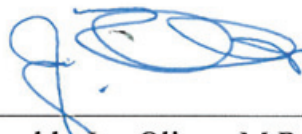


Northern Pipeline Agency

2013–14

Report on Plans and Priorities



The Honourable Joe Oliver, M.P., P.C.
Minister of Natural Resources

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Commissioner's Message

It is my pleasure to present the *2013-14 Report on Plans and Priorities* for the Northern Pipeline Agency (the Agency).


As the federal regulator of the largest infrastructure project in North America, the Agency works with many different people and institutions both in Canada and the United States to facilitate federal activities related to the development of the Alaska Highway Gas Pipeline (AHGP) project.



The Agency was established by the *Northern Pipeline Act* in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited of the Canadian portion of the AHGP project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline, also referred to as the Alaska Natural Gas Transportation System, was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States as foreseen by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline*.

The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas sourced from Western Canada. Unfavourable economic conditions led to delays in the completion of the northern portion of the pipeline. In 2008, TransCanada PipeLines Ltd. (TransCanada), which now owns Foothills, was granted a licence by the State of Alaska to pursue the development of Stage Two (the northern section) of the pipeline and partnered with ExxonMobil in 2009 to form the Alaska Pipeline Project.

On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they are working together on a work plan to assess liquefied natural gas exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. For its part, the Agency remains ready, engaged and prepared to lead the review of the AHGP. As we understand that the AHGP remains an option for the transportation of Alaska natural gas, the Agency will continue to work with other federal agencies, provincial and territorial governments, and Aboriginal organizations to meet the objectives of the Act and the Agreement.



Serge P. Dupont
Commissioner

Section I: Organizational Overview

Raison d'être

The Northern Pipeline Agency was created by the *Northern Pipeline Act* (the *Act*) in 1978 to carry out Canada's responsibilities in respect of the planning and construction (by Foothills) of the Canadian portion of the Alaska Natural Gas Transportation System (ANGTS). Also referred to as the Alaska Highway Gas Pipeline (AHGP), this project is the subject of the 1977 *Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline* (the *Agreement*). The government recovers one hundred percent of the operational costs of the NPA from TransCanada PipeLines Ltd (TCPL).

The first stage of the AHGP (the Pre-build) was constructed in the early 1980s for the initial purpose of transporting gas sourced from Western Canada to the U.S. The current flow capacity of the Pre-build is approximately 3.3 billion cubic feet per day (Bcf/d).

Unfavourable economic conditions from the mid-1980s to the beginning of the last decade led to delays in the completion of the AHGP and a prolonged period of low activity for the NPA. In 2008, TransCanada PipeLines Ltd. was selected by the State of Alaska under the *Alaska Gasline Inducement Act* (AGIA) to receive up to USD \$500M in State assistance to pursue an Alaska gas pipeline. The large-scale project would transport 4.5-5.9 Bcf/d of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay to markets in the lower 48 states. In 2009, project costs were estimated at USD \$32-41B by TCPL.

On March 30, 2012, the Alaska Pipeline Project (APP) team and the other major North Slope gas producers (BP and ConocoPhillips) announced that they had agreed to work together to explore the feasibility of a project alternative that would include a natural gas pipeline from Prudhoe Bay to a Liquefied Natural Gas (LNG) facility at tidewater in south central Alaska.

On May 2, 2012, the State of Alaska approved an amendment to TransCanada's AGIA Project Plan to allow it to undertake work on this project alternative under the AGIA framework. Despite this milestone, there is continued uncertainty regarding the timeline of a decision of which project –if any- (either LNG or AHGP) would proceed. The Northern Pipeline Agency remains prepared and engaged in order to protect the work accomplished for the Canadian pipeline option.

Stage Two of the AHGP in Canada would comprise approximately 1,555 km of pipeline from the Yukon-Alaska border near Beaver Creek to the British Columbia-Alberta border near

Boundary Lake, as defined by the *National Energy Board Act* certificates granted under the *Act*. Additional pipeline construction in Alberta (Stage Three) may also be required.

Responsibilities

Under the *Act*, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests, the interests of the residents, particularly of Aboriginal people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Strategic Outcome(s) and Program Alignment Architecture (PAA)

The Agency has a single strategic outcome and a single program. Both are aligned with the Government of Canada's Strong Economic Growth outcome and Responsible Resource Development (RRD) initiative.

Strategic Outcome

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program: Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Organizational Priorities

Priority	Type	Strategic Outcome(s) and/or Program(s)
Effectively administer the <i>Act</i> and maintain the state of federal readiness to effectively respond to regulatory filings.	Ongoing	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Description**Why is this a priority?**

This is a priority because the Agency is mandated to meet the objectives of the *Act* and the Canada-U.S. *Agreement*. These primarily include the coordination and efficient and effective regulation of the project, protection of the environment, and maximization of benefits to Canada. The Agency must ensure that the pipeline is planned in accordance with the objects of the *Act* and meets modern environmental and regulatory standards, applicable if and when the project proceeds.

Plans for meeting the priority

The Agency will continue managing its legislative and regulatory responsibilities by effectively synchronizing activities which correspond to proposed timelines of the project.

The Agency will continue to work with federal (Canada and U.S.), provincial and territorial governments, other federal departments and agencies in order to deliver a comprehensive and integrated approach to the management of the project in Canada.

Priority	Type	Strategic Outcome(s) and/or Program(s)
Maintain relationships through ongoing engagement and consultations, as required, with project stakeholders and Aboriginal people.	Ongoing	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Description**Why is this a priority?**

This is a priority because the Agency needs sustained and transparent relationships with citizens, stakeholders and governments, nurtured over the long-term help to mitigate risks associated with responsibly administering obligations under the *Act*.

Plans for meeting the priority

Conduct ongoing relationship building to ensure that the collaboration among stakeholders and Aboriginal people is efficient, integrated and value-added.

Risk Analysis

The Agency continues to face commercial uncertainties associated with planning for a single large-scale international pipeline project. The Agency identifies and responds to these uncertainties with continuous corporate-level forecasting, tracking, and management of issues that could affect or require a response from the Agency.

The challenge before the Agency is to plan for an efficient and effective regulatory review of updated environmental, socio-economic and technical information which takes into account changes since the *Northern Pipeline Act* came into force and the pipeline was certificated in the late 1970s. For example, some of the changes in Yukon include new environmental legislation, devolution of some federal responsibilities, and settlement of most of the Aboriginal claims along the pipeline route. Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the *Agreement* and the *Act*.

Planning Summary

Financial Resources (\$000s)

Total Budgetary Expenditures (Main Estimates) 2013-14	Planned Spending 2013–14	Planned Spending 2014–15	Planned Spending 2015–16
3,123.9	3,123.9	1,923.9	1,923.9

Human Resources (Full-Time Equivalents—FTE)

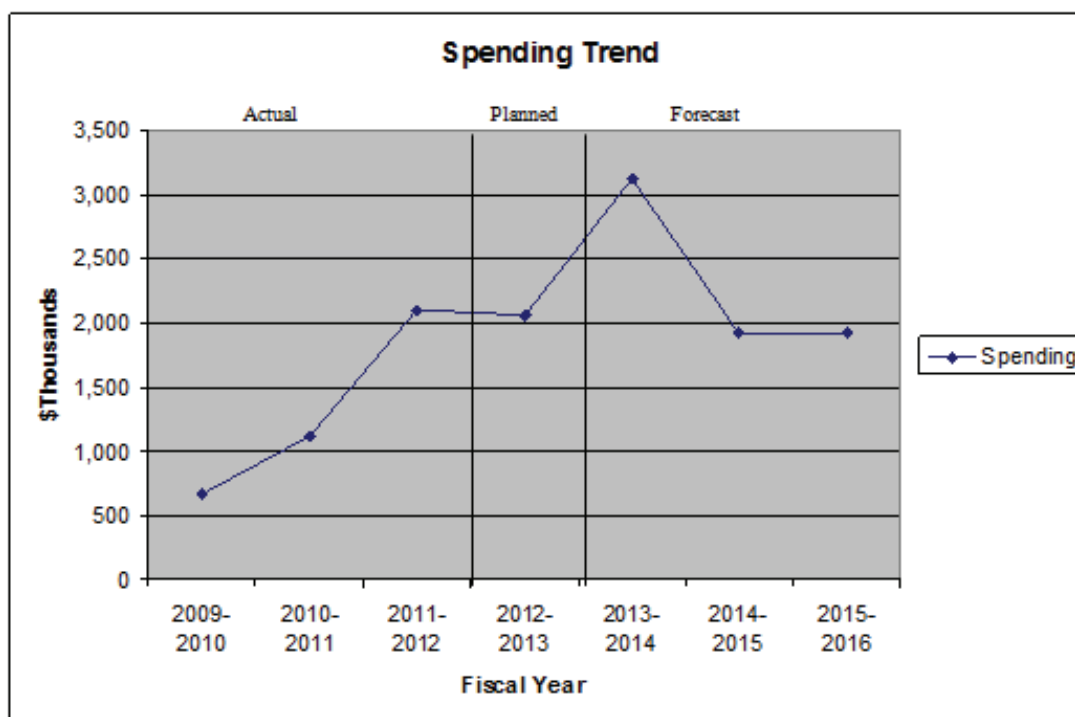
2013–14	2014–15	2015–16
10	9	9

Planning Summary Table

Strategic Outcome	Program	Actual Spending 2010–11	Actual Spending 2011–12	Forecast Spending 2012–13	Planned Spending			Alignment to Government of Canada Outcomes
					2013–14	2014–15	2015–16	
The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	1,124.6	2,107.6	2,067.9	3,123.9	1,923.9	1,923.9	Strong Economic Growth
Sub –Total		1,124.6	2,107.6	2,067.9	3,123.9	1,923.9	1,923.9	

Expenditure Profile

Departmental Spending Trend



Estimates by Vote

For information on our organizational appropriations, please see the [2013–14 Main Estimates¹](#) publication.

¹ <http://tbs-sct.gc.ca/ems-sgd/esp-pbc/me-bpd-eng.asp>

Section II: Analysis of Program(s) by Strategic Outcome(s)

Strategic Outcome

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Performance Indicators	Targets
The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the Act is properly administered	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated by the <i>Act</i> , and readiness to respond to various levels of project activity.
The Agency continues to address regulatory obligations by implementing a framework within a timeline that corresponds with industry decisions on the project.	A regulatory framework that takes into account modern environmental practices and the interests of all stakeholders.
The Agency maintains an adequate level of resources to allow the Agency to sustain its plans and state of readiness in order to respond to project developments and maintain the appropriate level of engagement with other participants that would be involved in the planning and construction of Phase 2 of the pipeline project.	Adequate resources and capacity.

Program

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Financial Resources (\$ 000)

Total Budgetary Expenditures (Main Estimates) 2013-14	Planned Spending 2013-14	Planned Spending 2014-15	Planned Spending 2015-16
3,123.9	3,123.9	1,923.9	1,923.9

Human Resources (Full-Time Equivalent—FTE)

2013-14	2014-15	2015-16
10	9	9

Program Expected Results	Performance Indicators	Targets
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline	The Agency effectively plans for and responds to regulatory filings and makes certain that the <i>Act</i> is properly administered.	Timely responses with consideration to the overall project schedule and developments in project activity.
In concert with other federal government departments, the Agency will maintain the appropriate level of preparation activities for a regulatory framework which	The Agency continues to address regulatory certainty by establishing a framework within a timeframe that corresponds with industry decisions on the project	The Agency is in a state of preparedness to continue facilitating the planning and construction of the AHGP.

<p>accommodates modern environmental practices, takes into account the rights of Aboriginal people, and considers the interest of provincial-territorial governments, so as to remain prepared to effectively regulate and facilitate the planning and construction of the pipeline.</p>	<p>The Agency maintains public awareness of its work, its status and its operations with regard to the project.</p>	<p>Plans and tools that support strategic outreach with all stakeholders and Aboriginal communities.</p>
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Planning Highlights

The Agency plans to maintain its state of federal readiness in regards to the Alaska Highway Gas Pipeline. This will primarily include the administration of obligations under the *Act* and the *Agreement* and maintain key relationships with Aboriginal peoples and stakeholders of the project.

Section III: Supplementary Information

Financial Highlights

Future-Oriented Condensed Statement of Operations and Departmental Net Financial Position

For the Year (ended March 31)

(\$ 000s)

	\$ Change	Forecast 2013-14	Estimated Results 2012-13
Total expenses	1,056	3,128.6	2,072.6
Total revenues	0	0	0
Net cost of operations before government funding and transfers	956.6	3,134.1	2,177.5
Departmental net financial position	0	0	0

Future-Oriented Condensed Statement of Financial Position

For the Year (ended March 31)

(\$ 000s)

	\$ Change	Forecast 2013-14	Estimated Results 2012-13
Total net liabilities	34.5	200.9	166.4
Total net financial assets	39.1	179.4	140.3
Departmental net debt	(4.6)	21.5	26.1
Total non-financial assets	(4.6)	21.5	26.1
Departmental net financial position	0	0	0

Future-Oriented Financial Statements

A link to the full future-oriented financial statements can be found on the [*Northern Pipeline Agency website*](#)².

Supplementary Information Tables

- Sources of Respendable and non-Respendable Revenue

All Electronic supplementary information tables listed in the 2013-14 Report on Plans and Priorities can be found on the [*Northern Pipeline Agency website*](#)³.

Tax Expenditures and Evaluations Report

The tax expenditure information can be found in the [*Tax Expenditures and Evaluation*](#)⁴ publication.

The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.

Section IV: Other Items of Interest

Organizational Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The

² <http://www.npa.gc.ca/node/69>

³ <http://www.npa.gc.ca/node/69>

⁴ <http://www.fin.gc.ca/taxexp-eng.asp>

Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act. The Commissioner is supported by an Assistant Commissioner.

Legislation Administered by the Agency

The Minister has sole responsibility to Parliament for the following Act:

Northern Pipeline Act (R.S.C., 1977-78, c.20, s.1)

The Minister shares responsibilities to Parliament for the following regulations:

National Energy Board Cost Recovery Regulations (SOR/91-7, Canada Gazette Part II, p. 15)