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July 15, 2008

Alberta Utilities Commission  
4th Floor, 425-1st Street S.W.  
Calgary, Alberta  
T2P 3L8

Filed Electronically

Attention: Mr. Wade Vienneau, Executive Director - Utilities

Dear Sir:

**Re: NOVA Gas Transmission Ltd. (“NGTL”)  
Tolls, Tariff, Facilities and Procedures Committee (“TTFP”)  
Resolution T2007-04 – CO<sub>2</sub> Management Service Review**

In Decision 2002-084, the Alberta Energy and Utilities Board approved a CO<sub>2</sub> Management Service on the Alberta System after an unopposed vote on July 26, 2002 by the Tolls, Tariff & Procedures Committee, a precursor to the TTFP.

The CO<sub>2</sub> Management Service charges a rate for the receipt of gas onto the Alberta System with CO<sub>2</sub> concentrations in excess of the Alberta System’s gas quality specification of 2 percent. Subject to a service cap, NGTL contracts for CO<sub>2</sub> extraction on the same flow path, upstream, downstream or in parallel, to the Receipt Point where natural gas containing excess CO<sub>2</sub> is delivered onto the Alberta System. The rate charged for the CO<sub>2</sub> Management Service is based on a proxy of the unit cost of constructing and operating a typical extraction facility. The rate is composed of two parts; an owning and operating component and a fuel component. Appendix H of NGTL’s Gas Transportation Tariff describes the CO<sub>2</sub> Management Service.

The CO<sub>2</sub> Management Service application included a provision to conduct a detailed review to evaluate the appropriateness of the rates and the rate calculation methodology, and to adjust either one if appropriate.

As part of the review, NGTL surveyed potential CO<sub>2</sub> extraction facilities, and from the information collected, determined that the fuel component of the CO<sub>2</sub> Management Service rate should be adjusted due to a change in the average fuel consumption reported in the survey. The review also determined that the fuel rate should be adjusted for foreign exchange differences each time the rate is set. The benchmark price used is the NYMEX natural gas price, which is based on U.S. currency. Given the recent exchange rate volatility, a conversion to Canadian dollars was deemed warranted. As NGTL provides a monthly update of CO<sub>2</sub> data on its website, it was agreed that the CO<sub>2</sub> Management Service semi-annual reporting to the TTFP and the AUC could be discontinued. It was further agreed that a future review of CO<sub>2</sub> Management Service pricing should be undertaken, if required, in 5 years' time (i.e. in 2014) following implementation of the current recommendations.

On July 8, 2008, following the detailed review and presentation of the recommendations, the TTFP adopted the following proposed changes by an unopposed vote on Resolution T2007-04.

Accordingly, NGTL applies to the Alberta Utilities Commission ("AUC") under Part 4 of the *Gas Utilities Act* for approval of the following changes to the Carbon Dioxide ("CO<sub>2</sub>") Management Service:

- Adjust the fuel rate component of the CO<sub>2</sub> Management Service Rate by rebasing the fuel consumption volumes to reflect the data received during the information request process;
- Revise the annual (or mid-year) fuel index to reflect changes in foreign exchange rates using the exchange rate in effect November 1 (or May 1 for the mid-year price review);
- Discontinue the CO<sub>2</sub> Management Service semi-annual reporting to the TTFP and the AUC. NGTL will continue to provide TTFP members with a semi-annual reminder to review monthly CO<sub>2</sub> data on its website at the following link:

[http://www.transcanada.com/Alberta/regulatory\\_info/co2.html](http://www.transcanada.com/Alberta/regulatory_info/co2.html)

- In 2014, NGTL will discuss the requirement for a future price review with the TTFP and whether it should be completed by a third party independent consultant.

NGTL proposes that the applied-for changes to the CO<sub>2</sub> Management Service take effect on January 1, 2009.

NGTL is notifying its shippers and members of the TTFP of the availability of this filing on TransCanada's Alberta System website at:

[http://www.transcanada.com/Alberta/regulatory\\_info/2008.htm](http://www.transcanada.com/Alberta/regulatory_info/2008.htm).

TTFP Resolution T2007-04 is attached for the AUC's information.

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Mr. W. Vienneau

Please direct all notices and communications regarding this matter to Ben Leung by e-mail at [ben\\_leung@transcanada.com](mailto:ben_leung@transcanada.com) and [alberta\\_system@transcanada.com](mailto:alberta_system@transcanada.com), or by phone at (403) 920-2275.

Yours truly,

**NOVA Gas Transmission Ltd.**

A wholly owned subsidiary of TransCanada PipeLines Limited

*Original Signed by*

Murray Sondergard  
Director, Regulatory Services

Attachment

cc: Tolls, Tariff, Facilities and Procedures Committee  
Alberta System Shippers

# Tolls, Tariff, Facilities & Procedures Committee

## Resolution

T2007-04: CO<sub>2</sub> Management Service Review

### Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to the following changes to the CO<sub>2</sub> Management Service effective January 1, 2009:

- Adjust the fuel rate component of the CO<sub>2</sub> Management Service Rate by rebasing the fuel consumption volumes to reflect the data received during the information request process;
- Revise the annual (or mid-year) fuel index to reflect changes in foreign exchange rates using the exchange rate in effect November 1 (or May 1 for the mid-year price review);
- Discontinue the CO<sub>2</sub> Management Service semi-annual reporting to the TTFP and the AUC. NGTL will continue to provide TTFP members with a semi-annual reminder to review monthly CO<sub>2</sub> data on its website at the following link:  
[www.transcanada.com/Alberta/regulatory\\_info/co2.html](http://www.transcanada.com/Alberta/regulatory_info/co2.html)
- In 2014, NGTL will discuss the requirement for a future price review with TTFP and whether it should be completed by a third party independent consultant

### Background

In Decision 2002-084, the Alberta Energy and Utilities Board (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 the receipt of gas into the Alberta 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 500 CO<sub>2</sub> contracts at some 116 receipt points.
2. Ensuring revenue being generated is greater than costs. It has provided approximately \$15 million in 2003, \$13 million in 2004, \$17 million in 2005, and \$20 million in 2006, 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 April of 2007 the level of excess CO<sub>2</sub> was at 132 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 conduct a detailed review of the CO<sub>2</sub> Management Service, prior to setting rates for 2008, to evaluate the appropriateness of the rates and the rate calculation methodology and adjust if appropriate. 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 two 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.

In 2004 a CO<sub>2</sub> Service Price Review was completed, supported by Resolution T004-03, which recommended staying with the Service Cap and pricing proxy. In 2006, TTFP resolution T2006-04 supported a provision for a mid year review and adjustment of the fuel gas component of the CO<sub>2</sub> Management Service rate.

In early 2008, NGTL requested data from existing amine processing operators and the TTFP. The data was compiled and the task force reviewed the results. The task force agreed to adjust the fuel component of the CO<sub>2</sub> Management Service Rate by rebasing the fuel consumption volumes to reflect the data received during the price review. In addition, the fuel index will be revised to reflect changes in foreign exchange rates using the exchange rate in effect November 1 (or May 1 for the mid-year price review). The task force also discussed the capital component of the CO<sub>2</sub> Management Service Rate, but agreed not to make any adjustments given that the results of the price review were within 2% of the 2008 rates.

### **Next Steps**

NGTL will file the adopted Resolution with the AUC for approval. Once approved, the changes will take effect on January 1, 2009.