

# Tolls, Tariff, Facilities & Procedures Committee

Resolution T2006-04: CO<sub>2</sub> Service Fees

## Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to a mid-year review of the fuel gas component of the CO<sub>2</sub> Management Service (the Service) rate. Should the fuel gas component cause the Service rate to change by +/- 10% or more from the rate posted on January 1, TransCanada will file an amended Service rate with the Alberta Energy & Utilities Board (EUB) to be effective on July 1<sup>st</sup> of each year.

## Background

In Decision 2002-084, the Alberta EUB approved a CO<sub>2</sub> Management Service after an unopposed vote on July 26, 2002 by the Tolls, Tariff & Procedures Committee (the predecessor to the TTFP). The Service charges a toll for deliveries of gas into the NGTL System with CO<sub>2</sub> concentrations in excess of 2% and continues to provide broad industry benefits by:

1. Providing producers an alternative to installing CO<sub>2</sub> removal equipment. There are over 350 CO<sub>2</sub> contracts at some 119 receipt points.
2. Ensuring revenue being generated is greater than costs. It has provided approximately \$15 million in 2003, \$13 million in 2004, and \$17 million in 2005 net after costs.
3. The CO<sub>2</sub> level greater than 2% has been significantly reduced which has contributed to an overall reduction in system CO<sub>2</sub> levels. In February of 2006 the level of excess CO<sub>2</sub> is at 135 10<sup>3</sup>m<sup>3</sup>/d compared to 386 10<sup>3</sup>m<sup>3</sup>/d before the Service and the overall CO<sub>2</sub> level is 0.82% compared to 0.93% before the Service.
4. The overall system integrity has been maintained. Water content has been reduced at the receipt points subscribing to the Service and no CO<sub>2</sub> corrosion has been detected within the System.

The Service application has a provision to review the price after five years of implementation (effective January 1, 2008). The Service rate is based on a proxy of the unit cost of constructing and operating typical amine extraction facilities, to put producers who make their own arrangements on equitable footing with those who utilize the Service. The rate is comprised of 2 parts; an owning and operating component and a fuel component. The fuel component is based on the NYMEX forward-looking gas price for the next calendar year. The 2006 NYMEX test year average price used to calculate the fuel component was \$10.808/MMBtu (USD); an increase of 50% over 2005.

A review of the fuel component of the rate will be undertaken on a mid-year basis and adjusted only if it causes the Service rate to change by +/- 10% or more. The current process of setting the Service rate for January 1 of each year will continue regardless of the change to the Service rate. The interim adjustment will aid to more closely align the Service rate with current gas prices, while maintaining rate stability.

## Next Steps

TransCanada will file the resolution and the updated CO<sub>2</sub> Management Service rate with the EUB for approval. The new rate will become effective the first of the month following EUB approval.