

Tolls, Tariff, Facilities & Procedures Committee

Resolution

T2003-07: Winter Firm Transportation – Export Delivery (FT-DW) Service

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) supports the creation of a Winter Firm Service (FT-DW) at NOVA Gas Transmission Ltd. (NGTL) Export Delivery Points as recommended by the Operations Task Force (Task Force). Under the terms and conditions of the FT-DW service, NGTL can offer FT-DW service on a limited basis up to 35 MMcf/d at the Alberta-BC Border, and 35 MMcf/d at the Empress and McNeill Borders combined. The ability to provide this service results from the difference in the pipeline system winter and summer design capability adjusted for consideration of a next potential expansion. Increases in available FT-DW service are to be reviewed by the TTFP. The service will be made available through an open season for an initial term of four (4) years commencing on November 1, 2004, with conditional renewal provisions. FT-DW will be fixed at a price of 175% of the Firm Transportation – Delivery (FT-D) rate. Revenue generated from FT-DW will be treated in the same manner as IT-D and Short Term Firm Transportation (STFT) and as 'other transportation revenue' in the NGTL rate setting process. A FT-DW service description document is attached as information to describe this service.

Background

Downstream pipelines to the west of the Alberta System, TransCanada BC System (BC) and Gas Transmission Northwest, provide renewable winter firm service and are currently viewed as pipelines serving winter peaking natural gas markets in British Columbia, the Pacific Northwest and California. In 1997, the Alberta System moved from a winter design to a summer design for annual FT-D service and introduced a STFT service to capture the increase in capability which resulted from decreases in ambient and soil temperatures during the winter season. In 2003, the winter period on Alberta and BC Systems were aligned to the five months from November to March inclusive.

In early 2003, some shippers made a request for incremental winter firm service on Alberta and BC Systems. Potential services to meet this request were evaluated under the current facilities design policies on both the Alberta and BC pipelines systems. The Tolls, Tariff & Procedures Committee, predecessor to the TTFP, adopted issue T2003-07 in May 2003, for the purposes of discussing the introduction of a possible new service, Firm Transportation – Variable.

The scope was refined to develop a new five-month winter only firm under current design conditions at Alberta System export delivery borders for an amount of the available winter design capability. Any remaining seasonal operational capability would continue to be offered through the existing STFT service. The primary need for this new service is at the Alberta-BC Border. The Task Force has since been meeting to develop service attributes and work through service issues.

Next Steps

NGTL will file an application for this new service including the approved resolution, amended Tariff and FT-DW service description with the Alberta Energy & Utilities Board (EUB). NGTL will implement the FT-DW through an open season for a November 1, 2004 in-service date assuming EUB approval. The open season will be targeted to occur no earlier than July or no later than August and be co-ordinated with an STFT open season.

NOVA Gas Transmission Ltd. (NGTL) Winter Firm Transportation – Export Delivery (FT-DW) Service Description

The following describes the need, attributes and rationale related to the introduction a new winter only firm service at export delivery borders (FT-DW) on the Alberta System. The service description comprises of the following sections:

1. Background;
2. Considerations in determining available service;
3. Service attributes and rationale; and
4. Conclusion.

1.0 Background

Downstream pipelines to the west of the Alberta System, TransCanada B.C. System (BC) and Gas Transmission Northwest, provide renewable winter firm service and are currently viewed as pipelines serving winter peaking natural gas markets in British Columbia, the Pacific Northwest and California. In 1997, the Alberta System moved from a winter design to a summer design for annual Firm Transportation – Delivery (FT-D) service and introduced a Short Term Firm Transportation (STFT) service to capture the increase in capability which resulted from decreases in ambient and soil temperatures during the winter season. In 2003, the winter period on Alberta and BC systems were aligned to the five months from November to March inclusive.

In early 2003, some shippers made a request for incremental winter firm service on the BC and Alberta systems. Potential services to meet this request were evaluated under the current facilities design policies on both the BC and Alberta pipelines systems. The Tolls, Tariff & Procedures Committee (TTP), predecessor to the Tolls, Tariff, Facilities & Procedures Committee (TTFP), adopted issue T2003-07 in May 2003, for the purposes of discussing the introduction of a possible new service, Firm Transportation – Variable

The scope was refined to develop a new five-month winter only firm service under current design conditions at Alberta System export delivery borders for an amount of the available winter design capability. Any remaining seasonal operational capability would continue to be offered through the existing STFT service. The primary need for this new service is at the Alberta-BC Border. The TTFP Operations Task Force (Task Force) has since been meeting to develop service attributes and work through service issues.

2.0 Considerations in Determining Available Service

A conservative estimate of available FT-DW service was established based on analysis that considers system expansion requirements that may be required to meet annual FT-D border service requirements in the future.

Current border capabilities were evaluated based on winter and summer design conditions, using assumptions and philosophies consistent with those used for typical design review and facility expansion analysis. Once the current winter and summer border capabilities were established, the difference between the two values was further analyzed. Specifically, the variability of the winter to summer difference was tested against a variety of facility expansion scenarios.

Expansion facilities that are required to accommodate increased FT-D requirements and/or to compensate for local area supply changes, can have an impact on the winter to summer capability difference. System expansions are designed on a summer basis, and generally the facilities that provide incremental capability for the least cost on a long-term basis would be selected. However, depending on the magnitude and timing of the expansion, individual facilities identified as cost effective on a summer basis may not release a hydraulic restriction that might exist in the winter, thereby decreasing the winter to summer capability difference.

Although the winter to summer capability difference may remain consistent or increase as a result of a given expansion scenario, it may also be reduced depending on the timing and placement of expansion facilities. Limiting the quantity of available capability for FT-DW service will allow for the management of uncertainties of future expansion requirements and ensure that facilities are not built to solely provide FT-DW service.

FT-DW service at the minor export border points of Alberta-Montana, Gordondale, Boundary Lake, Cold Lake and Unity has been determined to be unavailable at this time as the winter to summer capability difference is negligible. The winter to summer capability difference was determined to be 35 MMcf/d for the Alberta-BC Border.

There is a need for incremental winter firm to serve growing peaking markets to the west. The Alberta-BC Border is currently fully contracted, as is the McNeill Border. Notwithstanding changes in the market or changes to NGTL service attributes, these two borders are expected to remain fully contracted and migration away from annual FT-D service is unlikely with the introduction of FT-DW.

With the aid of an active secondary market, Empress FT-D service is currently managed at 98 to 99 percent utilization. Upon evaluating interruptible transportation service at the Empress Border, it was determined that there remains an incremental use of interruptible service in any given month. The incremental use of interruptible service at Empress was determined after taking into consideration the up to two percent of unutilized FT-D service, the increase in the interruptible transportation floor rate on the Canadian Mainline and the use of alternate access. Given the high FT-D utilization at Empress and the continued net use of interruptible transportation service, current holders of FT-D service at Empress may not be motivated to migrate transportation service needs to FT-DW in lieu of FT-D.

However, there is some concern that the introduction of FT-DW could alter shipper behaviors and lead to migration from annual FT-D service to FT-DW. As a result, currently available FT-DW will be limited to a maximum of 35 MMcf/d at the Alberta-BC Border and 35 MMcf/d combined at the Empress and McNeill Borders.

Any member of the TTFP, at any time, can sponsor an issue to review available FT-DW service at any export delivery border. Notwithstanding raising an issue at the TTFP, a change in available capability for FT-DW service would trigger a review to determine whether incremental FT-DW service should be made available at export delivery borders. Reporting on the available and subscribed quantities and utilization of FT-DW service will be provided to the TTFP as requested.

3.0 Service Attributes and Rationale

Some downstream local distribution markets to the west require incremental long-term winter firm transportation to meet growing peaking demand for natural gas in the areas and communities that they serve. Notwithstanding the FT-DW Rate Schedule and Service Agreement (to be worked), Table 1 outlines the key service attributes of FT-DW. The attributes represent a balance between the long-term needs of the downstream markets, available service the Alberta System can provide to meet those needs and interests of affected parties.

Table 1 - FT-DW Service Attributes

Attribute	Description	Note
Term	Four-year initial term	Assuming two-way option is exercised term of FT-DW service contract is extended by two more years
Renewal Term	Two-year renewal notice	Every two years renewal is reviewed and executed
Renewal Option	Two-way renewal option	TransCanada determines if term can be extended another two years and shippers can then agree

		to extend for the two years
Price	Fixed at 175% of the FT-D rate	FT-DW is a specific winter peaking firm service
Priority of Service	Prorate with all other FT export delivery services, FT-D and STFT	Same priority as other firm export delivery services
Assignment of Service	Permanent assignments only	FT-DW service does not allow temporary assignment of service
Alternate Access	Not available	
Availability	Export Delivery Points November 1 of any year ending on March 31 of the next year	TransCanada to determine available capability for FT-DW service coinciding with its design review Differs from STFT on price, term and renewability
Allocation of Service	Open season Available service prorated based on shipper requests subject to minimum quantity Shippers can request a minimum quantity	Shipper request can not exceed available service offered

Term, renewal term and renewal option are linked. The downstream market is looking for a long-term winter firm service that is renewable. Due to pipeline system design considerations, this service can not be offered for the initial preferred term of 10 to 15 years. Available information impacting system design becomes less reliable the further out in time and four years out was considered an acceptable horizon. The long-term need with the ability to renew the service was met with an initial term of four years with a two-way option for renewing existing subscribed service. Every two years, TransCanada will determine, using the same process described in Section 2.0, whether it can extend the existing subscribed FT-DW service for another two years. And, at the same time shippers who subscribed to the service will indicate whether they wish to renew the service for another two years.

The 12-month equivalent price for the service would be 12/5 or 240% of the FT-D rate; however, there are several differentiating factors when compared to annual FT-D service that supports FT-DW not being priced at 240%. The differentiating factors include renewability is not 100% guaranteed, there are no facilities being added or required to provide the service and at the 240% price level, annual service is superior as the contracts for the remaining seven months have value.

FT-DW is a specific service designed to meet incremental peaking winter requirements. The attributes of the service have been established to differentiate the service on this basis. As a winter peaking demand service, FT-DW is expected to have priority usage. It does not require the same risk mitigating attributes as annual service, particularly annual service that is used to meet winter peaking demand. Therefore, annual service attributes such, as alternate access and temporary assignments are not considered necessary to manage this service. Also, because FT-DW is a firm service, it has the same priority as other firm services at export delivery borders.

Given consideration to all attributes and the specific need and use of FT-DW service, a fixed price at 175% of the FT-D service rate was negotiated as a reasonable reflection of service value. Revenue generated from FT-DW will be treated in the same manner as 'other transportation revenue' in the NGTL rate setting process.

An open season where all shipper requests are considered was seen as a fair, non-discriminatory and a practical method for allocating the service. The open season would close after a two-week period and available service at the Alberta-BC Border would be prorated based on the shipper requests for FT-DW service at this border. Similarly, available service at the Empress and McNeill Borders would be prorated based on the combined shipper requests at these borders. Along with their requests for service, shippers will be allowed, should they wish to, to submit a

minimum quantity such that if the prorated amount does meet this minimum quantity, the shipper request is not binding and available service will be allocated to the remaining shipper requests.

In the unlikely event that an amount of subscribed FT-DW service became unavailable because the summer / winter difference decreased, holders of the subscribed service would first be asked if they wished to rationalize or turn-back some of their service. Should no service become available through rationalization, existing service would be prorated down, with sufficient notice, to meet the new available FT-DW service level.

FT-DW service quantities will be reviewed annually as a component of the design review processes currently in place. Should incremental FT-DW service become available, either from existing subscribed service that is not renewed or from the annual review of the winter to summer difference in capability or from any other trigger identified herein, another open season would be held to obtain requests for the service.

In the event, shippers did not renew their service or if circumstances dictated that another more appropriate service be offered, the continuation of FT-DW service as described above should be reviewed by all interested parties.

4.0 Conclusion

In conclusion, there is a need for a renewable winter firm service at export delivery borders on the Alberta System, particularly at the Alberta-BC Border. The TTFP agrees to the creation of a Winter Firm Service (FT-DW) at NGTL Export Delivery Points as recommended by the Task Force. The service will be provided through the difference in the pipeline system winter and summer design capability adjusted for consideration of potential expansions. A new Rate Schedule FT-DW and FT-DW Service Agreement will enable NGTL to offer the service on a limited basis at the major export borders, Empress, McNeill and Alberta-BC. The service will commence on November 1, 2004 for an initial term of four years and with conditional renewal provisions. FT-DW will be fixed at a price of 175% of the FT-D rate. Revenue generated from FT-DW will be treated in the same manner as 'other transportation revenue' in the NGTL rate setting process. Requests for service will be made through an open season following Alberta Energy & Utility Board approval. As introduced, FT-DW is expected to generate incremental revenue to the benefit of all NGTL shippers.