



Regulatory Agenda

The period covered in this *Regulatory Agenda* is the month of January 2003

An Energy Market Assessment Report

On 23 January, the Board published an Energy Market Assessment (EMA) report entitled **Canadian Electricity Exports and Imports**. The report focuses on recent trends in Canadian electricity exports and imports, and the associated revenue and pricing, in the context of the major developments in electricity markets in Canada and the United States over the past decade. This includes discussion of some of the issues and implications of electricity trade for consumers and the electricity industry. "Exports" and "imports" refer to international transfers of electricity, recognizing that from a provincial standpoint, exports and imports may also include interprovincial transfers.

The timing of this EMA is guided by the recent increase in applications to the Board for electricity

exports and international power lines. In addition, there have been significant market developments such as the opening of electricity markets in Alberta and Ontario and the evolution of Regional Transmission Organizations in the U.S., which may affect the outlook for Canadian electricity trade. The report is intended to contribute to the public's understanding and awareness of current developments in the Canadian electricity sector, and is the first in an annual series of EMAs examining electricity exports and imports and related matters.

The report is available on the Board Web site at www.neb-one.gc.ca under **Publications, Publications and Reports, Assessment (Energy Market)**.

Update of the Electricity Memorandum of Guidance

The Board has revised its Memorandum of Guidance to Interested Parties Concerning Full Implementation of the September 1988 Canadian Electricity Policy (MOG) to reflect the 14 March 2001 Federal Court of Appeal Judgement in Athabasca Chipewyan First

Nation v British Columbia Hydro and Power Authority, 2001. The Federal Court, questioned the concept of "reverse onus" as well as the Board's consideration of "environmental effects" in the processing of electricity export applications. The

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"*

- Public Hearing Applications**2
- Non Hearing Applications**4
- Review**5
- Amendments to Regulations and Guidelines**6
- Administrative Matters**7
- Appendix I - Section 58 Applications**8
- Profile**9

update also reflects other process revisions based on the Board's experience with processing electricity applications since the last revisions included in the 26 August 1998 MOG (this update replaces the 26 August 1998 MOG).

A copy of the updated MOG can be found on the Board's Web site at www.neb-one.gc.ca under **Acts and Regulations**.

Proposed Amendments to the Onshore Pipeline Regulations, 1999 Decommissioning of Pipelines

The Board is proposing to amend its **Onshore Pipeline Regulations, 1999 (OPR)** to provide for a regulatory process for applications to take pipelines permanently out of service but where this would not result in the discontinuation of service to end users.

Currently, there are two regulatory processes in place which address the issue of retiring pipelines or related facilities. One is under the NEB Act which sets out the regulatory process where a company seeks to abandon its pipeline or a portion thereof. The Board interprets abandonment of pipeline to mean the discontinuation of service to end users. The

second is under the OPR which permits a company to apply for an order permitting a pipeline, or section thereof, to be deactivated where there is a temporary removal from service.

Therefore, the Board is proposing to amend the OPR to require companies to file an application to take pipelines, which would not discontinue service to end users permanently, out of service. The Board is requesting feedback from interested persons regarding the proposed amendments. The Board will receive comments until 5 March 2003.

A copy of the proposed amendments to the OPR can be found on the Board's Web site at www.neb-one.gc.ca under **What's New**.

Public Hearing Applications

Hearing Decision Rendered

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

Reasons for Decision dated December 2002; issued on 28 January 2003.

The Board approved an application by WEI to expand its Southern Mainline natural gas pipeline system in British Columbia. The Board approved the construction of approximately 55 kilometres (34 miles) of 1 067 millimetre (42 inch) natural gas pipeline in six loop segments along the route of the existing Southern Mainline. The proposed loops will range in length from approximately 3.2 kilometres (2.0 miles) to 26.8 kilometres (16.5 miles) and will be installed at locations from near McLeod Lake in north-central British Columbia to near Rosedale in southern British Columbia. WEI will also upgrade and construct additional facilities at several compressor stations and install metering facilities at its Huntingdon Meter Station at the Canada/United States border. The additional facilities will provide approximately 5.7 million

cubic metres (200 million cubic feet) per day of additional capacity on the Southern Mainline. The estimated cost of the project is \$270 million and the proposed in-service date is 1 November 2003.

The Board held a public hearing on the application on 8 and 9 July in Abbotsford, British Columbia and from 30 September to 9 October in Chilliwack and Williams Lake, British Columbia.

Hearing in Progress

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

The Board will reconvene a public hearing on 7 April in Abbotsford, British Columbia on an application from SE2 to construct a proposed 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.

The Board has already held public hearings on 18, 19 and 20 January 2001, 19 February 2001, and 18 to 23 October 2002 to deal with preliminary matters and motions.

Hearings Scheduled

1. TransCanada PipeLines Limited (TCPL) - 2003 Tolls - RH-1-2002 (File 4200-T001-18)

The Board will hold a public hearing commencing on 26 February in Calgary on an application from TCPL for approval of tolls that it may charge for transportation services on its Mainline for the year 2003.

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

The Joint Review Panel will hold a public hearing commencing on 24 February in Sidney, British Columbia on the GSX Canada Pipeline Project which would transport natural gas from Sumas, Washington to Vancouver Island. The proposed project is a joint undertaking by BC Hydro and Williams Gas Pipeline Company.

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

The Board will hold a public hearing commencing on 24 March in Saint John, New Brunswick to consider an application by NB Power to construct and operate an IPL from the existing transmission terminal at the Point Lepreau Generating Station to a point on the Maine-New Brunswick border west of St. Stephen, New Brunswick.

Board staff held public information sessions on 15 and 16 January in Rennfield and St. Stephen, New Brunswick, respectively, so that interested individuals can obtain information on how to participate in the public hearing.

4. EnCana Corporation (EnCana) - Deep Panuke Project - Coordinated Review - Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and National Energy Board (NEB) (File 3200-P022-1)

The CNSOPB and the NEB will hold a joint public hearing commencing on 28 April in Halifax, Nova Scotia on an application by EnCana regarding the Deep Panuke Offshore Gas Development project. The coordinated public process to hear and consider the applications will begin with initial public consultation sessions, a written information request/response process and an oral hearing. The public consultation sessions were held in Halifax on 9 January and in Guysborough, Nova Scotia on 11 January.

EnCana filed applications with the two Boards. The application to the CNSOPB includes a development plan, a Canada-Nova Scotia benefits plan, an environmental impact statement and a socio-economic impact statement, collectively known as the Development Application. The application to the NEB includes the construction and operation of 179 kilometres (111 miles) of 610 millimetre (24 inch) natural gas pipeline from the outlet flange of the offshore production platform to an interconnect with the Maritimes & Northeast Pipeline Management Ltd. main transmission pipeline approximately 1.1 kilometres downstream from the Goldboro, Nova Scotia gas plant.

Hearing Application Filed

1. 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) per day to 21 000 cubic metres (741 300 cubic feet) per day. The estimated cost of the project is \$82.25 million and the proposed completion date is mid-2004.

Non Hearing Applications

Electricity Matter

Matter Completed

1. Manitoba Hydro-Electric Board (MH) - Electricity Export (File 6200-M020-13)

On 23 January, the Board approved an application dated 26 September from MH 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.

Frontier Matters

1. **Anadarko Canada Corp.** was given approval on 17 January to drill wells Arrowhead River I-75 and Liard P-16 pursuant to section 83.(1) of the **Canada Oil and Gas Drilling Regulations (COGDR)**. Anadarko was also given approval on 24 January to drill the Arrowhead River O-38 well.
2. **Devlan Exploration Inc.** was given approval on 20 January to drill the Tree River C-36 well, pursuant to section 83.(1) of the COGDR.
3. **Devlan Exploration Inc.** was given approval on 20 January to alter the conditions of wells Tree River B-10, Ontaratue River D-39 and Thunder River N-73 pursuant to section 80(1)(b) of the COGDR for the.
4. **Paramount Resources Ltd.** was given approval on 22 January to drill the Paramount et al Nogha C-49 well pursuant to section 83(1) of the COGDR.
5. **Devon ARL Corporation** was given approval on 30 January to drill the Devon et al Itiginkpak F-29 well pursuant to section 83(1) of the COGDR.
6. **Geological, geophysical or geotechnical operation** - two applications were approved pursuant to section 5(1)(b) of the **Canada Oil and Gas Operations Act**.

Company	Area	Operation ID	Date
Paramount Resources Ltd.	Cameron Hills	9229-P033-008E	7 January
Encana Corporation	Mackenzie Delta	9329-E043-001E	22 January

Pipeline Matter

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 Pending

1. Foothills Pipe Lines Ltd. (Foothills) on behalf of Foothills Pipe Lines (Alta.) Ltd., Zones 6 and 7 Foothills Pipe Lines (South B.C.) , Zone 8 and Foothills Pipe Lines (Sask.) Ltd., Zone 9 - Year 2003 Operating and Maintenance Expense Budgets (File 4750-F6-2-1)

On 3 December, Foothills applied, on behalf of the above noted subsidiaries, for approval of Operating and Maintenance Expense Budgets for the 12-month period ending on 31 December 2003.

On 19 December, the Board advised Foothills that, before making a final decision on the applied-for budgets, it wished to consider Foothills' actual 2002 costs and any variances from the amounts approved for 2001, both due to be filed with the Board by the end of February 2003. Therefore, the Board decided to issue an interim order approving interim budgets for the year ending 31 December 2003 equal to 50 per cent of the budgets submitted.

2. TransCanada PipeLines Limited, BC System (TCPL) - Effective Rates and Charges (File 4775-T054-2003-1)

On 12 December, TCPL applied for approval of the Effective a Rates and Charges to be applied for service on its BC System effective 1 January 2003 and for amendments to the BC System Gas Transportation Service Documents.

On 20 December, the Canadian Association of Petroleum Producers and Chevron Canada Resources filed complaints with respect to the application.

On 27 December, the Board decided to approved the Effective Rates and Charges as proposed in the application on an interim basis effective 1 January 2003 pending a final decision on the application.

3. Trans Québec & Maritimes Pipeline Inc. (TQM) - Final 2003 Tolls (File 4200-T028-13)

On 15 January, TQM applied for approval for final tolls for the period 1 January to 31 December 2003. TQM is requesting approval of a net

revenue requirement of \$87.3 million, which is a reduction of \$1.3 million from 2002. TQM is also requesting an increase of rate of return on rate base from 7.58 to 7.89 per cent, reflecting an increase in interest rates as well as an increase of the allowed return on common equity from 9.53 to 9.79 per cent. TQM's average rate base has decreased to \$484.5 million from \$504.1 million.

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 and Guidelines

Regulatory Initiatives Pursuant to the National Energy Board Act

1. Guidelines for Filing Requirements, 1995 (GFR)

The Board has launched a project to review and revise its 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.

2. Guidance Notes for the Onshore Pipeline Regulations, 1999 (OPR)

On 28 January, the Board issued its Guidance Notes of the Onshore Pipeline Regulations, 1999, Amendment 1. This amendment reflects extensive and ongoing consultations held between the Board and stakeholders since the Guidance Notes were first published in September 1999.

3. National Energy Board Pipeline Crossing Regulations, Part I and 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 apply to 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.

The Board has been holding meetings with stakeholders and plans to continue consultation with interested persons by holding focus meetings

and open houses at various locations across Canada.

Regulatory Initiatives Pursuant to the Canada Oil and Gas Operations Act

4. Canada Oil and Gas 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 and the Canada Oil and Gas Production and Conservation Regulations (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.

Regulatory Initiatives Pursuant to The Canada Labour Code

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. Jurisdiction over pressure vessels and pressure piping within NEB regulated companies has been transferred from Human Resources Development Canada to the NEB. The Board is developing guidance and legislation to deal with this change.

Administrative Matters

Professional Leader, Engineering

Mr. Alan Murray, Ph.D. has been appointed to the position of Professional Leader, Engineering. Mr. Murray has held engineering, teaching and managerial positions from 1967 to the present, notably at Det norske Veritas from 1983 to 1988 and at NOVA Gas Transmission Division (later TransCanada Pipelines Limited) from 1990 to 2001. He is currently principal of a consulting practice in pipeline design and construction, procurement and technical training. He is also an industrial affiliate at the University of Calgary (Chemical Engineering), teaching courses on pipeline and construction. Mr. Murray holds a Ph.D. (Civil Engineering) from The Queen's University of Belfast, Northern Ireland, B.Sc. (Hons) Mechanical Engineering from the University of Wolverhampton, England and is a Member of APEGGA.

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**.

New Publications

The Board has published three new documents entitled:

Information Series - Answers to your Questions about the National Energy Board

Information Series - National Energy Board Library and Information Services (this publication replaces Information Bulletins V and VII)

Information Series - National Energy Board Frontier Information Office (this publication replaces Information Bulletin XI)

The publications are available on the Board's Web site at www.neb-one.gc.ca, **Publications, Information Series**.

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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
Pioneer Natural Resources Canada Inc.	File: 3400-P177-4 Order: XG-P177-01-2003	Application dated 18 October; approved on 9 January. Construct the Burnt Cabin Creek pipeline loop.	721 000
TransCanada PipeLines Limited	File: 3400-T001-205 Order: XG-T001-02-2003	Application dated 12 November; approved on 22 January. Decommissioning six compressor plants.	18 695 000

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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