

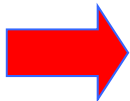


# Pipe Abandonment Timeline (LMCI- stream 3)



## Key Event Timeline

2011	November 30 <sup>th</sup>	cost estimate application filed	
2012	October	hearing on cost estimate	
2013	February 14 <sup>th</sup>	NEB decision on cost estimate	
2013	February 28 <sup>th</sup>	set-aside application filed	
2013	April 16 <sup>th</sup>	response to MH-001-2012 decision	
2013	May 30 <sup>th</sup>	collection mechanism filed	<b>TODAY</b>
2014	January 14 <sup>th</sup>	hearing on set-aside/collection mechanisms	
2014	May	NEB decisions on set-aside/collection	
2015	January	potential start of collection through tolls	



# Abandonment Update



1. Abandonment applies to all pipelines regulated by the Board- group 1 & 2
2. Initial abandonment cost estimate determined by MH-01-2012
3. Set-aside application requests approval to use a Trust to hold abandonment funds
4. Collection application requests approval of collection mechanism methodology
5. One trust established for the entire Foothills system
6. All transportation services and all zones will be charged an equal \$/GJ surcharge
7. Hearing scheduled to begin January 14, 2014
8. MH-01-2013 hearing will address Set-Aside Application & Collection Application
9. Board decision expected May 2014 with collection to begin in 2015

# MH-001-2012 Decision



## Revised Cost Estimate

- ✓ Contingency as a separate line item in the revised cost estimate
  
- ✓ Assumption of 20% removal for medium-large pipe on Agricultural lands
  - 'future development' category pipe now included under Agricultural lands
  
- ✓ Provide for perpetual monitoring and perpetual remediation
  
- ✓ Cost Estimate:
  - November 2011           \$98.4 million
  - April 2013               \$170.6 million

# Cost Estimate Update



	April- 2013	November- 2011	Change
Pipe Removal	\$ 65.1 million	\$ 5.3 million	\$ 59.8 million
Abandon-in-place	\$ 30.6 million	\$ 33.9 million	<\$ 3.3 million>
Above Ground	\$ 57.3 million	\$ 57.3 million	no change
Post Abandonment	\$ 17.5 million	\$ 1.9 million	\$ 15.6 million
<b>Total Cost Estimate</b>	<b>\$ 170.6 million</b>	<b>\$ 98.4 million</b>	<b>\$ 72.2 million</b>

# Illustrative Annual Contribution Amount -Key Assumptions



Variables	Assumptions	Reference
Abandonment Cost Estimate	\$171 million	Calculated in accordance with MH-001-2012
Collection Period	30 years	Pipeline Specific
Inflation Rate	2.0%	NEB Base Case
Pre-Tax Return on Investments	3.1%	NEB Base Case
Investment Return Tax Rate	25.0%	Pipeline Specific
Trust Expenses	0.23%	Pipeline Specific
Annual Contribution	\$8 million	NEB Formula

# Sensitivities



Sensitivities	<u>2%-3%-30yr-25%</u>	<u>3%-1%-25yr-25%</u>	<u>4%-6%-20yr-25%</u>
<b>Inflation</b>	\$ 8 million inflation = 2%	\$ 11 million inflation = 3%	\$ 15 million inflation = 4%
<b>Investment Return</b>	\$ 8 million return = 3%	\$ 10 million return = 1%	\$ 6 million return = 6%
<b>Collection Period</b>	\$ 8 million CP = 30 yrs	\$ 9 million CP = 25 yrs	\$ 11 million CP = 20 yrs

## - illustrative assumptions

<i>inflation</i>	2%
<i>return</i>	3%
<i>collection period</i>	30yrs
<i>tax rate</i>	25%
<i>annual collection</i>	\$ 8m

Provided to Foothills shippers without prejudice



# Investment Portfolio Information



- Adopt NEB recommendation
  - Conservative low-risk portfolio with a goal of capital preservation
  - Not a 'no-risk' approach
  - Towers-Watson study- 3.10% long term gross return (eg NEB assumes 3.5%)
  - Assume net return 2.87% (eg trust fees, fund management fees, audit fees, other fees)
  - Assume lower return in early years (eg 1%)
- Alternative portfolio includes 60% equities
  - Towers-Watson study- 6.25% long term gross return
  - Assume net return 6.1%



# Foothills Pipeline



## Cost Collection Mechanism

- ✓ Annual collection amount will be collected as an energy surcharge
- ✓ Same energy surcharge for all Foothills zones
- ✓ Abandonment revenues and costs will be separate from all other revenues and costs
- ✓ NGTL, as a Foothills shipper, will be charged the same abandonment surcharge

Illustrative Surcharge Calculation:

Collection Amount

\$8 million

Energy

6.9 PJ/d

Surcharge

0.3 ¢ per GJ

## Contact Information



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