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Transforming Producer Owned Facilities to Midstream Operations

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Agenda

- Veresen corporate overview and background
 - Alliance Pipeline
 - Aux Sable
 - AEGS
 - Veresen's Independent Midstream Business
- Market overview
- Case study – Veresen's Hythe/Steeprock acquisition from Encana
- Veresen's value proposition to the Montney producer



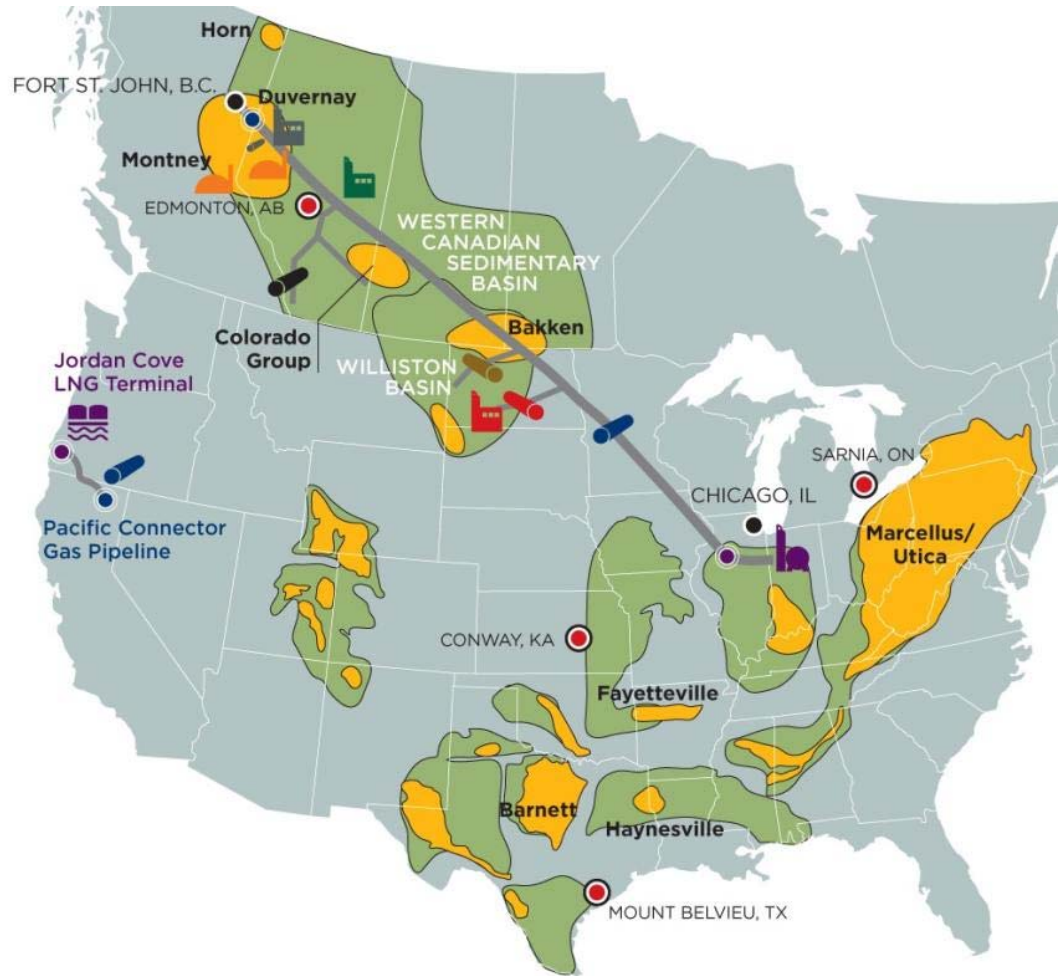
Veresen Corporate Overview

- An experienced owner, developer, and operator of large scale energy infrastructure assets across North America
- A public, dividend-paying Canadian corporation with strong financial capability
 - Listed on the Toronto Stock Exchange (TSX: VSN)
 - \$2.6B market capitalization, \$4.0B enterprise value
 - Investment grade (BBB) credit rating




Advantaged Assets: Natural Gas Pipelines and Midstream

- Rich gas supply and organic growth opportunities; buy, build and/or commercially contract energy infrastructure assets
- Focused on key resource plays – shale gas from Montney/Duvernay and associated solution gas from Bakken has high heat content
- Alliance Pipeline's proximity to these key resource plays provides a competitive advantage
- Organic growth investments will selectively target NGL-rich gas supplies
- Provides supply diversification for Alliance and Aux Sable's Channahon facility; increases total NGL recovery at Channahon facility



Veresen – Business Lines



Our businesses are focused on high-quality, strategically-located energy infrastructure assets which play a key role in meeting North American energy needs.

Midstream



- Includes the Hythe / Steeprock gas gathering and processing facilities in the Montney fairway as well as our interest in the Aux Sable companies.

Pipelines



- The Alliance Pipeline is one of our cornerstone assets and we own 100% of the Alberta Ethane Gathering System.

Power

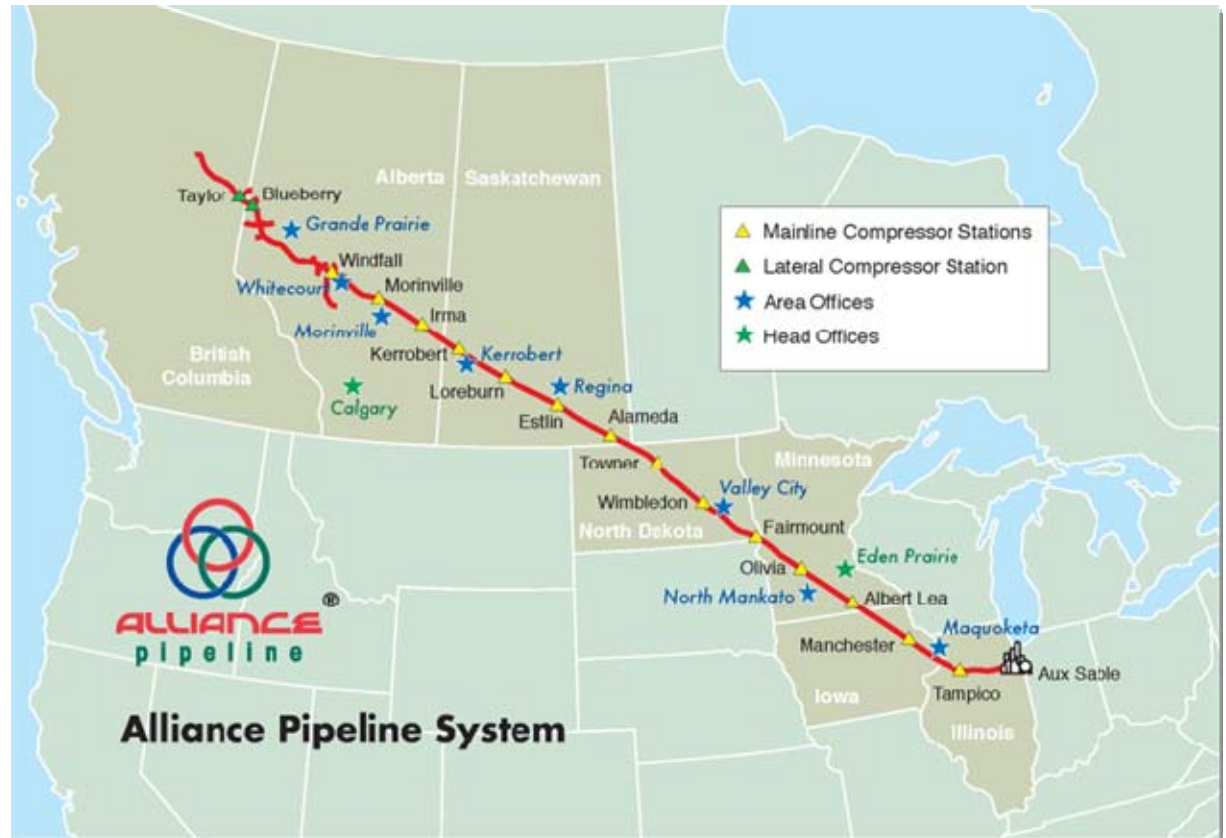


- Our power generation business is growing and we continue to assess and develop high-value, low-risk power investments.

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Alliance Pipeline

- 50% ownership
- 3,000-km high-pressure, rich-gas pipeline
- Linked with Aux Sable to form a high value, total energy delivery system
- \$4.7 billion capital cost funded with 70% debt / 30% equity
- Firm capacity of 1.325 bcf/d; existing shippers can increase their volumes to 1.825 bcf/d at an attractive cost



Alliance Pipeline (continued)

- Primary terms on long-term transportation contracts expire on Nov. 30, 2015
- New service and toll offering driven by a new business model
- Alliance is strategically positioned in the Western Canadian Sedimentary Basin to transport rich gas
 - Montney
 - Duvernay
 - Bakken



Aux Sable Midstream

- Veresen owns 50% of Aux Sable Canada and 42.7% of Aux Sable Liquids Products
- The Channahon Facility is a deep cut NGL extraction, fractionation, storage and delivery system located at the end of the Alliance pipeline
- Capable of processing up to 2.1 bcf/d of natural gas and recovering 80,000 bbl/d of NGLs fractionated into ethane, propane, normal & iso-butane & condensate



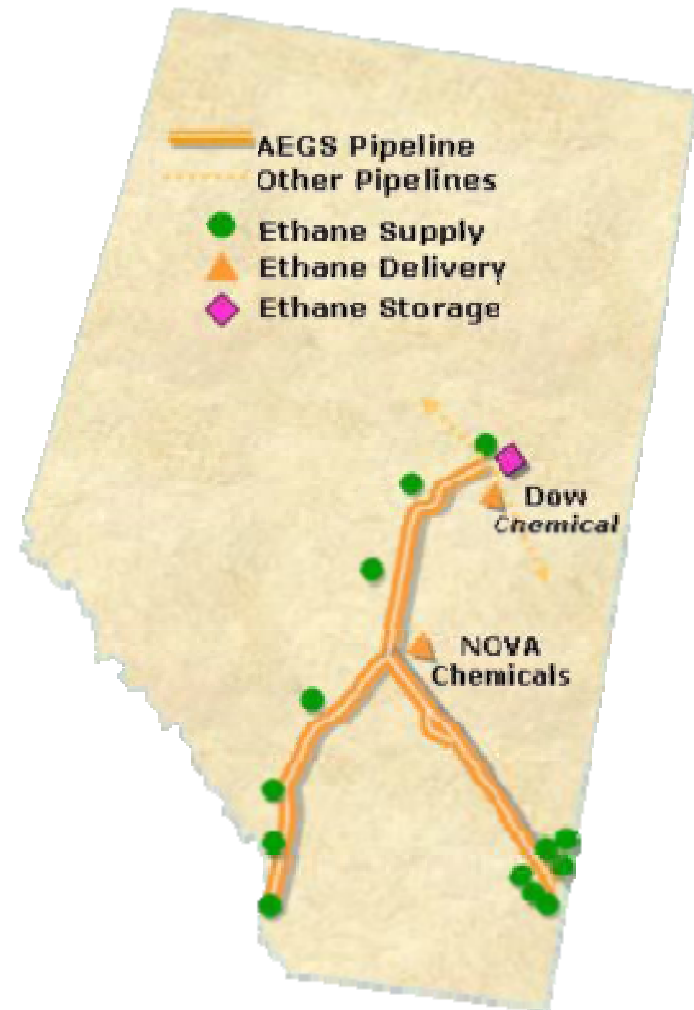
Aux Sable Midstream (continued)

- ASLP has the exclusive right to extract and sell NGLs entrained in natural gas flowing on Alliance pipeline
- All NGLs processed at facility are marketed by BP
- Aux Sable is actively proposing liquids inducement deals to producers
- Aux Sable has access to the Montney/Bakken plays via Alliance; Marcellus NGLs via rail

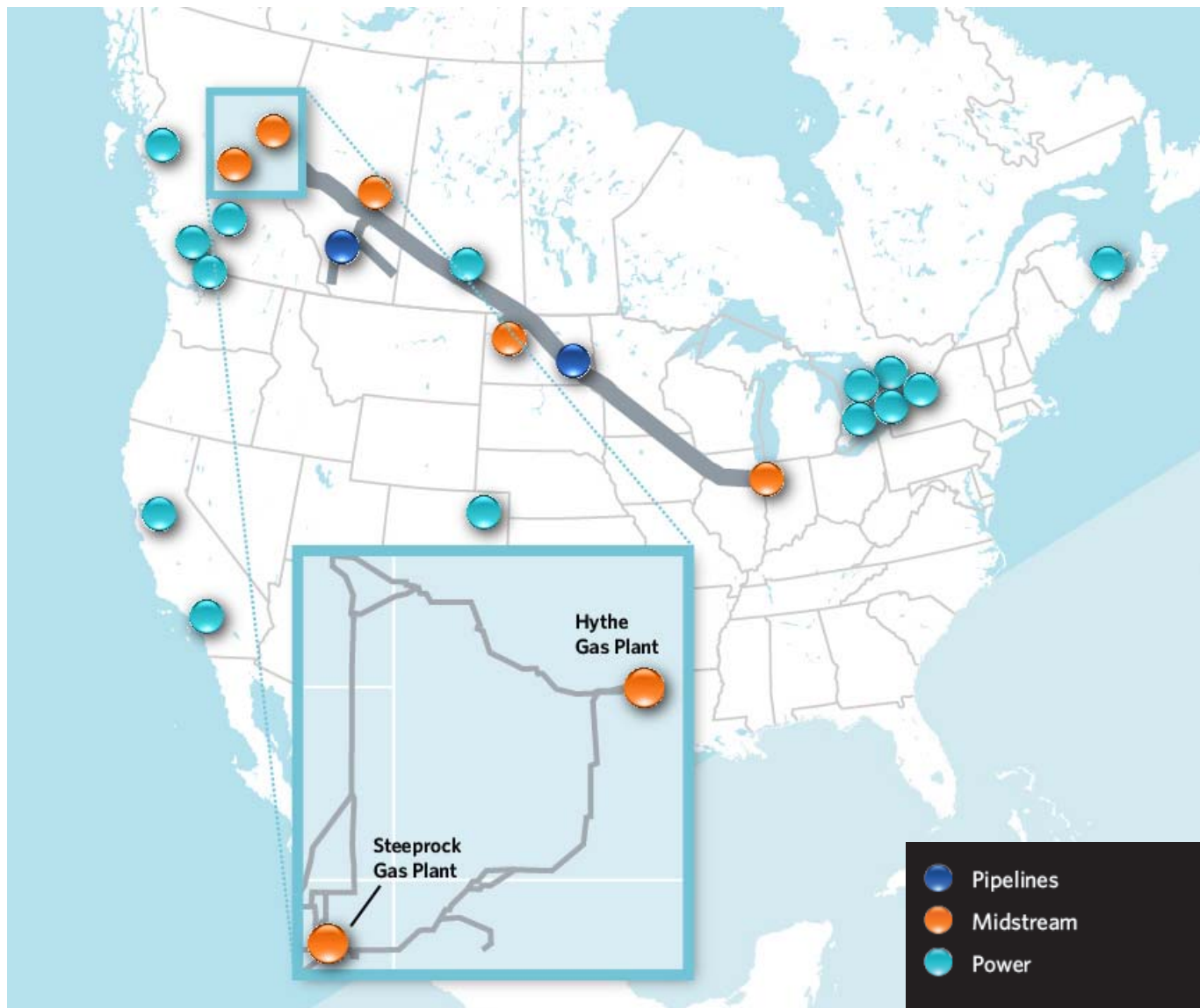


Alberta Ethane Gathering System (“AEGS”)

- 100% Veresen ownership
- System constructed in 1977, with major contract-based expansion in 1999
- 1,334 km integrated system connecting ethane sources to storage and petrochemical facilities
- Capacity of three legs in 322,000 bbl/d
- Backbone of Alberta petrochemical industry; exclusive ethane transporter in province
- Contracts with 4 shippers through 2018



Veresen Midstream Assets



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Veresen's Midstream Business

Hythe Plant



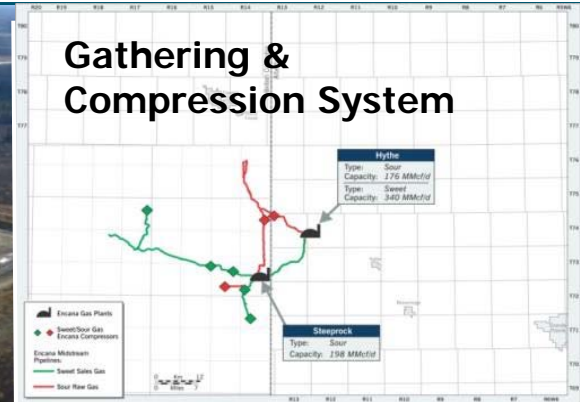
- Capacity for 176 mmcf/d sour gas processing and 340 mmcf/d of sweet processing
- Constructed 1980 to 2008
- Facility is connected to Alliance and TransCanada
- 5 trains: 2 sour and 3 sweet gas
- Major producer commitments for 60% of sweet and 94% of sour capacity over the term of the processing agreement

Steeprock Plant



- Capacity of 198 mmcf/d
- Constructed 2006 to 2008
- Connected to the Hythe gas plant and utilizes the Hythe sweet sales compressor which is connected to Alliance Pipeline and TransCanada
- 2 sour trains: train 1 with amine, dehydration & sulfur recovery unit; train 2 has amine, dehydration and acid gas enrichment – sulfur recovery in train 1

Gathering & Compression System

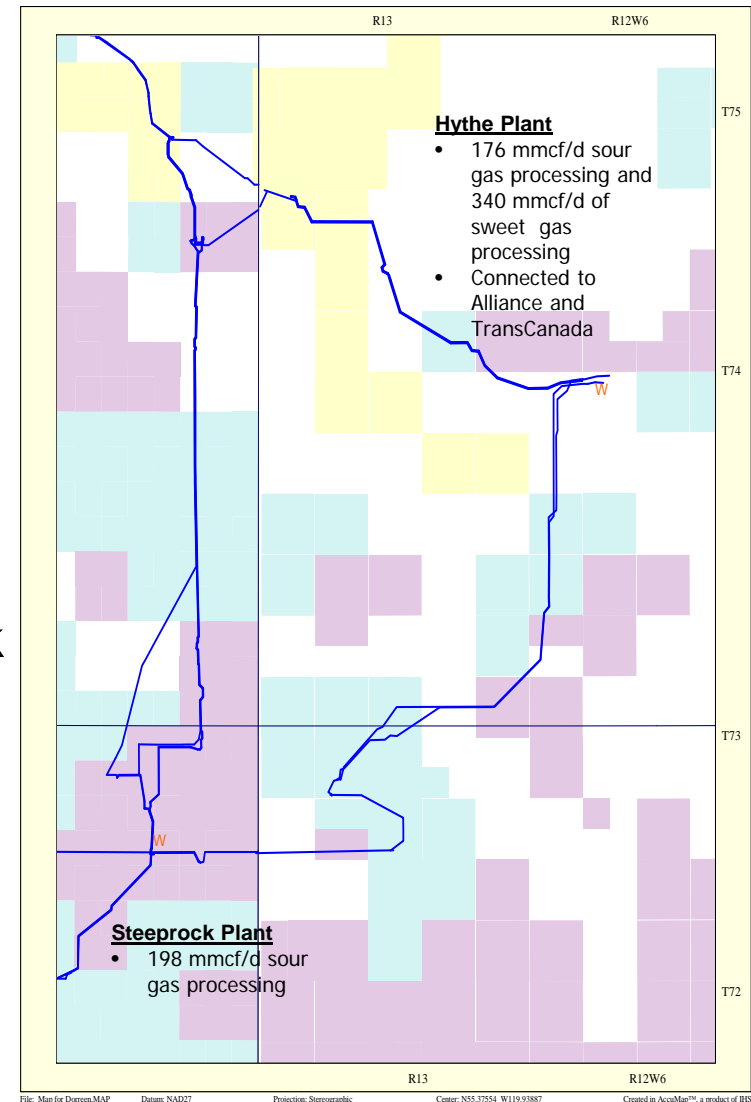


- 370 km of gas gathering lines 40,000 hp of compression allowing the Complex to gather from new Montney wells.


Veresen Midstream

Veresen established an independent midstream business through the strategic acquisition of two interconnected natural gas processing plants in the Montney play for \$920 million from a major producer in February 2012

- Hythe processes sweet and sour gas from the Steeprock plant and the Cadomin and Bisette areas
- Steeprock processes sour gas from the Bisette and Doig fields




Hythe/Steeprock Acquisition: Transforming the Business



Veresen's acquisition of Hythe/Steeprock represents entry into operated midstream business

- Veresen transitioned operatorship of the facilities on June 1 2012, just over 3 months after closing the transaction
- Production accounting for the facilities transitioned in September 2012
- Veresen is the first new entrant of scale to G&P Midstream since 2009
 - Prior to this: Pembina Gas Services acquisition of the Cutbank Complex from Talisman in 2009 for \$300 million
- Veresen completed a full plant turnaround at Hythe for 15 days in May/June on time and on budget

Hythe – Steeprock Acquisition



As a new operator, Veresen had to create new business unit team and develop systems to operate the facilities

- Information Technology
- Technical change management processes
- Purchase Order Management
- Preventative Maintenance
- Production Accounting

Aim was to create “Best in Class” systems built on new platforms with lower risk of failure and no legacy issues- two key points that are attractive to producers

The Veresen Midstream team comprised of experienced professionals with experience throughout all aspects of Canadian Midstream

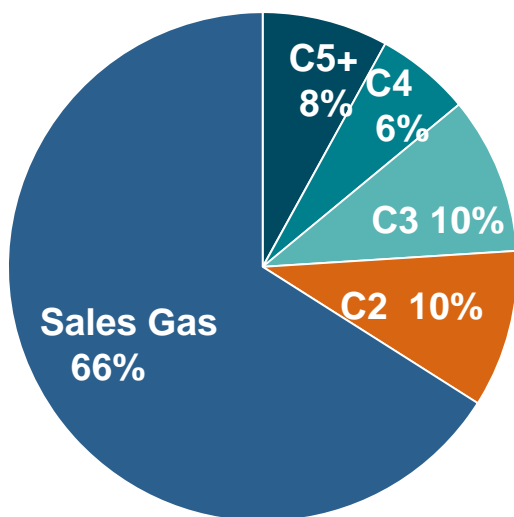


Changing the Infrastructure Landscape aka: Why Midstream makes sense to Producers

- No capital outlay required by producers for gathering, compression and processing facilities
- Does not necessarily create loss of ‘control’ on processing priority or marketing of products
 - Service is available for marketing of liquids from Aux Sable, Veresen’s affiliate
- No competitive tension between a producer and a midstreamer
 - Attract additional third party volume, which leads to lower per-unit operating expenses
 - Producers do not have risk providing drilling results to the service provider
 - Expansion plans for entire developing areas
 - Buffer in communications with other producers
 - Ensure that all existing producer assets are utilized as efficiently as possible

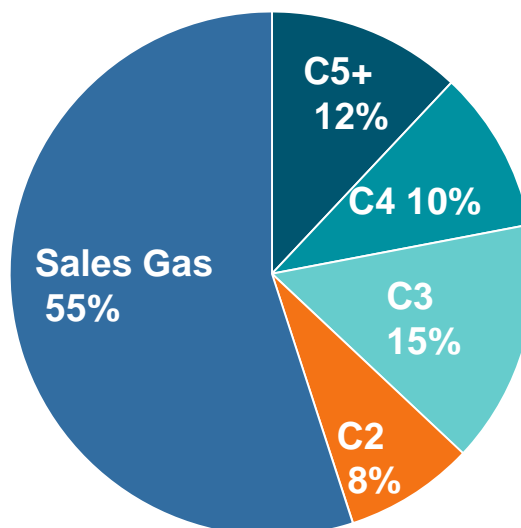
NGLs Critical to Drilling Decisions

December 2002
Sales Gas - \$4.94/GJ



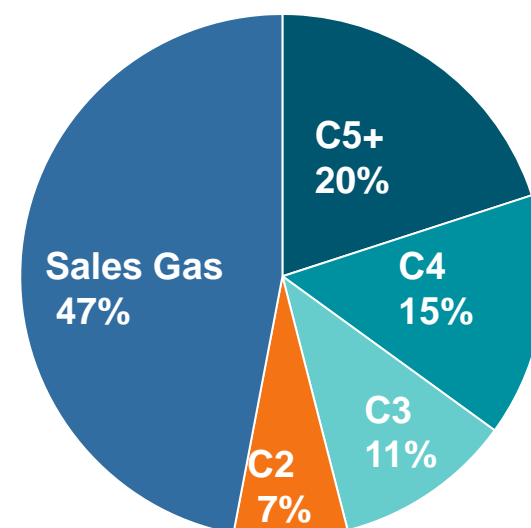
NGL Value = 34%

December 2007
Sales Gas - \$5.85/GJ



NGL Value = 45%

December 2012
Sales Gas - \$2.98/GJ

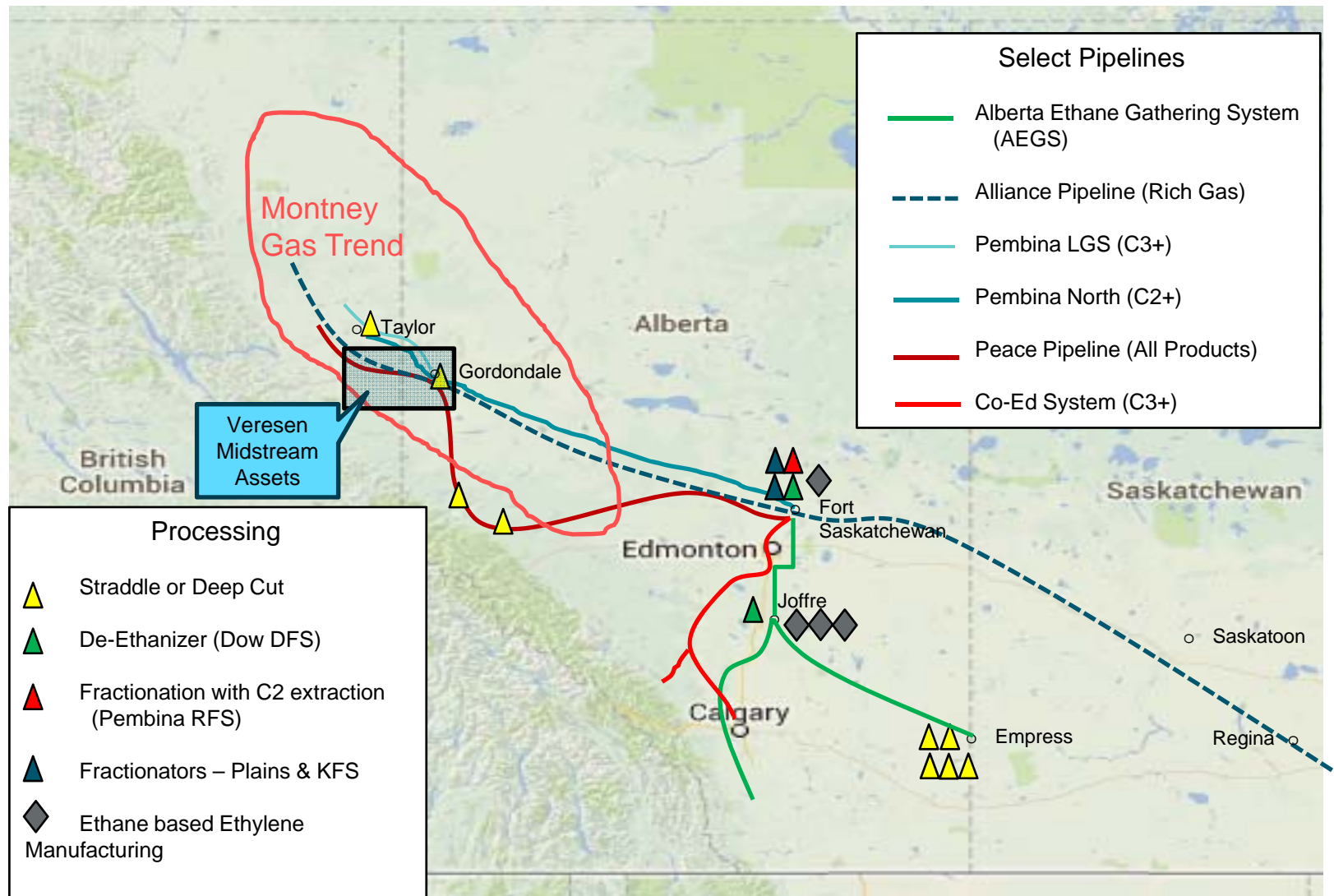


NGL Value = 53%

Source: Alberta Energy; Aux Sable

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Western Canadian NGL Infrastructure



Handling NGLs in the Montney

Liquids rich nature of gas in the Montney presents area producers with a transportation challenge that is exacerbated by current infrastructure shortcomings




Hythe Plant has key infrastructure required to handle liquids:

- Rail access (CN)
- Truck access from major highway
- Tie-in to Alliance Pipeline

Hythe has opportunity to create solutions for producers who are challenged with liquids takeaway alternatives

Market Flexibility for Natural Gas


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- Natural gas dynamic created by US Shale gas development changes traditional pricing environment
 - Hythe Plant is dually connected to the Alliance Pipeline and the TCPL NOVA system
 - Allows for diversification of price risk between AECO/NIT and Chicago
 - Potential to direct production from new rich gas plays to Alliance for enhanced value
 - Although an owner of downstream pipelines, Veresen allows for producer flexibility to choose sale point for all products

Hythe/Steeprock Expansion Opportunities

- Very attractive capacity options available to increase flows through the facility
- Hythe is the largest processing facility in the south Montney
- Tie-ins were completed at recent turnaround to allow for 40 mmscf/d sour expansion to be performed online
- Various options for further expansion being considered
 - Hythe sulfur plant is currently processing at 30% of regulatory approval



Veresen Midstream: Key Principles

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- Health, Safety and Environment
 - Operating Reliability
 - Cost efficiency
 - Flexibility
 - Business relationships based on integrity and respect, with focus on creating creative solutions to the producer community

Veresen Midstream: Open for Business

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