
Northern Pipeline Agency

ANNUAL REPORT

**Fiscal Year Ending
31 March 2002**



Northern Pipeline Agency
Canada

Administration du pipe-line du Nord
Canada

Annual Report
for Fiscal Year Ending 31 March 2002

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represented by the National Energy Board

Cat. No. C88-1/2001
ISBN 0-662-66975-4

This report is published separately in both official
languages.

Copies are available on request from:

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Calgary, Alberta, T2P 0X8
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Overview

The Northern Pipeline Agency (Agency) was created by the *Northern Pipeline Act* in 1978 to oversee the planning and construction by Foothills Pipe Lines Ltd. (Foothills) of the Canadian portion of the Alaska Natural Gas Transportation System (ANGTS), a pipeline project intended to transport Alaskan and northern Canadian gas to markets in southern Canada and the Lower 48 States. The project is the subject of the *1977 Agreement Between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline*.

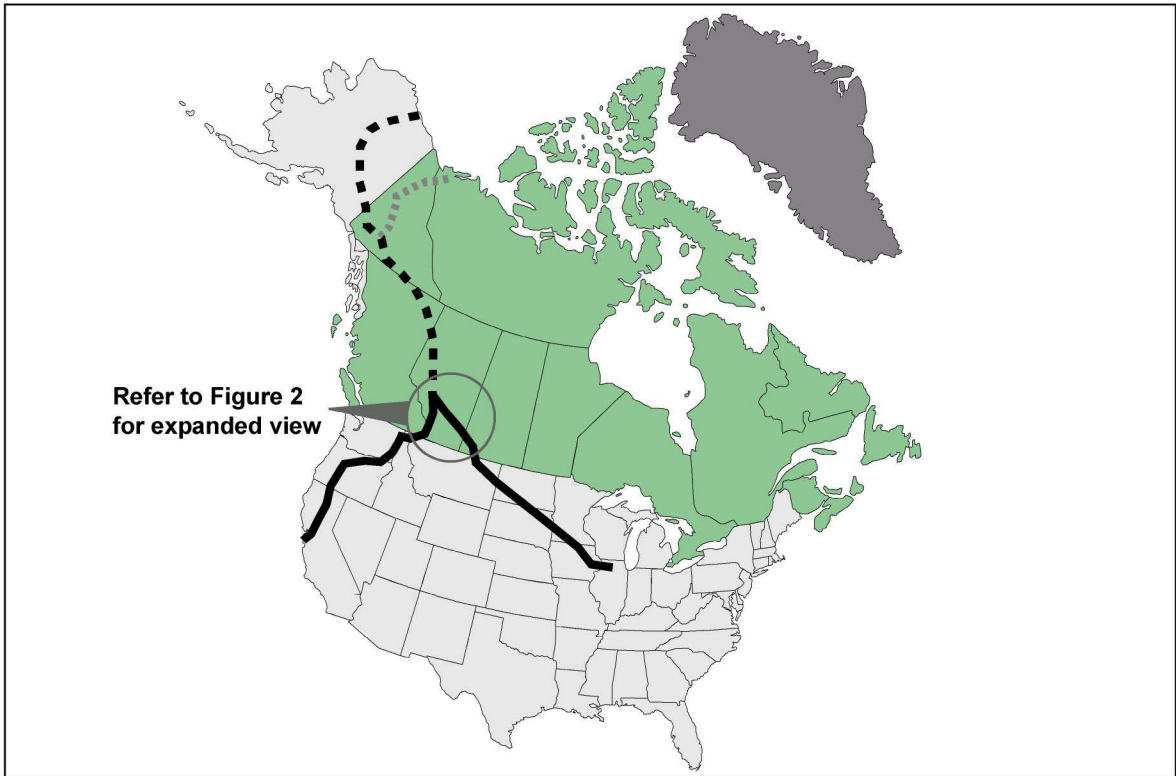
The Agency's primary role in recent years has been to oversee the construction of the southern portion of the pipeline system, referred to as the Prebuild. The Prebuild went into operation in the 1981-82 time frame for the initial purpose of transporting gas sourced from western Canada.

As conceptualized, the second stage of the project would link the prebuilt Western and Eastern Legs of the pipeline system with United States reserves at Prudhoe Bay in Alaska and possibly also the Canadian reserves in the Mackenzie Delta region. Unfavourable economic conditions have led to indefinite delays in the completion of the ANGTS and resulted in a prolonged period of low activity for the Agency.

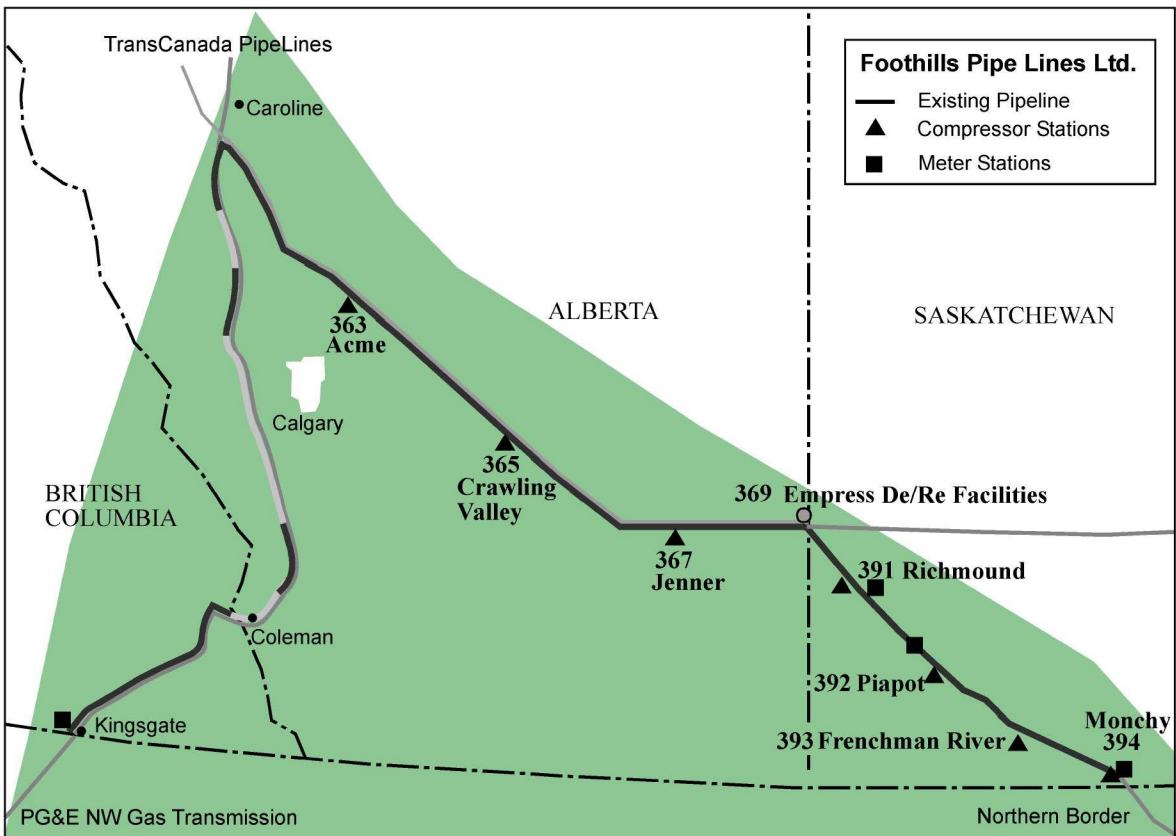
The current flow capacity of the Prebuild is about 94 million cubic metres (3.3 billion cubic feet) per day.

Figures 1 and 2 show the proposed route of the ANGTS in Canada and the United States and details of the existing Prebuild in Canada.

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



**Figure 2:
The Foothills Prebuild**



Background Information

For more complete background information on the ANGTS and the Agency's roles and responsibilities, reference may be made to the Agency's *Performance Report* for the period ending 31 March 2002.

This report may be accessed through the Treasury Board Secretariat's Internet site at <http://www.tbs-sct.gc.ca/rma> or obtained in hardcopy format by contacting the National Energy Board's Publications Coordinator toll-free at 1-800-899-1265 or direct at (403) 299-3562. Requests may also be forwarded to the Publications Coordinator by fax at (403) 292-5503, by E-mail at publications@neb-one.gc.ca, or by mail to National Energy Board, 444 Seventh Avenue S.W., Calgary, Alberta, T2P 0X8.

Key 2001/2002 Activities

Perceptions of a growing North American market for natural gas and declining supply from traditional sources rekindled interest in exploring options for bringing Alaska and Mackenzie Delta gas to market. In addition, the United States considered measures to expedite the construction of a pipeline to deliver Alaska natural gas to the lower 48 states, including a streamlined regulatory process and financial support. These measures were being considered as part of broader U.S. energy legislation designed to enhance domestic energy production and security of supply. In this environment, the Agency was called on to respond to a number of queries related to the ANGTS. During 2001/2002 work continued to prepare the Agency to meet commitments set out in the *Northern Pipeline Act* should Foothills decide to proceed with the second stage of the ANGTS.

Organization

The Agency reports to Parliament through the Minister for International Trade, the Honourable Pierre Pettigrew, who is responsible for the management and direction of the Agency.

The Agency has two senior officers who are appointed by the Governor in Council. The Commissioner of the Agency is Leonard J. Edwards, Deputy Minister for International Trade. The Agency's Administrator and Designated Officer for the reporting period was Kenneth W. Vollman, Chairman of the National Energy Board. Robert G. Skinner was appointed as the Agency's Administrator on the 26 November 2002.

Given the continuing low level of Agency activity, 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. The Agency is also supported by the Department of Foreign Affairs and International Trade and Justice Canada.

Expenditures

The report of the Auditor General on the accounts and financial transactions of the Agency for the 2001/2002 fiscal year follows. As shown by the report, the Agency's expenditures for the fiscal year totalled approximately \$ 255,000.

Appendix



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister for International Trade

I have audited the schedule of expenditures and receipts of the Northern Pipeline Agency for the year ended March 31, 2002. The expenditures and receipts are calculated as described in Note 2 to the schedule. This financial information is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In my opinion, this financial information presents fairly, in all material respects, the expenditures and receipts of the Agency for the year ended March 31, 2002 in accordance with the accounting policies set out in Note 2 to the schedule of expenditures and receipts.

A handwritten signature in black ink, appearing to read "Ron Thompson".

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
August 22, 2002



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Ottawa, ON
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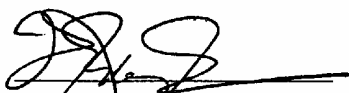
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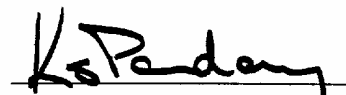
NORTHERN PIPELINE AGENCY
Schedule of Expenditures and Receipts
for the year ended March 31, 2002

	<u>2002</u>	<u>2001</u>
<u>Expenditures</u>		
Salaries and employee benefits	\$69,444	\$ 12,643
Professional and special services	146,705	73,337
Transportation and communications	22,678	12,614
Material, supplies and maintenance	7,979	10,625
Rentals and office accommodation	7,536	7,469
Information / printing and publishing services	<u>574</u>	<u>1,110</u>
Total expenditures	<u>\$254,916</u>	<u>\$117,798</u>
<u>Receipts</u>		
Recovery of expenditures (Note 2)	(\$240,409)	(\$121,340)
Net easement fee	(27,594)	(27,594)
Miscellaneous revenue	<u>(208)</u>	<u>-</u>
Total receipts	<u>(\$268,211)</u>	<u>(\$148,934)</u>

The accompanying notes are an integral part of this statement.

Approved by:


Commissioner


Comptroller

NORTHERN PIPELINE AGENCY

Notes to the Schedule of Expenditures and Receipts

for the year ended March 31, 2002

1. Authority and objective

The Agency was established in 1978 by the Northern Pipeline Act. The objective of the Agency is 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 Act.

The Agency's expenditures are funded by parliamentary appropriations. However, in accordance with the Act and the National Energy Board Cost Recovery Regulations, the Agency is required to recover all its annual operating costs from the companies holding certificates of public convenience and necessity issued by the Agency. Currently, Foothills Pipe Lines Ltd. is the sole holder of such certificates.

Receipts are deposited to the Consolidated Revenue Fund and are not available for use by the Agency.

On May 1, 1982, the United States, sponsors for the Alaska Highway Gas Pipeline and Foothills Pipe Lines Ltd., announced that the target date for completion had been set back until further notice and all parties scaled down their activities.

2. Accounting policies

Expenditures

Expenditures include the cost of work performed, goods received or services rendered prior to April 1, except for the cost of salaries and employee benefits which are charged to expenditures when paid. Capital acquisitions are charged to expenditures in the year of purchase.

Receipts

Receipts are recorded on a cash basis.

Recovery of Expenditures

Expenditures are initially recovered by calendar year from quarterly billing based on the proration of the Agency's fiscal years budgets. An adjustment to actual cost is made in the subsequent year's billings.

NORTHERN PIPELINE AGENCY

Notes to the Schedule of Expenditures and Receipts

for the year ended March 31, 2002

3. **Easement fee**

In 1983, the Canadian Government, pursuant to subsection 37(3) of the Northern Pipeline Act, granted Foothills Pipe Lines Ltd. a twenty-five year easement upon and under lands in the Yukon Territory. For the right of easement, Foothills Pipe Lines Ltd. is to pay the Agency an annual amount of \$30,400. \$2,806 of this annual amount is collected on behalf of and forwarded directly to the Government of the Yukon Territory.

4. **Related party transactions**

The expenditures include \$102,416 (2000-01: \$59,396) for the cost of services by other federal government departments and agencies. Professional and special services and office accommodation represent the main services provided by the related parties.

5. **Subsequent event**

The Agency is currently seeking approval from Treasury Board for additional resources to enhance the staffing and operating requirements commencing 2002-2003 fiscal year and in the future years.