



Northern Pipeline Agency Canada

2000-2001
Estimates

Part III – Report on Plans and Priorities

Canada

Les documents budgétaires

Chaque année, le gouvernement établit son Budget des dépenses, qui présente l'information à l'appui des autorisations de dépenser demandées au Parlement pour l'affectation des fonds publics. Ces demandes d'autorisations sont présentées officiellement au moyen d'un projet de loi de crédits déposé au Parlement. Le Budget des dépenses qui est déposé à la Chambre des communes par la présidente du Conseil du Trésor, comporte trois parties :

Partie I – Le Plan de dépenses du gouvernement présente un aperçu des dépenses fédérales et résume les rapports entre les principaux éléments du Budget principal des dépenses et le Plan de dépenses (qui figure dans le budget).

Partie II – Le Budget principal des dépenses étaye directement la *Loi de crédits*. Le Budget principal des dépenses énonce les autorisations de dépenser (crédits) et les sommes à inclure dans les projets de loi de crédits que le Parlement doit adopter afin que le gouvernement puisse mettre en applications ses plans de dépenses. Les Parties I et II du Budget des dépenses sont déposées simultanément le 1er mars ou avant.

Partie III – Le Plan de dépenses du ministère est divisé en deux documents :

- 1) **Les rapports sur les plans et les priorités (RPP)** sont des plans de dépenses établis par chaque ministère et organisme (à l'exception des sociétés d'État). Ces rapports présentent des renseignements plus détaillés au niveau des secteurs d'activité et portent également sur les objectifs, les initiatives et les résultats prévus; il y est fait également mention des besoins connexes en ressources pour une période de trois ans. Les RPP contiennent également des données sur les besoins en ressources humaines, les grands projets d'immobilisations, les subventions et contributions, et les coûts nets des programmes. Ils sont déposés au Parlement par la présidente du Conseil du Trésor au nom des ministres responsables des ministères et des organismes désignés aux annexes I, I.1 et II de la *Loi sur la gestion des finances publiques*. Ces documents doivent être déposés au plus tard le 31 mars, pour renvoi aux comités qui font ensuite rapport à la Chambre des communes conformément au paragraphe 81(4) du Règlement.
- 2) **Les rapports ministériels sur le rendement (RMR)** rendent compte des réalisations de chaque ministère et organisme en fonction des attentes prévues en matière de rendement qui sont indiquées dans leur RPP. Ces rapports sur le rendement, qui portent sur la dernière année financière achevée, sont déposés au Parlement en automne par la présidente du Conseil du Trésor au nom des ministres responsables pour les ministères et des organismes désignés aux annexes I, I.1 et II de la *Loi sur la gestion des finances publiques*.

Le Budget des dépenses, de même que le budget du ministre des Finances, sont le reflet de la planification budgétaire annuelle de l'État et de ses priorités en matière d'affectation des ressources. Ces documents, auxquels viennent s'ajouter par la suite les Comptes publics et les rapports ministériels sur le rendement, aident le Parlement à s'assurer que le gouvernement est dûment comptable de l'affectation et de la gestion des fonds publics.

© Sa Majesté la Reine du Chef du Canada, représentée par le ministre des Travaux publics et des Services gouvernementaux, 2000

En vente au Canada chez votre libraire local ou par la poste auprès des Éditions du gouvernement du Canada (TPSGC)
Ottawa (Canada) K1A 0S9

Téléphone : 1-800-635-7943
Site Internet : <http://publications.tpsgc.gc.ca>

No. de catalogue BT31-2/2001-III-31

ISBN 0-660-61167-8

NORTHERN PIPELINE AGENCY

**2000 - 2001
Estimates**

Part III - Report on Plans and Priorities

Approved

The Honourable Pierre Pettigrew,
Minister Responsible for the Northern Pipeline Agency

Table of Contents

Section I: Messages	1
Executive Summary	1
Figure 1: The Alaska Natural Gas Transportation System	2
Figure 2: The Foothills Prebuild	2
Section II: Departmental Overview	3
A. Mandate, Roles, and Responsibilities	3
B. Departmental/Program Objectives	4
C. External Factors Influencing the Department	4
D. Departmental Planned Spending	6
Section III: Plans, Results and Resources	7
A. Planned Spending and Full Time Equivalents (FTE)	7
B. Business Line Objective	7
C. Business Line Description	7
D. Key Results Commitments, Planned Results, Related Activities and Resources	8
Section IV: Financial Information	11
Table 4.1: Source of Non-Respendable Revenue	11
Table 4.2: Net Cost of Program for the Estimates Year	11
Section V: Other Information	
Table 5.1: Cost Recovery and Billing Information	13
Legislation Administered by the Northern Pipeline Agency	13
Contacts	14
Index	15

Section I: Messages

Executive Summary

The Northern Pipeline Agency ("the Agency") was created by the *Northern Pipeline Act* ("the Act") in 1978. The Agency oversees the planning and construction by Foothills Pipe Lines Ltd. ("Foothills") of the Canadian portion of the Alaska Natural Gas Transportation System ("ANGTS"). The ANGTS is a pipeline mega-project intended to transport Alaskan and northern Canadian natural gas to southern markets. In Canada, the project is also referred to as the Alaska Highway Gas Pipeline Project.

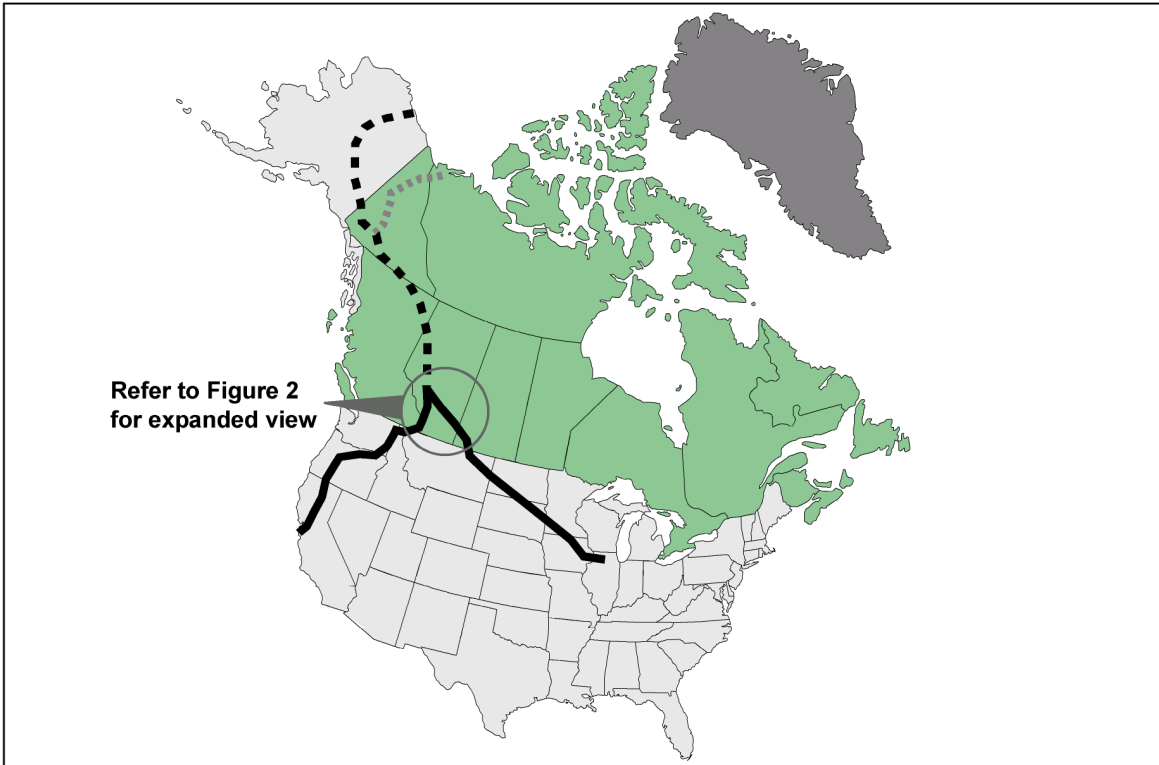
Unfavourable economics have led to indefinite delays in the completion of the ANGTS. In recent years, the Agency's workload has been limited to overseeing major expansions of the southern portion of the pipeline system, referred to as the Prebuild. The Prebuild went into operation in 1981-82 for the purpose of transporting Canadian gas principally sourced from south of the 60th parallel. The second stage would link the prebuilt Western and Eastern Legs of the pipeline with United States reserves at Prudhoe Bay and Canadian reserves in the Mackenzie Delta area.

The flow capacity of the Prebuild continues to approach the 102 million cubic metres (3.6 billion cubic feet) per day rate that was provided for in the agreement between Canada and the United States underpinning the ANGTS. The latest expansion of the Prebuild which came into service in late 1998, raised the capacity to about 94 million cubic metres (3.3 billion cubic feet) per day, a reflection of the growing export demand. Approximately one-third of all Canadian natural gas exports to the United States are transported through the Prebuild.

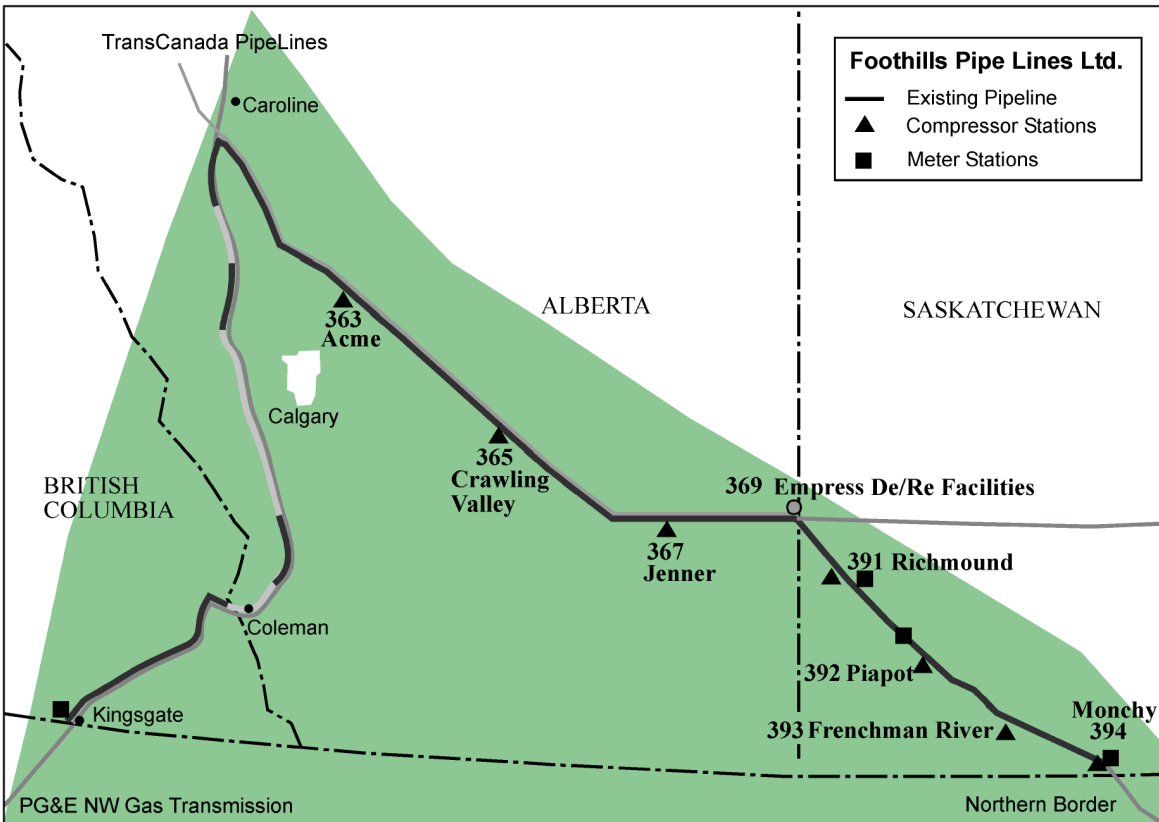
The determination of the Agency's budget of \$259,000 for 2000-2001 includes sufficient funding to cover the cost of key operational components which are costs fully recovered through a cost recovery mechanism.

The following two figures depict the overall ANGTS project and the Canadian Prebuild.

**Figure 1:
The Alaska Natural Gas Transportation System**



**Figure 2:
The Foothills Prebuild**



Section II: Departmental Overview

A. Mandate, Roles, and Responsibilities

In 1977, following extensive regulatory hearings in both countries, the Governments of Canada and the United States of America executed an "Agreement on Principles Applicable to a Northern Natural Gas Pipeline." This agreement provided a framework for the construction and operation of the ANGTS, a pipeline mega-project capable of transporting Alaskan and northern Canadian natural gas to southern markets in the United States and Canada. The Agency co-ordinates on behalf of the Government of Canada the implementation of an agreement reached with the United States in 1980 respecting the procurement of certain designated items, including compressors and large-diameter line pipe, valves, and fittings for the construction of the ANGTS. This agreement provides that suppliers on either side of the border be afforded the opportunity to bid on a generally competitive basis. The Agency also monitors the actual construction for compliance by Foothills with its various undertakings and with sound environmental and engineering practices.

In 1978, the Canadian Parliament enacted the *Northern Pipeline Act* to both (i) give effect to the agreement and (ii) establish the Northern Pipeline Agency to oversee the planning and construction of the Canadian portion of the project by Foothills Pipe Lines Ltd.

Prior to commencing construction of any particular section of the pipeline, Foothills is required to obtain a series of specific approvals from the Agency pursuant to the *Act* and the terms and conditions established thereunder. These approvals relate to socio-economic and environmental requirements, routing matters, technical design, and other matters such as demonstration of financing.

Organization and Program Composition

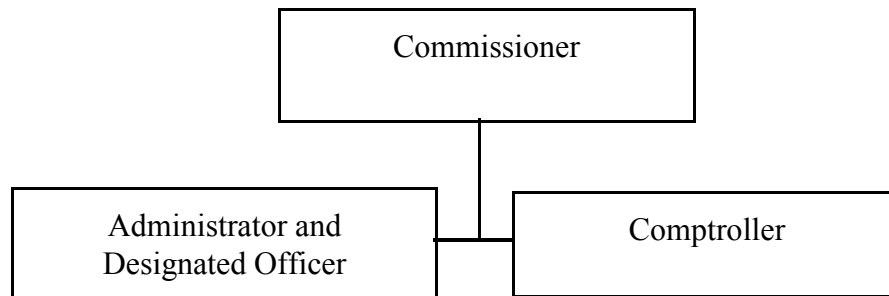
The Northern Pipeline Agency has one Business Line, namely, the Regulation of Construction of the Alaska Highway Gas Pipeline.

The Northern Pipeline Agency reports to Parliament through the Minister responsible for the Agency, currently the Minister for International Trade. The Agency has two senior officers, namely a Commissioner and an Administrator and Designated Officer. The Commissioner of the Agency, currently the Deputy Minister of International Trade, is appointed by the Governor in Council to be the deputy of the Minister responsible for the Agency. The Administrator and Designated Officer is currently a member of the National Energy Board and is based in Calgary.

The Agency relies largely on the National Energy Board for administrative services and technical advice and on Natural Resources Canada for policy advice.

To further assist the Minister responsible for the Agency in carrying out the program's mandate, there is provision for two federally-appointed advisory councils, made up of Aboriginals, business and other interested parties who are representatives of their communities in northern British Columbia and the Yukon Territory. Membership of the councils has been allowed to lapse in view of the dormant state of the second phase of the project.

Figure 3: Organization Chart - Northern Pipeline Agency



B. Departmental/Program Objectives

The objectives are: to facilitate the efficient and expeditious planning and construction of the Alaska Highway Gas Pipeline in a manner consistent with the best interests of Canada as defined in the *Northern Pipeline Act*.

C. External Factors Influencing the Department

The Agency's activities are dictated by the timing and pace of the construction of the ANGTS in Canada. A brief description and chronology of the ANGTS project is as follows.

The ANGTS is the largest proposed pipeline project in North America. It includes the construction of approximately 7,700 kilometres (4,800 miles) of large-diameter mainline pipe, about 42 percent of which would be located in Canada. The route for the pipeline through Canada and the United States is depicted in Figure 1 on page 2. Once in full operation, the ANGTS would be capable of transporting an initial 68 million cubic metres (2.4 billion cubic feet) per day of Alaskan gas. The system is also designed to accommodate the receipt and onward delivery of 34 million cubic metres (1.2 billion cubic feet) per day of northern Canadian gas via a connecting pipeline from the Mackenzie Delta / Beaufort Sea region.

As far back as 1977, the concept of prebuilding the southern portions of the ANGTS was identified as a benefit of the project, providing United States consumers with the opportunity to obtain additional surplus Canadian gas in advance of Alaskan gas. This Prebuild, which constituted Phase I of the ANGTS project, included a Western Leg to transport Canadian gas to markets in California and the Pacific Northwest and an Eastern

Leg to serve primarily the United States midwest market. It was contemplated at the time that Phase II of the project, consisting of the northern portions and the remaining sections to be constructed in southern Canada and the Lower 48 region, would follow in the near term.

The construction of the Prebuild went ahead as planned and Canadian gas started flowing through the system for export in the 1981-82 timeframe. The Agency's activity level reached its peak during the construction of the Prebuild, with a corresponding staff level of approximately 100.

In 1982, at about the same time the Prebuild was completed, adverse market conditions led the sponsors of the ANGTS to put Phase II of the project on hold. The adverse market conditions were a result of (i) a decline in demand for natural gas due to economic recession and energy conservation measures; (ii) an increase in United States supply in response to higher wellhead prices; and (iii) escalating forecast costs of construction due to inflation and rising interest rates.

It was originally anticipated that the completion of the project would be delayed by only about two years. Phase II of the ANGTS remains on hold to this day, and the Agency's role has been confined to overseeing expansions of the Eastern and Western Legs. In response, the Agency shrank to a skeleton organization in the mid-1980's. At this juncture the Agency has no full-time staff. Arrangements are in place whereby the Agency relies largely on the National Energy Board for administrative and technical assistance and on Natural Resources Canada for policy advice.

There have been five expansions completed since 1988, all of which were designed to either increase system capacity or enhance system reliability. The most significant of these expansion projects involved (i) the addition of two new compressor stations on the Eastern Leg in Alberta and of an additional compressor station and a further compressor unit in Saskatchewan, (ii) the completion of the Western Leg mainline in southeastern BC; and (iii) a further expansion of the Eastern Leg in 1998.

The flow capacity of the Prebuild continues to approach the 102 million cubic metre (3.6 billion cubic feet) per day rate that was provided for in the underlying agreement between Canada and the United States relating to the ANGTS. The 1998 expansion of the Prebuild raised its capacity to about 94 million cubic metres (3.3 billion cubic feet) per day.

Perception of a growing North American market for gas, limitations on supply from traditional sources, strong gas prices and a possible change in ownership of Prudhoe Bay gas reserves have rekindled interest in exploring options for bringing Alaskan and Delta gas to market. During 2000, the NPA may be required to address questions about regulatory process with respect to northern pipelines, the status of the Foothills certificate, the need for further assessments, and related matters.

D. Departmental Planned Spending

The following table is used to make the reader aware that the program cost is not borne by the taxpayer. Recoveries are not necessarily completed in the same fiscal year that the corresponding expenditures are incurred.

Financial Spending Plan

(\$ thousands)	Forecast Spending 1999-2000	Planned Spending 2000-2001	Planned Spending 2001-2002	Planned Spending 2002-2003
Budgetary Main Estimates	259	259	259	259
Total Main Estimates	259	259	259	259
Adjustments	-89			
Less: Non-respendable revenue	170	259	259	259
Net Cost of Program	0	0	0	0

Full Time Equivalent	2	2	2	2
-----------------------------	---	---	---	---

Section III: Plans, Results and Resources

A. Planned Spending and Full Time Equivalent

Net Planned Spending (\$ thousands) and Full Time Equivalent (FTE)

Business Line: Regulation of Construction of the Alaska Highway Gas Pipeline

Forecast Spending 1999-2000	Planned Spending 2000-2001	Planned Spending 2001-2002	Planned Spending 2002-2003
0	0	0	0
2 FTE	2 FTE	2 FTE	2 FTE

B. Business Line Objective

To facilitate the efficient and expeditious planning and construction of the Alaska Highway Gas Pipeline in a manner consistent with the best interests of Canada as defined in the *Northern Pipeline Act*.

C. Business Line Description

Regulation of the Planning and Construction of the Alaska Highway Gas Pipeline

To carry out and give effect to the Agreement of 20 September 1977, between Canada and the United States; to facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local, regional and national interests, including those of the native people, and carrying out federal responsibilities in relation to the pipeline; to facilitate consultation and co-ordination with the governments of the provinces and the territories; to maximize social and economic benefits while minimizing any adverse social and environmental effects; to advance national economic and energy interests and to ensure the highest possible degree of Canadian participation in all aspects of the planning, construction and procurement for the pipeline, while ensuring that the procurement of goods and services for the pipeline will be on generally competitive terms.

D. Key Results Commitments, Planned Results, Related Activities and Resources

Key Results Commitment - To provide Canadians with an overview of planning and construction of the Canadian portion of the Alaska Natural Gas Transportation System. No major projects are planned in 2000-2001.

Planned Results - Co-operation among government departments to ensure that all aspects of the *Act* are effectively carried out.

Related Activities

The Agency has been designated as a Department for the purposes of the *Financial Administration Act*. The Operating Budget is voted by Parliament annually.

The Agency operates within the existing budget by working in co-operation with other departments including, principally, the National Energy Board ("the Board"). The budget amount is in excess of the forecasted expenditures. This should circumvent any need in future to approach Parliament for increased funding should an unexpected increase in workload activity occur or an unanticipated expenditure arise.

Pursuant to subsection 29(1) of the *Northern Pipeline Act*, cost recovery charges are determined in accordance with regulations made under the *National Energy Board Act*. Annual charges are based on an estimated budget plus or minus an adjustment for prior year actual expenditures. Billing takes place on a quarterly basis. For further information, refer to page 11.

Easement fees collected by the Agency on behalf of Indian and Northern Affairs Canada in the amount of \$30,400 annually are deposited directly into the Consolidated Revenue Fund. The Yukon Government's share, paid out of the Agency's appropriation, is \$2,806. Both receipt and expense are omitted from the calculation of recoverable costs.

Expected Results

The Agency will effectively respond to Foothills' regulatory filings and make certain that the *Act* is properly administered. Although the Agency has no full-time staff at this juncture, agreements are in place with the National Energy Board, Natural Resources Canada, and other government departments to achieve this result.

All of the costs incurred by the Agency in the administration of the *Act* will be fully recovered, including those costs related to services provided by other government departments.

Those costs (\$31K) that are fixed in nature relate to the Commissioner's salary, the administration of the Leasehold Agreement by Indian and Northern Affairs Canada and the accommodations managed by Public Works and Government Services Canada.

The remainder of the costs of the Agency relate to services provided by others, including the administrative and technical support of the National Energy Board. While these costs have remained fairly stable over time, the Board's technical support service costs can vary substantially depending upon the timing and magnitude of Foothills' activities falling under the *Act*.

Resources - Northern Pipeline Agency Canada has a budget of \$259,000 in 2000-2001.

Section IV: Financial Information

Table 4.1: Non-respendable Revenue

(\$ thousands)	Forecast Revenue 1999-2000	Planned Revenue 2000-2001	Planned Revenue 2001-2002	Planned Revenue 2002-2003
Northern Pipeline Agency				
Regulation of Construction the Alaska Highway Gas Pipeline	170	259	259	259
Total Non-Respendable Revenue	170	259	259	259

Table 4.2: Net Cost of Program for the Estimates Year

(\$ thousands)	Total
Planned Spending (Budgetary and Non-budgetary Main Estimates plus adjustments)	259
<i>Plus: Services received without charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	0
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS	0
Workmen's compensation, cost recovery audit costs and miscellaneous costs provided by other departments	0
	0.0
<i>Less: Non-respendable Revenue</i>	259
2000-2001 Net Cost of Program	0

Section V: Other Information

Table 5.1 Cost Recovery and Billing Information

Cost Recovery and Billing Information					
(\$ thousands)	1998	1999	2000	2001	2002
Estimated recoverable costs	258	259	259	259	259
Actual recoverable costs	162	159	N/A	N/A	N/A
Adjustment in future year	96	100	N/A	N/A	N/A
Estimated recoverable costs	258	259	259	259	259
Adjustment for prior year	(117)	(120)	(96)	(100)	N/A
Total billings	141	139	163	159	N/A

N/A Information is not available until the completion of the audits for the corresponding fiscal years. The *Northern Pipeline Act* stipulates that an audit be performed annually by the Auditor General of Canada. Currently the audit is based on the fiscal year in order for the Agency to meet its obligations to Parliament.

Legislation Administered by the Northern Pipeline Agency

The Minister has sole responsibility to Parliament for the following Act:

Northern Pipeline Act (R.S.C., 1977-78, c.20, s.1)

The Minister shares responsibility to Parliament for the following regulations:

National Energy Board Cost Recovery Regulations (SOR/91-7, 1991 Canada Gazette Part II, p.15.)

Contacts:

Northern Pipeline Agency
c/o National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0X8

Telephone: (403) 299-4800
Fax (403) 292-5503

Mr. Robert G. Wright

Commissioner

Mr. Michel Têtu

Comptroller & Executive Assistant to
Commissioner

Mr. Kenneth W. Vollman

Administrator & Designated Officer

Index

Act 1, 3, 4, 7, 8, 9, 13
activities 4, 8, 9
administration 8, 9
advisory council 4
agreement 1, 3, 5, 7, 8, 9
business line 3, 7
capacity 1, 5
cost recovery 1, 8, 11, 13
description 4, 7
easement fees 8
economic factors 1, 3, 5, 7
environmental 3, 7
expansions 1, 5
export 1, 5
Foothills Pipe Lines Ltd. 1, 3, 6, 8, 9
markets 1, 3, 5
objective 4, 7
plans 7
Prebuild 1, 5
procurement 3, 7
revenue 6, 8, 11
spending 6, 7, 11
workload 1, 8