



# Pipeline Abandonment Process Update Land Matters Consultation Initiative (LMCI)

Foothills Shipper Meeting  
October 14, 2015

For Discussion Purposes with Foothills Shippers



# Agenda



## 2016 Update:

- Abandonment Trust
- Annual Contribution Amount
- Abandonment Collection Mechanism

# Abandonment Trust



- **Abandonment funds collected since February 2015 have been set aside and invested in Trust**
- **Several amendments are required for all Group 1 regulated pipes' Trust Agreements to be eligible for Qualified Environmental Trust (QET) tax status**
- **TransCanada has filed an amended Trust Agreement and anticipates NEB approval and Canada Revenue Agency confirmation of QET eligibility later this year**
- **A status report on the Abandonment Trust's year-end balance will be filed with the NEB by January 31st 2016 and audited financial statements available later in 2016**

# Annual Contribution Amount



- The Annual Contribution Amount (ACA) represents a formula derived estimate of an annual series of deposits and investments to accumulate a set \$ amount by a specific date (e.g. similar to saving an annual tax-sheltered amount for retirement)
- Unlike the cost-of-service model which often looks year-to-year to adjust for over/under performance, the abandonment model's ACA looks to a long time horizon to adjust for changing factors and over/under performance
- Therefore, annual variances resulting from individual factors such as tax rates, investment returns and actual collections are not necessarily material over a 25 year horizon

# Annual Contribution Amount



- The NEB envisions reviewing the key factors supporting the ACA on a periodic basis (e.g. 5 year) and also requires pipelines to provide an annual status update on the Trust balance and audited Trust financial statements
- NGTL proposes no change for the 2016 ACA (e.g. 2015 was \$8.8 million)
- Annual Contribution Amount and Surcharge will be included in the 2016 rate filing for NEB approval

# Abandonment Surcharge



## Collection Mechanism

- Annual Contribution Amount will be collected as an energy surcharge
- single energy surcharge applies to all Foothills zones
- NGTL, as a Zone 6 & 7 Shipper, will be charged same Abandonment Surcharge as other shippers in other zones

# Contact



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