



Regulatory Agenda

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

Guidelines For Negotiated Settlements of Traffic, Tolls And Tariffs

On 30 January, the Board released a discussion paper and *Draft Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs* for public comment.

The Board's existing *Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs*, as amended August 1994, require that an application supported by a negotiated settlement be based on unanimous or unopposed support of the parties to the negotiation. They do not contain any guidance as

to how the Board may deal with contested settlements. The draft revised guidelines identifies steps the Board could take to deal with contested settlements in the future. The deadline for filing comments is Wednesday 20 March.

The discussion paper and the *Draft Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs* are available on the Board Internet Site at www.neb-one.gc.ca under the heading *What's New!*

Public Hearing Applications

Hearings Scheduled

- 1. **TransCanada PipeLines Limited (TCPL or Company) - Cost of Capital for the Years 2001 and 2002 - RH-4-2001 (File 4200-T001-15)**

The Board will hold a public hearing commencing on 19 February in Calgary, Alberta concerning an application from TCPL for

approval of the cost of capital to be included in the calculation of the Company's mainline tolls for the years 2001 and 2002.

The Board last considered the cost of capital of TCPL in a Multi-Pipeline Cost of Capital hearing held in 1994 (RH-2-94). Following that hearing, the Board decided that a deemed common equity ratio of 30 per cent was appropriate for TCPL. The Board

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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also decided that the allowed rates of return on common equity for all pipelines would be subsequently adjusted annually based on the equity risk premium method. Using that formula, a rate of return on common equity of 9.53 per cent was established for 2002.

In this application, TCPL submitted that the deemed capital structure of 30 per cent on common equity and the rate of return on equity formula underestimates the fair return for TCPL and should therefore not be applied to the Company effective 1 January 2001.

TCPL is seeking approval of an after-tax weighted-average cost of capital (ATWACC) of 7.5 per cent for 2001 and 2002, adjusted for the difference between the market cost of debt and embedded cost of debt of the Company. TCPL stated that an ATWACC of 7.5 per cent equates to a rate of return of 12.5 per cent on a deemed common equity of 40 per cent. TCPL further stated that, in the event the Board declines the proposed methodology, it would request that the Board establish a rate of return of 12.50 per cent on a deemed common equity ratio of 40 per cent for the years 2001 and 2002.

2. Cedars Rapids Transmission Co. (Cedars) - Reconstruction of an International Power Line (IPL) - EH-1-2002 (File 2200-C019-1)

The Board will hold a public hearing commencing 26 March, at a location to be announced at a future date, to consider an application by Cedars to reconstruct an IPL from Les Cèdres, Quebec to Cornwall, Ontario.

Cedars applied for a permit to replace 71 kilometres (44 miles) of an existing 72.8 kilometre (45 mile) IPL from Les Cèdres generating station in Quebec to a connecting point located in Cornwall, Ontario. The last 1.8 kilometres of the IPL from Cornwall to the U.S. border was previously rebuilt. The existing IPL will be dismantled once the reconstructed IPL is in service. Cedars also applied to reconstruct the IPL at 230 kilovolts and to operate the line at 120 kilovolts.

Cedars proposes to reconstruct the IPL between the months of June and November 2003 with a proposed in-service date of December 2003 and to dismantle the existing IPL during the winter of 2004. The estimated cost of the project is \$40 million.

3. Cartier Pipeline and Company, Limited Partnership (Cartier) - Toll Treatment of

Maritimes & Northeast Pipeline Management Ltd.'s (M&NP) Hypothetical Northwest Facilities - RH-1-2002 Phase 2 (File 4200-M124-2)

The Board will hold a public hearing commencing on 23 April, in Halifax, Nova Scotia, on a filing submitted by Cartier for consideration of the toll treatment of the Northwest Facilities that Cartier would like M&NP to construct.

The Northwest Facilities is an hypothetical pipeline of approximately 260 kilometres (161 miles) of 508 millimetre (20 inch) diameter pipe extending from an interconnection with the proposed Cartier Pipeline Project through northwestern New Brunswick to M&NP's existing mainline near Fredericton. The Cartier Pipeline Project is an hypothetical pipeline of approximately 262 kilometres (163 miles) of 508 millimetre (20 inch) diameter pipe paralleling the St. Lawrence River from the New Brunswick-Quebec border to Quebec City where it will interconnect with the existing Canadian gas transmission grid.

The Cartier submission was filed as a result of the Board's letter dated 3 October 2001 in which it had stated that, should Article 17 not apply to the Northwest Facilities, it would be appropriate to provide Cartier with an opportunity to file sufficient facts and information to support a proper examination of the following issue: *the appropriate toll treatment of the Northwest Facilities in the event that Article 17 does not apply*. Article 17 of the General Terms and Conditions of M&NP's Gas Tariff, commonly referred to as the Lateral Policy, deals with the policy with respect to fees and construction of new facilities by M&NP.

In November, the Board decided that the potential Northwest Facilities fall outside the scope of Article 17. The Board found that the Northwest Facilities are a mainline extension and not a lateral, and are not facilities to which the benefits of the Lateral Policy were intended to apply. The Board rendered that decision following a public hearing (RH-3-2001) held in Dartmouth, Nova Scotia from 11 to 25 October 2001.

4. 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 for the GSX Canada Pipeline Project commencing 17 June in British Columbia, with locations and times to be announced later.

The Joint Review Panel has conducted public consultation sessions from 11 to 19 January to assist it in the formulation of issues that should be considered at the public hearing and to receive comments on the information to be requested of the applicant. The public consultation sessions were held in Vancouver, Sidney, Duncan, Cobble Hill, Saltspring Island, Victoria, Saturna Island and North Pender Island, British Columbia.

The proposed GSX Canada Pipeline Project is a joint undertaking by BC Hydro and Williams Gas Pipeline Company. It is the Canadian portion of the project that would transport natural gas from Sumas, Washington to Vancouver Island.

The proposed GSX Canada Pipeline Project would originate at a point on the international border in Boundary Pass, west of the Strait of Georgia, to an interconnection with the existing Centra Gas British Columbia Inc. pipeline on Vancouver Island, south of Duncan. The Canadian portion of the pipeline would be approximately 60 kilometres (37.5 miles) in length, with approximately 44 kilometres (27.5 miles) being offshore and 16 kilometres (10 miles) onshore. The 406.4 millimetre (16 inch) diameter pipeline would be designed to initially transport 2.71 million cubic metres (96 million cubic feet) per day of natural gas. The company is proposing an in-service date of October 2003 and the estimated cost of the Canadian portion of the project is \$100 million.

Hearing Applications Filed

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

On 31 January 2001, WEI applied to construct approximately 108.5 kilometres (67 miles) of 406.4 millimetre (16 inch) pipeline extending the Grizzly Raw Gas Transmission System from a point in northeast British Columbia, approximately 30 kilometres (19 miles) southeast of Tumbler Ridge, to a proposed receipt point in Alberta approximately 110 kilometres (68 miles) southwest of Grande Prairie. WEI also proposes to construct approximately 6.3 kilometres (4 miles) of 273 millimetre (10 inch) pipeline, to be known as the Weejay Lateral, from a well site in British Columbia to a tie-in point on the proposed Grizzly Extension Pipeline. The proposed facilities will permit WEI to connect additional gas reserves in

the Ojay/Weejay area of British Columbia and the Narraway area of Alberta. The estimated cost of the proposed facilities is \$64.5 million.

The Comprehensive Study Report required under the *Canadian Environmental Assessment Act* is still being finalized.

2. New Brunswick Power Corporation (NB Power) - Construct an 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 and NB Power expects to commence construction in the Spring of 2002. 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.

The Comprehensive Study Report required under the *Canadian Environmental Assessment Act* is still being finalized.

3. Westcoast Energy Inc. (WEI) - Southern Mainline Expansion (File 3200-W005-12)

On 2 January, WEI applied to construct approximately 89.5 kilometres (55.5 miles) of 1067 millimetre (42 inch) natural gas pipeline in eight loop segments along the route of the existing Southern Mainline. The proposed loops will range in length from approximately 3.5 kilometres (2.1 miles) to 31.4 kilometres (19.4 miles) and will be installed at locations from near McLeod Lake in north-central British Columbia to near Rosedale in southern British Columbia. Westcoast also proposes to upgrade and construct additional facilities at several compressor and meter stations. 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 \$338.4 million and the proposed in-service date is 1 November 2003.

Hearings Adjourned or Postponed

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

For more information on this matter, refer to item 1 under *Hearing Applications, Hearing Scheduled* in the February 2001 issue of the *Regulatory Agenda*.

2. Mr. Robert A. Milne, 3336101 Ontario Limited, c.o.b. as Milne Crushing & Screening - MH-1-97

For more information on this matter, refer to item 1 under *Hearing Applications, Hearings Postponed* in

issue No. 62 of the *Regulatory Agenda* dated 1 October 1997.

3. Crowsnest Pipeline Project - Natural Gas Pipeline

For more information on this matter, refer to item 1 under *Hearing Applications, Hearing Application Suspended* of issue No. 63 of the *Regulatory Agenda* dated 1 January 1998.

Non Hearing Applications

Electricity Matters

Matters Under Consideration

1. Aquila Canada Capital and Trade Corp. (Aquila Canada) - Electricity Export (File 6200-A090-1)

On 7 June, Aquila Canada applied for permits to export up to 1 142 megawatts of firm power and up to 10 000 gigawatt hours of firm and interruptible energy annually for a period of 10 years.

On 22 June and 18 December, the Board sent letters to Aquila Canada requesting additional information.

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On 22 June and 18 December, the Board sent letters to Aquila requesting additional information.

3. Connectiv Energy Supply Inc. (Connectiv) - Electricity Export (File 6200-C204-1)

On 11 January, Connectiv applied for permits to export up to 5 000 gigawatt hours of interruptible energy and 571 megawatts and 5 000 gigawatt hours of short-term firm power and energy annually for a period of 10 years.

4. Direct Energy Marketing Ltd. (Direct) - Electricity Export (File 6200-D027-1)

On 6 December, Direct applied for permits to export up to 1 000 megawatts of firm power, 2 000 megawatts of combined firm and interruptible power, 8 760 gigawatt hours of interruptible energy and 8 760 gigawatt hours of firm energy annually for a period of 10 years.

5. Encore Energy Solutions Inc. (Encore) - Electricity Export (File 6200-E050-1)

On 4 June, Encore applied for permits to export up to 10 541 gigawatt hours of interruptible energy and up to 750 megawatts and 6 588 gigawatt hours of short-term firm power and energy annually for a period of 10 years.

On 22 June and 18 December, the Board sent letters to Encore requesting additional information.

6. Hudson Energy Company (Hudson) - Nova Scotia to New York Power Project - (File 2200-H044-1)

On 19 December, Hudson filed documents entitled *Project Description and Draft Scope of the Environmental Assessment* as a preliminary submission for the proposed Nova Scotia to New York Power Project (the Power Project). The preliminary submission initiates the environmental assessment of the Power Project under the *Canadian Environmental Assessment Act* (CEAA). The draft scoping document outlines, in general way, the requirements under the CEAA with respect to the scope of the assessment and Hudson's proposed approach to conduct the assessment.

Hudson proposes to construct a 832 megawatt combined-cycle natural gas-fired power generation facility in Goldboro, Nova Scotia and to transport the power to New York City through a subsea 500 kilovolt high voltage direct current cable. The total length of cable to be used in the Power Project is estimated to be between 1 300 and 1 450 kilometres (806 to 900 miles). Hudson proposes to start transmitting electricity to New York City by mid-2005. In its submission, Hudson stated that two potential marine corridors are being considered:

- the preferred alternative corridor extends from the Northeast Chanel area to Great South Channel, via a southeastern route around Georges Bank; and

- an alternative corridor extends from the Northeast Channel area to Great South Channel via a northwestern route around Georges Bank.

From the Great South Channel and the area west of Georges Bank, the corridor extends from the western terminus of the Ambrose shipping channel into New York Harbor, through the Narrows in the Upper Bay and the Lower Hudson River to a terminus in the vicinity of West 49th Street, New York City.

7. The Manitoba Hydro Electric Board (Manitoba Hydro) - Construct an International Power Line (IPL) (File 2200-M020-4)

On 7 September, Manitoba Hydro applied for approval to construct a 230 kilovolt IPL from its Glenboro Station located in southwestern Manitoba to the international boundary near Killarney, Manitoba.

Manitoba Hydro has entered into an agreement with Northern States Power Company and Otter Tail Power Company, both located in the United States, for the construction of an IPL from the existing Glenboro Station to a proposed new Rugby East Station to be located to the east of Rugby, North Dakota. The Canadian portion of the IPL would be approximately 80 kilometres (50 miles) in length and the U.S. portion would be approximately 85 kilometres (53 miles) in length running from Rugby to the north of Rolla, North Dakota. The estimated cost of the Canadian portion of the IPL is \$22 million Canadian and the estimated cost of the U.S portion of the project is \$30 million U.S. The proposed in-service date of the IPL is 31 October 2002.

On 25 October, 16 and 23 November, 21 December and 31 January, the Board sent letters to Manitoba Hydro requesting additional information.

8. The Manitoba Hydro Electric Board (Manitoba Hydro) - Electricity Export (file 6200-M020-12)

On 14 November, Manitoba Hydro applied for permits to export up to 100 megawatts of power annually and up to 514 gigawatt hours (GW.h) in 2002, 878 GW.h in 2003 - 2006, and 362 GW.h in 2007 for a period of five years.

9. Morgan Stanley Capital Group Inc. (Morgan) - Electricity Export (File 6200-M136-1)

On 1 May, Morgan applied for permits to export up to 2 336 000 megawatts of firm and interruptible power and up to 2 336 gigawatt hours of firm and

interruptible energy annually for a period of 20 years.

On 22 June, the Board sent a letter to Morgan requesting additional information.

10. Nexen Marketing, an Alberta general partnership (Nexen) - Electricity Export (File 6200-N086-1)

On 24 August, Nexen applied for permits to export up to 5 000 gigawatt hours of interruptible energy and up to 1 000 megawatts and 5 000 gigawatt hours of firm and interruptible power and energy annually for a period of 10 years.

On 1 October and 18 December, the Board sent letters to Nexen requesting additional information.

11. OGE Energy Resources Inc. (OGE) - Electricity Export (File 6200-0011-1)

On 18 January, OGE applied for permits to export up to 300 megawatts of firm and interruptible power, 1 500 gigawatt hours of firm energy and 250 gigawatt hours of interruptible energy annually for a period of 10 years.

12. TransCanada Power Marketing Ltd. (TransCanada) - Electricity Export (File 6200-T074-1)

On 13 March, TransCanada applied for permits to export up to 500 megawatts of firm and interruptible power per month, and 2 terawatt hours of interruptible and firm energy per year for a period of 10 years.

On 22 June and 27 November, the Board sent letters to TransCanada requesting additional information.

Pipeline Matters

Matters Completed

1. Paramount Transmission Ltd. (Paramount) - Cameron Hills Transborder Pipeline Project (File 3400-P097-1)

On 22 January, the Board approved an application dated 29 June from Paramount to construct two pipelines, the first is a 15 kilometre (9.3 mile), 323.8 millimetre (12 inch) two phase raw sour oil, gas condensate and natural gas pipeline and, the second is a 15 kilometre, 88.9 millimetre (3 inch) fuel gas pipeline. The pipelines would be constructed in the same trench. The pipelines would extend from the Cameron Hills central battery located in the Northwest Territories to LSD 05-14-126-22 W5M in Alberta. The estimated cost of the project is \$3.6 million.

2. 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 for details of the applications approved.

Matters Under Consideration

3. Pressure Vessels and Pressure Piping - Transfer of Federal Regulatory Authority (Files 9720-A000-10 and 185-A000-8)

On 30 November, the Board issued for comment by regulated companies under its jurisdiction and boilers and pressure vessel authorities draft conditions that deal with the transfer of regulatory authority over pressure vessels and pressure piping under federal jurisdiction.

On 15 August, the amended part V of the *Canada Occupational Health and Safety Regulations* (COHSR) entitled *Boilers and Pressure Vessels* SOR/2001-284 (Part V) was published in the Canada Gazette Part II. One of the amendment in Part V was the exemption of pressure vessels and pressure piping which are part of interprovincial and international pipeline from the COHSR. The effect of that exemption was to transfer regulatory authority over pressure vessels and pressure piping from Human Resources Development Canada to the Board.

Until such time as the *National Energy Board Onshore Pipeline Regulations* can be amended, the specific requirements for design, construction, operation and abandonment of pressure vessels and pressure piping could be provided in the form of a general order that would include the conditions to which the Board is seeking comments on.

4. Husky Oil Operations Limited (Husky) - Pipeline Construction (File 3400-H012-10)

On 29 November, Husky applied for approval to construct a 8.9 kilometre (5.5 mile) natural gas pipeline from approximately 175 kilometres (108 miles) east of Fort Nelson, British Columbia to approximately 40 kilometres (25 miles) west of Rainbow Lake, Alberta. The estimated cost of the pipeline is \$1.8 million and the construction is proposed to be completed by mid-March 2002.

On 21 December and 10 January, the Board sent letters to Husky requesting additional information.

5. Pouce Coupe Pipe Line Ltd. (Pouce Coupe) - Sale of Oil Pipelines (Files 3400-P123-2 and 3400-F72-1)

For more information on this matter, refer to item 10 under *Pipeline Matters* of the December 2001 *Regulatory Agenda*.

6. Star Oil & Gas Ltd. (Star) - Pipeline Construction - (3400-S168-2)

On 20 December, Star applied for approval to construct two pipelines as follows:

- 13.5 kilometres (8.3 miles) of 168.3 millimetre (6 inch) high pressure sour natural gas production pipeline from 01-34-79-14W6 in British Columbia to the Duke Pouce Coupe Gas Plant a 05-23-80-13W6 in Alberta; and
- 13.5 kilometres (8.3 miles) 60 millimetre (2 inch) high pressure fuel gas supply pipeline from the Duke Pouce Coupe Gas Plant at 05-23-80-13W6 in Alberta to 01-34-79-14W6 in British Columbia.

The two pipelines will be constructed in the same trench. The estimated cost of the project is \$1 509 500 and the proposed in-service date is mid-March 2002.

7. TransCanada PipeLines Limited, B.C. System (TCPL) - 2002 Westpath Expansion (File 3400-T054-3)

On 20 December, TCPL applied for approval to construct approximately 24.4 kilometres (15 miles) of 1219 millimetre (48 inch) pipeline on its B.C. System and for modifications to its Elko and Moyie Compressor Stations. The contract design capacity of the applied-for facilities would be 11.9 million cubic metres (420 million cubic feet) per day. The estimated cost of the project is \$48.3 million and the proposed in-service date is 1 November 2002.

8. TransCanada PipeLines Limited (TCPL) - Deactivation of Facilities (File 3200-T001-192)

On 5 July, TCPL applied for approval to deactivate certain compression facilities at 16 stations on its mainline system. The estimated cost of the project is \$3,788,000.

On 19 July, the Canadian Association of Petroleum Producers (CAPP) requested that the Board convene a conference for the purpose of expeditiously establishing the facts surrounding TCPL's application. CAPP identified a number of concerns regarding TCPL's application; namely, the maintenance of used and useful plant, the retirement of plant no longer used and useful, and the maintenance and availability of suitable levels of plant.

On 10 January, the Board held a conference for an exchange of views on the issues raised in respect to TCPL's application to seek an understanding an possible resolution of some or all of those issues and to determine if there will be a need for a further Board process.

9. Westcoast Energy Inc. (WEI) - Review of Order XG-W005-22-2001 and Kwoen Re-Injection Extension Pipeline Application (files 33400-W005-265 and 400-W005-282)

On 14 December, WEI applied for approval of the Kwoen Re-Injection Extension Pipeline Facilities in northeastern British Columbia which consist of:

- a 3.2 kilometre 168.3 millimetre (six inch) acid gas pipeline extending from the end of the Kwoen Re-injection Pipeline near the Talisman Energy Inc. well located at b-65-B/93-P-5 to Talisman's well at a-43-B/93-P-5;
- a 1.4 kilometre 88.9 millimetre (three inch) fuel gas pipeline extension from a tie-in point on WEI's existing South Sukunka Fuel Gas Pipeline at c-44-B/93-P-5 to well a-43-B/93-P-5;
- install two electric pumps and associated facilities at the Kwoen processing and compressor sites; and
- install communications and control facilities at well site a-43-B/93-P-5.

The purpose of the facilities is to allow re-injection of acid gas extracted from raw gas processed at the Kwoen processing facility into an existing Talisman well. WEI originally intended to dispose of acid gas in well b-65-B/93-P-5.

On 19 September, WEI had informed the Board that it had identified problems with the b-65-B/93-P-5 well and that the connection of the Kwoen facilities as approved by XG-W005-22-2001 to the b-65-B/93-P-5 well appeared to be in serious doubt. The Board noted that the b-65-B/93-P-5 well is fundamental to the operation of the Kwoen facilities as approved. In the absence of a connection between the Kwoen re-injection pipeline and the well, the viability of the Kwoen project and other projects related to it may be in question. On 27 September, the Board decided, on its own motion, to conduct a review of Order XG-W005-22-2001 by which the Board had approved the original Kwoen facilities (see item 1 under *Appeals and Reviews, Reviews Pending* below).

On 23 January, the Board decided, as the factual

records for the Review and the Application have considerable overlap, to consider both matters together in a consolidated proceeding. The Board will provide further direction regarding the process for the consolidated proceeding.

Traffic, Tolls And Tariff Matter

Matters Completed

1. TransCanada PipeLines Limited (TCPL) - Reports of the 2001 Tolls Task Force (4775-T001-1/2001-08)

The Board has approved the following resolutions of the 2001 Toll Task Force:

| Resolution No. | Date approved | Subject |
|----------------|---------------|--|
| 09.2001 | 7 January | Merger Costs and Benefit Agreement Audit Scope and Engagement |
| 10.2001 | 7 January | Simplification of Interruptible Transportation Proforma Contract |

2. Trans Mountain Pipe Line Company Ltd. (TMPL) - Interim Tolls for 2002 (File 4200-T004-8)

On 17 January, the Board approved an application dated 2 January from TMPL for approval of interim tolls for 2002 to be set at the level of the final tolls approved by the Board for 2001. TMPL stated that it expected to file an application for final tolls early in 2002.

3. Westcoast Energy Inc. (WEI) - 2002 Interim and Final Tolls for Transmission (Files 4200-W005-14 and 4400-W005-9)

On 24 January, the Board approved an application dated 13 December from WEI for interim tolls for mainline transmission services to be in effect commencing 1 January 2002. The Board considered the comments of interested parties in arriving at its decision.

The Board noted, regarding WEI's application for final tolls for 2002, WEI's statement to the effect that it is still hopeful of reaching a negotiated agreement with its stakeholders and that it anticipates being in a position to update the Board on this matter early in 2002. The Board directed WEI to provide it with a monthly report on the status of the settlement negotiations. The status report will assist the Board in determining if and when it should set WEI's application for final 2002 tolls down for hearing.

Matter Under Consideration

4. **Foothills Pipe Lines Ltd. (Foothills) - 2002 Interim and Final Tolls (File 4200-0F006-6 and 4400-F006-9)**

On 18 January, Foothills applied for approval of interim and final orders authorizing it to alter the manner in which it calculates its cost of service (only with regard to the rate of return on common equity) effective 1 February 2002.

On 24 January, Mirant Canada Energy Marketing, Ltd. requested that the Board reject Foothills' request for an interim order effective 1 February 2002.

On 29 January, the Board decided to seek the views of interested parties on the Foothills' application. Interested parties have until 5 February to comment and Foothills until 11 February to reply to any comments received.

Frontier Matters

December 2001 and January 2002

1. **Paramount Resources Ltd.** was given approval on 5 December for the Cameron Hills & Fort Liard/Maxhamish/Tattoo Areas Emergency Response Plan pursuant to subsection 60(4) of the *Canada Oil and Gas Production and Conservation Regulations* (COGPCR).
2. **Paramount Resources Ltd.** was issued an "Approval to Drill a Well" on 19 December for the Paramount Anadarko Bovie J-76 well pursuant to section 83 of the *Canada Oil and Gas Drilling Regulations* (COGDR).
3. **Devon Canada Corporation** was issued an "Approval to Drill a Well" on 20 December for the Devon PC Tuk M-18 well pursuant to section 83 of the COGDR.
4. **Japex Canada Ltd.** was given issued an "Approval to Drill a Well" on 20 December for the JAPEX/JNOC/GSC *et al* MALLIK 3L-38, JAPEX/JNOC/GSC *et al* MALLIK 4L-38 and JAPEX/JNOC/GSC *et al* MALLIK 5L-38 wells pursuant to section 83 of the COGDR.
5. **Paramount Resources Ltd.** was given approval on 21 December to "Alter Condition of a Well" for the Paramount Berkley Arrowhead C-02 well pursuant to subsection 19(3) of the COGPCR.
6. **Paramount Resources Ltd.** was issued an "Approval to Drill a Well" on 21 December for the Paramount Anadarko Bovie F-66 well pursuant to section 83 of the COGDR.
7. **Petro-Canada** was given approval on 23 December to "Alter Condition of a Well" for the PC Anderson Kurk M-15 well pursuant to subsection 5(1)(b) of the *Canada Oil and Gas Operations Act* (COGOA).
8. **Canadian Forest Oil Ltd.** was given approval on 28 December to "Alter Condition of a Well" for the CDN Forest *et al* Flett Rapids I-61 well pursuant to subsection 5(1)(b) of the COGOA.
9. **Canadian Forest Oil Ltd.** was given approval on 3 January to "Alter Condition of a Well" for the CDN Forest *et al* North Liard C-31A well pursuant to subsection 5(1)(b) of the COGOA.
10. **Paramount Resources Ltd.** and **Marathon Canada Limited** were given approval on 9 January for an Amendment to the Development Plan for the Cameron Hills field pursuant to subsection 5.1(5) of the COGOA.
11. **Imperial Oil Resources N.W.T. Limited** was given approval on 10 January for well operations in the Norman Wells field pursuant to subsection 19(3) of the COGPCR.
12. A Significant Discovery was declared and issued on 21 January to **Paramount Resources Ltd.** and **Anadarko Canada Corporation** pursuant to the *National Energy Board Act*, Part II.1, section 28.2 and the *Canada Petroleum Resources Act* (CPRA), Part III, section 28 with respect to the NSM *et al* Arrowhead G-69 well.
13. **Canadian Forest Oil Ltd.** submitted a Significant Discovery Declaration application on 21 January pursuant to the CPRA, section 28(1) with respect to the Cdn Forest *et al* Flett Rapids I-61 well.
14. **Paramount Resources Ltd.** was issued an "Approval to Drill a Well" on 28 January for the Para *et al* Cameron I-73, Para *et al* Cameron C-74, Para *et al* Cameron D-74 and Para *et al* Cameron H-0 3 wells pursuant to section 83 of the COGDR.
15. **Paramount Resources Ltd.** was given approval on 28 January to "Alter Condition of a Well" for Paramount *et al* Cameron N-28 well pursuant to subsection 19(3) of the COGPCR.
16. **Paramount Resources Ltd.** was given approval on 28 January for an extended formation test on the Paramount *et al* Cameron N-28 well pursuant to subsection 5.6 (3) of the COGOA.

17. Paramount Resources Ltd. was given approval on 30 January to construct the Cameron Hills Oil and Gas Development Project facilities and gathering system pursuant to Paragraph 5(1)(b) of the COGOA.

| Company | Area | Operation ID | Date |
|---------------------------------|-----------------|----------------|-------------|
| Paramount Resources Ltd. | Southern NWT | 9237-E035-001E | 30 November |
| Conoco Canada Resources Limited | Mackenzie Delta | 9329-C145-001E | 30 November |
| Paramount Resources Ltd. | Southern NWT | 9229-P033-005E | 30 November |
| Conoco Canada Resources Limited | Mackenzie Delta | 9329-C145-001E | 30 November |
| Petro-Canada Inc. | Mackenzie Delta | 9329-P028-007E | 3 December |
| Paramount Resources Ltd. | Southern NWT | 9229-P033-006E | 5 December |
| Petro-Canada Inc. | Mackenzie Delta | 9329-P028-008E | 11 December |
| Petro-Canada Inc. | Mackenzie Delta | 9329-P028-009E | 17 December |
| Chevron Canada Resources | Mackenzie Delta | 9329-C143-001E | 20 December |
| Chevron Canada Resources | Mackenzie Delta | 9329-C143-002E | 20 December |

18. Geological, geophysical or geotechnical operation - Fifteen applications were approved pursuant to section 5.1(b) of the COGOA. (There are also two amendments to the November information included below.)

| Company | Area | Operation ID | Date |
|--------------------------------|-----------------|----------------|-------------|
| Petro-Canada Inc. | Mackenzie Delta | 9329-P028-010E | 20 December |
| Shell Canada Resources Limited | Mackenzie Delta | 9329-S006-010E | 20 December |
| Shell Canada Resources Limited | Mackenzie Delta | 9329-S006-011E | 20 December |
| AEC West Ltd. | Mackenzie Delta | 9329-A061-002E | 3 January |
| AEC West Ltd. | Mackenzie Delta | 9329-A061-003E | 3 January |
| Anadarko Canada Energy Ltd. | Southern NWT | 9229-A070-001E | 4 January |
| Devon ARL Corporation | Mackenzie Delta | 9328-D030-001E | 4 January |
| Anderson Resources Ltd. | Mackenzie Delta | 9329-A066-002E | 15 January |
| Anadarko Canada Corporation | Mackenzie Delta | 9329-A069-001E | 24 January |

Appeals and Reviews

Appeals Pending

1. *Canadian Forest Oil Limited (Canadian Forest) v Chevron Canada Resources and Ranger Oil Limited (Chevron et al.)*

For more information on this matter, refer to item 1 under the heading Appeals of the 31 August 2000 issue of the *Regulatory Agenda*.

2. *TransCanada PipeLines Limited (TCPL) - Cost Recovery Regulations (CRR) - TCPLs BC System*

On 24 October, TCPL applied to the Federal Court of Appeal for leave to appeal the Board's decision of 27 September in which it reversed TCPL's entitlement to a cap under the CRR by TCPL's BC System, earlier granted by the Board on 14 March. The 27 September decision of the Board also made the change retroactive to 1 January.

In brief, TCPL is seeking leave to appeal for the following reasons:

- the Board erred in law and acted without jurisdiction by reversing its 14 March decision to cap the 2001 costs payable to the Board by TCPL's BC System under the CRR, without any lawful authority to do so;

- the Board erred in law by reversing its 14 March contrary to the requirement in the CRR that the BC System receive the benefit of a cap on its share of Board costs payable;
- the Board proceeded in a manner inconsistent with the principle of natural justice; and,
- the Board erred in law by increasing retroactively the amount payable under the CRR for the first half of 2001, without there being any express authority in the CRR and the National Energy Board Act to do so.

Reviews Pending

1. *Westcoast Energy Inc. (WEI) - Kwoen Facilities (File 3400-W005-265)*

(See also item 14 under *Pipeline Matters, Matters Under Consideration* above)

On 27 September, the Board decided, on its own motion, to conduct a review of Order XG-W005-22-2001 by which the Board had approved an application by WEI to construct the Kwoen facilities.

On 19 September, WEI had informed the Board that it had identified problems with Talisman Energy Inc.'s re-injection well located at b-65-B/93-p-5 (b-65 well) and that the connection of the Kwoen facilities as approved by XG-W005-22-2001 to the b-65 well appears to be in serious doubt. The Board noted that the b-65 well is fundamental to the operation of the Kwoen facilities as approved. In the absence of a connection between the Kwoen re-injection pipeline and the b-65 well, the viability of the Kwoen project and other projects related to it may be in question.

The Kwoen Facilities, located 29 kilometres (17.4 miles) southeast of the Pine River Plant in British Columbia, consist of: (i) a booster compressor unit; (ii) an acid gas stripper facility; (iii) a 10-kilometre (6.2-mile) acid gas re-injection commodity pipeline; and, (iv) modifications to a re-injection disposal well.

2. Reservoir Safety Committee (RSC) - Review of Electricity Export Permits Issued to British Columbia Power Exchange Corporation (Powerex) and British Columbia Hydro and Power Authority (BC Hydro) (File 6200-B095-4-1)

On 17 October 200, RSC applied for a review of

electricity export permits EPE-118 and EPE-119 issued to Powerex and permits EPE-124, EPE-125, EPE-126 and EPE-127 issued to BC Hydro. In its application, RSC stated that since 1980, 11 drownings have occurred in BC Hydro's Carpenter Reservoir. This is a consequence of BC Hydro's refusal to provide adequate protection to workers and members of the public traveling through the Bridge River Generating Facility, located within the Carpenter Reservoir. RSC further stated that widespread citizen concern with the operation of the facility, has led to the formation of the RSC. RSC's goal is to effect significant safety related improvements to the facility. RSC requested that the Board rescind permits related to the export of electricity generated through BC Hydro's Bridge River Hydro Electric Facility until such time as the safety of workers and the traveling public can be assured.

On 19 December 2000, the Board sent a letter to RSC advising that it will hold the application in abeyance until RSC has complied with section 44 of the National Energy Board Rules of Practice and Procedure, 1995, including notification to potentially interested persons.

Amendments to Regulations and Rules

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

For more information on this matter, refer to item 1 under *Amendments to Regulations and Rules* in the May 2001 issue of the *Regulatory Agenda*.

2. Processing Plant Regulations (the Regulations) (File 185-A000-13)

For more information on this matter, refer to item 2 under *Amendments to Regulations and Rules* in the May 2001 issue of the *Regulatory Agenda*.

3. National Energy Board Rules of Practice and Procedure, 1995 (the Rules) (File 341-A000-2)

For more information on this matter, refer to item 3 under *Amendments to Regulations and Rules* in the May 2001 issue of the *Regulatory Agenda*.

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

For more information on this matter, refer to item 6 under *Amendments to Regulations and Rules* in the May 2001 issue of the *Regulatory Agenda*.

Administrative Matters

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.

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Appendix I

Section 58 Applications

Gas Pipelines

| Applicant | File/Order | Application | Est. Cost |
|---|---|---|-----------|
| BP Canada Energy Resources Company | File: 3400-B065-2 Order: XG-B065-1-2002 | Application dated 5 April; approved on 10 January. Modifications to a 3 kilometre pipeline to change from ethane service to water service and sell the pipeline to the Town of Burstall. | N/A |
| Consumers' Gas (Canada) Ltd. | File: 3400-C283-16 Order: XG-C283-2-2002 | Application dated 2 March 2001, as revised on 19 December 2001; approved on 14 January. Construct interconnection facilities in the City of Brampton, Ontario. | 60 000 |
| Murphy Oil Company Ltd. | File: 3400-M023-17 Order: XG-M023-3-2002 | Application dated 16 October; approved on 18 January. Construct two pipelines i) a 1.3 kilometre 10 inch raw natural gas pipeline and, ii) a 1.3 kilometre four inch water disposal pipeline. | 8 600 000 |
| Petro-Canada Oil and Gas | File: 3400-Z005-2 Order: XG-Z005-6-2002 | Application dated 3 October; approved on 25 January. Deactivate 18.5 of the 22.5 kilometre long Goodlow Pipeline that extends from the Petro-Canada Boundary Lake Gas Plant in British Columbia to a TransCanada PipeLines Limited's interconnect in Alberta. | N/A |
| TransCanada PipeLines Limited B.C. System | File: 3400-T054-2 Order: XG-T054-5-2002 | Application dated 5 November; approved on 22 January. Modifications at the Elko Compressor Station. | 450 000 |

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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