

CHAPTER 1 – THE ANNUAL PLAN PROCESS

1.1 Introduction

This chapter provides background information to the Annual Plan and gives an overview of how industry participates with NOVA Gas Transmission Ltd. (“NGTL”) to understand and influence the buildup of the Alberta System.

1.2 Background to Annual Plan

NGTL seeks and receives authorization for construction and operation of pipeline and related facilities from the Alberta Energy and Utilities Board (“Board”) pursuant to the provisions of the *Pipeline Act*.

The Board has met periodically with NGTL and industry participants to review and revise the procedures and criteria used in assessing NGTL’s facility applications. The Board’s conclusions following such reviews have been set forth in Informational Letters. These letters function as directives respecting information that must be included in facility applications and as guidelines for NGTL, Customers, the Board, and other interested parties in the review and assessment of NGTL’s facility applications.

NGTL follows Board Informational Letter IL 90-8, a copy of which is provided in Appendix 2, in seeking authorization from the Board to construct and operate pipeline and related facilities. Section C of IL 90-8 requires that NGTL follow a two-stage application process:

The first stage is the filing with the Board of an annual preliminary overall system plan (“Annual Plan”) containing all planned facility

additions and major modifications. The second stage is the filing of the final technical, cost, routing/siting, land, environmental and other information required to complete the application for each facility contained in the Annual Plan.

Section E of IL 90-8 requires that the Annual Plan contain information on the need, rationale, and justification for the proposed facility additions. The information must include, but is not limited to:

- (a) system demand outlook;
- (b) system reserves and deliverability on an area basis;
- (c) assumptions, design criteria, and methodology;
- (d) economic criteria;
- (e) preliminary sizing of each facility;
- (f) preliminary route/site for each facility;
- (g) preliminary cost estimate and construction schedule for each facility;
- (h) impact on NOVA's cost of service due to the implementation of the Annual Plan; and
- (i) long-term plan and the impact resulting from the implementation of the Annual Plan on the long-term plan.

The Annual Plan provides the Board and industry participants with an understanding of how specific facility applications fit into the overall long term development of the Alberta System.

NGTL and those affected by the facility applications work together early in the planning process to exchange information and provide appropriate opportunity for input and comment. The Board ensures NGTL's applications meet the technical, environmental, economic, and safety criteria set out in the *Pipeline Act* and associated regulations. The Board also acts as a catalyst to ensure there is appropriate dialogue

between NGTL and those interested in and affected by NGTL’s facility applications. A major benefit of this dialogue has been the small number of facility hearings in recent years. In the event of a facility hearing, the Board makes a determination, based on the evidence presented to it, as to whether or not a permit for the facility will be granted.

1.3 Annual Plan Scope

The December 2006 Annual Plan contains facilities requirements for the 2007/08 Gas Year commencing on November 1, 2007 and ending on October 31, 2008.

1.4 Annual Plan Changes

This section describes changes that have been incorporated in this years’ Annual Plan and are described in the following sub-sections: Design Area Name Changes, Peak Expected Flow Determination, Historical Peak Flow, and Glossary Additions.

1.4.1 Design Area Name Changes

The terms “upstream” and “downstream” are no longer clear in their description of the design areas within the North & East Project Area. Consequently, NGTL has renamed the design areas within the North & East Project Area as follows:

<u>Current Name</u>	<u>New Name</u>
Upstream Bens Lake Design Area	North of Bens Lake Design Area
Downstream Bens Lake Design Area	South of Bens Lake Design Area

1.4.2 Peak Expected Flow Determination

The mainline system facilities flow determination has been expanded in this year's Annual Plan to include a peak expected flow determination, as described in Section 2.6.2. The peak expected flow determination is the result of the increasing difference between levels of firm transportation contracts and actual flows and is used to identify the potential of transportation service constraints where the peak expected flow exceeds the system capability. Should a capability constraint be identified, any resulting facilities additions required to transport the peak expected flows are subjected to a risk of shortfall analysis (load/capability analysis) prior to being recommended.

There are no facilities identified in this Annual Plan resulting from the peak expected flow determination. Any future facilities additions identified using the peak expected flow determination will be presented to NGTL's Customers prior to the filing of any facility application.

1.4.3 Historical Peak Flow

The historical peak flow has been added to the figures in Chapter 4 to illustrate the peak flow that has been observed in each design area of the Alberta System.

1.4.4 Glossary Additions

The following new definitions have been added to the Glossary in Appendix 1:

- i) Average Receipt Forecast
- ii) Load / Capability Analysis
- iii) Peak Expected Flow

1.5 June 2006 Design Forecast

NGTL's June 2006 design forecast of gas delivery, FS productive capability, average receipts and field deliverability was used in the preparation of NGTL's December 2006 Annual Plan.

1.6 Industry Participation

It is clear from Board Informational Letter IL 90-8 that the Board intends that the concerns of interested parties related to NGTL facilities be addressed directly with NGTL or through the various industry committees and subcommittees that have been established for that purpose (IL 90-8, Paragraph H). The Board's objectives are to ensure an appropriate forum exists for input and comment prior to the finalization of specific facility applications and to ensure NGTL's facility applications are assessed in an informed, timely and cost effective manner.

To facilitate a more participative and consultative role for industry participants in policy formation and system design, NGTL uses:

- committees;
- discussion papers or proposals which target specific issues;
- information circulars;
- industry presentations; and
- the internet, including Customer Express and NrG Highway.

The Facilities Liaison Committee ("FLC") was formally established in May 1990 and has been an important forum for reviewing NGTL's plans with industry. In 2004, the FLC became a standing task force, the Facilities Task Force ("FTF"), of a broader industry committee, the Tolls, Tariff, Facilities and Procedures Committee ("TTFP").

Participation on the TTFP is open to any affected party that would directly experience implications of importance due to outcomes achieved by this committee, including facility related decisions of NGTL. The TTFP provides for the timely exchange of information among interested parties and provides a significant opportunity for parties to influence NGTL's facility proposals and long-term planning. Since the filing of the December 2005 Annual Plan, NGTL has made presentations to the TTFP on a number of topics. The design forecast, design flows and facility requirements were presented to the TTFP on November 21, 2006, prior to the finalization of this Annual Plan.

Periodic updates on the Alberta System expansion plans and capital program, and the impact of the plans and program on the cost of transportation are provided to all Customers. These updates provide opportunity for Customer input. NGTL also makes presentations to other industry committees and government agencies, and offers to meet with any association or Customer on system design or any other issue. Over the last year NGTL has participated in meetings with various Customers and a broad range of consumers, marketers, and distributors in which the pipeline system facilities requirements and capital programs have been discussed.

The TTFP will be advised if additional facilities are identified to be placed in-service for the 2007/08 Gas Year after the filing of this Annual Plan and prior to the issuance of the next Annual Plan.

A copy of the December 2006 Annual Plan can also be accessed on TransCanada's Web site located at:

http://www.transcanada.com/Alberta/regulatory_info/facilities/index.html