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**E-Filed / Signed Original Via Messenger**

December 4, 2014

Ms. Sheri Young  
Secretary of the Board  
National Energy Board  
517 10<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2R 0A8

**Re: Set-Aside and Collection Mechanisms for Pipeline Abandonment Funding  
NEB Hearing Order MH-001-2013  
NEB File OF-AF-SAC 01  
Alliance Pipeline Ltd., as General Partner of Alliance Pipeline Limited Partnership  
Filing of Pipeline Abandonment Demand Surcharge, Effective January 1, 2015**

Dear Ms. Young:

Pursuant to Paragraph 60(1)(b) of the *National Energy Board Act (NEB Act)*, and in compliance with Condition 2(b) of National Energy Board (“NEB” or “Board”) Order MO-093-2014, dated May 5, 2014, and the Board’s MH-001-2013 Reasons for Decision, Alliance Pipeline hereby submits for approval an Annual Contribution Amount Calculation Form and revised tariff sheets implementing Alliance’s collection mechanism in the form of a Pipeline Abandonment Demand Surcharge, effective January 1, 2015.

The enclosed material includes a determination of the Annual Contribution Amount in the form of Appendix XIV to the Board’s MH-001-2013 Reasons for Decision (see Attachment 1), a calculation of the Pipeline Abandonment Demand Surcharge based on the Annual Contribution Amount and the contract demand on the Alliance Pipeline system as of January 1, 2015 (see Attachment 2), and associated revised tariff sheets (see Attachment 3).

***Annual Contribution Amount***

The determination of the Annual Contribution Amount utilized an Abandonment Cost Estimate of \$309,970,000, as approved by the Board in its letter dated May 6, 2014 in relation to the Board’s MH-001-2012 proceeding (NEB File OF-AF-PCE 02). The remaining elements utilized in the determination of the Annual Contribution Amount are consistent with the findings, directions, and decisions set out in the Board’s MH-001-2013 Reasons for Decision. In its Collection Mechanism Application, dated May 30, 2013, Alliance adopted the NEB’s Base Case Assumption for Collection Period (40 years), Inflation Rate (2%), and Return on Funds (3.5%). As further explained during the MH-001-2013 proceeding, the Return on Funds of 3.5% was deemed to be net of all allowable trust expenses (see Alliance’s response to NEB SAM IR 1.7(a) on July 5, 2013). Accordingly, the pre-tax rate of return on funds collected, as shown on Line 7 of the Annual Contribution Amount Collection Form in Attachment 1, has been set such



that the effective rate is equal to the NEB Base Case Assumption of 3.5% after estimated variable trust expenses have been deducted.

### ***Pipeline Abandonment Demand Surcharge***

The calculation of the Pipeline Abandonment Demand Surcharge in Attachment 2 follows the allocation methodology proposed by Alliance and approved by the Board in its MH-001-2013 Reasons for Decision. Utilizing an Annual Contribution Amount of \$10,903,723 and billing determinants equal to its current contract demand level of 37,534 10<sup>3</sup>m<sup>3</sup>/day, results in a Pipeline Abandonment Demand Surcharge of \$24.2085/10<sup>3</sup>m<sup>3</sup>/month. This Pipeline Abandonment Demand Surcharge will apply to all firm transportation service contracts, effective January 1, 2015, and remain in place for the 11-month period ending November 30, 2015.

At this stage, Alliance does not expect variances to arise between actual amounts collected and set aside, and the expected amounts collected and set aside. For the 11-month period from January 1 to November 30, 2015, Alliance would not incur an over collection of pipeline abandonment funds because the underpinning firm transportation contracts, from which the Pipeline Abandonment Demand Surcharge is derived, all extend to at least November 30, 2015. Likewise it is not expected that Alliance would incur an under collection during this same time period. Accordingly, Alliance is not presently proposing to create a deferral account or other true-up mechanism for managing variances at the end of the 11-month period in 2015. In the unlikely event circumstances unfold differently, Alliance will inform the Board of such, along with any proposals necessary to address the changed situation.

For the period commencing December 1, 2015, the methodology for calculating pipeline abandonment surcharges and the related deferral account true-up mechanism were described in Alliance's New Services Offering Application, dated May 22, 2014, and are subject to the outcome of the Board's RH-002-2014 proceeding.

The revised Tariff Sheets in Attachment 3 incorporate the addition of the new Pipeline Abandonment Demand Surcharge for the 11-month period from January 1 to November 30, 2015 through revisions to Article 3: Monthly Bill and Schedule A of the Toll Schedule for Firm Transportation Service, and in the definitions section of the General Terms and Conditions.

### ***Notification and Consultation***

On October 7, 2014, Alliance held its regularly-scheduled annual meeting with its Shipper Task Force (Policy Group) to address the forthcoming annual toll adjustments for 2015. At the meeting, Alliance also informed its shippers of the proposed implementation of a Pipeline Abandonment Demand Surcharge, effective January 1, 2015. Material presented at the meeting is also posted on Alliance's website.<sup>1</sup> In addition, on November 13, 2014, Alliance notified its Shipper Task Force (Policy Group) of Alliance's impending filing in accordance with the notification requirements stated in Section 6.1.1 of the Board's MH-001-2013 Reasons for Decision. The November 13<sup>th</sup> notification also included draft versions of the Annual Contribution

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<sup>1</sup> See [www.alliancepipeline.com](http://www.alliancepipeline.com) > Doing Business With Us > Shipper Task Force > Policy Group Presentations.



Amount Calculation Form and the Pipeline Abandonment Demand Surcharge calculation, both essentially identical to Attachments 1 and 2 enclosed herein. Alliance is not aware of any shipper concerns resulting from the above noted discussions or communications.

***Requested Relief***

Alliance Pipeline Ltd., in its capacity as the General Partner of Alliance Pipeline Limited Partnership, hereby applies to the Board for an Order pursuant to Part IV and Paragraph 60(1)(b) of the *NEB Act* approving, effective January 1, 2015:

- i) The Annual Contribution Amount Calculation Form, as set out in Attachment 1;
- ii) The Pipeline Abandonment Demand Surcharge and revised Tariff Sheets, as set out in Attachments 2 and 3, respectively.

Should the Board have any questions on this submission, please contact the undersigned at 403-517-6354.

Sincerely,

*[Original Signed]*

Brian Troicuk  
Director, Regulatory Affairs  
Fax: 403-233-0735  
Email: [brian.troicuk@alliancepipeline.com](mailto:brian.troicuk@alliancepipeline.com)

Enclosures

cc: Alliance Shipper Task Force (Policy Group)

**Attachment 1**

**Annual Contribution Amount Calculation Form**

## Annual Contribution Amount Calculation Form (per MH-1-2013 Appendix XIV)

### Computation of Annual Contribution Amount

Step1: Provide total cost estimated for abandonment.

Line 1	Abandonment cost estimate in dollars in 2010 base year	\$ 309,970,000
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Step 2: Convert to future value.

Line 2	Inflation Rate	2.0%
Line 3	Collection Period	40
Line 4	Years elapsed between year of cost estimate and start date of contributions	5
Line 5	Number of years from cost estimate date to end of Collection Period = Line 3 + Line 4	45
Line 6	Future Value of abandonment cost estimate = Line 1 * (1 + Line 2) <sup>Line 5</sup>	\$ 755,661,668

Step 3: Calculate company-specific after-tax rate of return on funds collected.

Line 7	Pre-tax rate of return on funds collected	3.72%
Line 8	Adjustment for variable trustee expenses and investment management fees	0.22%
Line 9	Company-specific tax rate on investment income	25.0%
Line 10	After-tax rate of return on funds collected = (1 - Line 9) * (Line 7 - Line 8)	2.6%

Step 4: Compute Annual Contribution Amount

Line 11	Annual Contribution Amount before fixed trustee expense adjustment = (Line 6 * Line 10) / [(1 + Line 10) <sup>Line 3</sup> - 1]	\$ 10,903,723
Line 12	Adjustment for fixed trustee expenses	\$ -
Line 13	Annual Contribution Amount to Trust = (Line 11 + Line 12)	\$ 10,903,723

## **Attachment 2**

### **Pipeline Abandonment Demand Surcharge Calculation**

Pipeline Abandonment Demand Surcharge Calculation Effective January 1, 2015		
Line 1	Annual Contribution Amount	\$ 10,903,723
Line 2	Contract Demand - 10 <sup>3</sup> m <sup>3</sup> /day	37,534
Line 3	Pipeline Abandonment Demand Surcharge - \$/10 <sup>3</sup> m <sup>3</sup> /month *	24.2085
* Line 3 = (Line 1 / 12) / Line 2		

**Attachment 3**

**Revised Tariff Sheets Effective January 1, 2015**



**ARTICLE 3: MONTHLY BILL**

3.1 For each Month, Transporter shall charge and Shipper shall pay an amount equal to the sum of:

- (a) the product obtained by multiplying (1) the Contracted Capacity by (2) the Demand Charge;
- (b) the product obtained by multiplying (1) the sum of Primary Receipt Point Capacities designated by Shipper for TAC Receipt Points in accordance with Article 6 (as recorded in paragraph C of Schedule A to each of Shipper's TSA's or in any Primary Receipt Point Capacity allocation notification form) by (2) the Demand Charge Surcharge;
- (c) the product obtained by multiplying (1) the ROS Secondary Receipt Point Toll by (2) the volume of Gas that is (i) received at TAC Receipt Points in the Month by the Transporter from or on behalf of the Shipper which is calculated as the sum of each of the daily volumes of Gas that are greater than the difference between the total daily aggregate Primary Receipt Point Capacity for TAC Receipt Points of such Shipper and the Primary Receipt Point Capacity nominated daily by such Shipper in accordance with Article 2.9 herein and Article 11 of the General Terms and Conditions, and (ii) nominated by Shipper and scheduled by Transporter as volume to which the ROS Secondary Receipt Point Toll applies.
- (d) the product obtained by multiplying (1) the Contracted Capacity by (2) the Pipeline Abandonment Demand Surcharge;
- (e) the product obtained by multiplying (1) the Commodity Charge by (2) the volume of Gas received in the Month by Transporter from or on behalf of Shipper in accordance with Article 2.3 less the portion of such volume that contains the Fuel Requirement and the portion of such volume that contains the U.S. Fuel Requirement;
- (f) any interest on late payments payable by Shipper in accordance with Article 7.3 of the General Terms and Conditions;
- (g) any charges payable by Shipper in accordance with Article 13 in respect of any Imbalances; less
- (h) (1) Shipper's allocated share of available Interruptible Revenue Credit, determined in accordance with Article 21 (Crediting of Revenue from Interruptible Transportation) of the General Terms and Conditions; (2) any Demand Charge Credit to which Shipper is entitled in accordance with Article 4; and (3) any Demand Charge Surcharge Credit to which Shipper is entitled in accordance with Article 4.

3.2 Nothing in this Article 3 shall be construed as in any way relieving Shipper from its obligations to pay any adjustments, charges, interest or penalties calculated in accordance with the General Terms and Conditions.

**ARTICLE 3: MONTHLY BILL**

- 3.1 For each Month, Transporter shall charge and Shipper shall pay an amount equal to the sum of:
- (a) the product obtained by multiplying (1) the Contracted Capacity by (2) the Demand Charge;
  - (b) the product obtained by multiplying (1) the sum of Primary Receipt Point Capacities designated by Shipper for TAC Receipt Points in accordance with Article 6 (as recorded in paragraph C of Schedule A to each of Shipper's TSA's or in any Primary Receipt Point Capacity allocation notification form) by (2) the Demand Charge Surcharge;
  - (c) the product obtained by multiplying (1) the ROS Secondary Receipt Point Toll by (2) the volume of Gas that is (i) received at TAC Receipt Points in the Month by the Transporter from or on behalf of the Shipper which is calculated as the sum of each of the daily volumes of Gas that are greater than the difference between the total daily aggregate Primary Receipt Point Capacity for TAC Receipt Points of such Shipper and the Primary Receipt Point Capacity nominated daily by such Shipper in accordance with Article 2.9 herein and Article 11 of the General Terms and Conditions, and (ii) nominated by Shipper and scheduled by Transporter as volume to which the ROS Secondary Receipt Point Toll applies.
  - ~~(d)~~ the product obtained by multiplying (1) the Contracted Capacity by (2) the Pipeline Abandonment Demand Surcharge;
  - ~~(de)~~ the product obtained by multiplying (1) the Commodity Charge by (2) the volume of Gas received in the Month by Transporter from or on behalf of Shipper in accordance with Article 2.3 less the portion of such volume that contains the Fuel Requirement and the portion of such volume that contains the U.S. Fuel Requirement;
  - ~~(ef)~~ any interest on late payments payable by Shipper in accordance with Article 7.3 of the General Terms and Conditions;
  - ~~(fg)~~ any charges payable by Shipper in accordance with Article 13 in respect of any Imbalances; less
  - ~~(gh)~~ (1) Shipper's allocated share of available Interruptible Revenue Credit, determined in accordance with Article 21 (Crediting of Revenue from Interruptible Transportation) of the General Terms and Conditions; (2) any Demand Charge Credit to which Shipper is entitled in accordance with Article 4; and (3) any Demand Charge Surcharge Credit to which Shipper is entitled in accordance with Article 4.
- 3.2 Nothing in this Article 3 shall be construed as in any way relieving Shipper from its obligations to pay any adjustments, charges, interest or penalties calculated in accordance with the General Terms and Conditions.

**SCHEDULE A****Firm Transportation Service Tolls**

Demand	\$1,076.8011/10 <sup>3</sup> m <sup>3</sup> /mo
Commodity	Nil
Demand Charge Surcharge	\$42.95/10 <sup>3</sup> m <sup>3</sup> /mo
ROS Secondary Receipt Point Toll	\$2.12/10 <sup>3</sup> m <sup>3</sup>
Pipeline Abandonment Demand Surcharge	\$24.2085/10 <sup>3</sup> m <sup>3</sup> /mo

**SCHEDULE A****Firm Transportation Service Tolls**

Demand	\$1,076.8011/10 <sup>3</sup> m <sup>3</sup> /mo
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Commodity	Nil
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Demand Charge Surcharge	\$42.95/10 <sup>3</sup> m <sup>3</sup> /mo
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ROS Secondary Receipt Point Toll	\$2.12/10 <sup>3</sup> m <sup>3</sup>
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<u>Pipeline Abandonment Demand Surcharge</u>	<u>\$24.2085/10<sup>3</sup>m<sup>3</sup>/mo</u>
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operational issues specific to a Liquids Receipt Point, including physical flow procedures, nominations and confirmation procedures, and protocols designed to protect the commingled stream from potentially disruptive changes to the commingled liquid content.

**"Maximum Daily Transportation Quantity"** means the maximum volume of Gas as specified in an Interruptible Transportation Service Agreement that Transporter agrees to receive from Shipper for Transportation under Toll Schedule Interruptible Transportation Service.

**"Month"** means a period extending from 9:00 am CCT on the first Day in a calendar Month and ending at 9:00 am CCT on the first Day of the next succeeding calendar Month, or at such hour as Shipper and Transporter agree upon.

**"Monthly Bill"** means the amount that Shipper is required to pay to Transporter for each Month in accordance with the terms of the applicable Toll Schedule.

**"Person"** means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

**"Pipeline Abandonment Demand Surcharge"** means the Pipeline Abandonment Demand Surcharge set out in Schedule "A" to the Toll Schedule Firm Transportation Service.

**"Primary Receipt Point"** means a Receipt Point that is designated by a Firm Shipper as a Primary Receipt Point as set out in Schedule "A" to the Shipper's Transportation Service Agreement, or a Receipt Point that is designated by an ROS Shipper as a Primary Receipt Point as set out in Schedule "A" to the Shipper's Receipt Only Service Agreement.

**"Primary Receipt Point Capacity"** has the meaning ascribed to it in Article 6.1 (a) of the Toll Schedule Firm Transportation Service or Article 5.1(a) of the Toll Schedule Receipt Only Service, and "Primary Receipt Point Capacities" means each of them.

**"Prime Rate"** means, at any time, the per annum rate of interest then designated by the main branch of The Bank of Nova Scotia in Calgary, Alberta as its reference rate of interest for Canadian dollar commercial loans in Canada and which is announced by such Bank as its Prime Rate. A rate of interest payable pursuant hereto shall change automatically without notice to any party on each occasion upon which the Prime Rate is varied. Interest accruing due hereunder shall be calculated using the nominal rate method and shall be compounded monthly.

**"Receipt Only Service Revenue Credit"** means the amount of Receipt Only Service revenues collected from such ROS Shippers and allocated to Firm Shippers in accordance with Article 21 hereto.

**"Receipt Only Service"** and **"ROS"** mean receipt service provided pursuant to a Receipt Only Service Agreement for Receipt Only Service.

operational issues specific to a Liquids Receipt Point, including physical flow procedures, nominations and confirmation procedures, and protocols designed to protect the commingled stream from potentially disruptive changes to the commingled liquid content.

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**"Monthly Bill"** means the amount that Shipper is required to pay to Transporter for each Month in accordance with the terms of the applicable Toll Schedule.

**"Person"** means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

**"Pipeline Abandonment Demand Surcharge" means the Pipeline Abandonment Demand Surcharge set out in Schedule "A" to the Toll Schedule Firm Transportation Service.**

**"Primary Receipt Point"** means a Receipt Point that is designated by a Firm Shipper as a Primary Receipt Point as set out in Schedule "A" to the Shipper's Transportation Service Agreement, or a Receipt Point that is designated by an ROS Shipper as a Primary Receipt Point as set out in Schedule "A" to the Shipper's Receipt Only Service Agreement.

**"Primary Receipt Point Capacity"** has the meaning ascribed to it in Article 6.1 (a) of the Toll Schedule Firm Transportation Service or Article 5.1(a) of the Toll Schedule Receipt Only Service, and "Primary Receipt Point Capacities" means each of them.

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