

# Tolls, Tariff, Facilities & Procedures Committee

## Resolution T2003-06

### Storage Transportation Service

#### Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to adopt the NOVA Gas Transmission Ltd. (NGTL) IT-S Procedure (Procedure) as attached. The Procedure sets out the process by which Connecting Pipeline Operators (CPO) dealing with volume that is eligible under the provisions of IT-S in the NGTL Tariff will have services administered.

#### Background

IT-S is allocated when gas is delivered into a commercial storage facility from the NGTL System, to be stored and returned to the NGTL System at a later date. The Tariff also contains provisions regarding IT-S such as setting out the responsibility for providing information to NGTL to ensure the appropriate allocation of IT-S. Providing this information is the responsibility of the CPO and they must satisfy NGTL of such allocations. The complexity and number of storage facilities has changed over time and it is necessary to ensure the process by which IT-S is administered is appropriate and understood by all NGTL stakeholders. Specifically:

- Commercial storage facilities connected to NGTL may also have direct connections to other pipeline systems. They may also have native gas production and all would consume fuel gas. These receipts and deliveries are outside the scope of IT-S and can be either billable receipts or deliveries under the NGTL Tariff.
- The amount of gas that could be cycled on an annual basis and the total amount of storage gas have become blurred by the aforementioned complexity. NGTL's assumptions regarding the administration of IT-S has become increasingly difficult to manage and is impacting the transparency and consistency of storage transportation service.
- Rate Schedule IT-S required additional transportation service definitions to reflect the realities of connections and service types such as IT-D and FT-D. These have been applied for in the NGTL 2004 General Rate Application which has been previously filed with the Alberta Energy & Utilities Board (EUB).

In order to resolve this situation, NGTL sponsored an issue, which was adopted by the Tolls, Tariff & Procedures Committee on May 6, 2003 (T2003-06). A task force was formed to address the storage accountability issue and this issue. The Storage Task Force tackled storage accountability first and then turned its attention toward storage transportation service. The Storage Task Force met fifteen times between August 2003 and February 2004 to consider this issue and agreed on the following principle:

"Within a calendar month, all gas scheduled at an NGTL Receipt or Delivery Point, which is eligible for IT-S service as determined by NGTL in accordance with the

Storage Procedure<sup>1</sup> will be allocated to the appropriate NGTL transportation service and tolled accordingly as per Section III part 2 of this Procedure. The possible services available to be invoiced at an NGTL Receipt or Delivery Point associated with a commercial storage facility include Rate Schedules IT-S, IT-R, FT-R, FT-RN, IT-D<sup>2</sup>, FT-D<sup>2</sup>, and FT-A."

1 See Connection of Storage Facilities Procedure ("the Storage Procedure") for requirements of a commercial storage facility

2 These service types have been proposed to be added to the IT-S Rate Schedule and are before the EUB in the 2004 NGTL Phase 2 GRA

The Storage Task Force also reviewed the Procedure whereby CPOs will identify monthly gas flows as to supply or market type. The Procedure also notes that gas consumed by the commercial storage operator or NGTL toll paid gas that has been delivered to another pipeline system through a commercial storage facility and not returned within the same calendar month, will be identified as either a billable Alberta delivery or a billable Export delivery. Gas sourced from another pipeline system or native production that has been received by NGTL through a commercial storage facility and not returned to the storage facility within the same calendar month, will be identified as a billable receipt. In addition, should the NGTL Storage Inventory exceed specified limits set out in the Procedure, these volumes will be deemed to be billable under the appropriate rate schedule. Through this Procedure, NGTL may, from time to time, request the CPO to provide information necessary to satisfy NGTL that the quantities of gas delivered or received by NGTL under IT-S service were previously delivered by NGTL for injection into the commercial storage facility.

It is the intent that any new and existing storage facilities connecting to NGTL would adhere to this Procedure.

## Next Steps

NGTL will file the supported resolution with the EUB for information only and notify Customers of the Procedure as well as post it on the Company web site.

# NGTL IT-S Procedure

## I. DEFINITIONS

The capitalized terms used in this IT-S Procedure have the meaning attributed to them in the General Terms and Conditions of the NOVA Gas Transmission Limited (NGTL) Tariff unless otherwise defined in this IT-S Procedure.

**“IT-S (delivery)”** means gas allocated under Rate Schedule IT-S (delivery) is the quantity of gas delivered from NGTL into a commercial<sup>1</sup> storage facility to be temporarily stored, and returned to NGTL at a future date. This gas has previously paid an NGTL toll to access the NGTL System.

**“IT-S (receipt)”** means gas allocated under Rate Schedule IT-S (receipt) is the quantity of gas received from a commercial<sup>1</sup> storage facility into NGTL. This gas has previously paid an NGTL toll to access the NGTL System. Native gas or gas sourced from another pipeline and not returned within the same calendar month will be identified as a billable receipt.

**“NGTL Storage Inventory” or “NSI”** means total volume of gas including NGTL toll paid Cushion Gas, at any point in time, contained within a commercial<sup>1</sup> storage facility, which is eligible to be returned to NGTL under Rate Schedule IT-S (receipt). When returned to NGTL, this gas will be destined for a Delivery Point and tolled under the appropriate service.

**“Working Gas Capacity” or “WGC”** means a technically verifiable volume of gas that can be cycled once during the storage year or failing that, NGTL’s determination of such number based on historical data.

**“Connecting Pipeline Operator” or “CPO”** means the person who, with respect to a Delivery Point, places Nominations with NGTL on behalf of Customers. With respect to this IT-S Procedure, the term CPO includes storage facility operator.

**“Supply/Market Type” or “SMT”** means a billable Export delivery, billable Alberta delivery, billable receipt, and storage receipt or delivery.

**“Cushion Gas” or “CG”** means the volume of gas required in a storage reservoir to maintain adequate pressure and deliverability rates throughout the withdrawal season.

## II. PRINCIPLE

Within a calendar month, all gas scheduled at an NGTL Receipt or Delivery Point, which is eligible for IT-S service as determined by NGTL in accordance with the Storage Procedure<sup>1</sup> will be allocated to the appropriate NGTL transportation service and tolled accordingly as per Section III part 2 of this Procedure. The possible services available to be invoiced at an

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<sup>1</sup> See Connection of Storage Facilities Procedure (“the Storage Procedure”) for requirements of a commercial storage facility.

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NGTL Receipt or Delivery Point associated with a commercial<sup>1</sup> storage facility include Rate Schedules IT-S, IT-R, FT-R, FT-RN, IT-D<sup>2</sup>, FT-D<sup>2</sup> and FT-A.

### III. SERVICE ALLOCATION PROCESS

Based on the principle described in Section II, NGTL will manage the allocation and identification of services in the following manner:

1. Effective April 1, 2004, an NSI will be determined, including identification of NGTL toll paid Cushion Gas. The NSI shall result from a determination by NGTL and the CPO. The determination shall not exceed a verifiable maximum reservoir capacity. The determination must be consistent with the principle and procedure as described in this document. At this time, the WGC at each storage facility will also be determined. NGTL will treat information given through this Procedure as confidential and will execute a confidentiality agreement with the CPO upon request. The CPO may be requested by NGTL to provide an officer's certificate indicating such NSI, WGC and CG are accurate (see Attachment 1 Officer's Certificate Example – NSI, WGC, CG).

If at any time, the physical characteristics of the commercial storage facility change, the facility operator will notify NGTL of the change to the extent that they impact WGC and/or NSI.

2. NGTL will provide to CPO, a monthly summation of daily allocations by Customer. Each CPO will provide a total monthly identification of SMT by Customer. The CPO may be requested by NGTL to provide an officer's certificate (see Attachment 2 – Officer's Certificate Example – SMT) indicating such monthly SMT identifications are accurate. NGTL will assign SMT to eligible transportation service types. All transportation service charges will be invoiced as such. If at any time, SMT identifications are found to be inaccurate, adjustments shall be processed in a timely manner to ensure the quantity of NSI retained within the storage reservoir is equal to the difference between the gas delivered and received by NGTL under IT-S service. (e.g. Gas intended as a storage delivery that was subsequently delivered to another pipeline system). The NSI will be adjusted monthly. [See Attachment 3- NGTL Daily Allocation/Monthly Billing Illustrative Example.] The following elements of this process further clarify the SMT identification and all refer to the NGTL monthly billing process:

- 2.1. Gas consumed by the commercial<sup>1</sup> storage facility is not eligible for SMT identification under Rate Schedule IT-S (delivery). NGTL toll paid gas consumed by the commercial storage facility will be identified as a billable Alberta delivery by the CPO. NGTL will toll such gas under the appropriate rate schedule.
- 2.2. NGTL toll paid gas from NGTL that has been delivered to another pipeline through a commercial storage facility and not returned to the storage facility within the same calendar month will be identified as either a billable Alberta delivery or a billable Export delivery. NGTL will toll such gas under the appropriate rate schedule.
- 2.3. Gas sourced from another pipeline system or native production that has been received by NGTL through a commercial storage facility and not returned to the storage facility within the same calendar month will be identified as a billable receipt. NGTL will toll such gas under the appropriate rate schedule. The NSI will not change as a result of this.

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<sup>2</sup> These Service types have been proposed to be added to the IT-S Rate Schedule and are before the Alberta Energy & Utilities Board in the 2004 NGTL Phase 2 General Rate Application.

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- 2.4. Notwithstanding 2.1, 2.2 or 2.3 if on any day NSI exceeds total WGC plus NGTL toll paid Cushion Gas or goes below zero (0), gas volume outside these limits will be deemed to be flowing under a billable SMT and invoiced on a monthly basis under the appropriate rate schedule.
3. NGTL will require each CPO to execute an Officer's Certificate (see Attachment 2 – Officer's Certificate Example – SMT) verifying that the previous 12 months of SMT identifications were accurate. This 12-month period ends on March 31<sup>st</sup> of any year and will be provided within 60 days after this date.

### IV. INFORMATION REQUESTS

#### **1. Purpose of Information Requests**

NGTL may, from time to time, request the CPO provide information necessary to satisfy NGTL that the quantities of gas delivered by NGTL under IT-S (delivery) have been injected into a commercial<sup>1</sup> storage facility and/or the quantities of gas received by NGTL under IT-S (receipt) have previously been delivered by NGTL for injection to the commercial<sup>1</sup> storage facility.

Business that occurred prior to April 1, 2004 will not be subject to the aforementioned verification process, once the initial quantity of NSI has been established.

#### **2. Triggers to Information Requests**

Based on the physical characteristics of each storage facility, NSI verification may be triggered by, but not limited to, any of the following:

- NSI approaching WGC plus NGTL toll paid CG or WGC has been depleted
- SMT identifications that are not consistent with known storage facility physical characteristics
- Change to physical characteristics of connecting pipeline facilities/storage facilities such as connection to another pipeline or addition of WGC or addition of native production

#### **3. Information Verification Process**

This information verification process, once triggered by any of the conditions listed in part 2 of this section may include, but is not limited to, the following:

- Discussion with CPO
- Measurement reconciliation of NGTL's metered data with CPO's metered data
- Physical piping review ( e.g. - as-built drawings)
- Well data available from public sources such as Accumap
- An executed officer's certificate verifying the SMT identifications in question are correct (see Attachment 2 – Officer's Certificate Example – SMT)

NGTL will enter into a confidentiality agreement with the CPO upon request to retain the confidential nature of any information exchanged during the information verification process. In lieu of this NGTL confidentiality agreement, the CPO can elect a third party audit. The CPO making this election will pay for the total cost of this third party audit.

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### **4. Results of Information Verification**

In the event the information verification process determines Sections II & III of this Procedure have been adhered to by the CPO, no further action will be required.

In the event the information verification process does not provide sufficient information to satisfy NGTL that Sections II & III of this Procedure have been adhered to by a CPO, NGTL will invoice Customers participating at that facility for the amounts that cannot be reconciled by service type.

## OFFICER'S CERTIFICATE

Unless otherwise stated, the definitions provided for in NOVA Gas Transmission Ltd.'s (NGTL) Gas Transportation Tariff (Tariff) or NGTL's storage transportation service procedure (IT-S Procedure) are adopted in this Officer's Certificate.

I, ● of ● (the Connecting Pipeline Operator) hereby certify in my capacity as an officer of the Connecting Pipeline Operator and not in my personal capacity that as of the date of this Officer's Certificate:

1. Connecting Pipeline Operator acknowledges receipt of a current copy of NGTL's Tariff and the IT-S Procedure. This Officer's Certificate is made with full knowledge and understanding of NGTL's Rate Schedule IT-S and the IT-S Procedure;
2. Connecting Pipeline Operator certifies that as of the ● day of ●, 2004, the following volumes ( $10^3\text{m}^3$ ) are true, accurate and complete for the ● storage facility (Storage Facility) and comply with the IT-S Procedure and that the:
  - (a) Storage Facility's NSI is ●  $10^3\text{m}^3$  (● Bcf);
  - (b) Portion of NSI which is NGTL toll paid CG is ●  $10^3\text{m}^3$  (● Bcf); and
  - (c) Storage Facility's WGC is ●  $10^3\text{m}^3$  (● Bcf).
3. Connecting Pipeline Operator shall immediately provide NGTL with a new Officer's Certificate if:
  - (a) any of the declarations or volumes herein are found to be incorrect or are in any way adjusted by Connecting Pipeline Operator; or
  - (b) requested by NGTL at any time.
4. This Officer's Certificate is made for and on behalf of the Connecting Pipeline Operator and is binding upon it.

IN WITNESS WHEREOF I have executed this Officer's Certificate effective the ● day of ●, 2004.

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Attachment 2 – Officer’s Certificate Example - SMT

**OFFICER’S CERTIFICATE**

Unless otherwise stated, the definitions provided for in NOVA Gas Transmission Ltd.’s (NGTL) Gas Transportation Tariff (Tariff) or NGTL’s storage transportation service procedures (IT-S Procedure) are adopted in this Officer’s Certificate.

I, ● of ● (the Connecting Pipeline Operator) hereby certify in my capacity as an officer of the Connecting Pipeline Operator and not in my personal capacity that as of the date of this Officer’s Certificate:

1. Connecting Pipeline Operator acknowledges receipt of a current copy of NGTL’s Tariff and the IT-S Procedure. This Officer’s Certificate is made with full knowledge and understanding of NGTL’s Rate Schedule IT-S and the IT-S Procedure;
2. Connecting Pipeline Operator certifies that the following volumes ( $10^3\text{m}^3$  per month) are true, accurate and complete for the ● storage facility and comply with the IT-S Procedure:

Month	IT-S (receipt)	Billable Receipt	Total Receipts	IT-S (delivery)	Billable Export Delivery	Billable Alberta Delivery	Total Deliveries	NSI at Month End
April 2004								
May 2004								
June 2004								
July 2004								
August 2004								
September 2004								
October 2004								
November 2004								
December 2004								
January 2005								
February 2005								
March 2005								

3. Connecting Pipeline Operator shall immediately provide NGTL with a new Officer’s Certificate if:
  - a. any of the declarations or volumes herein are found to be incorrect or are in any way adjusted by Connecting Pipeline Operator ; or
  - b. requested by NGTL at any time.
4. This Officer’s Certificate is made for and on behalf of the Connecting Pipeline Operator and is binding upon it.

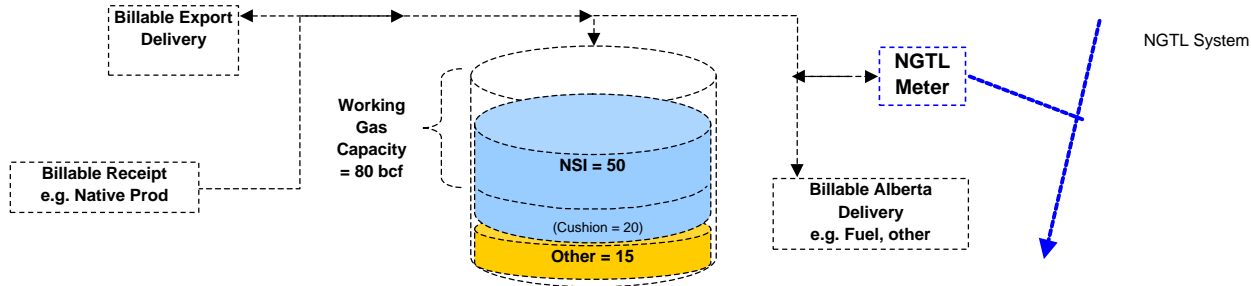
IN WITNESS WHEREOF I have executed this Certificate effective the ● day of ●, 2004.

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**Attachment 3: Daily Allocation / Monthly Billing - Illustrative Example****1. Required Initial Inputs - as of Start Date (e.g. April 1, 2004):**

- (a) Verifiable NGTL Storage Inventory (NSI), as determined by NGTL and Storage Operator.
- assume: Opening NSI = 50 Bcf
  - Cushion Gas = 20 Bcf (included in Opening NSI)
  - Maximum NSI ("MNSI") = 100 Bcf (\*\* NSI can not exceed Working Gas Capacity plus Cushion Gas \*\*)
- (b) Verifiable Working Gas Capacity (WGC), as determined by NGTL and Storage Operator
- assume WGC = 80 Bcf

**2. Partial Months Example** (*note:* the right hand side is only an illustration of the internal check NGTL will conduct to validate the CPO's month end SMT identifications):**\*\* Actual Monthly Information \*\***

2(a) Request for Confirmation (aka Nomination) from CPO to NGTL (which becomes the allocation):

Day	Noms to NGTL (by Customer)		NGTL Measured Flow
	Receipt	Delivery	
20-Oct	0	15	15
21-Oct	1	14	13
22-Oct	2	13	11
23-Oct	3	12	9
24-Oct	4	11	7
25-Oct	5	10	5
26-Oct	6	9	3
27-Oct	7	8	1
28-Oct	8	7	(1)
29-Oct	9	6	(3)
30-Oct	10	5	(5)
31-Oct	11	4	(7)
Mth End	66	114	48

**\*\* NGTL Internal Check on Actuals \*\***

2(a) NGTL Internal Check on Excess NSI:

Day	Opening NSI	Daily NSI	Excess = Billable SMT (NSI > MNSI or < 0)		Closing NSI
			Receipt	Delivery	
20-Oct	50	65	0	0	65
21-Oct	65	78	0	0	78
22-Oct	78	89	0	0	89
23-Oct	89	98	0	0	98
24-Oct	98	105	0	5	100
25-Oct	100	105	0	5	100
26-Oct	100	103	0	3	100
27-Oct	100	101	0	1	100
28-Oct	100	99	0	0	99
29-Oct	99	96	0	0	96
30-Oct	96	91	0	0	91
31-Oct	91	84	0	0	84
Mth End			0	14	

2(b) Month End SMT Identification and NSI Adjustment by Customer from CPO :

By Customer:	Receipt			Delivery			
	IT-S Receipts	Billable Receipts	Total Receipts	IT-S Delivery	Billable Intra	Billable Export	Total Deliveries
Customer 1	10	1	11	12	2	1	15
Customer 2	12	3	15	37	4	4	45
Customer 3	28	8	36	45	1	1	47
etc.... To Customer N	4	0	4	2	3	2	7
Mth End Totals	54	12	66	96	10	8	114

**\*\* NOTE:** CPO is responsible for proving Month End Totals only, by SMT and by Customer \*\*

Mth End NSI Adjustment:

Opening	IT-S D	IT-S R	Closing
50	96	(54)	92

**\*\* NOTE:** NGTL's internal check (right hand side of page) validated the actual Monthly information (left hand side of page). NGTL will invoice customers based on CPO's Month End SMT identifications per 2(b) above and next month's opening NSI will be 92 bcf.

2(b) NGTL Internal Check on NSI and SMT:

Closing NSI	NSI Records	
	NGTL's	CPO's
	84	92

	Receipt	Delivery
Excess Billable SMT	0	14
Mth End Billable SMT	8	0
Minimum SMT Expected	8	14
Maximum IT-S Expected	58	100

RESULTS of NGTL's Internal Check:

	CPO Info per 2(b)	Min NGTL Expected	
Receipts:	12	is = 8	= OK
Deliveries:	18	is = 14	= OK

**3. Based on CPO's SMT identification type, NGTL will assign volumes to eligible service types.**

Receipts	Toll	¢/Mcf, based on 2003 Interim Rates; (assumed IT-R toll)
ITS-R	0.0	
Billable Receipts (FT-R, IT-R)	19.2	
Deliveries	Toll	(assumed IT-D toll)
ITS-D	0.0	
Billable Intra (FT-A)	1.6	
Billable Export (FT-D, IT-D)	17.9	

Monthly Invoice	Receipt			Delivery			
	ITS-R	Billable Receipts	Total Receipts	ITS-D	Billable Intra	Billable Export	Total Deliveries
Customer 1	-	0.19	\$ 0.19	-	0.03	0.18	\$ 0.21
Customer 2	-	0.58	\$ 0.58	-	0.06	0.72	\$ 0.78
Customer 3	-	1.54	\$ 1.54	-	0.02	0.18	\$ 0.19
etc.... To Customer N	-	-	\$ -	-	0.05	0.36	\$ 0.41
TOTALS	\$ -	\$ 2.30	\$ 2.30	\$ -	\$ 0.16	\$ 1.43	\$ 1.59

**\*\* NOTES:** 1. Volumes above in #2 (in Bcf) are deemed to be in MMcf for #3 for illustrative billing (more realistic volumes) \*\*

2. Billable Export delivery service types (e.g. FT-D, IT-D) have been proposed to be added to the IT-S Rate Schedule and are before the EUB in the 2004 NGTL Phase 2 GRA.