

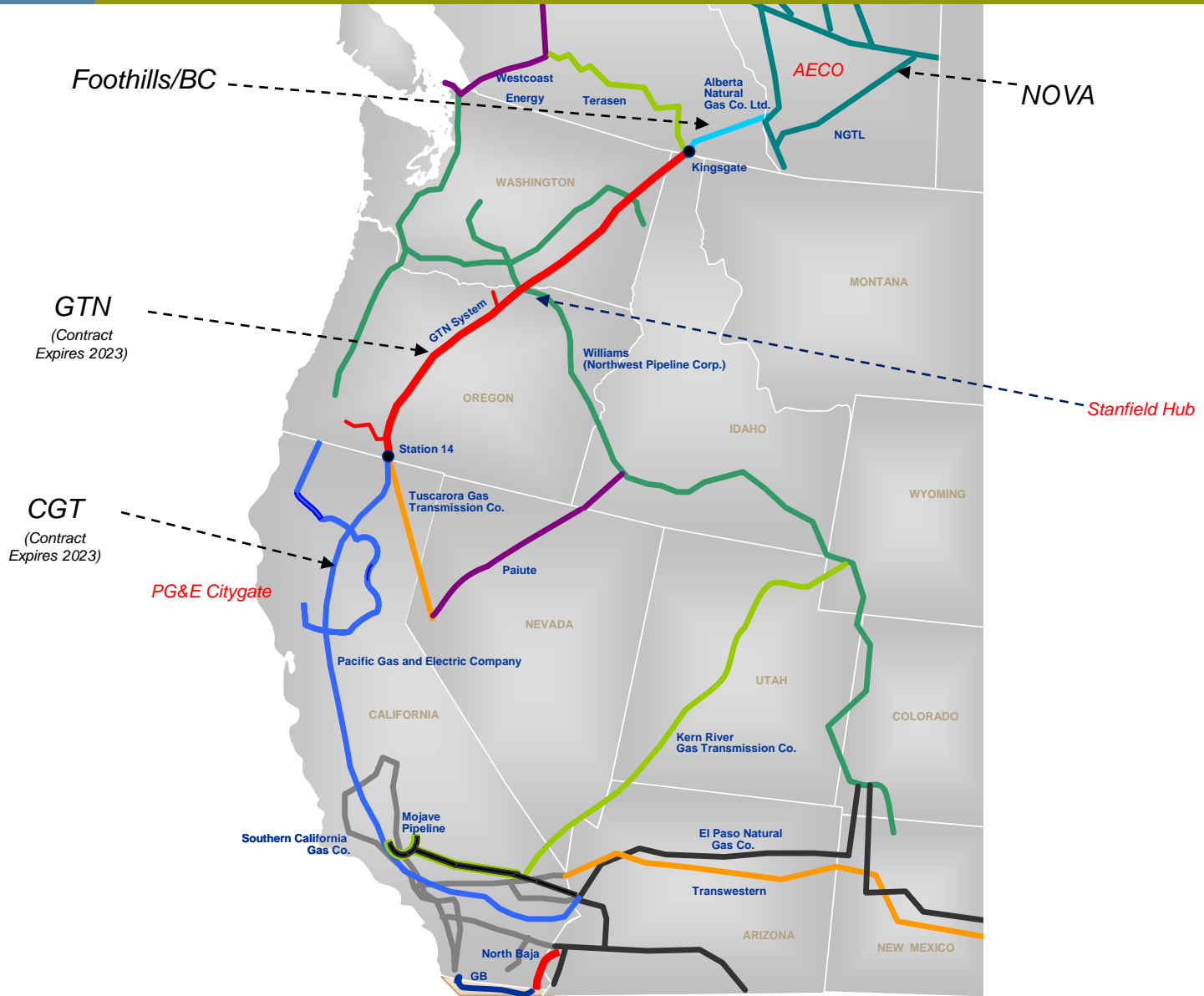
Extension of Natural Gas Pipeline Transportation Contracts NGTL and Foothills BC System

Facilities Committee

August 2, 2017

Background

- In 1991 NCPA contracted for firm natural gas pipeline capacity from AECO to PG&E Citygate
- The natural gas pipeline capacity was acquire on behalf of the STIG Project
- Transport path made up of:
 - NGTL or NOVA Transport System (Alberta to BC Border)
 - Foothills Transport System (BC to Kingsgate)
 - GTN Transport System (Kingsgate to Malin)
 - PG&E CGT Transport System (Malin to PG&E Citygate)



Natural Gas Pipeline Contracts

- Natural Gas Pipeline Transportation Contract Terms
 - United States segments (GTN & CTG)
 - 30 Years or through October 31, 2023
 - Canadian segments (NOVA and Foothills)
 - Initial Term of 15 Years or through October 31, 2008
 - Contract extended on a year-to-year basis; currently effective through October 31, 2018
- Pursuant to NOVA and Foothills Tariff
 - Contract renewal requests must be submitted one (1) year prior to date of termination
 - Therefore, to renew contracts for Canadian segments beyond October 31, 2018 a request for extension must be submitted by October 31, 2017

Potential Benefits of Contract Renewal

- Renewal of the NOVA and Foothills Natural Gas Pipeline Transportation Contracts will:
 - Ensure a contiguous transport path between AECO to PG&E Citygate;
 - Maintain NCPA's first right to firm transportation capacity on the NOVA and Foothills transportation systems; and
 - Enable NCPA to receive the full value of the pipeline capacity release payments made to NCPA under the Asset Management Agreement
- The Released Capacity Payment is equal to the price spread between the cost of natural gas at AECO as compared to PG&E Citygate, less any variable and/or shrinkage costs associated with the pipeline nomination and scheduling process

Pipeline Fixed Cost and Released Capacity Payment

YEAR	MONTH	NOVA	Foothills	GTN	CGT	Total Fixed	Released Capacity	Management	Net Cost to
						Cost	Payment	Fee	NCPA
2016	1	\$ 10,804	\$ 5,171	\$ 25,527	\$ 15,033	\$ 56,535	\$ 89,231	\$ 1,778	\$ (30,918)
2016	2	\$ 11,139	\$ 5,331	\$ 23,880	\$ 15,033	\$ 55,382	\$ 55,700	\$ 1,663	\$ 1,346
2016	3	\$ 11,619	\$ 5,561	\$ 25,527	\$ 15,033	\$ 57,739	\$ 55,477	\$ 1,778	\$ 4,040
2016	4	\$ 11,988	\$ 5,738	\$ 24,704	\$ 15,033	\$ 57,462	\$ 68,422	\$ 1,720	\$ (9,240)
2016	5	\$ 11,874	\$ 5,683	\$ 25,527	\$ 15,033	\$ 58,116	\$ 95,647	\$ 1,778	\$ (35,753)
2016	6	\$ 11,916	\$ 5,703	\$ 24,704	\$ 15,033	\$ 57,356	\$ 77,146	\$ 1,720	\$ (18,069)
2016	7	\$ 11,775	\$ 5,636	\$ 25,527	\$ 15,033	\$ 57,971	\$ 129,648	\$ 1,778	\$ (69,900)
2016	8	\$ 11,826	\$ 5,660	\$ 25,527	\$ 15,788	\$ 58,800	\$ 100,649	\$ 1,778	\$ (40,071)
2016	9	\$ 11,723	\$ 5,611	\$ 24,704	\$ 15,788	\$ 57,825	\$ 114,445	\$ 1,720	\$ (54,901)
2016	10	\$ 11,596	\$ 5,550	\$ 25,527	\$ 15,788	\$ 58,461	\$ 108,130	\$ 1,778	\$ (47,891)
2016	11	\$ 11,435	\$ 5,473	\$ 24,704	\$ 15,788	\$ 57,400	\$ 71,128	\$ 1,720	\$ (12,008)
2016	12	\$ 11,529	\$ 5,518	\$ 25,527	\$ 15,788	\$ 58,361	\$ 108,335	\$ 1,778	\$ (48,196)
2017	1	\$ 13,049	\$ 4,804	\$ 25,527	\$ 15,486	\$ 58,865	\$ 101,103	\$ 1,778	\$ (40,460)
2017	2	\$ 13,129	\$ 4,833	\$ 23,057	\$ 15,486	\$ 56,505	\$ 106,216	\$ 1,606	\$ (48,105)
2017	3	\$ 12,857	\$ 4,733	\$ 25,527	\$ 15,486	\$ 58,603	\$ 86,689	\$ 1,778	\$ (26,308)
2017	4	\$ 12,807	\$ 4,715	\$ 24,704	\$ 15,486	\$ 57,711	\$ 96,370	\$ 1,720	\$ (36,938)
2017	5	\$ 12,650	\$ 4,657	\$ 25,527	\$ 15,486	\$ 58,319	\$ 95,143	\$ 1,778	\$ (35,046)
2017	6	\$ 12,216	\$ 4,765	\$ 24,704	\$ 15,486	\$ 57,170	\$ 88,555	\$ 1,720	\$ (29,665)
Total		\$215,931	\$95,140	\$450,428	\$277,083	\$1,038,582	\$ 1,648,033	\$ 31,367	\$ (578,085)

Tariff Discount

- NOVA
 - Estimated annual cost (subject to rate adjustment)
 - \$145,000 / year
 - Rate Schedule FT-D (Firm Transportation – Delivery)
 - Renewal: 1 to 2 Years – 100% Tariff Rate
 - Renewal: 3 to 4 Years – 95 % Tariff Rate
 - Renewal: 5 + Years – 90% Tariff Rate

Extension Term Years	NOVA Estimated Annual Cost	Discount Rate	Annual Discount	Net Cost	Estimated 5 Years Savings
1 to 2	\$ 145,000	0%	\$ -	\$145,000	\$ -
3 to 4	\$ 145,000	5%	\$ 7,250	\$137,750	\$ 29,000
5 +	\$ 145,000	10%	\$14,500	\$130,500	\$ 72,500

Recommendation

- NCPA staff recommends and requests the Facilities Committee to recommend Commission approval and authorization for NCPA to extend the natural gas pipeline transportation contracts to maintain NCPA's natural gas pipeline transport volume rights on the NOVA and Foothills transportation system for five (5) years through October 31, 2023.

Questions / Comments