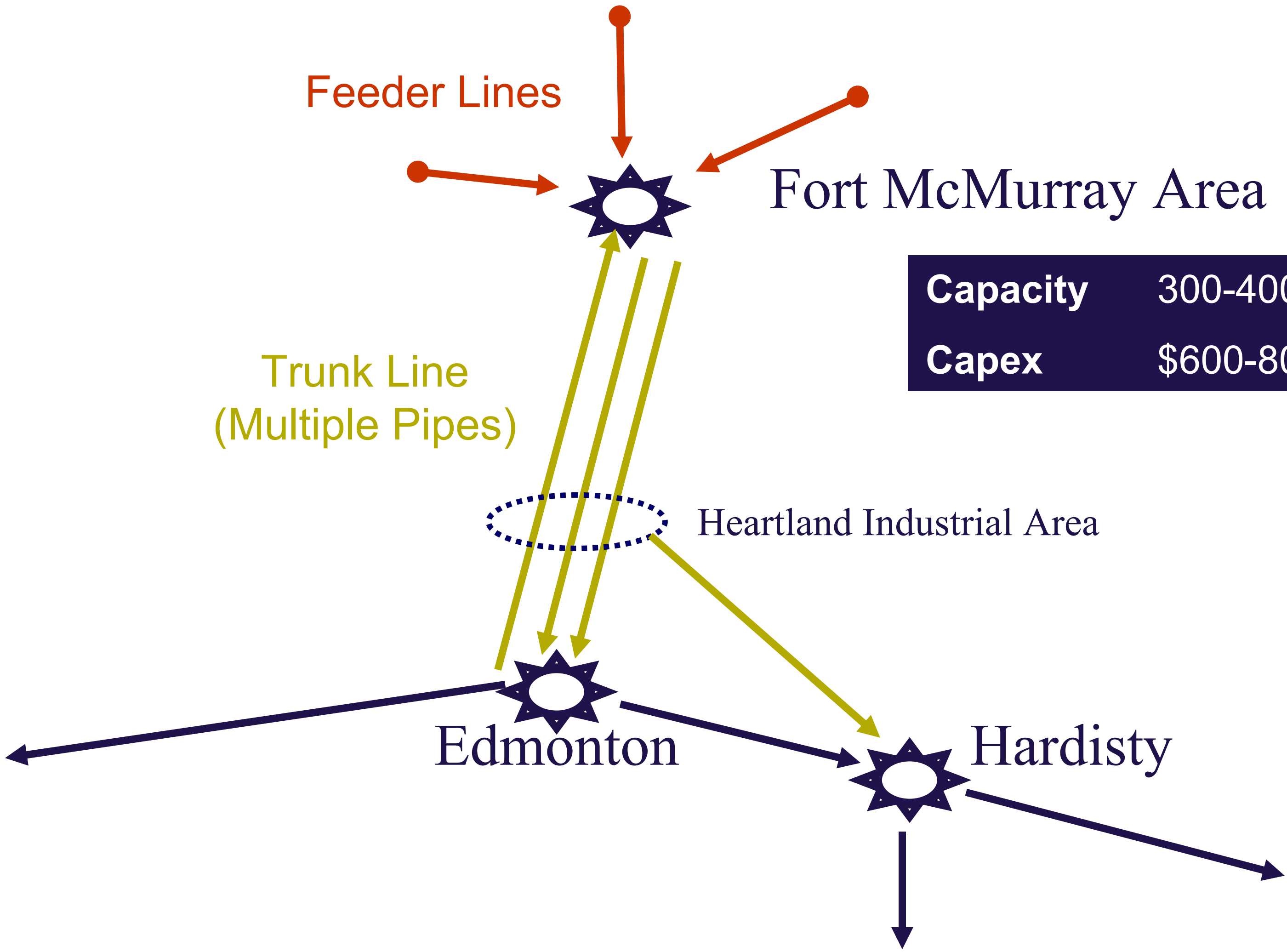
- Increasing Oilsands production
  - Capacity required as early as 2005/06
- Hardisty versus Edmonton hub
  - West Coast options (California, Far East)
  - Edmonton refinery complex
- Quality issues
- Existing contracts & cost barriers
- Regulatory and landowner issues

Bison System

- Next Oilsands pipeline between Ft. McMurray area and Edmonton
- Have proposed several options for different shippers
  - Insulated Pipeline options
- Multiple Shippers
- Bitumen Blend and Synthetic Crude Capabilities
- Decision to proceed could be made by Dec/03
- Startup as early as 2005/2006

Bison Pipeline

Terasen Pipelines



Capacity	300-400K Bpd
Capex	$600-800 Million

Selective Acquisitions

Terasen Pipelines

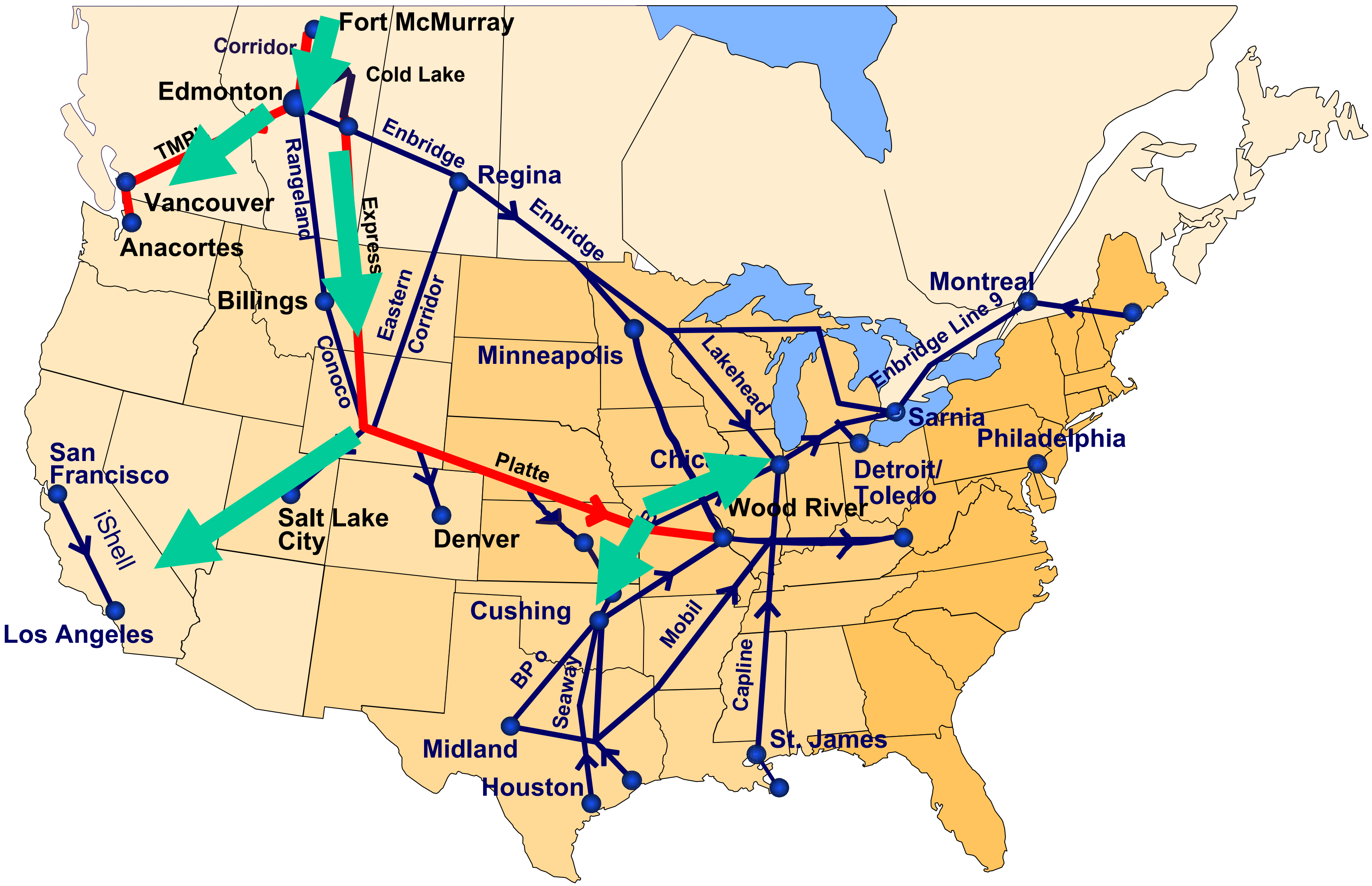
Example: Express/Platte Pipeline System

- Express poised to benefit from expanded oil sands production
- PADD IV (Rocky Mountains) experiencing declining production with increased refinery runs
- Opportunity for Canadian production to displace alternative sources of crude in lower PADD II (Midwest)
- Acquired January 2003 with Pension Fund partners
- Cost structure replicates the cost of capital advantages of Income Trust without upfront risk

Keys to Success

- Work with producers who have integrated approach to upgrading
  - Merchant bitumen market could be tough
- Destination Edmonton provides more options for markets, refining/upgrading, diluent
- Good cost control
  - Tight scope, technical improvements, engineering
- Broad based solutions tailored to Shipper requirements
  - Quality control, diluent handling
- Commercial innovations

Opportunities



Summary

- Existing Terasen systems provide access to key markets
- Huge Oilsands resource base will need new pipelines to get product to market
- Opportunity for projects which perfectly match Terasen Inc. model for disciplined growth
- Build from Corridor success
- Looking at the pipeline systems to support continued Oilsands development

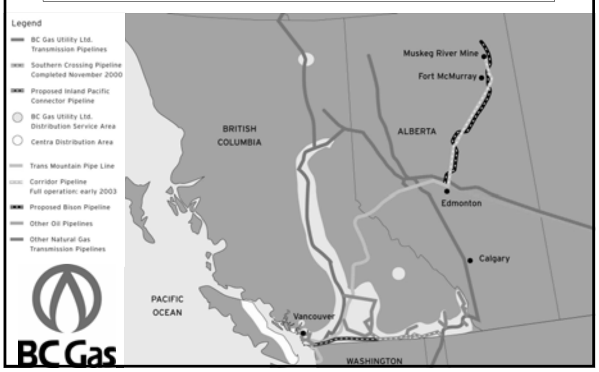
BC Gas Oilsands Strategy

Presentation to First Energy Oilsands Conference, April 16, 2002

BC Gas Inc.

- Energy and Utility Services Provider in Western Canada
  - Gas Distribution Utility for most of B.C., including Vancouver Island
  - Petroleum Transportation between Edmonton and Lower Mainland, Washington State and between Ft. McMurray and Edmonton
  - Other non-regulated energy and utility infrastructure businesses

Corporate Overview



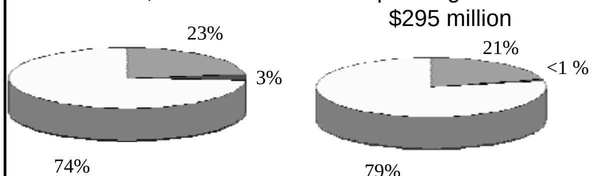
Corporate Structure

- **BC Gas Inc.**
  - **BC Gas Utility Ltd.**
    - **Centra Gas B.C. Inc.**
  - **Trans Mountain Pipe Line Co. Ltd.**
    - **Corridor Pipeline Limited**
    - **Bison Pipeline Limited**
  - **Energy & Utility Service**
    - **BCG Services**
    - **CustomerWorks**
    - **BC Gas International**
    - **ENRG**

Segmented Contributions (2001)

Assets: $3,706 million

Operating Income: $295 million



Natural Gas Distribution | Petroleum Transportation | Other Activities

Corporate Strategy

- Strengthen Base Business
- Expand Customer Base
- Grow from Core Competencies

- Focused Strategic Plan
- Base on Low Risk Businesses
- Generate Attractive Growth Opportunities

What Trans Mountain Brings to the Table

- Incorporated in 1951
- 50 years of providing crude & refined product service to Lower Mainland and Washington State
- History of providing innovative service to add value for customers
  - Introduced refined products into crude pipeline in 1985, followed by MTBE in 1993
  - Expansions to handle Heavy Crude
  - Custom Crude Blending to Customer Specification
- Excellent Spill and Safety record

Key Strengths

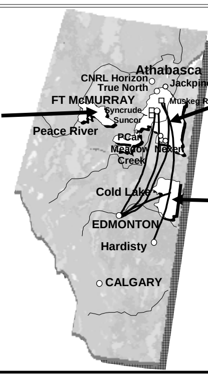
- Strong BC Gas Balance Sheet to finance projects
- Proven Track Record for project completion on time and on budget
- Demonstrated Operational Excellence
  - Safe, Reliable Transportation at Lowest Possible Cost
- Technical Innovation
- Relocation of Head Office to Calgary

Why Oilsands

- Size of resource compared to shrinking North American conventional base
- Opportunities to work closely with Producers on their large projects
- Closely aligned with TMPL's key strengths
- In our back yard to capture operational synergies

Size of Prize

200 Billion Barrels



1300 Billion Barrels

200 Billion Barrels

A Huge Resource

<u>Existing Pipelines</u>
- **Suncor**
- **AOSPL**
- **Enbridge Athabasca**
- **Cold Lake**
- **Corridor**

More Projects

>1 million BPD by 2011

Keys to Success

- Work with producers who have integrated approach to upgrading
  - Merchant bitumen market could be tough
- Destination Edmonton provides more options for markets, refining/upgrading, diluent
- Technical and commercial innovation
- Need to offer broad based solutions

Technical Innovations

- Corridor
  - Diluent and Dilbit lines in same ditch
  - New winter construction and stream techniques
- Bison
  - Insulated pipeline
    - Stretches existing technology
  - No diluent, integrated with hot upgrader feed
  - Lessons learned from Corridor

Corridor

- Dual 12” Diluent and 24” Dilbit system connecting Muskeg River mine with Shell Scotford Upgrader
- On Time and Under-budget (<$690 million)
- Welding complete
- Filling of Diluent commenced today
- Operational in November
- Connection between Upgrader and Edmonton this summer

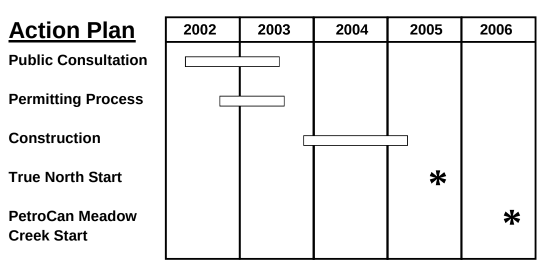
Corridor Plus

- Corridor Expansion to 240,000 BPD to match growth in output at Albion Sands
- Add 4 intermediate pump stations
- Shell’s Jackpine Project will require Corridor to add a third pipeline – large diameter
- Possible in 2008-2012 time frame

Bison

- Next step in evolution of oilsands pipelines
- 30” Insulated Pipeline from True North’s Fort Hills project and PetroCan’s Meadow Creek to Edmonton
- Capacity for other 3rd party barrels
- Insulated to eliminate diluent & conserve heat
- Capacity up to 450,000 BPD
- 1st phase: $800 million; Full Capacity $1

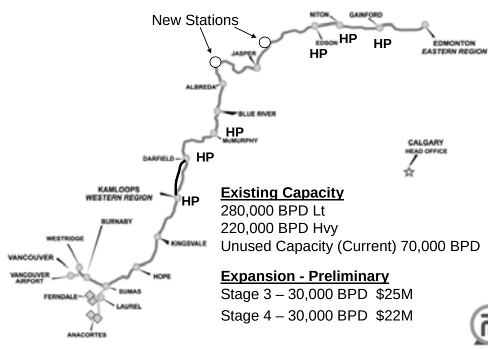
Bison



How Corridor and Bison Fit the Strategy

- Operations closely aligned with base business
  - Synergies with existing operations
- Integrated with Upgraders
  - Lower risk profile for investment
- Good fit for Customers
  - Technical innovation reduces construction costs, diluent handling
- Building off Strengths
  - Tight scope and cost control
  - Need for excellent operation performance
- Capacity for third parties to grow customer base

TMPL Expansion

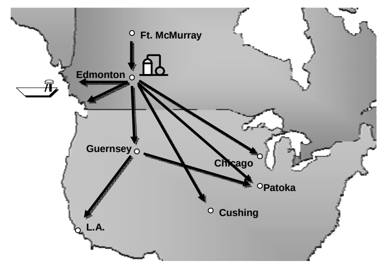


Existing Capacity
280,000 BPD Lt
220,000 BPD Hvy
Unused Capacity (Current) 70,000 BPD

Expansion - Preliminary
Stage 3 – 30,000 BPD $25M
Stage 4 – 30,000 BPD $22M

TRANS MOUNTAIN

What Next



TRANS MOUNTAIN Corridor PIPELINE BISON PIPELINE BC Gas

Summary

- Huge Oilsands resource base will need new pipelines to get product to market
- Provides opportunity for projects which perfectly match BC Gas' model for growth
- Well position with Corridor success and prospects for Bison
- Looking at the next opportunities provided by continued Oilsands development

TRANS MOUNTAIN Corridor PIPELINE BISON PIPELINE BC Gas