



Pipeline Abandonment Surcharge Overview & Notification

Foothills Shipper Meeting

September 16, 2014



AGENDA



Provide an update on the status of Pipeline Abandonment and steps underway to comply with NEB Decision MH-001-2013 to begin collecting and setting aside funds to cover future costs associated with pipeline abandonment.

Progress To-Date

Going Forward



PROGRESS TO-DATE



BACKGROUND

- MH-1-2013 Decision completes 5 year process (eg RH-2-2008 in May 2009)
- NEB issued Decisions on three related Abandonment applications:

Abandonment Cost Estimate	(ACE)
Set Aside Mechanism	(SAM)
Collection Mechanism	(COM)
- NEB approved the Foothills Collection Mechanism application as filed



SET ASIDE MECHANISM APPLICATION

- CIBC Trust has been selected as Trustee for the Foothills Abandonment Trust
- an Alberta resident, Qualified Environmental Trust (QET) to hold abandonment funds has been filed with the Board for approval
- there is a single Trust for all Foothills zones

PROGRESS TO-DATE



COLLECTION MECHANISM APPLICATION- key variables*

Variables	Assumptions	Reference
Abandonment Cost Estimate	\$179 million	Calculated in accordance with MH-001-2012
Collection Period	30 years	Pipeline Specific
Inflation Rate	2.0%	NEB Base Case
Pre-Tax Return on Investments	3.1%	NEB Base Case
Investment Return Tax Rate	25.0%	Pipeline Specific
Trust Expenses	0.23%	Pipeline Specific
Annual Contribution	\$ 8 million	NEB Formula

* key variables could be updated in December filing

PROGRESS TO-DATE



Cost Collection Mechanism

- ✓ annual contribution amount will be collected as an energy surcharge
- ✓ same energy surcharge for all Foothills zones
- ✓ abandonment revenues & costs will be separate from other revenues and costs
- ✓ NGTL, as the Foothills Zone 6 & 7 shipper, will be charged the same abandonment surcharge

Illustrative Surcharge Calculation:

<u>Collection Amount</u>	<u>Energy</u>	<u>Surcharge</u>
\$8 million	6.9 PJ/d	0.3 ¢ per GJ

PROGRESS TO-DATE



Timeline- 2014

2014 January 14 th	MH-1-2013: SAM & COM hearing begins
2014 February 19 th	MH-1-2013: hearing ends
2014 May 6 th	NEB approval of revised ACE \$2011
2014 May 29 th	MH-1-2013 Decision- SAM & COM applications
2014 September 2 nd	Trust Agreement & Trustee application

TODAY

2014 December 5 th	2015 abandonment surcharge (<i>application</i>)
2015 January	collection starts- 2015 abandonment surcharge



GOING FORWARD

GOING FORWARD



MH-001-2013 Compliance Filing Schedule

<u>ITEM</u>	<u>Notification</u>	<u>File no later than</u>
• Unexecuted trust agreement	Posted	September 2 nd
• Trustee confirmation	Posted	September 2 nd
• Statement of investment policy (SIP)	November	December 1 st
• Annual contribution amount (ACA)	October 9 meeting	December 5 th
• Surcharge (by service)	October 9 meeting	December 5 th
• Proposed true-up mechanism	October 9 meeting	December 5 th
• Tariff black-line version	September 16 meeting	December 5 th
• Appendix XIV (Annual Contribution Calculation Amount Form- details on next slide)	October 9 meeting	December 5 th



Annual Reporting (appendix XIV)

- Abandonment Cost Estimate (\$yyyy)
- Inflation Rate
- Years Remaining in Collection Period
- Years Elapsed between year of cost estimate and current date
- Number of years from cost estimate date to end of Collection Period
- Future Value of Abandonment Cost Estimate
- Pre-tax rate of return on funds collected
- Adjustment for variable trustee and investment manager fees
- Company specific tax rate on investment income
- After-tax rate of return on funds collected
- Annual Contribution Amount
- Adjustment for fixed trustee expenses

GOING FORWARD



- **December application requires confirmation of shipper notification and indication of concerns raised**

"Make transparent in the tariff application or filing how the toll or surcharge allowing for the recovery of abandonment costs is calculated and how variances are addressed; and Confirm in the tariff application or filing that shippers have been notified, and indicate whether any concerns were raised."

MH-001-2013

"The Board requires pipeline companies to communicate their investment strategy to shippers, landowners, interested persons and the Board. The communication must include a clear articulation of the risks of any portfolio used, a clear explanation of the investment strategy and rationale for employing the strategy."

MH-001-2013

At the October 9 Meeting



- **Status update on September 2nd filing**
- **Provide notification on:**
 - Investment strategy
 - Appendix XIV
 - Calculation of ACA
 - True-up mechanisms
- **Invoice (sample)**
- **Other topics of interest**

Pipe Abandonment Process



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