



## B.C. System and Foothills Integration

May 17, 2006



### Agenda



- Review objectives of integration
- Discuss alignment of service attributes/tariff provisions
- Next Steps/Next Meeting

## Integration Objectives



- Eliminate duplicate effort that does not add value to provide opportunity to realize cost savings
- Streamline processes, systems and procedures
- Preserve intent/balance of existing Foothills Settlement
- Negotiate & implement incentive package for additional G&A costs that can be added to existing Foothills Settlement
- Combine tariffs, aligning provisions to the extent possible
- Enhance service flexibility and value

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## Potential Areas of Cost Savings



Function	Potential Savings (\$000's)
Accounting	150 - 200
Tax/Treasury/Audit	50 - 100
Regulatory/Law	100 - 200
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	300 - 500
Overhead (IC, LTIC, rent, HR & IT support, etc.)	200 - 500
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Total	500 - 1,000

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## G&A Settlement



- Existing Foothills Settlement
  - Special Charge
  - G&A Costs
  - Term to 2015
- Additional B.C. System Costs
  - Develop appropriate incentive package for additional costs, given that:
  - Term and type of costs must be consistent (unable to identify separate "B.C. System" costs in the future)

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## Tariff Alignment



- Capacity Allocation & Access Procedures
- Annual Firm Transportation Service
- Interruptible Transportation Service
- Short Term Firm Transportation Service
- General Terms & Conditions

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## Capacity Allocation & Access Procedures



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Capacity Allocation Process</b>	open season	queue	open season - using procedures from existing B.C. System tariff

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## Annual Firm Transportation Service



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Name</b>	FS-1	T-1	FT
<b>Minimum Term - expansion capacity</b>	15 years	12 years	10 years
<b>Minimum Term - existing capacity</b>	1 year (renewal option)	1 year (no renewal option) 5 years (renewal option)	1 year (renewal option)
<b>Maximum Term - existing capacity</b>	15 years	none	none
<b>Renewal Provision</b>	Evergreen with 1 year notice to terminate	Contracts with initial term of 5+ years have renewal option with effectively 6 month notice	1 year notice to renew

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## Annual Firm Transportation Service (con't.)



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Make-up Provision</b>	Demand charge credit of demand rate if <98% delivered in month, 2 year limit to make-up, not applicable to planned maintenance	Billing abatement of \$0.01/GJ if <90% delivered in month, no time limit to make-up	Demand charge credit of demand rate if <98% delivered in month, limit to make-up of lesser of remaining contract term or 2 years, not applicable to planned maintenance
<b>Backhaul Service</b>	Available	Not available	Available
<b>Winter Only Service</b>	Existing contracts with renewal options, no new service available	Not available	Existing contracts with renewal options, no new service available
<b>Surcharge</b>	For recovery of costs of special facilities	Not available	For recovery of costs of special facilities

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## Interruptible Transportation Service



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Name</b>	IS-1	OT-1 (available under Firm Service Agreement)	IT
<b>Minimum Term</b>	3 months	Not applicable	No minimum
<b>Expiry Date</b>	Date specified in agreement	Not applicable	End of FT agreement, if applicable, Can cancel on one month's notice
<b>Renewal Provision</b>	Evergreen but can be cancelled with 30 days notice before termination date	Not applicable	Not applicable
<b>Termination</b>	Can terminate if not used for 12 months, with 60 days notice	Not applicable	Can terminate if not used for 12 months, with 60 days notice

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## Short Term Firm Transportation Service



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Name</b>	STFS-1	Not available	STFT
<b>Minimum Term - existing capacity</b>	7 days ending on the last day of a month	Not applicable	7 days ending on the last day of a month
<b>Maximum Term - existing capacity</b>	1 year less a day ending on the last day of a month	Not applicable	1 year less a day ending on the last day of a month
<b>Renewal Provision</b>	Non-renewable	Not applicable	Non-renewable
<b>Backhaul Service</b>	Not eligible	Not applicable	Not eligible
<b>Assignment Rights</b>	Not eligible	Not applicable	Not eligible
<b>Charge for Over-Run Gas</b>	IS-1 Rate	Not applicable	IT Rate

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## General Terms and Conditions



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Linepack</b>	Owned by pipeline	Owned by shipper	Owned by pipeline
<b>Billing</b>	Payment due last business day of month, Late billing if after 20 <sup>th</sup> day of month, interest payable at prime+1%	Payment due second last business day of month, Late billing if after 9 <sup>th</sup> working day of month, interest payable at 90 day loan rate+1%	Payment due last business day of month, Late billing if after 9 <sup>th</sup> working day of month, interest payable at prime+1%
<b>Diversions</b>	Will divert gas to point upstream of Delivery Point subject to payment of same monthly demand charge	Not applicable	Will divert gas to point upstream of Delivery Point subject to payment of same monthly demand charge

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## General Terms and Conditions



	B.C. System	Foothills Zone 8	Integrated Zone 8
<b>Gross Heating Value</b>	Not less than 36.94 MJ/m <sup>3</sup>	Not less than 36 MJ/m <sup>3</sup>	Not less than 36 MJ/m <sup>3</sup>
<b>Gas Quality</b>	Maximum temperature 43.3 C	Maximum temperature 49 C	Maximum temperature 43.3 C

## Integration – Next Steps



- April – present proposal at shipper meeting
- May/June/July – discuss/negotiate terms and conditions with interested parties
  - May 17<sup>th</sup> and 24<sup>th</sup> – service and tariff reviews
- August – prepare regulatory applications
- September – file regulatory applications
- December – apply for integrated Foothills 2007 rates
- January 2007 – implement integration

## Next Meeting - Tentative



- Topic: Tariff Alignment/G&A Settlement Discussion
- Date:
  - May 24, 2006
  - 1:30 – 4:00 pm
  - Room 217, TransCanada Tower