



Regulatory Agenda

The period covered in this *Regulatory Agenda* is the month of October 2002

Guidelines For Filing Requirements, 1995

The Board has launched a project to review and revise its **Guidelines for Filing Requirements, 1995 (GFR)**. The goals of the project are to provide clear direction about the information required for applications, improve cycle times, and improve communication with stakeholders.

There have been many changes to the pipeline industry since the GFR was last issued in February

1995 and the Board believes a review is necessary. As a part of the GFR review, the Board extended an opportunity to pipeline companies under its jurisdiction, the Canadian Energy Pipeline Association and the Canadian Association of Petroleum Producers to participate in the development of this review process.

Energy Market Assessments - Canadian Natural Gas Market Dynamics And Pricing: An Update

On 17 October, the Board issued a report entitled **Canadian Natural Gas Market Dynamics and Pricing: An Update**. The report discusses the overall Canadian natural gas market and factors that impact pricing. The report was completed in discussion with natural gas industry producers, gas marketers, end-users (consumers) and a number of other industry stakeholders. The previous report was published in November 2000.

The Board produces reports on the energy markets (Energy Market Assessments) as part of its

regulatory mandate to monitor the supply of all energy commodities in Canada and the demand for Canadian energy in domestic and export markets. During the coming year, the Board expects to publish five additional reports including: energy market assessments on natural gas deliverability from the Western Canada Sedimentary Basin; Canadian electricity imports and exports; scenarios of Canadian energy supply and demand to 2025; potential natural gas resources for Alberta; and an assessment of the Maritime gas market.

In This Issue

Preface

The purpose of this agenda is to provide information on the Board's activities. Except where otherwise noted, jurisdiction over the items listed in the agenda is exercised pursuant to the **National Energy Board Act, R.S.C. 1985, c.N-7**, as amended.

*"We promote Safety,
Environmental Protection and
Economic Efficiency"*

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Public Hearing Applications

Hearing Decisions Pending

1. **Westcoast Energy Inc. (WEI) - Pipeline Construction - Grizzly Raw Gas Transmission System Expansion and Construct the Weejay Lateral - GH-2-2002 (File 3200-W005-11)**

The Board held a public hearing from 25 to 27 June in Chetwynd, British Columbia on an application by WEI to extend the Grizzly Raw Gas Transmission System and to construct the Weejay Lateral.

On 20 September, the Board and the Department of Fisheries and Oceans Canada provided to the Minister of Environment Canada and the Canadian Environmental Assessment Agency (CEAA) the Comprehensive Study Report (CSR) required under the Canada Environmental Assessment Act. On 27 September, the CEAA invited the public to comment on the conclusions, recommendations, and any other aspect of the CSR.

2. **Maritimes & Northeast Pipelines Management Ltd. (M&NP) - Construct Additional Facilities - GH-3-2002 (File 3400-M124-4)**

The Board held a public hearing from 30 September to 7 October in Saint John, New Brunswick on an application from M&NP to construct additional facilities on its natural gas pipeline system in Nova Scotia and New Brunswick. M&NP proposes to construct one custody transfer meter station and four compressor stations on its mainline.

Hearings in Progress

1. **Westcoast Energy Inc. (WEI) - Southern Mainline Expansion - GH-1-2002 (File 3200-W005-12)**

The Board is holding a public hearing in two phases on an application by WEI to expand its Southern Mainline natural gas pipeline system in British Columbia. Phase 1 of the public hearing was held on 8 and 9 July in Abbotsford, British Columbia. Phase 2 of the hearing was held from 30 September to 9 October in Chilliwack and Williams Lake, British Columbia. The hearing will continue in Calgary on 2 December to consider a motion by the Cariboo Tribal Council relating to Aboriginal issues.

Phase 1 of the hearing dealt with the need for the proposed facilities, including markets, supply and economic feasibility. Phase 2 of the hearing dealt with, design, safety, operation, environmental and

socio-economic effects, route selection, land requirements, land rights acquisition process and the appropriate terms and conditions to be included in any approval that may be granted.

2. **Sumas Energy 2, Inc. (SE2) - International Power Line (IPL) - EH-1-2000 (File 2200-S040-1)**

The Board held a public hearing 18 to 23 October in Abbotsford, British Columbia to consider motions concerning the application of SE2 to construct an international power line near Abbotsford.

The motions seek:

1. a) to adjourn the NEB hearings with regard to EH-1-2000 until such time as the Superior Court legal challenge in Thurston County, Washington State regarding SE2 is resolved and when or if SE2 so reapplies;
- b) a discontinuance of the NEB hearing of the SE2 application on the basis that it is the unanimous opinion of all Canadians so involved in the process that the SE2 application to proceed within the jurisdiction of Canada not be approved;
2. a) a review by the NEB of the SE2 application for potential prejudice, at this time of proceeding, arising from the absence of full detail of an alleged verbal agreement between SE2 and Canadian Pacific Railway for use of its right of way in Canada;
- b) a review by the NEB of the SE2 application for any fundamental deficiency in the application arising from absence of full detail of an alleged verbal agreement between SE2 and Canadian Pacific Railway;
3. a determination of whether the Board should hear evidence concerning the environmental effects in Canada of SE2's proposed power plant to be located in Sumas, Washington.

At the hearing, the Board denied the four motions in Nos. 1 and 2 above. The Board will render a decision on the motion listed in No. 3 in due course. The hearing on the SE2's application to construct an international power line will not

proceed until the Board has ruled on motion No. 3. A revised schedule will be released at that time.

SE2 applied to construct a 230 kilovolt IPL originating in the United States and crossing the international boundary near Abbotsford. The proposed IPL would extend approximately 8.5 kilometres (5.3 miles) from the border northward on the existing rights of way of Canadian Pacific Railway, the City of Abbotsford and BC Hydro to BC Hydro's Clayburn substation in Abbotsford.

Hearing Applications Filed

1. New Brunswick Power Corporation (NB Power) - International Power Line (IPL) (File 2200-N088-1)

On 31 May 2001, NB Power applied to construct and operate a 345 kilovolt IPL of approximately 95 kilometres (59 miles) in length running west from the Point Lepreau Peninsula through the counties of Saint John and Charlotte in New Brunswick to the international boundary near Woodland, Maine. The estimated cost of the IPL is \$40 million. The United States portion of the project will consist of approximately 135 kilometres (84 miles) of power line running from Woodland to Orrington in Maine. Bango Hydro Electric Company is seeking state and federal approvals for the U.S. portion of the project.

2. EnCana Corporation (EnCana) - Natural Gas Pipeline (File 3200-P022-1)

On 1 March, EnCana applied for approval to construct a 610 millimetre (24 inch) natural gas pipeline of approximately 179 kilometres (111 miles) in length, extending from the Deep Panuke production platform to a point of interconnection with the facilities of Maritimes & Northeast Pipeline Limited Partnership (M&NP) near Goldboro, Nova Scotia. EnCana anticipates to deliver approximately 11.3 million cubic metres (400 million cubic feet) per day of natural gas to M&NP for a period of approximately 11.5 years commencing sometime in 2005. The estimated cost of the proposed pipeline and associated facilities is \$1.1 billion.

3. TransCanada PipeLines Limited (TCPL) - 2003 Tolls (File 4200-T001-18)

On 16 September, TCPL filed an application for the approval of new tolls it may charge for the period 1 January to 31 December 2003 on its mainline system.

In its application, TCPL has forecasted a 2003

Average Rate Base of \$8,56 billion and a Net Revenue Requirement of \$2,19 billion, an increase of \$268 million over the 2002 net revenue requirement. TCPL has, for illustrative purposes, pending resolution of the application for review and variance of RH-4-2001 Decision, included in the calculation of the 2003 Net Revenue Requirement an estimated rate of return on common equity of 9.94 per cent on a deemed common equity ratio of 33 per cent. This calculation of rate of return on common equity is in accordance with the adjustment mechanism approved in the Multi-Pipeline Cost of Capital Decision (RH-2-94) and the Board's decision in RH-4-2001.

TCPL is proposing to establish a new Southwest tolling zone, which would include the existing Southwest Delivery Areas Currently part of the Eastern Zone. TCPL is further proposing to increase the existing minimum bid floor price for interruptible transportation service from 80 to 110 percent of the 100 per cent load factor firm transportation toll. TCPL is further proposing revised depreciation rates, based on a new depreciation study.

4. Trans-Northern Pipelines Inc. (TNPI) - Capacity Expansion and Pipeline Flow Reversal (File 3400-T002-56)

On 24 October, TNPI applied for approval to increase the pipeline capacity on its pipeline system from Montreal, Quebec to Farran's Point, Ontario and to reverse the direction of flow in the pipeline section between Farran's Point to Toronto, Ontario.

The proposed project would include the replacement of four line segments totaling approximately 72.5 kilometres (45 miles) of 273.1 millimetre (10 inch) pipe with 406.4 millimetre (16 inch) pipe between Montreal and Farran's Point. TNPI is also proposing to upgrade four of its existing pump stations located at Montreal and Como, Quebec and Lancaster and Ingleside, Ontario and to construct storage tanks at the Farran's Point pump station. For the reversal of the direction of flow in the pipeline section between Farran's Point to Toronto from a west-to-east direction to an east-to-west direction, TNPI proposes to construct three pump stations along the existing 273.1 millimetre (10 inch) pipeline near Iroquois, Mallorytown and Kingston, Ontario. TNPI stated that following completion of the Project, capacity from Montreal to Farran's Point will increase from 10 500 cubic metres (370 650 cubic feet) to 21 000 cubic metres

(741 300 cubic feet). The estimated cost of the project is \$82.25 million and the proposed completion date is mid-2004.

Hearing Postponed

1. **Georgia Strait Crossing Pipeline Limited (GSCPL) - GSX Canada Pipeline Project - GH-4-2001 (File 3200-G049-1)**

The Joint Review Panel for the Georgia Strait Crossing Pipeline Project has postponed commencement of its public hearing scheduled for 17 June. A new date will be announced at a later time.

Non Hearing Applications

Electricity Matters

Matters Under Consideration

1. **Entergy-Koch Trading Canada, ULC (EKTC) - Electricity Export (6200-E124-1)**

On 7 October, EKTC applied for permits to export up to 1 200 gigawatt hours of firm energy and 1 200 gigawatt hours of interruptible energy for a period of 10 years.

On 23 October, the Board sent a letter to EKTC requesting additional information.

2. **Fraser Paper Inc. (Canada) (Fraser) - Electricity Export (6200-F027-1)**

On 24 September, Fraser applied for a permit, to replace an existing permit that expires on 31 December 2002, to export up to 60 megawatts of firm power and 400 gigawatt hours of firm energy annually for the period 1 January 2003 to 31 December 2012.

On 24 October, the Board sent a letter to Fraser requesting additional information.

3. **Hydro One Delivery Services, Inc. (HODS) - Lake Erie Link (File 2200-H026-1)**

On 1 October, HODS requested that the Board postpone its coordination of the environmental assessment process. On 26 July, the Board had invited public comments on the scope of the environmental assessment on a proposal by HODS to construct and operate an international power line between Canada and the United States across Lake Erie.

The proposed Lake Erie Link would consist of an onshore converter station near the Hydro One Networks Inc.'s 230 kilovolt switch yard near Nanticoke, Ontario; one, two or three pairs of 150 kilovolt buried submarine electricity cables and fibre optic cables between the onshore converter

site and the American Transmission Systems, Inc.'s transmission system in Ohio and/or the PJM Interconnection operated transmission system in Pennsylvania; and approximately 3.5 kilometres of onshore power line. The length of power line within Canada would be approximately 60 kilometres, depending on the route chosen.

In April, HODS filed a preliminary information package with the Board regarding the Canadian portion of the proposed Lake Erie Link which initiated early co-ordination and scoping for the federal environmental assessment process under the Canadian Environmental Assessment Act in advance of a formal application.

4. **Manitoba Hydro-Electric Board (MH) - Electricity Export (6200-M020-13)**

On 26 September, MH applied for a permit, to replace an existing permit that expires on 30 April 2005, to export up to 500 megawatts of system participation power to Northern States Power Company in Minneapolis, Minnesota for the period 1 May 2005 to 30 April 2015.

Pipeline Matter

Matter Completed

1. **Section 58 Applications**

The Board has approved applications under section 58 of the National Energy Board Act involving routine pipeline facilities or the construction of Pipelines not exceeding 40 kilometres in length. See Appendix I.

Traffic, Tolls And Tariff Matters

Matters Completed

1. TransCanada PipeLines Limited (TCPL) - Reports of the 2002 Tolls Task Force (File 4775-T001-1/02-7)

The Board has approved the following resolution of the 2002 Toll Task Force:

Resolution No.	Date approved	Subject
09.2002	24 October	Incremental Marginal Fuel Ratio, November and December 2002

2. Trans Québec & Maritimes Pipeline Inc. (TQM) - 2002 Tolls (File 4200-T28-13)

On 10 October, the Board approved an application dated 5 September from TQM for approval of final 2002 tolls.

3. Maritimes & Northeast Pipeline Management Ltd. (M&NP) - Toll Settlement and 2003 Tolls (File 4775-M124-1-2)

On 31 October, the Board approved an application dated 10 September from M&NP for approval of final tolls for the period 1 January to 31 December 2003.

Frontier Matters

- 1. Canadian Forest Oil** was given approval on 15 October 2002 for the "Well Termination Record" pursuant to section 184 of the Canada Oil and Gas Drilling Regulations for the Flett Rapids I-61 well.
- 2. Japex/INOC/GSC** was given approval on 23 October 2002 for the "Well Termination Record" pursuant to section 184 of the Canada Oil and Gas Drilling Regulations for the Mallik 3L-38, 4L-38 and 5L-38 wells.
- 3. Geological, geophysical or geotechnical operation:** Five new applications for geological, geophysical or geotechnical operation authorization were received in October, one of which was subsequently withdrawn. No applications were approved in October pursuant to section 5(1)(b) of the Canada Oil and Gas Operations Act.

Review

Review Pending

1. TransCanada PipeLines Limited (TCPL) - Review and Variance of Reasons for Decision RH-4-2001 (File 4200-T001-18)

On 16 September, TCPL filed an application for review and variance of the Board's June 2002 Reasons for Decision (RH-4-2001) regarding TCPL's 2001 and 2002 Fair Return Application.

Amendments to Regulations, Rules and Guidelines

1. Cost Recovery Regulation (File: 175-A000-72)

On 18 October, the Board enacted amendments to the Cost Recovery Regulations. The regulation will be sent for publication in Part II of the Canada Gazette and will come into effect on the date of publications.

2. Guidance Notes for the Onshore Pipeline Regulations

The Board has sought comments from the public on proposed amendments to the Guidance Notes for the Onshore Pipeline Regulations, 1999.

The 1999 Guidance Notes were developed as a companion to the Onshore Pipeline Regulations, 1999. They are intended to provide additional explanation of specific sections of the Regulations and to provide examples of methods which could be used to achieve compliance. The proposed amendments of the Guidance Notes incorporate comments received from stakeholders as well as learnings from the Board's activities such as audits performed pursuant to the Onshore Pipeline Regulations, 1999.

3. National Energy Board Pipeline Crossing Regulations, Part II - Damage Prevention Regulations (File 185-A000-36)

The Board intends to replace the existing Pipeline Crossing Regulations, Part II with regulations targeted at damage prevention (to be known as Damage Prevention Regulations). The new regulations will regulate activities on or adjacent to pipeline rights of way under the Board's jurisdiction in the interest of the safety of the public and of company employees and the protection of property and the environment.

On 30 May, the Board released a document entitled A Conceptual Draft of the Proposed National Energy Board Damage Prevention Regulations & Guidance Notes. The document contains the framework, concepts and ideas that will eventually form the new regulations. The Board also released the results of a national survey of Canadians who own land crossed by a federally-regulated pipeline. This survey was conducted for the Board by COMPAS between 17 January and 2 February will be used in the development of the new regulations.

4. Canada Oil and Gas Diving Regulations (Diving Regulations) and Guidance Notes (File 2001-1)

For more information on this matter, refer to item 4 under Amendments to Regulations and Rules in the May 2001 issue of the Regulatory Agenda.

5. The Canada Oil and Gas Drilling Regulations (COGDR) and the Canada Oil and Gas Production and Conservation Regulations (COGPCR) (File 0406-14)

For more information on this matter, refer to item 5 under Amendments to Regulations and Rules in the May 2001 issue of the Regulatory Agenda.

6. Regulations and Guidance Notes Pertaining to Canada Labour Code, Part II

The process of amending the Canada Oil and Gas Occupational Safety and Health Regulations pertaining to oil and gas activities, under the provisions of the Canada Labour Code, Part II, is continuing.

Administrative Matters

Board Members

On 11 October, the Minister of Justice and Attorney General of Canada appointed **Judith A. Snider** a judge of the Federal Court of Canada - Trial Division. In 1992, Ms Snider was appointed General Counsel for the Board and in 1995, she was appointed a member of the Board and at the time of her appointment as Judge, she was Vice-Chairman of the Board.

The Minister of Natural Resources Canada has appointed **Gaétan Caron** as temporary Board Member for a term of two years. Mr. Caron was appointed Executive Director of the Board in 1994 and effective 1 April 1999, his position title was changed to Chief Operating Officer. Mr. Caron began work at the Board as a Pipeline Engineer in 1979 and subsequently advanced into various senior positions including Director, Pipeline Engineering Branch and Director, Financial Regulation Branch. In 1997, Mr. Caron was appointed a temporary member for a two year term.

Instructions for Filing

All correspondence with the Board should be addressed to the Secretary, National Energy Board, 444 Seventh Avenue SW, Calgary, AB T2P 0X8 - Fax: (403) 292-5503.

Applications - Copies Required to be Filed

For a list of the number of copies required for the different types of applications, see our Internet site under the heading **Submit a Document**.

Communication Numbers

General Information:

(403) 292-4800
1-800-899-1265

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For a current list of the telephone numbers of Board Members and key staff, see our Internet site under the heading: **About Us, Our People**.

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Appendix I

Section 58 Applications

Gas Pipelines

Applicant	File/Order	Application	Est. Cost
Alliance Pipeline Ltd.	File: 3400-A159-11 Order: XG-A159-52-2002	Application dated 2 August; approved on 10 October. Construct and operate a new meter station in southeastern Saskatchewan.	875 000
Gazoduc Trans Québec & Maritimes Inc.	File: 3400-T028-35 Order: XG-T028-51-2002	Application dated 30 July; approved on 10 October. Works at the Saint-Maurice River.	150 000
Pioneer Natural Resources Canada Inc.	File: 3400-P177-3 Order: XG-P157-54-2002	Application dated 12 September; approved on 18 October. Construct the South Chinchaga Tie-in Installation.	42 000
TransCanada PipeLines Limited	File: 3400-T001-203 Order: XG-T001-53-2002	Application dated 30 August; approved on 18 October. Enhance existing SCADA advisory system.	197 300
	File: 3402-T001-1-9 Order: XG-T001-55-2002	Application dated 17 September; approved on 21 October. Repair and replace existing cathodic protection systems at 98 locations in Quebec and Ontario.	2 643 000
	File: 3402-T001-1-8 Order: XG-T001-56-2002	Application dated 5 September; approved on 23 October. Repair and replace existing cathodic protection systems at 16 compressor stations.	435 000

Oil Pipelines

Applicant	File/Order	Application	Est. Cost
Enbridge Pipelines Inc.	File: 3400-E101-51 Order: XO-E101-22-2002	Application dated 6 September; approved on 17 October. Replace the electrical switchgear, switchgear building, actuator and power pack on Line 7 at the Keyser Station in Ontario.	2 860 000
Enbridge Pipelines Inc.	File: 3400-E101-44-1 Order: AO-1-XO-E101-5-2002	Application dated 24 September; approved on 3 October. Application to amend an existing order to upgrade Valve 45 at milepost 2238.020.	948 000

Profile

The National Energy Board is a federal regulatory tribunal that was created on 2 November 1959 by an Act of Parliament.

The Board's regulatory powers under the **National Energy Board Act** include the granting of authorizations for the exportation of oil, natural gas and electricity, the certification of interprovincial and international pipelines and designated interprovincial and international power lines, and the setting of tolls and tariffs for oil and gas pipelines under federal jurisdiction.

In addition to its regulatory functions, the Board is responsible for advising the government on the development and use of energy resources.

The Act also requires that the Board keep under review the Canadian supply of all major energy commodities, with emphasis on electricity, oil,

natural gas, and the by-products derived from oil and natural gas, as well as the demand for Canadian energy in Canada and in export markets.

The Board's responsibilities under the **Canada Oil and Gas Operations Act** and certain provisions of the **Canada Petroleum Resources Act** encompass the regulation of exploration for and the development and production of oil and gas on Frontier Lands in a manner that promotes safety of the worker, protection of the environment, and conservation of hydrocarbon resources.

The Board also has specific responsibilities under the **Northern Pipeline Act** and the **Energy Administration Act**. In addition, Board inspectors have been appointed safety officers by Human Resources Development Canada to administer Part II of the **Canada Labour Code**.

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