

Tolls, Tariff, Facilities & Procedures Committee

Resolution

T2007-04: CO₂ Management Service Review

Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to the following changes to the CO₂ Management Service effective January 1, 2009:

- Adjust the fuel rate component of the CO₂ 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 CO₂ 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 CO₂ data on its website at the following link:
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 CO₂ 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 CO₂ concentrations in excess of 2% and continues to provide broad industry benefits by:

1. Providing producers an alternative to installing CO₂ removal equipment. There are over 500 CO₂ 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 CO₂ level greater than 2% has been significantly reduced which has contributed to an overall reduction in system CO₂ levels. In April of 2007 the level of excess CO₂ was at 132 10³m³/d compared to 386 10³m³/d before the Service and the overall CO₂ 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 CO₂ corrosion has been detected within the System.

The Service application has a provision to conduct a detailed review of the CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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.