



## National Energy Board

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# Reasons for Decision

**ProGas Limited**

**GH-4-86**

**October 1986**

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**Amendment to Licence GL-98**

# **National Energy Board**

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## **Reasons for Decision**

In the Matter of

**ProGas Limited**

Amendment to Licence GL-98

**GH-4-86**

**October 1986**

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

IN THE MATTER OF an application by ProGas Limited under Part VI of the *National Energy Board Act* for an extension to Licences GL-56 and GL-79 and to increase maximum daily and annual quantities under the licences. (Gas export Licences GL-56 and GL-79 were consolidated into one export licence, GL-98 by Board Order MO-54-86, which was approved, by Order-in-Council on the 13th day of August 1986).

HEARD AT Calgary, Alberta on: 23 and 24 September, 1986.

BEFORE:

R. Priddle	Presiding Member
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A.D. Hunt	Member
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R.B. Horner, Q.C.	Member
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APPEARANCES:

D.G. Hart, Q.C. K.J. MacDonald	ProGas Limited
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J.R. Smith, Q.C. T.R. Benson	Alberta and Southern Gas Co. Ltd.
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C.K. Yates	Canadian Petroleum Association
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R.G. DeWolf R.B. Hillary	Independent Petroleum Association of Canada
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J. Lutes	Foothills Pipe Lines (Yukon) Ltd. and Westcoast Transmission Company Limited
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C.R. Rich	Kern River Gas Supply Corp.; Northwest Alaskan Pipeline Company and Northwest Pipeline Corporation
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A.S. Hollingworth M. Himmelspach	Northridge Petroleum Marketing Inc.
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D.A. Dawson, Q.C.	Pan-Alberta Gas Ltd.
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E.W.L. Mallabone M. Holtz	Western Gas Marketing Ltd.
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D.C. Edie	Alberta Petroleum Marketing Commission
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R. Graw	National Energy Board
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# Chapter 1

## Background

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### 1.1 Applications for Licence Extensions

The Board has received two applications for the extension of existing gas export licences and the recovery of trapped gas under those licences. The first application, filed by ProGas Limited (ProGas), was dated 26 March 1986 and was amended on 23 April 1986 and 23 May 1986. The second application was from Alberta and Southern Gas Company Limited (Alberta and Southern) and was dated 29 July 1986.

### 1.2 ProGas Limited

ProGas requested a timely decision from the Board having regard to the terms of its contracts with its American buyers and TransCanada PipeLines Limited (TransCanada).

### 1.3 ProGas' Contract Mechanism

Under the terms of ProGas' contracts with its American buyers, effective 1 November 1986, which is the beginning of the fifth contract year, annual contract quantities may reduce by 20 percent per year. ProGas has a related sales contract with TransCanada whereby TransCanada would purchase quantities corresponding to these reductions in ProGas' export sales contracts.

In the event that TransCanada does not need all or part of the gas available from ProGas, it must notify ProGas to that effect at least 24 months before the start of the contract year in which it does not propose to take the gas. ProGas is then required to notify its United States customers of TransCanada's decision, thereby obligating those customers to take the gas. However, this obligation is conditioned upon the receipt by ProGas and its American customers of all necessary regulatory approvals by the twelfth month prior to the start of such contract year. If these authorizations are not received, the purchase obligations of the United States customers are reduced while TransCanada's are correspondingly increased.

ProGas informed the Board that TransCanada had served notice that it did not intend to purchase the gas during the contract year commencing 1 November 1987. ProGas further advised that in order to ensure that its United States customers take their full contract quantities after that date, ProGas must have in place prior to 1 November 1986 the necessary regulatory approvals to allow it to export the full contract quantities during that contract year.

A brief summary of ProGas' entire application is contained under section 2 of this report.

### 1.4 Alberta and Southern

The Alberta and Southern application requested Board approval of an increase in the maximum daily and annual quantities authorized during the period 1 November 1990 to 31 October 1994, without increasing the existing aggregate term quantity under licence to Alberta and Southern. As part of its

application, Alberta and Southern also requested Board approval of a licence consolidating its seven existing licences.

## **1.5 Hearing of these Applications**

By its Hearing Order GH-4-86, the Board set down the above-noted applications for a public hearing which was held in Calgary, Alberta commencing on 23 September 1986. As part of its consideration of these two applications the Board has decided that, in the light of the need for an early decision with respect to the ProGas application, the Board would issue its decision on the ProGas application expeditiously. The Board's decision on the application by Alberta and Southern will follow shortly.

## Chapter 2

# The ProGas Application

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This section provides a brief summary of the ProGas application reviewed at the 23 September hearing.

By its application dated 26 March 1986, ProGas requested Board approval of the consolidation, amendment and extension to gas export Licences GL-56 and GL-79. Subsequent to this filing, ProGas, by a separate application dated 23 April 1986, decided to break out certain portions of the 26 March 1986 application. It sought early Board approval of the consolidation of Licences GL-56 and GL-79 and of the amendment to the pricing condition of Licences GL-56, GL-79, GL-80, and GL-81. The Board approved the application of 23 April 1986, and Governor in Council approval of the consolidated ProGas Licence GL-98 was issued on 13 August 1986.

By letter dated 23 May 1986, ProGas requested that the Board proceed with consideration of those portions of its 26 March 1986 application which pertained to the amendment and extension of Licences GL-56 and GL-79 (subsequently consolidated as Licence GL-98). ProGas requested an increase in the daily and annual authorized quantities of Licence GL-98 during the period 1 November 1987 to 31 October 1989 and to extend the term of the licence by five years beyond the existing termination date of 31 October 1989, to 31 October 1994. The application did not seek to alter the total term quantity authorized.

Table 1 which follows, summarizes the proposed licence changes.



**Table 1**  
**ProGas Limited - GL-98**  
**Proposed Amendment and Extension**

Term and Export Point	Existing			Proposed		
	Max. Daily (10 <sup>3</sup> m <sup>3</sup> )	Max. Ann. (10 <sup>6</sup> m <sup>3</sup> )	Term (10 <sup>6</sup> m <sup>3</sup> )	Max. Daily (10 <sup>3</sup> m <sup>3</sup> )	Max. Ann. (10 <sup>6</sup> m <sup>3</sup> )	Term (10 <sup>6</sup> m <sup>3</sup> )
1 Nov. 1980 - 31 Oct. 1986 Emerson, Manitoba	9 440.9	3 100.0		9 440.9	3 100.0	
Monchy, Saskatchewan	6 797.4	2 480.0		4 720.4	1 550.0	
1 Nov. 1986 - 31 Oct. 1987 Emerson, Manitoba	7 552.7	2 480.0		7 552.7	2 480.0	
Monchy, Saskatchewan	5 098.0	1 860.0		3 776.3	1 240.0	
1 Nov. 1987 - 31 Oct. 1988 Emerson, Manitoba	5 664.5	1 860.0		9 440.9	3 100.0	
Monchy, Saskatchewan	3 398.8	1 240.0		4 720.4	1 550.0	
1 Nov. 1988 - 31 Oct. 1989 Emerson, Manitoba	3 776.4	1 240.0	18 910.0 <sup>(1)</sup>	9 440.9	3 100.0	
Monchy, Saskatchewan	1 699.4	620.0	11 774.7 <sup>(1)</sup>	4 720.4	1 550.0	
1 Nov. 1989 - 31 Oct. 1990 Emerson, Manitoba				9 440.9	3 100.0	
Monchy, Saskatchewan				4 720.4	1 550.0	
1 Nov. 1990 - 31 Oct. 1991 Emerson, Manitoba				7 552.7	2 480.0	
Monchy, Saskatchewan				3 776.3	1 240.0	
1 Nov. 1991 - 31 Oct. 1992 Emerson, Manitoba				5 664.5	1 860.0	
Monchy, Saskatchewan				2 832.2	930.0	
1 Nov. 1992 - 31 Oct. 1993 Emerson, Manitoba				3 776.4	1 240.0	
Monchy, Saskatchewan				2 125.0	698.0	
1 Nov. 1993 - 31 Oct. 1994 Emerson, Manitoba				1 888.2	620.0	18 910.0 <sup>(1)</sup>
Monchy, Saskatchewan				1 888.2	620.0	

(1) The term quantity is the figure shown less the total quantity of gas exported under Licence No. GL-56 until the date of repeal thereof.

# Chapter 3

## Decision

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### 3.1 Decision

Having reviewed the evidence and the arguments of ProGas Limited (ProGas), as well as the views of other interested parties, none of whom opposed the application, the Board has decided to grant the term extension and the change in the daily and annual quantities for gas export Licence GL-98 as requested. The Board notes that the necessary amendment to Licence GL-98 that is required to implement this decision is not effective until approved by Governor in Council.

In making its decision the Board is aware that this licence extension and amendment do not include any increase in the authorized term quantity. On the basis of the latest published data and utilizing the criteria applied, its report on Phase 1 of the Gas Export Omnibus Hearing, 1985<sup>1</sup>, the Board is satisfied that adequate surplus and deliverability exist to the end of the extension period.

The Board is also satisfied that no new facilities on TransCanada's system will be necessary to accommodate this change. Furthermore, on the basis of the evidence presented, the Board considers that the proposed licence change will enable ProGas to effect additional export sales to its United States customers in the period following 31 October 1987.

The Board is aware of the need by ProGas for a timely regulatory decision in order to allow it to complete contractual commitments with TransCanada by 31 October 1986. Therefore, the Board considers that the public interest would be best served by issuing this decision expeditiously and in advance of its decision on the Alberta and Southern application which had been heard concurrently.

With respect to the request by Foothills Pipe Lines (Yukon) Ltd. that the Board include as part of its licence a condition that would require ProGas to ship a minimum of 2 125 000 cubic metres per day out of the Monchy, Saskatchewan export point, the Board was not convinced that such a condition is necessary. The Board recognizes the need for additional export volumes through the "Prebuild" system, but it does not believe that imposition of a minimum export level through a licence condition would be an appropriate means to achieve this end. Rather, the Board would prefer to have the parties continue to negotiate transportation arrangements, which, according to ProGas, is their current intention.

### 3.1 Approach to Licence Extensions and Similar Applications

With respect to these applications for extensions and any other similar applications, the Board will continue to deal with such applications on a case by case basis, seeking the views of interested parties, generally by way of public hearing. There are salient common factors, however, which the Board will take into account. These would include: the expectable surplus during the period for which the extension is requested; any alternative export markets for the gas in question; the effect on, need for, and utilization of pipeline facilities; the expectations that the gas being considered will be taken ; and any particular commercial features of the export market to be served.

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<sup>1</sup> Phase 1 The Surplus Determination Procedures Phase of the Gas Export Omnibus Hearing, 1985, dated April 1986.

All applications for licence extensions will receive careful scrutiny, and there is no question of the Board providing for "automatic rollover" of licensed quantities that are not taken or are not expected to be taken during the initial term of the licence.

R. Priddle  
Presiding Member

A. D. Hunt  
Member

R.B. Horner, Q.C.  
Member

# Appendix I

## Hearing Order GH-4-86

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NATIONAL ENERGY BOARD  
OTTAWA, K1A 0E5

OFFICE NATIONAL DE L'ÉNERGIE  
OTTAWA, K1A 0E5

File No.: 1539-9

Date: 11 August 1986

Hearing Order No. GH-4-86  
Directions on Procedure

Alberta and Southern Gas Co. Ltd.  
ProGas Limited

Export of Natural Gas

By application dated 29 July 1986, Alberta and Southern Gas Co. Ltd. ("Alberta and Southern") has applied to the National Energy Board ("the Board") under Part VI of the *National Energy Board Act* for an order of the Board for a new gas export licence which would extend the export period currently authorized under existing Licences GL-3, GL-16, GL-24, GL-35, GL-67, GL-68 and GL-69 to the period ending 31 October 1994. As well, Alberta and Southern has requested an increase in the maximum daily and annual quantities authorized during the period 1 November 1990 to 31 October 1994 to 31 897 200 cubic metres and 10 580 448 200 cubic metres respectively but without increasing the existing aggregate term quantity under licence to the Applicant. Alberta and Southern currently is authorized to export up to 23 476 400 cubic metres daily and 7 783 500 000 cubic metres annually during the period 1 November 1990 to 31 October 1991 and these quantities decrease over the period 1991 to 1993.

By application dated 26 March 1986, as amended by letter dated 26 May 1986, ProGas Limited (ProGas) has applied to the National Energy Board under Part VI of the *National Energy Board Act* for an extension of gas export Licences GL-56 and GL-79 to the period ending 31 October 1994 and to increase the maximum daily and annual quantities under those licences but without increasing the existing aggregate term quantity under licence to the Applicant.

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

### Public Viewing

1. Alberta and Southern shall deposit and keep on file, for public inspection during business hours, a copy of the application in its offices at 24th Floor East Tower, Esso Plaza, 425 First St. S.W., Calgary, Alberta.
2. ProGas shall deposit and keep on file, for public inspection during business hours, a copy of the application in its offices at 1620 SunLife Plaza, 144 Fourth Avenue S.W., Calgary, Alberta.
3. A copy of both applications is also available for viewing in the Board's Library, Room 962, 473 Albert Street, Ottawa, Ontario and at its office in Calgary, Alberta at 4500 - 16th Avenue, N.W.

### Interventions and Letters of Comment

4. Interventions and letters of comment shall be filed with the Secretary and served on the Applicant by 25 August 1986.
5. The Secretary will issue a list of intervenors shortly after 25 August 1986.

### **Information Requests**

6. Information requests addressed to the Applicants or any other party to the proceeding shall be filed with the Secretary and served on all other parties by 29 August 1986.
7. 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 5 September 1986.

### **Written Evidence**

8. Any additional written evidence that the Applicants wish to present shall be filed with the Secretary and served on all other parties to the proceeding by 11 September 1986.
9. Intervenor written evidence shall be filed with the Secretary and served on all other parties to the proceeding by 11 September 1986.

### **Hearing**

10. The public hearing will commence in the Centennial Room at the Sandman Inn, 888-7th Avenue S.W., Calgary, Alberta on Tuesday, 23 September 1986 at 9:30 a.m.

### **Service to Parties**

11. The Board will undertake to serve a copy of these Directions on Procedure and the Notice of Public Hearing attached as Appendix I forthwith on the parties listed in Appendix II.

### **Notice of Hearing**

12. The Applicants shall arrange between them to publish the Notice of Public Hearing in the publications listed in Appendix III.

### **Filing and Service Requirements**

13. 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 number of copies shall be served or filed:
  - (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.
14. Persons filing letters of comment should serve 1 copy of the documents on the Applicants and file 1 copy with the Board, which in turn will provide copies for all other parties.

15. Parties filing or serving documents fewer than five days prior to the commencement of the hearing shall also bring to the hearing a sufficient number of copies of the documents for use by the Board and other parties present at the hearing.

### **Simultaneous Interpretation**

16. Simultaneous interpretation will be provided at this proceeding if requested by any party. To facilitate the arrangement of this service, parties are asked to advise the Board by 25 August 1986 in this regard.

### **General**

17. All parties are asked to quote Hearing Order No. GH-4-86 when corresponding with the Board in this matter.
18. These Directions supplement the Draft NEB Rules of Practice and Procedure dated 18 February 1985.

J.S. Klenavic  
Secretary

NATIONAL ENERGY BOARD  
NOTICE OF PUBLIC HEARING  
ALBERTA AND SOUTHERN GAS CO. LTD.  
PROGAS LIMITED

The National Energy Board ("the Board") will conduct a hearing into an application dated 29 July 1986 by Alberta and Southern Gas Co. Ltd. ("Alberta and Southern") pursuant to Part VI of the *National Energy Board Act* ("the Act") for a new gas export licence to extend Alberta and Southern's existing authorizations to the period ending 31 October 1994 and to increase the maximum daily and annual quantities authorized during the period 1 November 1990 to 31 October 1994 but without increasing the existing aggregate term quantity under licence.

The same hearing will also consider an application by ProGas Limited ("ProGas") dated 26 March 1986, as amended by letter dated 26 May 1986 for approval under Part VI of the Act of an extension to its existing Licences GL-56 and GL-79 to the period ending 31 October 1994 and to increase the maximum daily and annual quantities under those licences but without increasing the existing aggregate term quantity of the licences.

The hearing will commence on Tuesday, 23 September 1986, at 9:30 a.m., local time in the Centennial Room of the Sandman Inn, 888-7th Avenue S.W., Calgary, Alberta.

The hearing will be public and will be held to obtain the evidence and relevant views of interested parties 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. Each Applicant will provide a copy of its 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 Alberta and Southern, at 24th Floor, East Tower, Esso Plaza, 425 First Street S.W., Calgary, Alberta T2P 3L8 and to ProGas at 1620 SunLife Plaza, 144 Fourth Avenue S.W., Calgary, Alberta T2P 3N4.

The deadline for receipt of either written interventions or comments is 25 August 1986. The Secretary will then issue a list of intervenors.

Information on the procedures for this hearing (Hearing Order GH-4-86) or the NEB Rules of Practice and Procedure governing all hearings (both documents are available in English and French) may be obtained by writing to the Secretary or telephoning the Board's Regulatory Support Office at (613) 998-7204.

J.S. Klenavic  
Secretary  
National Energy Board 473 Albert Street Ottawa, Ontario  
K1A 0E5  
Telex: 0533791  
Telecopier: (613)990-7900

## LIST OF PUBLICATIONS

<b>Publications</b>	<b>City</b>
"Times Colonist"	Victoria, British Columbia
"Sun", "Vancouver Province" & "Le Soleil de Colombie"	Vancouver, British Columbia
"Herald" & "Sun"	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"	Montréal, Québec
Canada Gazette	Ottawa, Ontario



## **List of Addressees**

### **Licence Holders**

Alberta and Southern Gas Co. Ltd.  
Canadian-Montana Pipe Line Company  
Columbia Gas Development of Canada Ltd.  
Consolidated Natural Gas Limited  
ICG Transmission Holdings 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 Mineral Resources

Province of Manitoba  
Attorney General  
Minister of Energy and Mines

Province of Ontario  
Attorney General  
Ministry of Energy

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

Province of New Brunswick  
Attorney General  
Minister, Natural Resources & Energy  
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  
Energy and Mineral Resources

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

British Columbia Petroleum Corporation

NOVA, AN ALBERTA CORPORATION