



## National Energy Board

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# Reasons for Decision

TransCanada PipeLines Limited  
KannGaz Producers Ltd.  
Pan-Alberta Gas Ltd.  
Pro Gas Limited

**GH-1-85**

**December 1985**

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**Licence Extensions and Changes to  
Export Points**

# **National Energy Board**

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in the matter of

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KannGaz Producers Ltd.  
Pan-Alberta Gas Ltd.  
ProGas Limited**

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Cat. No. NE22-1/1985-35E  
ISBN 0-662-14549-6

This report is published separately in both official languages.

**Copies are available on request from:**

Regulatory Support Office  
National Energy Board  
473 Albert Street  
Ottawa, Canada  
K1A 0E5  
(613) 998-7204

Printed in Canada

Ce rapport est publié séparément dans les deux langues officielles.

**Exemplaires disponibles auprès du:**

Bureau du soutien de la réglementation  
Office national de l'énergie  
473, rue Albert  
Ottawa (Canada)  
K1A 0E5  
(613) 998-7204

Imprimé au Canada

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## **Recital and Appearances**

IN THE MATTER OF the *National Energy Board Act* and the Regulations made thereunder; and

IN THE MATTER OF applications by TransCanada PipeLines Limited, KannGaz Producers Ltd., Pan-Alberta Gas Ltd. and ProGas Limited made pursuant to subsection 17(2) of the *National Energy Board Act* to vary licences issued as a result of the Gas Export Omnibus Hearing, 1982.

HEARD AT Ottawa, Ontario on: 18, 19, 20 and 24 September, 1985.

BEFORE:

W.A. Scotland	Presiding Member
W.G. Stewart	Member
A.B. Gilmour	Member

APPEARANCES:

J.W.S. McOuat, Q.C. R.B. Cohen J.M. Murray	TransCanada PipeLines Limited
T.M. Hughes	KannGaz Producers Ltd.
F. Foran K.F. Keeler	Pan-Alberta Gas Ltd.
D.G. Hart, Q.C.	Pro-Gas Limited
M.A. Putnam, Q.C. T.R. Benson	Alberta and Southern Gas Co. Ltd.
J.N. Havelock	Amoco Canada Petroleum Company Ltd.
F.M. Lowther K.M. Simon	Boundary Gas, Inc.
D. Simmonds	Canadian-Montana Pipe Line Company Ltd.
J.B. McDonald	Columbia Gas Development of Canada Ltd.
S.F. McAllister	Consolidated Natural Gas Limited
L.L. Dolecki	Dome Petroleum Limited
J. Lutes	Foothills Pipe Lines (Yukon) Ltd.
F.M. Saville, Q.C.	Mobil Oil Canada, Ltd.
J.H. Smellie	Natural Gas Pipeline Company of America

E. R. Elrod F.G. Berner, Jr.	Niagara Interstate Pipeline System
P.F. Scully	Northern and Central Gas Corporation Limited
D.B. O'Brien, Jr.	Northern Border Pipeline Company
D.S. Smith	Northwest Alaskan Pipeline Company
D.S. Smith	Northwest Pipeline Corporation
J. Hopwood, Q.C.	NOVA, AN ALBERTA CORPORATION
M.J. Veniot	Nova Scotia Resources Limited
E.S. Decter	Petro-Canada Inc.
S. Carscallen R. Lane	Sulpetro Limited
H. Soloway, Q.C. N.J. Schultz	Tennessee Gas Pipeline Company, A Division of Tenneco Inc.
J.F. Weiler T.R. Sheets	Texas Eastern Transmission Corporation
J.H. Farrell	The Consumers' Gas Company Ltd.
W.G. Burke-Robertson, Q.C. R.G. Hardy J.A. Porter	Transcontinental Gas Pipe Line Corporation
D. Sulman	Union Gas Limited
J. Lutes	Westcoast Transmission Company Limited
C.K. Yates	Canadian Petroleum Association
A.S. Hollingworth	Independent Petroleum Association of Canada
W.M. Smith	Alberta Petroleum Marketing Commission
J.M. Johnson, Q.C. C.M. McCue	The Minister of Energy for Ontario
J. Robitaille	Procureur général du Québec
D. Assh L. Meagher	National Energy Board

# Chapter 1

## Foreword

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In June 1985 TransCanada PipeLines Limited (TransCanada) filed with the Board a revised application for the construction of certain pipeline facilities required to serve the United States Northeast market region with gas to be exported at Niagara Falls, Ontario. An assumption underlying that filing was that certain of the export licences issued as a consequence of the January 1983 Omnibus Decision would be extended to allow for the make-up of quantities due to slippage in the commencement of deliveries under the licences. TransCanada's application included a number of sales contracts supporting these licences. The Board also received a similar filing dated 21 June 1985 from KannGaz Producers Ltd. (KannGaz) for approval of its United States Northeast sales contract.

Shortly thereafter, in a follow-up filing dated 3 July 1985, TransCanada applied for Board approval of the above-noted licence extensions and associated sales contracts.

The Board considered that other licence-holders might desire similar amendments and it decided to hold a public hearing commencing 18 September 1985 on these matters. In its Hearing Order GH-1-85 dated 1 August 1985 the Board provided that parties to whom licences were issued as a result of the January 1983 Omnibus Decision could file in this hearing for changes to these licences provided that the authorized term quantities were not altered. The Hearing Order also included a request for comments from interested parties as to whether sales contracts should also be reviewed at the hearing.

In response to its Hearing Order GH-1-85 the Board received applications from the following parties:

1. Alberta and Southern Gas Company Limited (A&S) dated 20 August 1985 to extend Licences GL-67, GL-68 and GL-69 and to recover trapped gas<sup>1</sup> from Licences GL-3, GL-16, GL-24 and GL-35;
2. Columbia Gas Development of Canada Ltd. (Columbia Gas) dated 15 August 1985 to extend Licence GL-74 and to recover trapped gas from Licence GL-54;
3. KannGaz Producers Ltd. dated 19 August 1985 to extend Licence GL-77;
4. Pan-Alberta Gas Limited (Pan-Alberta) dated 15 August 1985 for an extension to Licence GL-95;
5. ProGas Ltd. (ProGas) dated 20 August 1985 for an extension to Licence GL-81;
6. ProGas dated 20 August 1985 for an extension to Licence GL-80 and to increase the term quantity of that licence<sup>2</sup>;

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<sup>1</sup> Trapped gas is defined as gas licenced for export which cannot be exported under existing licence conditions.

<sup>2</sup> The application was subsequently amended 30 August 1985, requesting only an extension to the licence.

7. TransCanada, an amended application dated 20 August 1985 to extend Licences GL-84, GL-85, GL-86, GL-87, GL-88 and GL-90 and to change the export point for Licences GL-86 and GL-87; and
8. Westcoast Transmission Company Ltd. (Westcoast) dated 20 August 1985 to extend Licences GL-93 and GL-94, to recover trapped gas from GL-4 and GL-41 and for the consolidation of the four licences.

The Board considered these eight applications and decided to examine in whole or in part the applications from KannGaz, Pan-Alberta, ProGas and TransCanada. With respect to the applications from A&S, Columbia and Westcoast the Board was of the view that these applications did not meet the basic criteria for admissibility to the hearing. Further, the Board decided that, in the light of the comments it had received, sales contracts would not be the subject matter of this hearing. The Board issued an amending hearing order AO-1-GH-1-85 on 23 August 1985 to this effect.

The hearing commenced in Ottawa, Ontario on 18 September 1985. The Board heard three preliminary motions prior to consideration of the evidentiary portion of the hearing. These motions were presented by the Canadian Petroleum Association (CPA), A&S and the Alberta Petroleum Marketing Association (APMC).

### **CPA Motion for Clarification**

The first motion was brought by the CPA, who sought clarification from the Board as to the scope of the hearing, specifically whether all aspects of markets and the export sales contracts, which could have an impact on the netback to producers and, therefore, upon the advisability of construction of facilities, would be the subject of review and discussion in a subsequent public hearing. The CPA held that if such were the case then the hearing called pursuant to Board Order No. GH-1-85 should examine only in a general way changes to market conditions since January 1983.

The Board confirmed that it shared the views expressed by the CPA as to the scope and depth of the matters to be examined during the hearing and further that the subjects of markets, project economics and netbacks to producers are all components of the public interest, which is an element of all facilities hearings.

### **A&S Motion for Adjournment**

The second motion, brought by A&S, sought an order of the Board, firstly, adjourning the subject applications to Phase III of the upcoming Gas Export Omnibus Hearing (Omnibus Hearing), and secondly, and alternatively, adjourning the applications for a period of at least 45 days to afford A&S additional time to prepare for the hearing.

The motion was predicated on A&S's view that, if the Board granted the amendments sought by the Applicants, it would be doing more than altering the existing licences, it would in effect be issuing new licences. The motion was argued on three grounds.

The first ground related to the Board's methodology. A&S argued that unless consideration of the new or revised licences was deterred to the Omnibus Hearing, the licences would be considered on a stand-alone basis without the rigorous comparative analysis to which they were subjected in 1982.



Further it was A&S's view that consideration of the applications should be postponed until the new methodology for the determination of surplus was established. The Company argued that the granting of gas exports to a particular exporter, particularly those exports extending into the late 1990's when exportable surplus, in its view, would be in relatively short supply, denied access to that gas to other potential exporters. It was A&S's view that before the Board made an allocation of gas to be exported during the late 1990's, it should reconsider the opportunity cost involved and consider all of the options offered by all other potential exporters. Finally, given the fundamental changes in conditions and in the outlook for the future since the 1982 Gas Omnibus Hearing, A&S argued that it would be illogical to grant what it considered to be new licences at this time on the basis of the review and analysis conducted in 1982.

The second ground for argument related to the serving of the public interest. A&S argued that the benefit-cost ratio determined during the 1982 Omnibus could not be assumed to continue to apply to the export project currently contemplated and that a demonstration that the revised licences would be in the public interest could only be persuasive and conclusive if given during an Omnibus Hearing which considers all of the alternatives.

The third ground for argument concerned equity and procedural fairness. A&S argued on this point that it would be unfair for the Board now to allocate gas for export in the mid to late 1990's to any one group of potential exporters thereby, possibly, excluding all other applicants for export during that same timeframe.

In summary, A&S urged that the Board defer consideration of the applications until the Omnibus Hearing when "all the players in the game can be heard at the same time and on an equal footing".

With respect to its alternative argument for a 45-day adjournment, A&S argued that in order for the applications to be properly examined or tested intervening potential exporters would have to present competitive proposals for comparative purposes and that the preparations for such would require at least six weeks.

Westcoast, the APMC, and Le Procureur général du Québec all supported the A&S motion.

In opposing the A&S motion, KannGaz agreed that the Board must examine the concept of fairness. In this regard it was KannGaz's view that because of the difference between its application and the A&S application, in that the former required the construction of new facilities whereas the latter did not, A&S would not be treated unfairly if the hearing proceeded but a delay in proceeding to the facilities hearing would result in severe prejudice to KannGaz since the KannGaz producers would be denied the right to share in gas markets. KannGaz further argued that it would not be fair to put the Applicants in the position of having to rejustify their projects by again covering the matters that were dealt with in the 1982 Omnibus Hearing. KannGaz contended that to postpone the hearing of the applications to Phase III of the Omnibus Hearing would be to deny the Applicants the opportunity to proceed in an orderly regulatory fashion. KannGaz pointed out that its application was complete and was a simple one - that is there was no change in the export point and no change in its U.S. importer.

Pan-Alberta argued that in light of the need to move ahead with the facilities hearing and in light of the clarification made by the Board with respect to the scope of the hearing, the hearing could proceed without any prejudice towards A&S.

ProGas also opposed the A&S motion. It pointed out that if the A&S motion were granted there would be severe prejudice to those exporters, such as ProGas, who had contracted to serve new markets which required major new facilities and timely consideration of the certification thereof. ProGas also highlighted the fact that the level of authorized exports would be exactly the same after the hearing as before, and that project viability and market acceptability would be addressed in the forthcoming facilities proceeding.

TransCanada argued that if the A&S motion were granted, prejudice would result because the facilities hearing would be delayed and consequently sales to new export markets would be delayed.

TransCanada also argued that it would be unfair to adjourn the hearing of the applications because it would result in additional financial expense and waste of time in reviewing licence applications which had already been reviewed in depth in the 1982 Omnibus Hearing. TransCanada pointed out that the licence amendments did not involve any changes in term quantity and that deliverability methodology and the deliverability test had not changed since 1982. TransCanada disagreed with A&S' position that the licence amendments proposed amounted to applications for new licences. With respect to A&S' alternative argument on the motion, TransCanada contended that a cost benefit analysis was not necessary at this hearing but could and would be reviewed in the context of a facilities hearing. Therefore, A&S had had sufficient time to prepare for the hearing.

Boundary Gas, Inc. (Boundary) argued that the A&S motion should be denied for the reason that granting it would be a decision to postpone consideration of additional export volumes for the Boundary market which volumes had already been found to be surplus to Canadian needs. Boundary urged the Board to allow it and TransCanada to demonstrate, on a timely basis, that the market is there and that the facilities should be built to serve that market.

Dome Petroleum Limited (Dome) expressed the view that there would be no useful purpose in delaying the hearing, given that all issues which might affect the public interest would be reviewed at the facilities hearing.

Sulpetro argued that the true issue on the motion involved the determination by the Board of what was in the public interest. Sulpetro's view was that the public interest would be best served by hearing the facilities applications as soon as possible. It therefore opposed the A&S motion.

In light of the clarification made by the Board with respect to the scope of the hearing, both Union Gas Limited (Union Gas) and the Independent Petroleum Association of Canada (IPAC) opposed the A&S motion. In reply, A&S argued that the need for new facilities should not be an automatic justification for giving such projects priority to gas. A&S pointed out that in the 1983 Omnibus Decision the Board commented that the Northeast market was a marginal one mainly because of the requirement for new facilities. A&S also mentioned that it doubted whether the North east market would continue to be optimally served by Alberta gas beyond the period covered by the Board's decision.

In response to the comment that at the end of the hearing no new or additional volumes of gas would be authorized, A&S emphasized that its concerns were not about additional volumes of gas but rather the timeframe during which such gas would be exported. In response to the comment that the facilities hearing would allow a complete review of the Northeast and Midwest markets, A&S reiterated that the review would not be good enough unless these markets were tested against all other market areas.

Having considered the views of all the parties on the motion brought by A&S the Board decided that the greater public interest lay in proceeding to hear the applications. The motion was accordingly denied.

### **APMC Motion to Exclude Certain Licences**

The third motion was one brought by the APMC, which requested that the Board make a specific ruling as to whether TransCanada's Licences GL-86 and GL-87 were to be considered at the hearing. In presenting its argument, the APMC took the position that under the current system an export licence is issued on the basis of an individual sales contract and any change in arrangements to sell a volume of gas remaining under a licence should be viewed as a new licence.

TransCanada and ProGas argued that the APMC motion was not properly before the Board because the Board had already ruled on the substance of the question posed by the APMC in its ruling on the A&S motion.

The Board agreed that although its decision on the A&S motion did not make specific reference to the points raised by the APMC, those points were before the Board and were considered by it when it rendered its previous decision. The Board further stated that it was of the view that the question of whether the amendment sought by TransCanada and ProGas, if granted, would amount to new licences, went more properly to the question of the granting or the denial of the applications.

A summary of the applications considered at the hearing is contained in Chapter 2.

The Board, being of the view that its decision on the licence extensions had a bearing on other Board proceedings soon to be undertaken, decided to issue its decision as soon as it had completed its review but with reasons to follow at a later date. In this regard the Board's decision was issued on 25 October 1985 and is reproduced here in Chapter 4. A supplementary decision dated December 1985 with respect to the ProGas application for an extension to Licence GL-80 was also issued and is attached hereto as Appendix IV. This report deals with the Board's reasons for these decisions.

# Chapter 2

## The Applications

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### 2.1 Introduction

This Chapter provides a brief summary of each application reviewed at the 18 September hearing.

### 2.2. Applications to Extend Export Licences

#### 2.2.1 TransCanada

TransCanada applied to amend and extend the terms of six licences as follows:

GL-84 and GL-85

to change the commencement date from 1 November 1984 to 1 November 1987 and to extend the term of the licences by three years beyond the existing termination date of 31 October 1994 to 31 October 1997; the application also requested minor changes to the authorized daily and annual quantities in certain years but without altering the total term quantity;

GL-86 and GL-87

to change the commencement date from 1 November 1984 to 1 November 1988 and to extend the term of the licences by four years beyond the existing termination date of 31 October 1996 to 31 October 2000; and to make minor changes to the authorized annual quantities in certain years but without altering the total term quantity;

GL-88

to change the commencement date from 1 November 1984 to 1 November 1987 and to extend the term of the licence by three years beyond the existing termination date of 31 October 1996 to 31 October 1999; and to make minor changes to the authorized daily and annual quantities in certain years but without altering the total term quantity;

GL-90

to change the commencement date from 1 November 1985 to 1 November 1987 and to extend the term of the licence by two years beyond the existing termination date of 31 October 1997 to 31 October 1999; to make minor changes to the authorized annual quantities in certain years but without altering the total term quantity.

#### 2.2.2 KannGaz

KannGaz applied to extend the term of its licence as follows:

GL-77

to change the commencement date from 1 November 1984 to 1 November 1987 and to extend the term of the licence by three years beyond the existing termination date of 31 October 1996 to 31 October 1999 but without altering the authorized term quantity.

### **2.2.3 Pan-Alberta**

Pan-Alberta applied to extend the term of its licence as follows:

GL-95

to change the commencement date from 1 November 1984 to 1 November 1987 and to extend the term of the licence by three years beyond the existing termination date of 31 October 1996 to 31 October 1999 but without altering the authorized term quantity.

### **2.2.4 ProGas**

ProGas filed two applications to extend the terms of two licences as follows:

GL-80

to change the commencement date from 1 November 1984 to 1 November 1987 and to extend the term of the licence by three years beyond the existing termination date of 31 October 1996 to 31 October 1999 but without altering the authorized term quantity; and

GL-81

to change the commencement date from 1 November 1983 to 1 November 1987 and to extend the term of the licence by four years beyond the existing termination date of 31 October 1995 to 31 October 1999 but without altering the authorized term quantity.

## **2.3 Applications to Change Export Point**

### **2.3.1 TransCanada**

TransCanada applied to change the export point in three licences as follows:

GL-86

to change the export point from Emerson, Manitoba to Niagara Falls, Ontario;

GL-87

to change the export point from Emerson, Manitoba to Niagara Falls, Ontario; and

GL-88

to delete reference to Emerson, Manitoba as an export point and to leave Niagara Falls, Ontario as the sole export point.

### **2.3.2 ProGas**

ProGas applied to change the export point in one of its licences as follows:

GL-81

to include Niagara Falls, Ontario as an additional delivery point for the export of up to 1 444.7 thousand cubic metres per day.

# Chapter 3

## Reasons for Decision

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### 3.1 Introduction

Having determined that the applications before it required a timely decision, the Board had to consider whether the surplus and deliverability for future years would be adversely affected; whether or not the United States Northeast markets continued to offer adequate growth potential for Canadian export sales; and what, if any, impact its decision could have on required pipeline facilities.

### 3.2 Issues Considered by the Board in Reaching Its Decision

**Table 1**  
**25A1 Reserves Formula at 31 December 1984**  
**(Exajoules)**

Remaining Established Reserves <sup>1</sup>	79.60
Less Deferred Reserves	1.30
Less 1/2 of Reserves Beyond Economic Reach	1.30
Less Reprocessing Shrinkage <sup>2</sup>	<u>6.50</u>
Net Total Supply (S)	<u>70.50</u>
Canadian Sales (25A1) <sup>3</sup>	46.40
Authorized Export Sales <sup>4</sup>	<u>20.80</u>
Total Requirements (R)	<u>67.20</u>
Reserves Surplus (S-R)	<u>3.30</u>

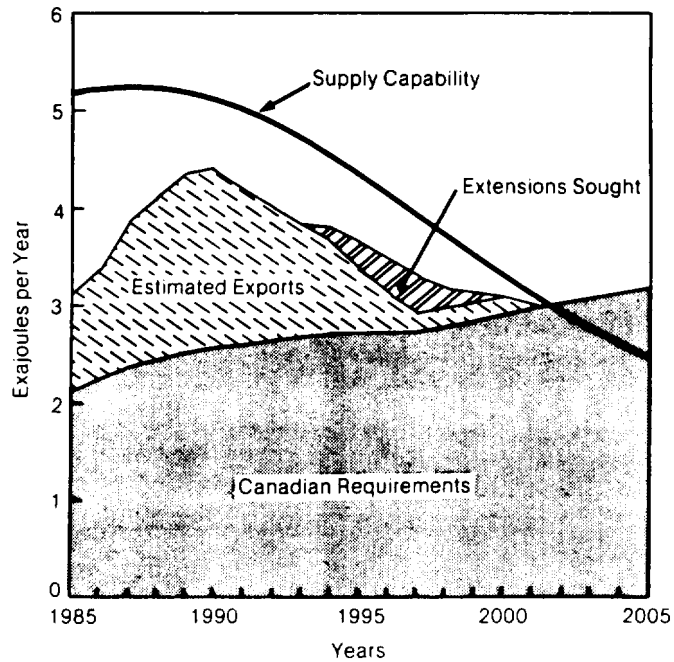
1. 80.00 exajoules (NEB Annual Report Remaining Marketable Reserves at 31 December 1983) + 2.5 exajoules (Forecast 1984 Reserves Additions from September 1984 Technical Report) - 2.9 exajoules (Actual 1984 Production).
2. Estimated at 9.6 percent of 25A1 sales plus authorized exports.
3. 25A1 1995 Domestic net sales + fuel & losses for domestic from September 1984 Technical Report.
4. Maximum exportable quantities including recent extensions to Pan-Alberta licences plus estimated pipeline fuel and losses.

#### 3.2.1 Natural Gas Surplus and Deliverability

The Board reviewed the natural gas surplus situation using the criteria applied in the January 1983 Omnibus Decision. A detailed review of supply and demand for natural gas was not conducted; rather, the forecasts in the Board's September 1984 Technical Report on Canadian Energy Supply and Demand were adjusted to account for actual production to year-end 1984 and for revisions to export licences granted since publication of that report.

The 25Al Reserves Formula, illustrated in Table 1, yields a reserves surplus of some 3.3 exajoules as of 31 December 1984. Since no additional term quantities had been requested, the applied-for extensions would have no effect on this reserves surplus. The Deliverability Appraisal, including the applied-for licences, is illustrated in Figure 1. It shows a crossover of supply and demand between the years 2001 and 2002. The requested extensions would not affect the crossover since they would end in the year 2000.

**Figure 1**  
**N.E.B. Deliverability Appraisal**





### **3.2.2 United States Northeast Markets**

The Board received evidence on the United States Northeast market area from each of the Applicants. Updated supply and requirements projections to the year 2000 were submitted for each corresponding U.S. importer. TransCanada noted the high historical rate of take for current exports to Boundary Gas under its Phase 1 Gas Purchase Contract. Other Applicants pointed to the low penetration of natural gas in the United States Northeast market and the capacity constraints on existing United States pipeline companies serving this market area as proof of the continuing need for Canadian supplies.

As a result of this evidence and testimony the Board concludes that the United States Northeast market continues to offer growth potential for Canadian gas exports. The Board notes, however, that this market potential only exists provided such exports are competitively priced relative to existing United States alternative gas and imported fuel oil prices.

### **3.2.3 Pipeline Facilities**

#### **3.2.3.1 Implication of Proposed Extensions on Export Facilities**

According to the four Applicants, the gas exports that would flow under the licences for which extensions were being sought would be transported via one of three currently proposed pipeline systems, namely, the TransNiagara Project, the CAN-AM Pipeline Project, or the MIDCONTinental Transportation System.

TransCanada indicated that it expected a Board decision on the export facilities by mid-1986 and hoped for a timely complementary decision on related United States facilities by the Federal Energy Regulatory Commission (FERC). TransCanada filed evidence indicating that FERC could issue a decision as early as January 1987, if parties could build a strong case for expedition of the FERC proceedings. Under the assumption that no rehearing of the FERC's decision would be sought, TransCanada adopted the view that it would be possible to construct on time the TransNiagara Project facilities required in Canada and the United States for that portion of the United States Northeast deliveries which are scheduled to commence in November 1987.

TransCanada indicated that in the event that a FERC decision were made as late as June 1987, a fraction of the exports at Niagara Falls, Ontario could begin by the end of 1987, with the volumes increasing as additional facilities were completed. According to TransCanada, no incremental daily or annual volumes could be exported to the United States Northeast by using only existing facilities.

TransCanada testified that, without the requested licence extensions, its TransNiagara project would be economically less viable and its financing more difficult.

No evidence was provided on the possible schedule of events under the CAN-AM Pipeline Project and the MIDCONTinental Transportation System facilities scenarios.

The Board finds that TransCanada's contemplated construction schedule for the export facilities is technically feasible. However, in view of uncertainties regarding the timing and duration of regulatory proceedings before FERC the Board considers that the target in-service date of November 1987 for these facilities is optimistic.

### **3.2.3.2 Implication of Proposed Changes in Export Point on Export Facilities**

The gas exports that would flow under those licences for which changes in the export point and the United States importer were being sought would also be transported via one of the three competing pipeline projects mentioned in Section 3.2.3.1 above. The Applicants indicated that these exports would commence in November 1988, in accordance with the renegotiated contracts between TransCanada and Boundary for Licences GL-86 and GL-87, and between ProGas and Texas Eastern Transmission Corporation (Texas Eastern) for Licence GL-81. The evidence submitted at the hearing showed that, should the requested changes in export point and importer be granted as a result of these proceedings sufficient time would be available for regulatory approvals and construction of facilities for a commencement of deliveries in November 1988.

TransCanada indicated that denial of the proposed amendments to Licences GL-86, GL-87 and GL-81, or a requirement that they be heard during the upcoming Omnibus Hearing, would either delay deliveries under these licences or terminate the opportunity for the sale.

### **3.2.4 Economic Considerations**

During the hearing A&S and the APMC argued that the extensions and the proposed changes in the border points should not be granted and they presented two economic arguments to support their case. Firstly, they stated that changes in market conditions and in the Niagara project proposals themselves have been so significant as to render the results of the cost-benefit analysis conducted for the last Omnibus Hearing invalid. Secondly, they argued that the only way of evaluating which export proposals are likely to yield the greatest net benefits to Canada is through an omnibus hearing where projects can be comparatively assessed and ranked on an equal footing.

Countering the above-noted arguments the proponents of the Niagara exports and the supporting intervenors relied primarily on the following economic arguments:

- (i) the Niagara exports have already been subjected to a thorough comparative analysis in the last Omnibus Hearing;
- ii) a full cost-benefit analysis would be conducted for the facilities hearing, in any case; and
- iii) projects cannot be continually subjected to a comparative review just because of changing conditions because this would cause unnecessary regulatory delays and discourage longer term commitments.

The Board sees merit in the arguments advanced by A&S and the APMC. The Board recognizes that conditions affecting the relative economics of a project may change between the time a licence is issued and the time when gas starts flowing. In certain cases, the Board may deem that changes in economic conditions or project delays may warrant a re-examination of a licence in an Omnibus setting. In this case, the Board acknowledges that the economics of the Niagara exports - with licence extensions - may not closely resemble those shown in the 1983 Omnibus decision. However, the Board believes that further regulatory delay might jeopardize this project with the possible consequence of significant benefits to Canada being foregone. While denying extension at this time might jeopardize the Niagara exports, deferral of a decision on the change in export points would not in the Board's assessment impose any crucial delays.

The Board notes that the economic desirability of the Niagara project with extended licences and any proposed shift in export point would have to be demonstrated in or prior to any upcoming facilities hearing. Opponents of the project will have the usual opportunity to present their cases at that time.

## Chapter 4

### Decision

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Having considered the evidence and the arguments of the Applicants and other interested parties, the Board has decided to grant all the term extensions requested but to deny the changes in export points requested. The Board notes that the amendments to the licences which are required to implement this decision are not effective until approved by the Governor in Council. Attached as Appendix III is a table showing the effect of the Board's decision on the various licences that are being extended.

In making this decision the Board is reaffirming its January 1983 Decision primarily with respect to the United States Northeast markets. The Board considers it to be appropriate to continue its limited commitment to this market at this time recognizing that, because of delays, licence-holders have lost a significant portion of the twelve-year term which the Board previously found to be necessary to support financing requirements for new pipeline facilities in both Canada and the United States. The Board is aware that when it granted the export licences here involved it was intended that the licence-holders have a reasonable time to make the necessary arrangements and obtain the requisite approvals for the movement of the export volumes. The Board is also of the view, in the present instance, that the original length of the term of the licences should be restored.

Certain intervenors contended that it was unfair for the Board to extend licences at this time for these four Applicants when the possible needs of other potential Applicants were not being considered. In their view a current assessment of gas surplus and of gas deliverability for the time period 1995-2000 needed to be made and the net benefits of all potential exports needed to be considered. Such assessments would not take place until the Gas Export Omnibus hearing.

The Board notes that this argument draws its relevance from the assumption that the results of the surplus determination in Phase II of the Gas Export Omnibus hearing might require that in Phase III a rationing of the surplus will be required amongst the then competing export applications. It further assumes that such rationing would be on the basis of net benefits.

The proposed extensions of existing licences do not include any increase in the authorized term quantities of the licences and there continues, on the basis of the most recently available data, to be sufficient deliverability to the end of the extension period, based upon the criteria applied in the January 1983 Gas Export Omnibus Decision. The approval of the licence extensions permits each Applicant herein to approach the export facility hearing having the same relative position as would have been the case if such an export facility hearing had closely followed the January 1983 Gas Export Omnibus Decision.

Accordingly, the Board concludes that the greater public interest lies in granting the extensions of the licences at this time rather than being considered at Phase III of the upcoming Omnibus Hearing.

With respect to the requested changes in export point, the Board is of the view that the examination of the merits of such changes would be more properly assessed when the Board has before it, for the United States Northeast market, evidence on such matters as cost benefit analysis and producer netback considerations. Without such evidence the Board is not now prepared to grant changes in export points which may neither be necessary nor desirable depending on decisions to be made as a result of future proceedings. In its ruling on the matters raised by the Canadian Petroleum Association and by

the Independent Petroleum Association of Canada during the hearing, the Board indicated that such evidence is considered in the determination of public interest which is a fundamental component of the decision in a facilities hearing. Such a ruling does not, of course, require that such a hearing is the only forum in which changes in border point could be considered.

W.A. Scotland  
Presiding Member

W.G. Stewart  
Member

A.B. Gilmour  
Member

December 1985

# Appendix I

## Hearing Order GH-1-85

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### Hearing Order GH-1-85 Directions on Procedure

#### TransCanada PipeLines Limited Licence Extensions and Sales Contract Approvals

#### KannGaz Producers Ltd. Sales Contract Amendment

By application dated 3 July 1985, TransCanada PipeLines Limited (TransCanada) has applied to the National Energy Board under Part VI of the *National Energy Board Act* for amending orders to extend the export period of existing gas export Licences GL-84, GL-85 and GL-90 issued to TransCanada in respect to gas sales to the U.S. Northeast market region. The proposed amendments would not alter the term quantities of the licences. TransCanada has also applied for approval of the following new or amended gas sales contracts:

1. sales contract dated 18 April 1985 with Tennessee Gas Pipeline Company, a Division of Tenneco Inc., (Tennessee Gas)
2. sales contract dated 11 June 1985 with Texas Eastern Transmission Corporation (Texas Eastern), and
3. sales contract dated 29 April 1985 with Boundary Gas Inc. (Boundary).

By application dated 21 June 1985, KannGaz Producers Ltd. (KannGaz) has applied to the National Energy Board under Part VI of the *National Energy Board Act* for approval of an agreement, dated 30 April 1985, amending its sales contract dated 2 December 1981 (as amended) with Tennessee Gas. KannGaz is the holder of export Licence GL-77.

The Board is aware that other parties to whom licences were issued as a result of the 1983 Gas Export Omnibus Decision may wish to file applications for changes to their licences without altering the authorized term quantity. The Board is prepared to consider any such applications at the hearing if they are filed on or before 20 August 1985. Amendments to this hearing order to reflect such applications will be issued as required.

Having considered the above-noted applications the Board has decided to hold a public hearing and directs as follows:

1. TransCanada shall deposit and keep on file, for public inspection during normal business hours, a copy of the application in its offices at 530 8th Avenue S.W., Calgary, Alberta and at Commerce Court West, Toronto, Ontario.

KannGaz shall deposit and keep on file, for public inspection during normal business hours, a copy of the application in its offices at 800, Lancaster Building, 304 Eighth Avenue S.W., Calgary, Alberta.

A copy of both applications is also available for viewing during normal business hours in the Board's Library, Room 962, 473 Albert Street, Ottawa, Ontario and at the Board's Calgary, Alberta office, 4500-16th Avenue, N.W.

2. Interventions and letters of comment are required to be filed with the Secretary by 12 August 1985 and served on all other parties as soon as possible.
3. The Secretary will issue a list of intervenors shortly after 12 August 1985 together with a notification of any additional issues the Board decides to have addressed during the hearing as a result of comments received from interested parties.
4. Information requests addressed to the applicants or any other party to the proceeding are required to be filed with the Secretary and served on all other parties to the proceeding by 20 August 1985.
5. Responses to information requests received within the specified time limit shall be filed with the Secretary and served on all other parties to the proceeding by 27 August 1985.
6. Any additional written evidence that the Applicants wish to present shall be filed and served by 12 August 1985.
7. Intervenor written evidence is required to be filed with the Secretary and served on all other parties by 27 August 1985.
8. The public hearing shall commence in the Hearing Room of the National Energy Board, 473 Albert Street, Ottawa, Ontario on Wednesday, 18 September 1985 at 9:30 a.m.
9. The Board will undertake to serve a copy of these directions and the attached public notice forthwith on the parties listed in Appendix I.
10. The Applicants shall arrange between them to publish the public notice in the following publications:

"Times Colonist",	Victoria, British Columbia
"Sun", "Vancouver Province", & "le Soleil de Colombie",	Vancouver, British Columbia
"Herald",	Calgary, Alberta
"Journal" & "Le Franco-Albertain",	Edmonton, Alberta
"Leader-Post" and "Journal l'eau-vive",	Regina, Saskatchewan
"Winnipeg Free Press",	Winnipeg, Manitoba
"La Liberté",	St. Boniface, Manitoba

"The Globe and Mail", "Star", "Financial times of Canada", & "The Financial Post",	Toronto, Ontario
"The Citizen" & "Le Droit",	Ottawa, Ontario
"The Gazette", "Le Devoir", & "La Presse",	Montreal, Quebec
"Le Soleil" & "Journal de Québec",	Quebec City, Quebec
"The Daily Gleaner",	Fredericton, New Brunswick
"Telegraph Journal",	Saint John, New Brunswick
"Times-Transcript" & "Le Matin",	Moncton, New Brunswick
"The Chronicle Herald" & "Mail Star",	Halifax, Nova Scotia
"Telegram",	St. John's, Newfoundland
"Guardian",	Charlottetown, Prince Edward Island
"Whitehorse Star",	Whitehorse, Yukon Territory
"News/North",	Yellowknife, Northwest Territories
Canada Gazette,	Ottawa, Ontario

11. At the hearing the Applicants, with respect to licence extensions, should be prepared to address, *inter alia*, the following matters:

- (i) changes in market conditions that have occurred since these licences were granted;
- (ii) the status of U.S. regulatory procedures with respect to import authorizations;
- (iii) a general description of the facilities required to move the subject quantities in both Canada and the United States including timing considerations with respect to the approval of U.S. facilities by the Federal Energy Regulatory Commission, and required construction commencement and completion dates;
- (iv) the prospects for the annual deliverability of and demand for Canadian natural gas and whether the proposed extensions can be accommodated in each of the years applied for. In this regard applicants are expected to address the Deliverability Appraisal portion of the Board's surplus determination procedures established in its May 1982 Omnibus Phase I Gas Export Decision; and
- (v) changes in reserves under contract that have occurred since the licences were granted together with the Applicant's total system supply/demand balance.

In addition, depending on comments received from interested parties, the following matter may be included in the hearing: whether the pricing provisions as well as the



other terms and conditions of the export sales contracts meet the requirements of the Government's Export Pricing Policy Guidelines as contained in the Board's Memorandum of Guidance dated 2 October 1984.

12. Where parties are directed by these Directions on Procedure or by the Draft NEB Rules of Practice and Procedure to file or serve documents on other parties, the following shall apply:
  - (1) For documents to be filed with the Board, provide 30 copies;
  - (2) For documents to be served on the Applicants, provide 3 copies;
  - (3) For documents to be served on intervenors, provide 1 copy.
13. Persons filing letters of comment should serve 1 copy of the documents on the Applicant and file 1 copy with the Board, who in turn will provide copies for all other parties upon request.
14. The procedures to be followed in this proceeding shall, unless the Board otherwise directs, be governed by the Draft NEB Rules of Practice and Procedure dated 18 February 1985.

G. Yorke Slader  
Secretary

**National Energy Board  
Notice of Public Hearing**

**(i) TransCanada PipeLines Limited  
Licence Extensions and Sales Contract Approvals**

**(ii) KannGaz Producers Ltd.  
Sales Contract Approval**

The National Energy Board will conduct a hearing into an application dated 3 July 1985 by TransCanada PipeLines Limited (TransCanada) pursuant to Part VI of the *National Energy Board Act* for authorization to extend existing gas export Licences GL-84, GL-85 and GL-90 for gas sales to the U.S. Northeast market region. Such an authorization would not alter the term quantities in the licences. TransCanada has also applied for approval of gas sales contracts between TransCanada and Tennessee Gas Pipeline Company, a Division of Tenneco Inc. (Tennessee Gas), between TransCanada and Texas Eastern Transmission Corporation and between TransCanada and Boundary Gas, Inc.

The Board is aware that other parties issued licences as a result of the 1983 gas export Omnibus Decision may wish to file applications for changes to the licences without altering the authorized term quantity. The Board is prepared to consider any such applications at the hearing if they are filed on or before 20 August 1985.

The same hearing will also consider an application by KannGaz Producers Ltd. (KannGaz) dated 21 June 1985 for approval under Part VI of the *National Energy Board Act* of an agreement dated 30 April 1985 amending the gas sales contract between KannGaz and Tennessee Gas dated 2 December 1981 as amended.

The hearing will commence on Wednesday, 18 September 1985 at 9:30 a.m. in the Board's Hearing Room at 473 Albert Street, Ottawa, Ontario.

The hearing will be public and will be held to obtain the evidence and relevant views of interested parties, groups, organizations, and companies on the applications.

Anyone wishing to intervene in the hearing must file a written intervention with the Secretary of the Board and serve a copy on the Applicant. The Applicant will provide a copy of the application to each intervenor.

Anyone wishing only to comment on the applications should write to the Secretary of the Board and send a copy to KannGaz at 800, Lancaster Building, 304 Eighth Avenue S.W., Calgary, Alberta, T2P 1C2, to Pan-Alberta at Suite 500, 707 Eighth Avenue S.W., Calgary, Alberta, T2P 3V3, to ProGas at 1620 SunLife Plaza, 144 Fourth Avenue S.W., Calgary, Alberta, T2P 3N4 and to TransCanada at P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.

The deadline for receipt of either written interventions or comments is 5 September 1985. The Secretary will then issue a revised list of intervenors if required.

Information on the procedures for this hearing (Please quote Orders GH-1-85 and AO-1-GH-1-85) is available in both English and French and may be obtained by writing to the Secretary or telephoning the Board's Distribution Office at (613)998-7204.

G. Yorke Slader  
Secretary  
473 Albert Street  
Ottawa, Ontario  
K1A 0E5

28 August 1985

**Appendix I  
to Order GH-1-85**

**List of Addressees**

**Licence Holders**

Alberta and Southern Gas Co. Ltd.  
Canada LNG Corporation  
Canadian-Montana Pipe Line Company  
Columbia Gas Development of Canada Ltd.  
Consolidated Natural Gas Limited  
Dome Petroleum Limited  
ICG Utilities (Canada) Ltd.  
KannGaz Producers Ltd.  
Niagara Gas Transmission Limited  
Pan-Alberta Gas Ltd.  
ProGas Limited  
Sulpetro Limited  
TransCanada PipeLines Limited  
Transcontinental Gas Pipe Line Corporation  
Union Gas Limited  
Westcoast Transmission Company Limited

**Governments**

Province of British Columbia  
Attorney General  
Minister of Energy, Mines and Petroleum Resources

Province of Alberta  
Attorney General  
Alberta Energy and Natural Resources  
Alberta Energy Resources Conservation Board

Province of Saskatchewan  
Attorney General  
Minister of Energy and Mines

Province of Manitoba  
Attorney General  
Minister of Energy and Mines

Province of Ontario  
Attorney General  
Ministry of Energy

Province of Quebec  
Procureur général du Québec  
Ministère de l'énergie et des ressources

Province of New Brunswick  
Attorney General  
Minister of Natural Resources  
Energy Secretariat

Province of Nova Scotia  
Attorney General  
Minister of Mines and Energy

Government of Newfoundland and Labrador  
Attorney General  
Minister of Mines and Energy

Province of Prince Edward Island  
Attorney General  
Minister of Energy and Forestry

Northwest Territories  
Department of Justice and Public Services  
Energy, Mines and Resources Secretariat

Yukon Territory  
Department of Justice

### **Associations**

Canadian Gas Association  
Canadian Petroleum Association  
Consumers' Association of Canada  
Independent Petroleum Association of Canada  
Industrial Gas Users Association

### **Other Interested Parties**

Alberta Petroleum Marketing Commission  
Amoco Canada Exploration Limited  
Anderson Exploration Ltd.  
Bralorne Resources Limited  
British Columbia Petroleum Corporation  
British Columbia Hydro and Power Authority  
B.P. Canada Inc.  
B.P. Exploration Canada Limited  
Canadian Hunter Exploration Ltd.  
Canadian Superior Oil Ltd.  
Canadian Western Natural Gas Company Limited  
Canterra Energy Ltd.  
Chevron Canada Ltd.  
Chevron Standard Ltd.  
Cigas Products  
Cominco  
Czar Resources Ltd.  
Esso Resources Canada Limited

Foothills Pipe Lines (Yukon) Ltd.  
 Gaz Inter-Cité Québec Inc.  
 Gaz Métropolitain, inc,  
 Gulf Canada Limited  
 Gulf Canada Resources, Inc.  
 Home Oil Company Limited  
 Husky Oil Operations, Limited  
 Imperial Oil Limited  
 Inland Natural Gas Co. Ltd.  
 Inter-City Gas Corporation  
 Mobil Oil Canada, Ltd.  
 Murphy Oil Company Ltd.  
 Norcen Energy Resources Limited  
 Northridge Petroleum Marketing Inc.  
 Northern and Central Gas Corporation Limited  
 Northern Border Pipeline Company  
 NOVA, AN ALBERTA CORPORATION  
 Ocelot Industries Ltd.  
 Ontario Mining Association  
 PacGas Limited  
 PanArctic Oils Ltd.  
 PanCanadian Petroleum Limited  
 Petro-Canada Inc.  
 PetroGas Processing Ltd.  
 Petromont Inc.  
 Petrosar  
 Polar Gas Project  
 Sable Gas Systems  
 Saskatchewan Power Corporation  
 Shell Canada Limited  
 Shell Canada Resources Ltd.  
 Société Québécoise d'initiatives pétrolières (SOQUIP)  
 Soloway, Wright, Houston, Greenberg, O'Grady, Morin  
 (on behalf of Tennessee Gas Pipeline Company  
 and MidWestern Gas Transmission Company  
 Stone Petroleums Ltd.  
 Suncor, Incorporated  
 Texaco Canada Resources Ltd.  
 The Consumers' Gas Company Ltd.  
 Turbo Resources Limited  
 Ultramar Canada, Incorporated  
 Union Carbide Canada Limited  
 Vector Energy Systems Ltd.

## **Appendix II**

### **Amended Order AO-1-GH-1-85**

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#### **Order AO-1-GH-1-85 (Amending Hearing Order GH-1-85) Amendments to Directions on Procedure**

#### **TransCanada PipeLines Limited Licence Extensions and Sales Contract Approvals**

#### **KannGaz Producers Ltd. Sales Contract Amendment**

On 1 August 1985 the National Energy Board issued Hearing Order GH-1-85, setting out the directions on Procedure for a public hearing the Board will hold in Ottawa, Ontario commencing 18 September 1985 to consider an application from TransCanada PipeLines Limited (TransCanada) for amending orders to extend the term of gas export Licences GL-84, GL-85 and GL-90 and for Board approval of certain related new or amended gas sales contracts and an application from KannGaz Producers Ltd. (KannGaz) for approval of an amending sales contract for sales under Licence GL-77.

Included in Order GH-1-85 was a provision whereby the Board stated that it would consider additional applications it filed on or before 20 August 1985 from parties to whom licences were issued as a result of the 1983 Gas Export Omnibus Decision, provided these applications did not alter the authorized term quantity. Having considered the additional applications filed, the Board has decided to examine the following applications at the hearing:

1. those portions of an application dated 19 August 1985 from KannGaz for an order, pursuant to subsection 17(2) of the Act, to amend Licence GL-77 to extend the export period by three years without a change in the term quantity of the licence;
2. an application dated 15 August 1985 from Pan-Alberta Gas Ltd. (Pan-Alberta) for an order, pursuant to subsection 17(2) of the Act, to extend the export period of Licence GL-95 for a period of three years without a change in the term quantity of the licence;
3. an application dated 20 August 1985 from ProGas Limited, (ProGas) for an order, pursuant to subsection 17(2) of the Act, to extend the export period of Licence GL-81 for a period of four years without a change in the term quantity of the licence;
4. those portions of an application dated 20 August 1985 from ProGas for an order, pursuant to subsection 17(2) of the Act, to extend the export period of Licence GL-80 for a period of three years without a change in the term quantity of the licence;and
5. those portions of an application from TransCanada dated 20 August 1985, for an order, pursuant to subsection 17(2) of the Act, to amend Licence GL-88 to extend the export period

by three years, to amend Licences GL-86 and GL-87 to extend the export period by four years and to change the export point from Emerson, Manitoba to Niagara Falls, Ontario for these two licences all without a change in the term quantity of the licences.

In view of the foregoing, the Board hereby supplements its Directions on Procedure GH-1-85 and directs as follows:

1. KannGaz shall deposit and keep on file, for public inspection during normal business hours, a copy of its application dated 19 August 1985, in its offices at 800, Lancaster Building, 304 Eighth Avenue S.W., Calgary, Alberta.

Pan-Alberta shall deposit and keep on file, for public inspection during normal business hours, a copy of the application in its offices at 707 8th Avenue S.W., Calgary, Alberta.

ProGas shall deposit and keep on file, for public inspection during normal hours, a copy of the applications in its offices at 1620 SunLife Plaza, 144 Fourth Avenue S.W., Calgary, Alberta.

TransCanada shall deposit and keep on file, for public inspection during normal business hours, a copy of the amended application of 20 August 1985, in its offices at 530 8th Avenue S.W., Calgary, Alberta and at Commerce Court West, Toronto, Ontario.

Copies of all of the above-noted applications are available for viewing, during normal business hours, in the Board's Library, Room 962, 473 Albert Street, Ottawa, Ontario and at the Board's Calgary, Alberta office, 4500-16th Avenue N.W.

2. Intervenors of record to GH-1-85 as of this date will be considered as intervenors in the above-noted applications unless the Board is advised otherwise by these parties.
3. Interventions and letters of comment with respect to these additional applications are required to be filed with the Secretary by 5 September 1985 and served on all other parties as soon as possible. The Secretary will issue a revised list of intervenors shortly after 5 September 1985, if necessary.
4. Information requests addressed to these additional applicants or any other party to the proceeding are required to be filed with the Secretary and served on all other parties to the proceeding by 10 September 1985.
5. Responses to information requests received within the specified time limit shall be filed with the Secretary and served on all other parties to the proceeding by 16 September 1985.
6. Any additional written evidence that the Applicants wish to present shall be filed and served by 10 September 1985.
7. Intervenors written evidence is required to be filed with the Secretary and served on all other parties by 10 September 1985.
8. The Board will serve a copy of these directions and the attached public notice forthwith on the parties listed in Appendix I.
9. Applicants shall arrange among them to publish the public notice in the publications listed in the Directions on Procedure dated 1 August 1985



10. Applicants are referred to the Directions on Procedure dated 1 August 1985 Item 11 (i) to (v) inclusive for the matters to be dealt with at the hearing,
11. All parties are asked to quote Order No. GH-1-85 when corresponding with the Board on this matter.

### **Examination of Export Sales Contracts**

The Board notes that in its Directions on Procedure dated 1 August 1985 the Board requested comments from interested parties as to including in the hearing the matter of whether the pricing provisions as well as the other terms and conditions of the export sales contracts meet the Government's Export Pricing Policy Guidelines.

In light of the comments received, the Board has decided not to include this matter in the hearing.

For this reason the Board has now decided not to consider at the hearing KannGaz's application dated 21 June 1985 for approval under the Part VI Regulations of an agreement dated 30 April 1985 amending the gas sales contract between KannGaz and Tennessee Gas Pipeline Company, a Division of Tenneco Inc. (Tennessee Gas) dated 2 December 1981 as amended.

Likewise, the Board will not consider those portions of TransCanada's application dated 3 July 1985 seeking Board approval of gas sales contracts between TransCanada and Tennessee Gas, between TransCanada and Texas Eastern Transmission Corporation and between TransCanada and Boundary Gas, Inc.

G. Yorke Slader  
Secretary

**National Energy Board  
Notice of Public Hearing**

- (i) KannGaz Producers Ltd.  
(ii) Pan-Alberta Gas Ltd.  
(iii) ProGas Limited  
(iv) TransCanada PipeLines Limited**

By Hearing Order GH-1-85 the National Energy Board previously announced that it would hold a public hearing on 18 September 1985 into, among other things, an application dated 3 July 1985 from TransCanada PipeLines Limited (TransCanada) to extend natural gas export Licences GL-84, GL-85 and GL-90.

As a result of a provision in Hearing Order GH-1-85 permitting additional applications, the Board has decided to include in the 18 September hearing the following applications, all made pursuant to Part VI of the *National Energy Board Act*:

1. those portions of an application dated 19 August 1985 from KannGaz for an order to amend Licence GL-77 to extend the export period by three years without a change in the term quantity of the licence;
2. an application dated 15 August 1985 from Pan-Alberta Gas Ltd. (Pan-Alberta) for an order to extend the export period of licence GL-95 for a period of three years without a change in the term quantity of the licence;
3. an application dated 20 August 1985 from ProGas Limited (ProGas) for an order to extend the export period of Licence GL-81 for a period of four years without a change in the term quantity of the licence;
4. those portions of an application dated 20 August 1985 from ProGas for an order to extend the export period of Licence GL-80 for a period of three years without a change in the term quantity of the licence; and
5. those portions of an application from TransCanada dated 20 August 1985 for orders to extend the export period of Licence GL-88 for a period of three years, to extend the export period of Licences GL-86 and GL-87 for a period of four years, and to change the export point of these two licences from Emerson, Manitoba to Niagara Falls, Ontario without a change in the term quantity of the licence.

In addition the Board has now decided not to consider at the hearing the application from KannGaz dated 21 June 1985 for Board approval of an amending sales contract and those portions of TransCanada's application dated 3 July 1985 seeking approval of certain gas sales contracts.

The hearing will commence on Wednesday, 18 September 1985 at 9:30 a.m. in the Board's Hearing Room at 473 Albert Street, Ottawa, Ontario.

The hearing will be public and will be held to obtain the evidence and relevant views of interested parties, groups, organizations, and companies on the applications.

Anyone wishing to intervene in the hearing on the applications listed above must file a written intervention with the Secretary of the Board and serve a copy on the Applicant(s). The Applicant will provide a copy of the application to each intervenor.

Anyone wishing only to comment on the applications should write to the Secretary of the Board and send a copy to KannGaz at 800, Lancaster Building, 304 Eighth Avenue S W., Calgary, Alberta, T2P 1C2, to Pan-Alberta at Suite 500, 707 Eighth Avenue S.W., Calgary, Alberta, T2P 3V3, to ProGas at 1620 SunLife Plaza, 144 Fourth Avenue S.W., Calgary, Alberta, T2P 3N4 and to TransCanada at P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.

The deadline for receipt of either written interventions or comments is 5 September 1985. The Secretary will then issue a revised list of intervenors if required.

Information on the procedures for this hearing (Please quote Orders GH-1-85 and AO-1-GH-1-85) is available in both English and French and may be obtained by writing to the Secretary or telephoning the Board's Distribution Office at (613) 998-7204.

G. Yorke Slader  
Secretary

473 Albert Street  
Ottawa, Ontario  
K1A 0E5

28 August 1985

**Appendix I**  
**to Order AO-1-GH-1-85**

**List of Addressees**

**Licence Holders**

Alberta and Southern Gas Co. Ltd.  
Canada LNG Corporation  
Canadian-Montana Pipe Line Company  
Columbia Gas Development of Canada Ltd.  
Consolidated Natural Gas Limited  
Dome Petroleum Limited  
ICG Utilities (Canada) Ltd.  
KannGaz Producers Ltd.  
Niagara Gas Transmission Limited  
Pan-Alberta Gas Ltd.  
ProGas Limited  
Sulpetro Limited  
TransCanada PipeLines Limited  
Transcontinental Gas Pipe Line Corporation  
Union Gas Limited  
Westcoast Transmission Company Limited

**Governments**

Province of British Columbia  
Attorney General  
Minister of Energy, Mines and Petroleum Resources

Province of Alberta  
Attorney General  
Alberta Energy and Natural Resources  
Alberta Energy Resources Conservation Board

Province of Saskatchewan  
Attorney General  
Minister of Energy and Mines

Province of Manitoba  
Attorney General  
Minister of Energy and Mines

Province of Ontario  
Attorney General  
Ministry of Energy

Province of Quebec  
Procureur général du Québec  
Ministère de l'énergie et des ressources

Province of New Brunswick  
Attorney General  
Minister of Natural Resources  
Energy Secretariat

Province of Nova Scotia  
Attorney General  
Minister of Mines and Energy

Government of Newfoundland and Labrador  
Attorney General  
Minister of Mines and Energy

Province of Prince Edward Island  
Attorney General  
Minister of Energy and Forestry

Northwest Territories  
Department of Justice and Public Services  
Energy, Mines and Resources Secretariat

Yukon Territory  
Department of Justice

### **Associations**

Canadian Gas Association  
Canadian Petroleum Association  
Consumers' Association of Canada  
Independent Petroleum Association of Canada  
Industrial Gas Users Association

### **Other Interested Parties**

Alberta Petroleum Marketing Commission  
Amoco Canada Exploration Limited  
Anderson Exploration Ltd.  
Bralorne Resources Limited  
British Columbia Petroleum Corporation  
British Columbia Hydro and Power Authority  
B.P. Canada Inc.  
B.P. Exploration Canada Limited  
Canadian Hunter Exploration Ltd.  
Canadian Superior Oil Ltd.  
Canadian Western Natural Gas Company Limited  
Canterra Energy Ltd.  
Chevron Canada Ltd.  
Chevron Standard Ltd.  
Cigas Products  
Cominco  
Czar Resources Ltd.  
Esso Resources Canada Limited

Foothills Pipe Lines (Yukon) Ltd.  
Gaz Inter-Cité Québec Inc.  
Gaz Métropolitain, inc,  
Gulf Canada Limited  
Gulf Canada Resources, Inc.  
Home Oil Company Limited  
Husky Oil Operations, Limited  
Imperial Oil Limited  
Inland Natural Gas Co. Ltd.  
Inter-City Gas Corporation  
Mobil Oil Canada, Ltd.  
Murphy Oil Company Ltd.  
Norcen Energy Resources Limited  
Northridge Petroleum Marketing Inc.  
Northern and Central Gas Corporation Limited  
Northern Border Pipeline Company  
NOVA, AN ALBERTA CORPORATION  
Ocelot Industries Ltd.  
Ontario Mining Association  
PacGas Limited  
PanArctic Oils Ltd.  
PanCanadian Petroleum Limited  
Petro-Canada Inc.  
PetroGas Processing Ltd.  
Petromont Inc.  
Petrosar  
Polar Gas Project  
Sable Gas Systems  
Saskatchewan Power Corporation  
Shell Canada Limited  
Shell Canada Resources Ltd.  
Société Québécoise d'initiatives pétrolières (SOQUIP)  
Soloway, Wright, Houston, Greenberg, O'Grady, Morin  
(on behalf of Tennessee Gas Pipeline Company  
and MidWestern Gas Transmission Company  
Stone Petroleums Ltd.  
Suncor, Incorporated  
Texaco Canada Resources Ltd.  
The Consumers' Gas Company Ltd.  
Turbo Resources Limited  
Ultramar Canada, Incorporated  
Union Carbide Canada Limited  
Vector Energy Systems Ltd.

## Appendix III

### Effect of the Board's Decision on those Licences Being Extended

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**Table a3-1**  
**Effect of the Board's Decision**  
**on those Licences Being Extended**

Exporter	Licence	Term of Licence	Existing Daily (10 <sup>3</sup> m <sup>3</sup> )	New Daily (10 <sup>3</sup> m <sup>3</sup> )	Existing Annual (10 <sup>6</sup> m <sup>3</sup> )	New Annual (10 <sup>6</sup> m <sup>3</sup> )	Term Quantity (10 <sup>6</sup> m <sup>3</sup> )
KannGaz	GL-77	1 Nov '84 - 31 Oct '87	3 540.0	-	1 292.1	-	13 567.0
		1 Nov '87 - 31 Oct '93	3 540.0	3 540.0	1 292.1	1 292.1	
		1 Nov '93 - 31 Oct '94	2 655.0	3 540.0	969.1	1 292.1	
		1 Nov '94 - 31 Oct '95	1 770.0	3 540.0	646.0	1 292.1	
		1 Nov '95 - 31 Oct '96	885.0	3 540.0	232.0	1 292.1	
		1 Nov '96 - 31 Oct '97	(3 540.0)*	2 655.0	(1 292.1)*	969.1	
		1 Nov '97 - 31 Oct '98	-	1 770.0	-	646.0	
		1 Nov '98 - 31 Oct '99	-	885.0	-	323.0	
		1 Nov '99 - 31 Oct 2000	-	(3 540.0)*	-	(1,292.1)*	
Pan-Alberta	GL-95	1 Nov '84 - 31 Oct '87	4 332.0	-	1 581.4	-	16 604.7
		1 Nov '87 - 31 Oct '93	4 332.5	4 332.5	1 581.4	1 581.4	
		1 Nov '93 - 31 Oct '94	3 249.4	4 332.5	1 186.0	1 581.4	
		1 Nov '94 - 31 Oct '95	2 166.2	4 332.5	790.7	1 581.4	
		1 Nov '95 - 31 Oct '96	1 083.1	4 332.5	395.4	1 581.4	
		1 Nov '96 - 31 Oct '97	-	3 249.4	-	1 186.0	
		1 Nov '97 - 31 Oct '98	-	2 166.2	-	790.7	
		1 Nov '98 - 31 Oct '99	-	1 083.1	-	395.4	

ProGas	GL-80	1 Nov '84 - 31 Oct '87	1 420.0	-	518.3	-	5 442.1
		1 Nov '87 - 31 Oct '94	1 420.0	1 420.0	518.3	518.3	
		1 Nov '93 - 31 Oct '94	1 065.0	1 420.0	388.7	518.3	
		1 Nov '94 - 31 Oct '95	710.0	1 420.0	259.1	518.3	
		1 Nov '95 - 31 Oct '96	355.0	1 420.0	129.6	518.3	
		1 Nov '96 - 31 Oct '97	(1420.0)*	1 065.0	(518.3)*	388.7	
		1 Nov '97 - 31 Oct '98	-	710.0	-	259.1	
		1 Nov '98 - 31 Oct '99	-	355.0	-	129.6	
		1 Nov '99 - 31 Oct 2000	-	(1 420.0)*	-	(518.3)*	
ProGas	GL-81	1 Nov '83 - 31 Oct '87	5 270.0	-	1 923.5	-	20 196.7
		1 Nov '87 - 31 Oct '92	5 270.0	5 270.0	1 923.5	1 923.5	
		1 Nov '92 - 31 Oct '93	3 952.5	5 270.0	1 442.6	1 923.5	
		1 Nov '93 - 31 Oct '94	2 635.0	5 270.0	961.7	1 923.5	
		1 Nov '94 - 31 Oct '95	1 317.5	5 270.0	480.5	1 923.5	
		1 Nov '95 - 31 Oct '96	(5 270.0)*	5 270.0	(1 923.5)*	1 923.5	
		1 Nov '96 - 31 Oct '97	-	3 952.5	-	1 442.6	
		1 Nov '97 - 31 Oct '98	-	2 635.0	-	961.7	
		1 Nov '98- 31 Oct '99	-	1 317.5	-	480.9	
		1 Nov '99 - 31 Oct 2000	-	(5 270.0)*	-	(1 923.5)*	
TransCanada	GL-85	1 Nov '84 - 31 Oct '87	2 832.8	-	1 036.8	-	10 108.8
		1 Nov '87 - 31 Oct '88	2 832.8	2 455.1	1 036.8	898.6	
		1 Nov '88 - 31 Oct '91	2 832.8	2 832.8	1 036.8	1 034.0	
		1 Nov '91 - 31 Oct '92	2 832.8	2 832.8	1 036.8	1 036.8	
		1 Nov '92 - 31 Oct '93	2 832.8	2 832.8	1 036.8	1 034.0	
		1 Nov '93 - 31 Oct '94	2 124.6	2 832.8	777.6	1 034.0	
		1 Nov '94 - 31 Oct '95	(2 832.8)*	2 832.8	(1 036.8)*-	1 034.0	
		1 Nov '95 - 31 Oct '96	-	2 832.8	-	1 036.8	
		1 Nov '96 - 31 Oct '97	-	2 555.8	-	932.9	
		1 Nov '97 - 31 Oct '98	-	(2832.8)*	-	(1 034.0)*	



TransCanada	GL-86	1 Nov '84 - 31 Oct '88	2 832.8	-	1 036.8	-	10 886.4
		1 Nov '88 - 31 Oct '91	2 832.8	2 832.8	1 036.8	1 034.0	
		1 Nov '91 - 31 Oct '92	2 832.8	2 832.8	1 036.8	1 036.8	
		1 Nov '92 - 31 Oct '93	2 832.8	2 832.8	1 036.8	1 034.0	
		1 Nov '93 - 31 Oct '94	2 124.6	2 832.8	777.6	1 034.0	
		1 Nov '94 - 31 Oct '95	1 416.4	2 832.8	518.4	1 034.0	
		1 Nov '95 - 31 Oct '96	708.2	2 832.8	259.2	1 036.8	
		1 Nov '96 - 31 Oct '97	(2 832.8)*	2 832.8	( 1 036.8)*	1 034.0	
		1 Nov '97 - 31 Oct '98	-	2 188.7	-	798.9	
		1 Nov '98 - 31 Oct '99	-	1 416.4	-	517.0	
		1 Nov '99 - 31 Oct 2000	-	708.2	-	259.2	
		1 Nov 2000 - 31 Oct 2001	-	(2 832.8)*	-	(1 034.0)*	
TransCanada	GL-88	1 Nov '84 - 31 Oct '87	4 249.2	-	1 555.2	-	16 392.2
		1 Nov '87 - 31 Oct '88	4 249.2	3 682.6	1 555.2	1 347.8	
		1 Nov '88 - 31 Oct '91	4 249.2	4 249.2	1 555.2	1 550.9	
		1 Nov '91 - 31 Oct '92	4 249.2	4 249.2	1 555.2	1 555.2	
		1 Nov '92 - 31 Oct '93	4 249.2	4 249.2	1 555.2	1 550.9	
		1 Nov '93 - 31 Oct '94	3 186.9	4 249.2	1 166.4	1 550.9	
		1 Nov '94 - 31 Oct '95	2 124.6	4 249.2	777.6	1 550.9	
		1 Nov '95 - 31 Oct '96	1 062.3	4 249.2	388.8	1 555.2	
		1 Nov '96 - 31 Oct '97	(4 249.2)*	3 842.3	(1 555.2)*	1 402.4	
		1 Nov '97 - 31 Oct '98	-	2 124.6	-	775.5	
		1 Nov '98 - 31 Oct '99	-	1 062.3	-	387.7	
		1 Nov '99 - 31 Oct 2000	-	(34 249.2)*	-	(1 555.2)*	

TransCanads	GL-90	1 Nov '84 - 31 Oct '87	1 416.4	-	518.4	-	5 443.2
		1 Nov '87 - 31 Oct '88	1 416.4	1 416.4	518.4	518.4	
		1 Nov '88 - 31 Oct '91	1 416.4	1 416.4	518.4	517.0	
		1 Nov '91 - 31 Oct '92	1 416.4	1 416.4	518.4	518.4	
		1 Nov '92 - 31 Oct '94	1 416.4	1 416.4	518.4	517.0	
		1 Nov '94 - 31 Oct '95	1 062.3	1 416.4	388.8	517.0	
		1 Nov '95 - 31 Oct '96	708.2	1 416.4	259.2	518.4	
		1 Nov '96 - 31 Oct '97	354.1	1 091.3	129.6	398.3	
		1 Nov '97 - 31 Oct '98	(1 416.4)*	708.2	(518.4)*	258.5	
		1 Nov '98 - 31 Oct '99	-	354.1	-	129.2	
		1 Nov '99 - 31 Oct '2000	-	(1 416.4)*	-	(518.4)*	

\* Allowance for one year make-up for volume paid for but not taken

## **Appendix IV**

### **Supplementary Decision - ProGas GL-80**

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#### **Supplementary Decision re ProGas Limited**

**GH-1-85**

#### **Licence Extensions Change and Addition of Export Point**

Upon receipt of a letter dated 13 November 1985 from ProGas Limited (ProGas), the Board decided to reconsider its decision, issued on 25 October 1985 in the above-noted matter.

In its consideration of the ProGas amended application dated 30 August 1985 for Licence GL-80, the Board had understood that ProGas had requested withdrawal of its entire application with respect to GL-80, including that portion relating to the proposed licence extension for the period 1 November 1996 to 31 October 1999. However, in light of the letter from ProGas the Board is now aware that ProGas did intend to continue with its request for the 3-year extension to Licence GL-80.

In this regard the Board has reviewed ProGas' application concerning Licence GL-80, and the evidence and arguments presented at the hearing convened by Board Order No. GH-1-85, as amended, and has decided that the term extension requested by ProGas for Licence GL-80 should be granted for the reasons outlined in the 25 October 1985 decision.

W.A. Scotland  
Presiding Member

W.G. Stewart  
Member

A.B. Gilmour  
Member

December 1985