

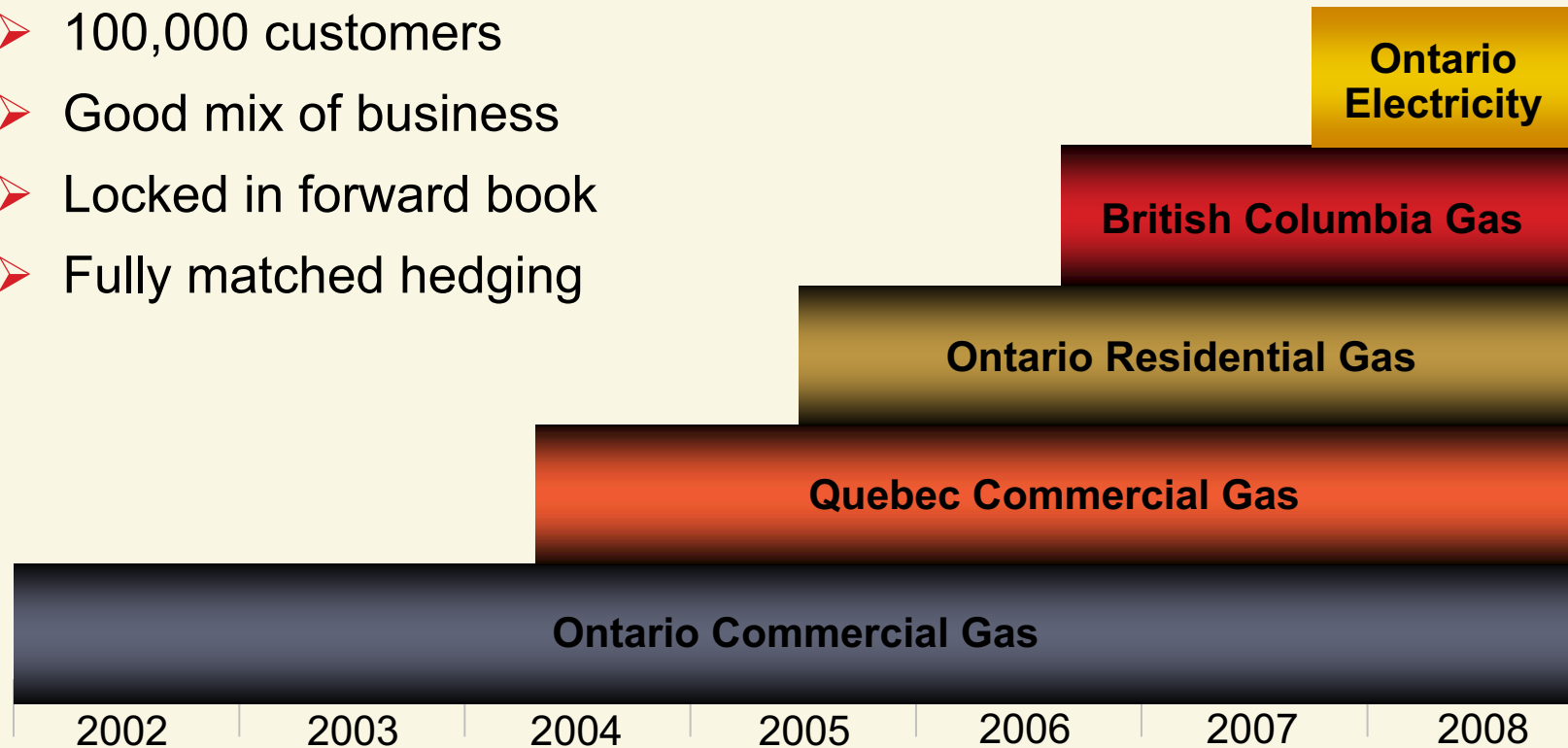


# Fixed-Price Energy Services



# Business Profile

- Cash flow growth
- 100,000 customers
- Good mix of business
- Locked in forward book
- Fully matched hedging



Dividend Stability with Growth



# Historical Financial Performance

	<b>Sept. 30, 2008</b>			
(millions except per unit margins)	<b>YTD</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Natural gas sold (GJs)	<b>25</b>	37	40	37
Power sold (KwH)	<b>42</b>	-	-	-
Natural gas margin (cents per GJ)	<b>102.3</b>	81.3	54.3	39.2
Power margin (cents per KwH)	<b>1.5</b>	-	-	-
Total revenues	<b>247.0</b>	320.4	325.6	288.4
Cost of products sold	<b>220.8</b>	290.3	303.9	273.9
Total gross profit	<b>26.2</b>	30.1	21.7	14.5
Distributable cash flow	<b>8.0</b>	12.1	10.3	5.3
Residential gas customers (flowing)	<b>90,711</b>	94,421	85,900	51,997
Residential power customers (flowing)	<b>2,877</b>	1,622	-	-
Commercial gas customers (flowing)	<b>6,017</b>	6,449	6,700	5,298
Commercial power customers (flowing)	<b>274</b>	29	-	-

\* SEM entered electricity market in 2007

Dividend Stability with Growth



# Experienced Senior Management Team

	<u>Position</u>	<u>Age</u>
<b>Greg McCamus</b>	President	50
<b>Peter Kampion</b>	Vice-President, Finance	49
<b>Susannah Robinson</b>	Vice-President, Operations, Energy Procurement and Strategy	44
<b>Scott Knapman</b>	Vice-President, Sales and Marketing	50

# Fixed-Price Energy Markets

## British Columbia

- 750,000 gas consumers in B.C. lower mainland
  - 15% penetration
- 163,000 Business accounts
  - 25% penetration

## Ontario

- 4 million consumers in Ontario
  - 3.2 million gas customers, 45% on fixed-price contracts
  - 4.3 million electricity meters, 20% on fixed-price contracts
- 350,000 business accounts
  - 40% penetration

## Quebec

- 239,000 business accounts
- 30% penetration

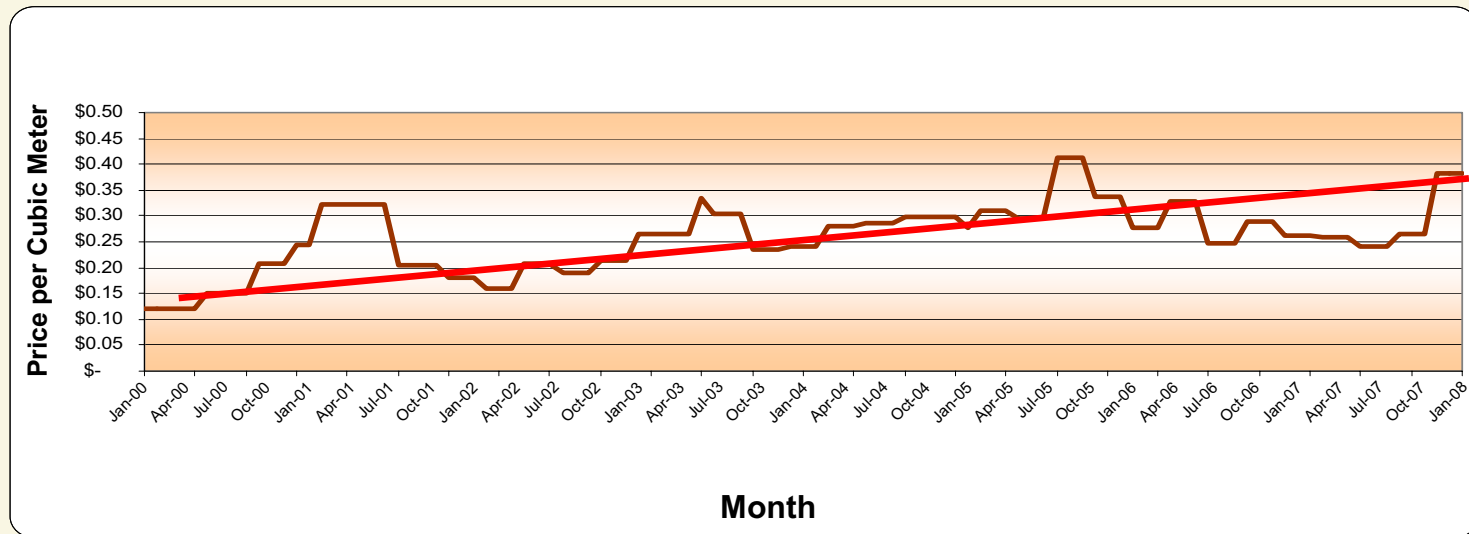
# Customer Target Profile

- Residential and small/medium business customers
- Stability and predictability of gas and electricity costs
- Protection from ongoing escalation in short-term rates
- Similar to fixed-rate mortgages vs. floating
  - 40% - 60% of Canadians are on fixed-rate mortgages

# Value Proposition

*“Protect consumers from rapidly escalating energy costs by providing a long-term, fixed-price option to spot system rates that are subject to market volatility”*

Quarterly System Gas Rates Jan. 2000 – Jan. 2008



— Enbridge System Rate

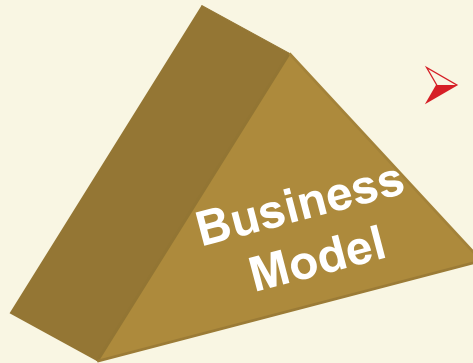
— Trend Line

Dividend Stability with Growth



# Fixed-Price Energy Services Business Model

- Create simple fixed-price gas and electricity products
  - Purchase long-term commodity supply
  - Manage a fully matched portfolio to minimize risk
  - Large energy suppliers with strong credit profile
- Build and manage third party and internal sales channels
  - 140 agents in the field branded as SEM
  - Residential and small commercial agents
- Manage the aggregation of large volumes of customers
  - Enrolling and managing price plans, churn, moves
  - Customer service and support



# Business Profile – Our Product

## Natural Gas

### ➤ Residential

- Purchase 5-year gas supply to create an open position
- Develop offering based on targeted gross margins
- Equip sales channels with a fixed-price offering and sell through the position (2 to 3 weeks of supply)
- Top-tier supply partnerships

### ➤ Commercial

- Small/medium enterprise market is similar to residential
- Larger commercial customers are all “back to backed”
- Commercial agents offer other value-added services

# Natural Gas – Residential Customer Economics

- Lifetime gross margin \$725
- One-time acquisition costs \$207
- NPV of a customer at 10% DC rate \$462
- Payback period 16 Months
- Attrition rate 6% - 10%

# Business Profile – Our Product

## Electricity

- Ontario fixed-price electricity – 5-year contracts
- Bruce Power strategic supplier
  - Long-term supply partnership where Bruce provides secure supply and credit and SEM provides marketing and service
  - Unique margin sharing structure ensures partners are aligned
- Enhanced dual-product offering with electricity
- Better retention of quality agents with dual-product offering
- Electricity penetration approximately 15% to 20%

# Electricity – Residential Customer Economics

- Lifetime gross margin \$600
- One-time acquisition costs \$127
- NPV of a customer at 10% DC rate \$252
- Payback period 17 Months
- Attrition rate 6% - 10%

# Challenges-Focus Areas

- Residential electricity pricing in Ontario
- Expanding channel capabilities with quality
- Current credit markets and recession threatens traditional product offers

# Operational Improvement Projects

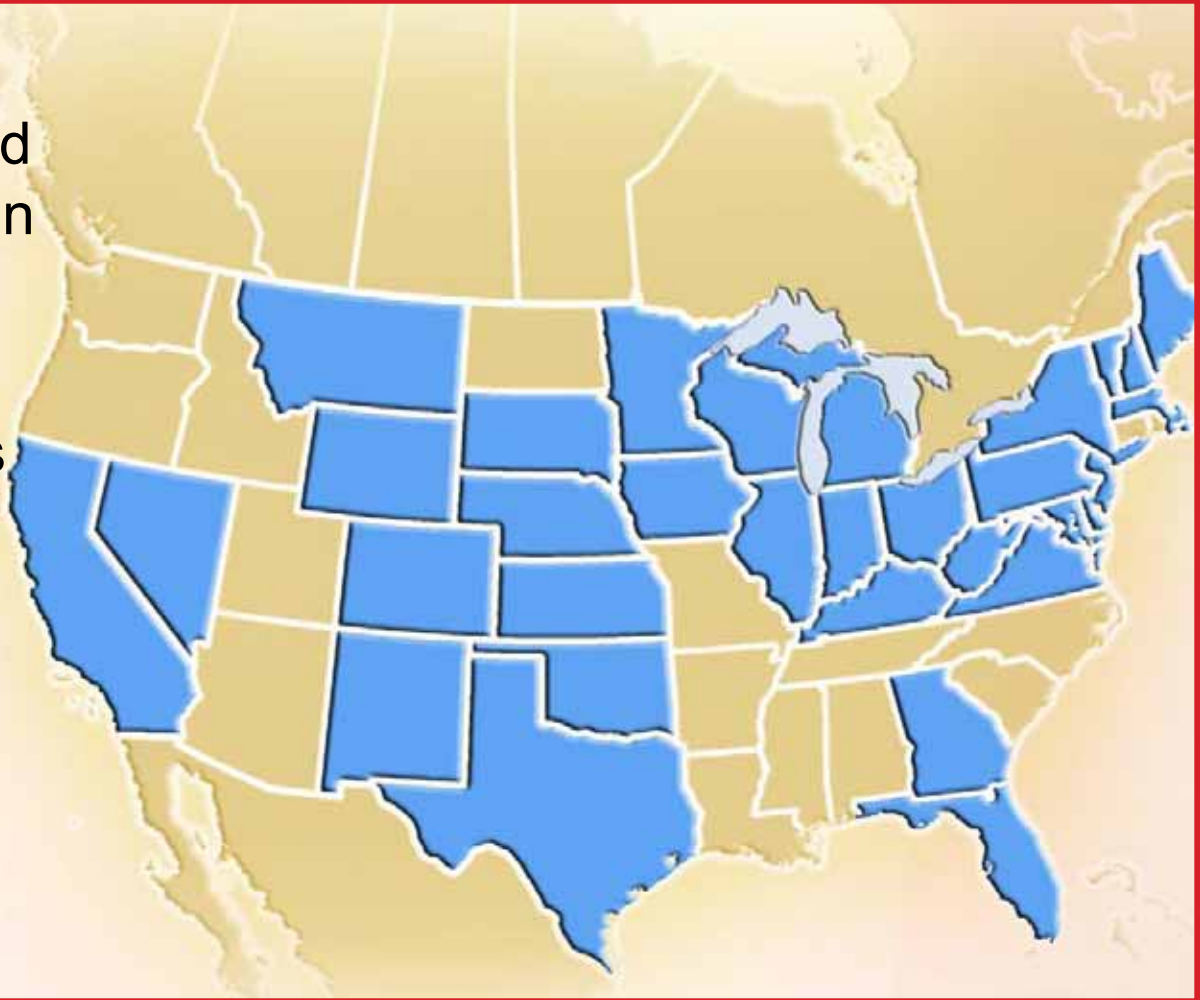
- Invest in commercial sales channels and support to strengthen commercial customer value proposition
- Improve the efficiency of residential sales and develop new channels to market
- Provide additional training and tools for sales agents to improve productivity and success

# Growth Opportunities

- Invest to grow more aggressively in Ontario commercial gas and power
- Maintain current growth rate in Quebec and BC residential
- Introduce new focus on BC commercial channels.
- Expand into new products and sales channels utilizing Ontario and BC acquisition programs.

# Future Growth Strategy

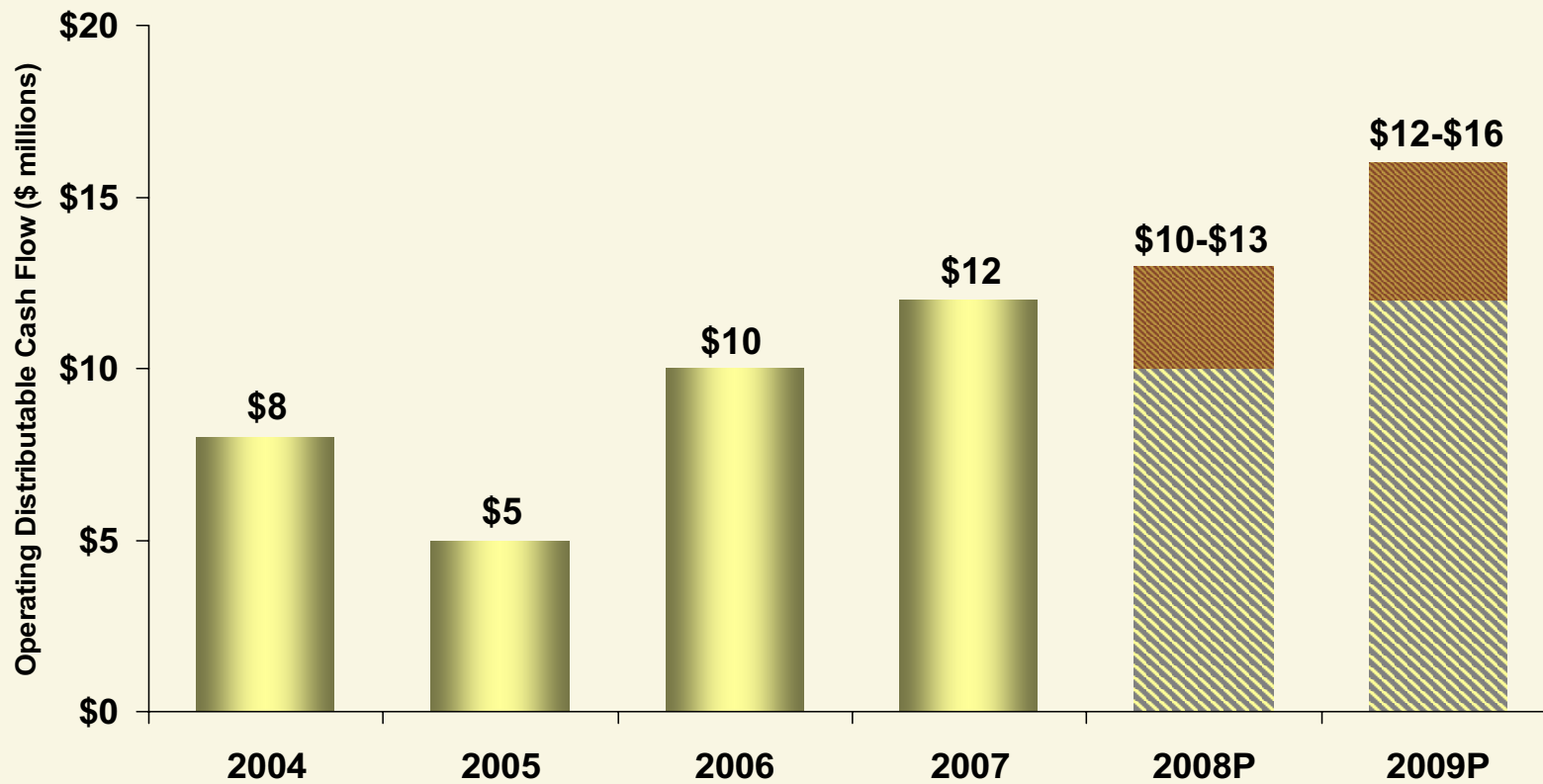
- Leverage new and existing markets in Canada
- Target key U.S. opportunity states



# Financial Outlook

- Estimated Range
- Projected
- Actual

(\$ millions)



Dividend Stability with Growth



# Summary

- 100,000 residential and commercial gas and electricity customers
- Risk managed with locked in margins
- British Columbia, Ontario and Quebec operations
- Good mix of business in residential and high-value commercial
- Strong team in place and well positioned for execution in new markets





# Questions & Answers