

# Tolls, Tariff, Facilities & Procedures Committee

Resolution T2006-02: Fuel Gas Optimization and Possible Incentive Program

## Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees not to pursue a Fuel Gas Optimization and Incentive Program for 2007.

## Background

Shippers currently provide fuel gas consumed in the operation of the Alberta System in-kind. TransCanada estimates a fuel rate on a daily basis for gas required to maintain and operate the system which includes compressor fuel, building heating fuel, gas lost, unaccounted for gas and measurement variance. Fuel is allocated to shippers based on their proportion of receipt gas received onto the system for that day. For the purpose of this issue, fuel will be limited to compressor fuel gas usage only and includes both NGTL and Foothills Zone 6 compression facilities.

TransCanada operates the Alberta System in a manner which minimizes compressor fuel. Only the required compressor facilities, and the most fuel efficient compressor units, are run to move the volumes which are nominated on the Alberta System. This ensures that the Alberta compressor fuel is as low as possible. It may be more beneficial to some producers if the Alberta System were run less efficiently. To the extent that the receipt point pressures are reduced, producers may need to install less upstream compression facilities. Any fuel incentive program should give consideration to optimization of production volumes.

The purpose of a fuel gas incentive is to provide a balance between operating and maintenance (O&M) costs and compressor fuel gas consumption. Under the current Settlement and absent an incentive program, operational decisions could be made that minimize O&M costs but could have an adverse effect on fuel. Alternatively, TransCanada could be spending more of its O&M dollars to increase facility availability which would have the effect of potentially decreasing fuel for Alberta System shippers. By implementing a fuel gas incentive program, both TransCanada and its shippers would benefit from the resulting balanced decisions.

A task force was formed a met 3 times to discuss the merits of a fuel optimization and incentive program. A technical working group was also formed to analyse data to be used in a regression analysis to determine a predictive model for Alberta compressor fuel. The results of the technical work indicate that predicting the fuel on the Alberta System to with enough confidence to pursue an incentive program is difficult. After considerable analysis and refinement it was determined that the error in the predictive model may be greater than the fuel savings TransCanada can achieve through incremental O&M investment.

The task force agrees that reducing fuel on the Alberta System is important and TransCanada should continue to be diligent in minimizing compressor fuel.

## Next Steps

TransCanada to file the Resolution with the EUB to close the loop on the request to negotiate.