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National Energy Board Report

NOVA Gas Transmission Ltd.

GH-002-2014

October 2014

Facilities

Canada

National Energy Board

National Energy Board Report

In the Matter of

NOVA Gas Transmission Ltd.

Application dated 12 November 2013 for the Integration Asset Transfer Project

GH-002-2014

October 2014

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Glossary of Terms, Abbreviations and Units

ADE	Alberta Department of Energy
Application	NGTL's application to the Board, pursuant to section 52 of the *National Energy Board Act*, for a Certificate of Public Convenience and Necessity for the Integration Asset Transfer Project, among other things, dated 12 November 2013
ARC	Advanced Ruling Certificate, as issued by the Competition Bureau
Asset Swap	The proposed exchange of Assets between NGTL and ATCO Pipelines pursuant to the Asset Swap Agreement
Asset Swap Agreement	An agreement, dated 7 April 2009, between NGTL and ATCO Pipelines, as amended 15 June 2011 and 31 July 2013
Assets	The pipeline facilities and miscellaneous interests of NGTL and ATCO Pipelines
ATCO Pipelines	ATCO Gas and Pipelines Ltd.
ATCO Pipelines Footprint	The assets owned and operated by ATCO Pipelines primarily around the Calgary-Edmonton corridor
ATCO Pipelines System	A provincially regulated natural gas transmission system, comprising approximately 8 500 kilometres of pipeline, 31 compressor stations and approximately 4,000 receipt and delivery points located within Alberta
ATCO Transferred Assets	Assets to be acquired by NGTL, which are currently owned by ATCO Pipelines
ATCO Transferred Pipeline Facilities	Pipeline facilities to be acquired by NGTL, which are currently owned by ATCO Pipelines
ATP	Application to Participate
AUC	Alberta Utilities Commission
Board or NEB	National Energy Board
CAP	Corrective action plan
CCA	Capital cost allowance
Certificate or CPCN	Certificate of Public Convenience and Necessity issued under section 54 of the *National Energy Board Act* authorizing the construction and operation of a pipeline
Closing	The change of ownership and possession of the Transferred Assets
Closing Date	The date when Closing occurs for one or more Tranche(s)

Commercial Integration	The integration of the NGTL System and the ATCO Pipelines System to provide service under a single set of rates and services pursuant to the NGTL Gas Transportation Tariff, effective 1 October 2011
CSA	Canadian Standards Association
CSA Z662-11	Canadian Standards Association, standard Z662-11, *Oil and Gas Pipeline Systems*
CSA Z731-03	Canadian Standards Association, standard Z731-03, *Emergency Preparedness and Response*
Dedicated Depreciation	Depreciation rates based on the contract length of specific negotiated contracts
EA	Environmental Assessment
EMS	Emergency Management System
Footprint	Distinct geographic areas within Alberta for the construction of new facilities by each of ATCO Pipelines and NGTL. ATCO Pipelines and NGTL would continue to separately own and operate assets within distinct Footprints
GIC	Governor in Council
GIS	Geographic Information System
H_2S	Hydrogen sulphide
ILI	In-Line Inspection
IMP	Integrity Management Program
Integration Agreement	An agreement which contemplated the integration of the NGTL System and ATCO Pipelines System to provide service under a single set of rates and services under the NGTL Gas Transportation Tariff, and the exchange of certain assets
IPA	Integrated Public Awareness
MLA	Member of the Legislative Assembly
Monetary Adjustment	Monetary adjustments between NGTL and ATCO Pipelines to account for and offset any differences in aggregate NBV of the Transferred Assets
MP	Member of Parliament
NAL	No Action Letter issued by the Competition Bureau
NBV	Net Book Value
NEB Act or Act	*National Energy Board Act*
NEB Report or Report	*National Energy Board Report*

NGTL, Applicant or Company	NOVA Gas Transmission Ltd.
NGTL Footprint	The assets owned and operated by NGTL located in the balance of Alberta, outside of the ATCO Pipelines Footprint
NGTL System	An extensive natural gas pipeline system owned and operated by NGTL, comprised of approximately 25 000 kilometres of pipeline, associated compression and other facilities, located in Alberta and British Columbia
NGTL Transferred Assets	Assets to be sold to ATCO Pipelines, which are currently owned by NGTL
Non-Monetary Adjustments	Adjustments used by NGTL and ATCO Pipelines to account for differences in the NBV of the Transferred Assets at the end of the Closing of each Tranche
NPS	nominal pipe size (in inches)
OPR	*National Energy Board Onshore Pipeline Regulations*
Part IV	Part IV of the NEB Act that contains provisions dealing with traffic, tolls and tariffs
PFP	Participant Funding Program
Plant Number	A mechanism by which ATCO Pipelines' capital asset accounting system tracks various groups of facilities, including pipeline, metering and compression assets, within a general geographical area
Project	The proposed Integration Asset Transfer
Rate base	The amount of investment on which a return is authorized to be earned. It typically includes net plant in service plus an allowance for working capital
RoW	right-of-way
SNN	Stoney Nakoda Nations
TOPs	TransCanada Operating Procedures
Tranche	The specific facilities listed in Schedule A to the proposed Certificate that will have Closing on the same dates
TransCanada	TransCanada PipeLines Limited
Transferred Assets	Collectively, ATCO Transferred Assets and NGTL Transferred Assets
TTFP	Tolls, Tariff, Facilities and Procedures Committee

List of Units

km	kilometre
m	metre
m^3	cubic metre
mm	millimetre

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* (NEB Act) and the regulations made thereunder; and

IN THE MATTER OF an application, as amended, made under file OF-Fac-Gas-N081-2013-17 02 by NOVA Gas Transmission Ltd. (NGTL), dated 12 November 2013, for the Integration Asset Transfer Project, which included the following relief requested:

a) an Order under paragraph 74(1)(a) of the NEB Act, granting leave to NGTL to sell the NGTL Transferred Assets to ATCO Gas and Pipelines Ltd. (ATCO Pipelines), and under paragraph 74(1)(b) of the NEB Act, granting leave to NGTL to purchase the ATCO Transferred Assets from ATCO Pipelines, in four separate closings in accordance with the Asset Swap Agreement, or in a single closing if a single Certificate of Public Convenience and Necessity (CPCN) were issued for the entire Asset Swap;

b) separate CPCNs under section 52 of the NEB Act for each closing in respect of the ATCO Transferred Assets purchased by NGTL, to allow for the continued operation of those existing ATCO Transferred Assets within federal jurisdiction (as part of the NGTL System), in accordance with the Asset Swap Agreement;

c) an Order under section 47 of the NEB Act, granting leave to NGTL to open the ATCO Transferred Assets for the transmission of hydrocarbons;

d) an approval under section 59 of the NEB Act to adjust the NGTL System rate base by the difference in the aggregate net book value of the NGTL Transferred Assets and related Monetary Adjustments, in accordance with the Asset Swap Agreement;

e) an approval under Part IV of the NEB Act for the creation of the Non-Monetary Adjustment Deferral Account; and

f) any such further and other relief that the National Energy Board may consider appropriate;

IN THE MATTER OF National Energy Board Hearing Order GH-002-2014, dated 17 April 2014, as amended;

HEARD by way of written submissions

BEFORE:

P.H. Davies Presiding Member
R.R. George Member
R.R. Wallace Member

Chapter 1

Summary of Recommendation and Decisions

1.1 Recommendation

1.1.1 Background

NOVA Gas Transmission Ltd. (NGTL, Applicant or Company) applied to the National Energy Board (Board or NEB), as part of the NGTL Integration Asset Transfer Project (Project), for leave to sell certain assets currently owned by NGTL to ATCO Gas and Pipelines Ltd. (NGTL Transferred Assets) and for leave to purchase certain assets currently owned by ATCO Gas and Pipelines Ltd. (ATCO Transferred Assets).[1]

The Board has approved the sale of the NGTL Transferred Assets by NGTL, pursuant to paragraph 74(1)(a) of the *National Energy Board Act* (NEB Act or Act). The Board has also approved the purchase by NGTL of the ATCO Transferred Assets, pursuant to paragraph 74(1)(b) of the NEB Act.

In addition, the Board has varied existing Certificate of Public Convenience and Necessity (Certificate or CPCN) GC-113, pursuant to section 20 and subsection 21(2) of the NEB Act, to reflect the NGTL Transferred Assets leaving the Board's jurisdiction.

1.1.2 Section 52 Facilities Recommendation

The Board recommends that a Certificate be issued for the section 52 facilities, known as the ATCO Transferred Assets, forming part of the Project. The Board has set out the terms and conditions, contained in Appendix II of this *National Energy Board Report* (Report or NEB Report), to which the Certificate would be subject if the Governor in Council (GIC) were to direct the Board, pursuant to section 54 of the NEB Act, to issue the Certificate.

1.1.3 Section 21 Variation

The Board also recommends that the GIC approve the variation of Certificate GC-113, pursuant to subsection 21(2) of the NEB Act, to effect the variation and to reflect the NGTL Transferred Assets leaving the Board's jurisdiction.

1.1.4 Issuance of Certificates

NGTL requested that a separate Certificate be issued for each of the four proposed Closings in respect of the ATCO Transferred Assets. The Board recommends, instead, that a single Certificate be issued for all of the ATCO Transferred Assets, which would become effective for specific assets upon the four proposed Closings of such assets, in accordance with the directions set out in Conditions 6 and 7 in Appendix II.

1. The ATCO Transferred Assets and the NGTL Transferred Assets are collectively referred to as the Transferred Assets.

The Board has varied Certificate GC-113 with a single Amending Order, which, if approved by the GIC, would become effective for specific assets upon the four proposed Closings of such assets.

It is the Board's view that the issuance of one Certificate and one Amending Order will reduce the associated regulatory burden and simplify the future tracking of the facilities, while at the same time achieving the desired seamless change of jurisdiction requested by NGTL.

This Report sets out the reasons for the Board's recommendations relating to the Transferred Assets.

1.2 Decisions

1.2.1 Leave to Open the ATCO Transferred Assets

The Board is satisfied that the ATCO Transferred Assets meet the *National Energy Board Onshore Pipeline Regulations* (OPR) requirements, and that the facilities are fit for their designed service. Consequently, the Board grants leave to open these facilities to NGTL, pursuant to section 47 of the NEB Act, should a Certificate for the Project be issued.

1.2.2 Monetary and Non-Monetary Adjustments

The Board finds NGTL's proposed use of Monetary and Non-Monetary Adjustments to be a reasonable solution for mitigating the impacts of the Project on the revenue requirement of the NGTL System. Therefore, should a Certificate for the Project be issued, the Board approves NGTL's proposed Monetary and Non-Monetary Adjustments, pursuant to section 59 of the NEB Act.

Based on the terms found in this Report, the Board also approves NGTL's proposed Non-Monetary Adjustment Deferral Account, pursuant to Part IV of the NEB Act, should a Certificate for the Project be issued.

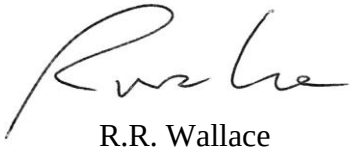
This Report constitutes our recommendations in respect of the application considered by the Board in the GH-002-2014 proceeding.



P.H. Davies
Presiding Member



R.R. George
Member



R.R. Wallace
Member

Calgary, Alberta
October 2014

Chapter 2

Introduction

2.1 The Application

On 12 November 2013, NGTL filed an application (Application) with the Board seeking approvals required to effect: (i) the acquisition by NGTL and ongoing operation as part of the NGTL System of the ATCO Transferred Assets, currently owned by ATCO Gas and Pipelines Ltd. (ATCO Pipelines), and (ii) the sale by NGTL of the NGTL Transferred Assets, currently forming part of the NGTL System, to ATCO Pipelines.

NGTL requested the following from the Board:

- an Order under paragraph 74(1)(a) of the NEB Act, granting leave to NGTL to sell the NGTL Transferred Assets to ATCO Pipelines, and under paragraph 74(1)(b) of the NEB Act, granting leave to NGTL to purchase the ATCO Transferred Assets from ATCO Pipelines, in four separate closings in accordance with the Asset Swap Agreement, or in a single closing if a single Certificate were issued for the entire Asset Swap;
- separate Certificates under section 52 of the NEB Act for each closing in respect of the ATCO Transferred Assets purchased by NGTL, to allow for the continued operation of those existing ATCO Transferred Assets within federal jurisdiction (as part of the NGTL System), in accordance with the Asset Swap Agreement;
- an Order under section 47 of the NEB Act, granting leave to NGTL to open the ATCO Transferred Assets for the transmission of hydrocarbons;
- an approval under section 59 of the NEB Act to adjust the NGTL System rate base by the difference in the aggregate net book value of the NGTL Transferred Assets and related Monetary Adjustments, in accordance with the Asset Swap Agreement;
- an approval under Part IV of the NEB Act, approving the creation of the Non-Monetary Adjustment Deferral Account; and
- any such further and other relief that the NEB may consider appropriate.

2.1.1 Background

NGTL, a wholly-owned subsidiary of TransCanada PipeLines Limited (TransCanada), owns the NGTL System, an extensive natural gas pipeline system comprising approximately 25 000 kilometres (km) of pipeline, associated compression and other facilities located in Alberta and British Columbia. The NGTL System is subject to federal jurisdiction and regulation by the Board.

ATCO Pipelines, a corporation incorporated under the laws of Alberta, owns the ATCO Pipelines System, a provincially regulated natural gas transmission system comprising approximately 8 500 km of pipeline, 31 compressor stations and approximately 4,000 receipt and

delivery points located within Alberta. The ATCO Pipelines System is subject to provincial jurisdiction and is regulated by the Alberta Utilities Commission (AUC).

On 7 April 2009, NGTL and ATCO Pipelines reached an agreement for the integration of the NGTL System and the ATCO Pipelines System (Integration Agreement). The Integration Agreement contemplated the integration of the NGTL System and ATCO Pipelines System to provide service under a single set of rates and services under the NGTL Gas Transportation Tariff. The Board approved certain measures required to implement the integration in Order TG-005-2011. The integration was confirmed by Order TG-006-2011, effective 1 October 2011. The Integration Agreement also provided for the exchange of certain assets between NGTL and ATCO Pipelines, which was meant to achieve cost, operational and other efficiencies.

The Integration Agreement was subsequently amended by an agreement dated 3 May 2011 (Supplemental Amending Agreement). On 31 July 2013, NGTL and ATCO Pipelines entered into an additional amending agreement (Second Supplemental Amending Agreement), which gave effect to adjustments to the NGTL and ATCO Transferred Assets.[2] These agreements made effective the integration previously approved in principle by the AUC[3] and the NEB.[4]

On 22 November 2012, ATCO Pipelines received approval from the AUC to effect its obligations under the Asset Swap Agreement[5] between NGTL and ATCO Pipelines. The Asset Swap Agreement was amended on 31 July 2013 by the First Amending Agreement.[6] The Asset Swap Agreement forms part of the broader integration of the NGTL System and the ATCO Pipelines System.

2.1.2 Assets to be Transferred

The Integration Agreement identified distinct geographic areas (Footprints) within Alberta for the construction of new facilities by each of NGTL and ATCO Pipelines. Under the provisions of the Integration Agreement, NGTL and ATCO Pipelines would continue to separately own and operate assets within these distinct Footprints. ATCO Pipelines would own and operate assets primarily around the Calgary – Edmonton corridor (ATCO Pipelines Footprint), and NGTL would own and operate assets located in the balance of Alberta (NGTL Footprint). Note that this Application did not seek approval of new construction.

While each Footprint contains primarily assets belonging to each company, there are currently some NGTL assets within the ATCO Pipelines Footprint and some ATCO Pipelines assets within the NGTL Footprint. In this Application, NGTL proposed to swap assets of equal value with ATCO Pipelines, to the extent practicable, to reduce the overlap of resources and generate efficiencies.

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2 The Integration Agreement, the Supplemental Amending Agreement and the Second Supplemental Amending Agreement are collectively referred to as the Integration Agreement.

3 AUC Proceeding 223 and Decision 2010-228

4 NEB Letter Decision RWH-1-2010 and Order TG-04-2010, and Order TG-05-2011

5 The Asset Swap Agreement is dated 15 June 2011.

6 The Asset Swap Agreement and the Amended Asset Swap Agreement are collectively referred to as the Asset Swap Agreement.

On 8 July 2014, NGTL notified the Board that, after ongoing discussions with ATCO Pipelines, the House Mountain Pipeline and associated facilities (HMF) would be removed from the Asset Swap. As a result, NGTL submitted a revised net book value and list of the ATCO Transferred Assets on 15 July 2014. NGTL also filed revised sections of the Application on 24 July 2014 to reflect the removal of the HMF.[7]

Under the Asset Swap Agreement, the NGTL Transferred Assets to be exchanged are comprised of metering facilities (31 delivery and 89 receipt meter stations) and 1 418 km of pipeline. The ATCO Transferred Assets to be exchanged are comprised of metering facilities (11 delivery and 19 receipt meter stations), one compressor station and 1 249 km of pipeline.

2.1.3 Timing of Approvals

In its Application, NGTL proposed, subject to obtaining the applicable regulatory approvals, to complete the Asset Swap with ATCO Pipelines in a series of four consecutive transfers of ownership. This proposed approach would accommodate the number of assets involved and the field work required to complete the transfer of ownership under NGTL and ATCO Pipelines' Transitional Operating Agreement. Once pre-transfer activities were completed for each of the four particular geographic areas under the Transitional Operating Agreement, NGTL would provide written confirmation to the Board at least 30 days in advance of each transfer date.

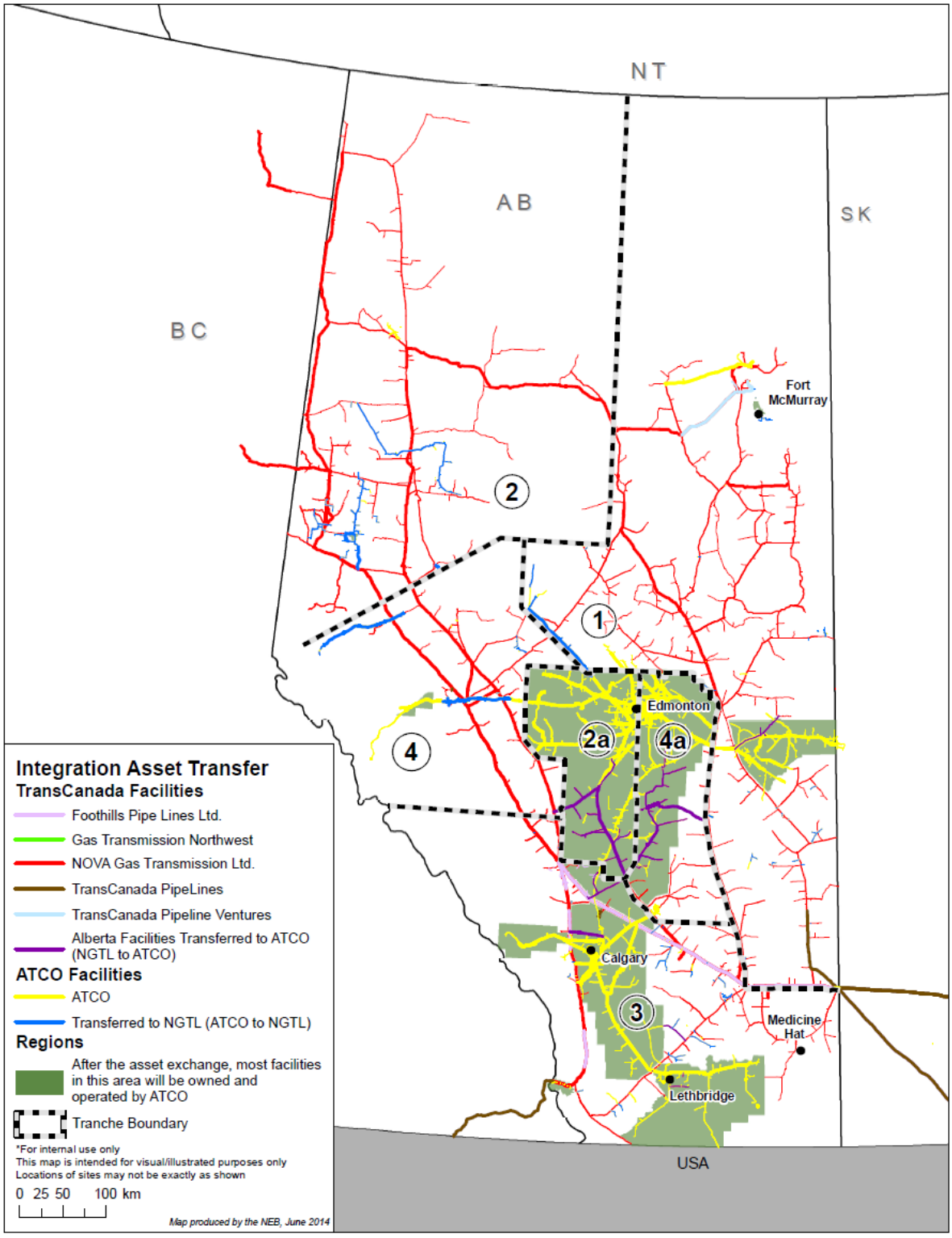
The Asset Swap Agreement provides that the Transferred Assets would change ownership on the date when the transfer to and acceptance by the parties is completed, for assets in one or more particular geographic areas. The first transfer of assets is expected to occur nine months after the receipt of regulatory approvals and is to be followed by the additional transfer of assets every two to four months as the required work is completed.

NGTL proposed that a separate CPCN be issued for the transfer of assets in each particular geographic area, and that each CPCN be made effective as of the date of the transfer. It was NGTL's understanding that issuing one CPCN, conditional on the transfer of assets for each geographic area, would preclude it from operating those facilities already transferred until the transfer of assets in the last geographic area, as well as satisfying any conditions required for those transfers. However, in response to the Board's questions on the issuance of one CPCN, NGTL stated that it was not opposed to the Board issuing a single CPCN if the CPCN was effective at the time of the transfer of the assets for each particular geographic area.

Figure 2-1 provides an overview of the assets to be transferred and the four proposed Tranches.

[7] The ATCO Transferred Assets within this Report reflect the revisions submitted on 24 July 2014, resulting from the removal of the House Mountain Pipeline and associated facilities.

Figure 2-1 Project Location Map[8]



8 The Project location map is a general representation of the facilities considered in the Asset Swap. For a detailed and specific list of the facilities involved in the Asset Swap, refer to the Schedule A attached to the proposed Certificate. In the event of an inconsistency between the Project location map and the Schedule A attached to the proposed Certificate, the Schedule A shall prevail.

2.2 GH-002-2014 Hearing

2.2.1 NEB Hearing Order

On 17 April 2014, the Board issued Hearing Order GH-002-2014 (Hearing Order), which established the process for the Board's consideration of the Application. The Hearing Order included the List of Issues that the Board considered during its assessment of NGTL's Application. The List of Issues is included in Appendix I of this Report.

2.2.2 Hearing Participation

Pursuant to subsection 55.2 of the NEB Act, the Board must determine who may participate in a hearing for a project before the Board. To be eligible to participate, interested persons or groups must request participation and demonstrate to the Board in their participation application that:

- they are directly affected by the proposed project; or
- they have relevant expertise or information that will assist the Board in making its decision and recommendation in respect of a proposed project.

Those who wished to participate in the hearing process for the Project were required to submit an Application to Participate (ATP) to the Board by 17 March 2014.

The Board received nine ATP submissions for the Project. In a letter dated 2 April 2014, the Board issued its decision on participation, indicating that all nine applicants had been accepted to participate in the hearing, and provided the List of Participants for the GH-002-2014 Hearing.

On 31 March 2014, the Board received a letter from Mr. Deryl Mork requesting a late ATP. In his letter, Mr. Mork stated that he had relevant information or expertise related to the potential environmental and socio-economic effects, the potential impacts on landowners and land use, and the terms and conditions of any approvals. In its letter of 9 April 2014, the Board granted Mr. Mork standing as a commenter, stating that there was no prejudice caused to the other applicants or NGTL by granting the request.

2.2.3 Oral Hearing Process

The GH-002-2014 Hearing Order indicated that the Board would convene the oral portion of the hearing on 22 July 2014. On 8 July 2014, based on NGTL's request to complete the consideration of the Project through a written proceeding as opposed to an oral hearing, and indication from Intervenors that they supported or did not object to moving to a written hearing, the Board revised the hearing process. As a result, the oral portion of the GH-002-2014 proceeding was cancelled and the remainder of the proceeding was conducted by way of written submissions, as set out in Amending Hearing Order AO-001-GH-002-2014, dated 8 July 2014.

NGTL and the Stoney Nakoda Nations (SNN) submitted written evidence in the GH-002-2014 proceeding. NGTL, the SNN and the Alberta Department of Energy (ADE) each submitted final written argument.

Following the final argument submissions by the Intervenors, the Board received correspondence from the SNN requesting that the ADE's final written argument should be disregarded on the basis that it was submitted after the filing deadline. In a letter dated 31 July 2014, the Board allowed the ADE's final argument, but disregarded certain portions that commented on the SNN's final argument. The Board indicated that it is not proper for Intervenors to comment on other Intervenors' final arguments after the deadline applicable to all Intervenors has passed.

NGTL submitted written reply argument on 24 July 2014.

2.2.4 Participant Funding

The Board administers a Participant Funding Program (PFP), which provides financial assistance to support timely and meaningful engagement of individuals, Aboriginal groups, landowners, incorporated non-industry not-for-profit organizations, or other interested groups who seek to participate in the Board's oral hearing process for facilities applications.

On 30 January 2014, the Board made available $250,000 under its PFP to facilitate participation in the regulatory process for the Project.

2.3 Life Cycle Approach

In considering the Project, the Board used a life cycle approach where all issues and concerns were considered with regard to the operation, maintenance, decommissioning and future abandonment of the ATCO Transferred Assets. The Board also considered its various regulatory roles, such as application assessment and post-decision condition compliance, with respect to each stage in the Project's life cycle.

2.4 Public Interest

In considering an application, the Board must consider whether the applied-for facilities are in the overall Canadian public interest. In doing so, the Board must, after carefully weighing all of the evidence in the proceeding, exercise its discretion in balancing the diverse interests of the public.

The Board has described the public interest in the following terms:

> *The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that changes as society's values and preferences evolve over time. The Board estimates the overall public good a project may create and its potential negative aspects, weighs its various impacts, and makes a decision.*[9]

In making its recommendation regarding public convenience and necessity, the Board must rely only on the facts that are established to its satisfaction through the hearing process, and must also proceed in compliance with the principles of natural justice.

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[9] *Pipeline Regulation in Canada: A Guide for Landowners and the Public (Revised 2010),* NEB, Page 1.

Chapter 3

Economic, Financial and Accounting Matters

In making a recommendation on an application pursuant to section 52 of the NEB Act, the Board considers all that appears to be directly related and relevant, including information provided on the economic feasibility of the project. An applicant is expected to demonstrate, through its submitted evidence, the economic feasibility or need for the project, any alternatives to the project that have been evaluated and considered, the justification for the project over other possible options, the likelihood of the pipeline being used at a reasonable level over its economic life, and the likelihood of the tolls being paid. The Board's level of analysis of the issues is generally commensurate with the scope and impact of the applied-for project.

This Application is in regard to the transfer of existing assets. No approvals for new construction were requested. Therefore, for this Project, the Board took into consideration the evidence submitted regarding the value of the Transferred Assets and the valuation methods, the impacts from the transfer of assets and the proposed mitigation of those impacts. The Board also considered evidence regarding the future abandonment of the Transferred Assets, and other non-NEB regulatory approvals required.

3.1 Valuation of the Transferred Assets

Views of NGTL

NGTL stated that it used net book value (NBV) to determine the value of the NGTL Transferred Assets and the ATCO Transferred Assets. NGTL calculated the NBV as gross book cost less accumulated depreciation as of each date on which ownership of the assets is transferred.

Tables 3-1 and 3-2 show the historic cost, accumulated depreciation and NBV of the Transferred Assets, by Tranche.

Table 3-1 NGTL Transferred Assets Net Book Value

Net Book Value of NGTL Assets Transferred to ATCO Pipelines			
Tranche	**Historic Cost ($)**	**Accumulated Depreciation ($)**	**Net Book Value ($)**
1	13,526,804	(7,066,353)	6,460,451
2	96,819,762	(56,092,097)	40,727,665
3	20,503,164	(10,319,412)	10,183,752
4	73,058,326	(45,312,776)	27,745,550
Total	203,908,056	(118,790,638)	85,117,418

Table 3-2 ATCO Transferred Assets Net Book Value

Net Book Value of ATCO Pipelines Assets Transferred to NGTL			
Tranche	**Historic Cost ($)**	**Accumulated Depreciation ($)**	**Net Book Value ($)**
1	28,642,104	(11,862,496)	16,779,608
2	15,799,434	(6,596,976)	9,202,458
3	6,571,421	(2,393,580)	4,177,841
4	68,279,356	(12,163,742)	56,115,614
Total	123,914,368	(33,016,794)	86,275,521

Valuation of NGTL Transferred Assets

NGTL stated that the NBV of the NGTL Transferred Assets is found in its capital asset accounting system, which contains various asset attributes, including the gross book costs, accumulated depreciation, asset vintage, NEB utility account, and location. NGTL submitted that all of the NGTL Transferred Assets are uniquely tracked in this accounting system by location, except for certain segments of pipeline where only a portion of the pipeline segment would be

swapped. In those cases, a manual allocation of the NBV was determined based on the length of the pipeline segment.

Valuation of ATCO Transferred Assets

NGTL submitted that ATCO Pipelines' capital asset accounting system tracks various groups of facilities, including pipeline, metering and compression assets, within a general geographical area (Plant Number). NGTL understood that the specific asset value of the ATCO Transferred Assets was determined using gross book cost, accumulated depreciation and NBV processes.

With regard to the gross book costs process, NGTL stated that the ATCO Transferred Assets within the ATCO Pipelines Footprint were first separated into several specifically defined geographic locations (Maps). The original records for the assets contained within each Map were then identified, gathered and reviewed by ATCO Pipelines' personnel to verify that they were applicable. Finally, the historical gross cost for each Plant Number within each Map was manually created from the original records and reconciled to the Plant Number financial data contained in the capital asset accounting system. When the Transferred Assets, specifically pipeline segments, were located within both the NGTL and ATCO Pipelines Footprints, a pro-rata amount of the historic gross cost based on pipeline length was included in the amount to be transferred to NGTL.

NGTL stated that ATCO Pipelines does not allocate accumulated depreciation to specific Plant Numbers or Map locations. ATCO Pipelines instead calculated the accumulated depreciation balances for the assets to be transferred to NGTL by first identifying those assets with depreciation rates based on the terms of specific negotiated contracts (Dedicated Depreciation). For each of these assets, the applicable contractual rate was then applied back to the asset's in-service date. For those assets that were not subject to Dedicated Depreciation, accumulated depreciation amounts were determined based on the results of ATCO Pipelines' latest depreciation study.

According to NGTL, ATCO Pipelines determined the NBV of the ATCO Transferred Assets using the processes for determining gross book costs and accumulated depreciation. However, the NBV for individual assets at specific locations was only available for the above-ground ATCO Transferred Assets. The NBV for below-ground ATCO Transferred Assets, on the other hand, was available at an aggregate level, and not at an individual pipeline segment level. ATCO Pipelines utilized a distance-diameter allocation methodology to allocate book cost, accumulated depreciation, and NBV for the individual pipeline segments.

With regard to the linepack gas on the Transferred Assets, NGTL stated that it and ATCO Pipelines would own the linepack gas associated with their respective assets and any adjustments required for linepack gas would be made according to the Asset Swap Agreement as part of the final transfer of assets.

Views of Participants

No participants expressed any concerns with the approach that was used in the valuation of the Transferred Assets.

3.2 Impacts of the Asset Transfer

Views of NGTL

Revenue Requirement Impacts

NGTL submitted that the Asset Swap Agreement provided for Transferred Assets of equivalent NBV to be swapped between NGTL and ATCO Pipelines, and that the Asset Swap would be done in a manner such that the expected impact on the combined NGTL System and ATCO Pipelines System revenue requirement would not be material. NGTL stated that, to the extent practicable, it would match the original cost less the accumulated depreciation applicable to the facilities transferred on the date of each transfer of assets. NGTL stated that NBV is a component of rate base that underpins the determination of the revenue requirements for both NGTL and ATCO Pipelines, and although a company's revenue requirement may differ following each transfer, the combined revenue requirement would remain at approximately the same level.

NGTL indicated that several components of its revenue requirement would be affected by the Asset Swap. These components included operating costs, depreciation, income tax, return on capital and transfer costs.

Regarding operating costs, NGTL submitted that property tax, operating, and maintenance costs would follow the Transferred Assets, as these costs were unavoidable and would not change with the change in ownership.

NGTL observed that ATCO Pipelines and NGTL have slightly different depreciation rates for comparable classes of assets; therefore, depreciation expenses would differ following the Asset Swap. NGTL suggested that this difference was simply a timing difference and that over the life of the Transferred Assets, both parties would only recover the remaining NBV of the Transferred Assets. Similarly, NGTL submitted that the changes to income tax expenses, as a result of differences in the capital cost allowance (CCA) claim following the Asset Swap, are again timing differences. NGTL contended that over the life of the assets, the impact of CCA timing differences would be eliminated.

NGTL pointed out that each company has a different cost of capital. In NGTL's view, this difference would impact the return component of the revenue requirement to the extent that either party's rate base would change following the Asset Swap. NGTL asserted that the return on rate base was not expected to have a material impact on the combined revenue requirement following the Asset Swap because the NBV of the Transferred Assets was approximately the same and any changes to either party's rate base was expected to be small.

Lastly, NGTL indicated that it would incur certain one-time incremental expenses and capital costs related to the Asset Swap. NGTL submitted that the one-time expense costs for the Asset Swap are estimated at $5.378 million and include land, signage, administration, and operational

costs. The one-time capital costs were estimated at $4.318 million and include measurement equipment, SCADA, telecom and information systems. NGTL stated that it and ATCO Pipelines had presented an update on the one-time cost to the Tolls, Tariff, Facilities and Procedures Committee (TTFP) on 8 October 2013 and had not received any statements of concern from shippers.

Tolls and Tariff Impacts

NGTL submitted that it did not anticipate a material impact on the combined NGTL System and ATCO Pipelines revenue requirement, and consequently rates, as a result of the Asset Swap.

NGTL indicated that no tariff amendments are required as a consequence of the Asset Swap. According to NGTL, service would continue to be provided under the terms and conditions established for Commercial Integration of the ATCO Pipelines System and the NGTL System, which was approved by the Board in RHW-1-2010 and Order TG-04-2010. NGTL stated that it had provided its shippers and interested parties with updates on the Integration Agreement through regular meetings with the TTFP leading up to Commercial Integration in October 2011, and at subsequent TTFP meetings.

Supply and Markets Impacts

NGTL stated that no changes to supply and market conditions are anticipated as a result of the Asset Swap. NGTL noted that it now contracts with customers for regulated transmission services using the integrated NGTL System and ATCO Pipelines System, which was the result of Commercial Integration. NGTL indicated that, following the Asset Swap, it would continue to provide regulated gas transmission services to customers.

3.2.1 Non-Monetary and Monetary Adjustments

Views of NGTL

NGTL submitted that the Asset Swap would occur in four particular geographic areas and that the NBV of the NGTL Transferred Assets would differ from the NBV of the ATCO Transferred Assets within each geographic area. These differences, in NGTL's view, would result in significant variations in the NGTL System and ATCO Pipelines rate bases as the assets in each particular geographic area changed ownership. This, in turn, would have an impact on the companies' revenue requirements and shareholder earnings. NGTL stated that the intent of the Asset Swap was to improve operational efficiencies with minimal impact on the revenue requirement and minimal adverse impacts to either party. Accordingly, NGTL was of the view that the use of Non-Monetary and Monetary Adjustments is necessary to minimize the impact on the revenue requirements and shareholder earnings.

NGTL stated that, to the extent the NBV of the Transferred Assets differ at each change of ownership, the rate bases of ATCO Pipelines and the NGTL System would be adjusted by Non-Monetary Adjustments prior to the final change of ownership. The party receiving Transferred Assets of a higher aggregate NBV would reduce its rate base by the difference in NBV, and the party receiving Transferred Assets of a lower aggregate NBV would have an equal and offsetting increase in its rate base. In order to track the Non-Monetary Adjustments in a

transparent manner, NGTL requested the approval of a Non-Monetary Adjustment Deferral Account to hold the described adjustments and be included in NGTL's rate base. NGTL stated that it would make adjustments to the Non-Monetary Adjustment Deferral Account in the month that each transfer of assets occurred.

NGTL submitted that it and ATCO Pipelines would make small Monetary Adjustments between themselves for any difference between the aggregate NBV of the Transferred Assets received by each company, as well as expenditures not already included in the value of such assets, following the transfer of assets in the last geographic area. This would include expenses for work done, prepayments, and other costs identified in the Asset Swap Agreement. NGTL stated that since only a small Monetary Adjustment was expected at the final transfer, financing requirements were minimal.

NGTL provided Table 3-3 showing an illustrative example of Monetary and Non-Monetary Adjustments.

Table 3-3 Illustrative Example of Monetary and Non-Monetary Adjustments[10]

NGTL Rate Base		Monetary Adjustment	ATCO Pipelines Rate Base		Monetary Adjustment
Change in NBV ($)	Non-Monetary Adj. ($)	Received/(Paid) ($)	Change in NBV ($)	Non-Monetary Adj. ($)	Received/(Paid) ($)
14,543,841	(14,543,841)	n/a	(14,543,841)	14,543,841	n/a
(31,525,207)	31,525,207	n/a	31,525,207	(31,525,207)	n/a
(6,005,911)	6,005,911	n/a	6,005,911	(6,005,911)	n/a
28,370,064	(22,987,277)	(5,382,787)	(28,370,064)	22,987,277	5,382,787
5,382,787	-	(5,382,787)	(5,382,787)	-	5,382,787

In addition, NGTL indicated that the balance in the Non-Monetary Adjustment Deferral Account would be cleared to zero at the transfer of assets in the last geographic area and, at that time, the Deferral Account would no longer be required.

Views of Participants

No participants expressed concerns regarding the impacts resulting from the Integration Asset Transfer, including the use of the Non-Monetary Adjustment Deferral Account.

[10] Table 3-3 illustrates the Monetary and Non-Monetary Adjustments prior to the removal of the House Mountain facilities from the Asset Swap, and therefore, certain numbers do not reconcile with Table 3-1 and the updated Table 3-2.

Views of the Board

In considering a section 52 application, the Board evaluates any changes to supply and markets that may relate to the economic feasibility or need for the project. In this instance, the Board did not consider such changes to be relevant because the Project does not involve the construction of new facilities, and no changes to the operation of the Transferred Assets were anticipated.

The Asset Swap Agreement provided for Transferred Assets of equivalent NBV to be swapped between NGTL and ATCO Pipelines. The Board finds the use of NBV to determine the value of the Transferred Assets to be reasonable. In its Application, NGTL explained the methodology used to calculate the NBV of the NGTL Transferred Assets and the ATCO Transferred Assets. No parties expressed any concerns about this methodology. Based on the evidence in this proceeding, the Board finds the methodology appropriate.

NGTL stated that the Asset Swap would be done in a manner such that the expected impact on the combined NGTL System and ATCO Pipelines revenue requirement would not be material. The Board finds this approach reasonable. The Board is aware that NGTL's cost of capital is different from that of ATCO Pipelines, and that this difference could impact the return component of the revenue requirement for each company. However, the Board is satisfied that the total rate base is not materially affected, and the net impact from rate base on the combined revenue requirement is minimal, particularly given the use of Non-Monetary and Monetary Adjustments.

The Non-Monetary and Monetary Adjustments are designed to mitigate variations in each company's rate base that are expected after each Closing, and that could have an impact on revenue requirements and shareholder earnings. In this case, the Board finds the use of Non-Monetary and Monetary Adjustments to be a reasonable solution for mitigating the impact on revenue requirement. Accordingly, the Board approves the use of Non-Monetary and Monetary Adjustments. The Board also approves the Non-Monetary Adjustment Deferral Account.

Based on the evidence in the GH-002-2014 proceeding, the Board would expect the Non-Monetary and Monetary Adjustments to minimize any impact on the revenue requirements from differences in depreciation and income tax expenses. In addition, one-time incremental expenses and capital costs related to the Asset Swap total approximately $9.7 million. The Board notes that shippers have been informed of the incremental costs and have not filed complaints. The Board accepts these additional costs and the impact on revenue requirement.

For the reasons above, the Board does not expect the companies' revenue requirements, and thus tolls, to be materially impacted by the Asset Swap. Further, the Board notes that no tariff amendments are required to implement the Asset Swap.

3.3 Decommissioning and Abandonment

3.3.1 Abandonment Cost Estimates

Views of NGTL

NGTL indicated that it and ATCO Pipelines did not intend to swap any currently abandoned facilities. NGTL also confirmed that ATCO Pipelines had not collected abandonment charges from its shippers on assets to be transferred to NGTL.

NGTL determined that the difference in the abandonment cost estimates for the NGTL Transferred Assets and the ATCO Transferred Assets was not material, using methodology and assumptions consistent with those set out in its *NGTL Land Matters Consultation Initiative (LMCI) Stream 3 Pipeline Abandonment Financial Issues Application for Approval of Cost Estimates*. NGTL indicated that the ATCO Transferred Assets would be subject to the mechanisms for the collection of funds for future abandonment established under NEB regulation once NGTL acquired those assets. Likewise, once acquired by ATCO Pipelines, the NGTL Transferred Assets would be subject to any requirements to collect abandonment costs established by the AUC.

NGTL indicated that it would periodically update its abandonment cost estimate, annual contribution amount and surcharge in accordance with guidelines established by the Board through the Land Matters Consultation Initiative process. NGTL proposed to finance the cost of the eventual abandonment of its pipeline system by collecting abandonment funds starting in 2015 and by placing the abandonment funds in trust.

Views of Participants

No participants expressed any concerns with regard to abandonment cost estimates.

Views of the Board

In the RHW-1-2010 Reasons for Decision, the Board issued directions to NGTL regarding the information the Board required to review the section 74 applications supporting the proposed Asset Swap. Specifically, NGTL was directed by the Board to include the following information in its Application:

- estimates of the cost of abandonment for those assets leaving and those coming into NEB jurisdiction;
- counterparty (i.e., ATCO Pipelines) declaration regarding any pre-funding for abandonment; and
- description of any liability sharing for assets swapped between ATCO Pipelines and NGTL.

NGTL provided the counterparty declaration and the description of liability sharing. NGTL also indicated that the net impact of the Asset Swap on abandonment cost estimates was not material. The Board expects NGTL to adhere to the findings, directions and decisions of the Board contained in the RH-2-2008, MH-001-2012 and

MH-001-2013 Reasons for Decision, particularly section 6.2 of MH-001-2013 regarding management systems and revisions to funding for future abandonment costs.

3.4 Non-NEB Regulatory Approvals

Views of NGTL

NGTL submitted that in May 2010, the AUC agreed in principle that an asset exchange supported by an appropriate business case demonstrating operational efficiencies, reduced costs and enhanced flexibility for coordinated system expansion and development was in the public interest. NGTL pointed out that the AUC heard no objection to the concept of the Asset Swap, and ultimately approved the Asset Swap in principle.[11] NGTL submitted that in November 2012, ATCO Pipelines received the approvals it required from the AUC[12] to effect its obligations under the Asset Swap Agreement.

NGTL noted that the Asset Swap would be subject to clearance under Part IX of the *Competition Act* RSC 1985, c C-34,[13] as amended, due to the book value of the Transferred Assets exceeding the $80 million threshold applicable in 2013. NGTL stated that in 2011, it applied for an Advanced Ruling Certificate (ARC) or No Action Letter (NAL) from the Competition Bureau. NGTL received a NAL, which NGTL subsequently extended in 2012.

In May 2013, the renewed NAL expired. NGTL and ATCO Pipelines inquired about a further extension and were advised by the Competition Bureau that a one-year extension was the longest extension available. NGTL indicated that it and ATCO Pipelines would submit a new request for an ARC or NAL from the Competition Bureau in the second quarter of 2015, prior to the transfer of assets in the first geographic area.

Views of Participants

ATCO Pipelines submitted, in its letter of comment, that it supports the Integration Asset Transfer Application. ATCO Pipelines stated that the record demonstrates that the ATCO Pipelines assets to be transferred to NGTL have been properly maintained under the jurisdiction of the AUC and have been subject to NGTL's due diligence review. ATCO Pipelines also stated that the AUC has already approved the transfer of the ATCO Pipelines assets to NGTL and that approval of this Application by the NEB was required to allow the Asset Swap to proceed.

Views of the Board

In its consideration of project applications, the Board generally requires information regarding the status of all required federal, provincial and municipal approvals or authorizations. In this case, NGTL submitted that it is not in possession of all required approvals and clearances to effect the Asset Swap. In order to be reasonably assured that there are no issues before other regulators or agencies that would prevent or delay the Asset Swap, the Board has included a condition on the leave granted to NGTL, under paragraphs 74(1)(a) and (b) of the NEB Act, in Order MO-116-2014.

[11] Alberta Utilities Commission, Decision 2010-228, 2010-2012 Revenue Requirement Settlement and Alberta System Integration, 27 May 2010, page 46 paragraph 167

[12] Alberta Utilities Commission, Decision 2012-310, Asset Swap Application, 22 November 2012, page 15

[13] Competition Act RSC 1985, c C-34, Notifiable Transactions, page 62

Chapter 4

Facilities and Emergency Response Matters

The Board uses a risk-based approach to promote the safety and security of NEB-regulated facilities and associated activities. This approach starts at the application stage and continues through the lifecycle of the project. At the application stage, the Board assesses, at a conceptual level, whether or not the facilities are appropriately designed for the product being transported, the range of operating conditions, and the human and natural environment where the facilities would be located. Specific considerations include the applicant's approach to engineering design, integrity management, security, health and safety.

When a company designs, constructs, operates or abandons a pipeline, it must do so in accordance with the *National Energy Board Onshore Pipeline Regulations* (OPR), the commitments made during the hearing and the conditions attached to the certificate. The OPR references various engineering codes and standards including Canadian Standards Association standard Z662-11 *Oil and Gas Pipeline Systems* (CSA Z662-11). The company is responsible for ensuring that the design, specifications, programs, manuals, procedures, measures and plans developed and implemented are in accordance with the OPR.

4.1 Description of Facilities

Under the Asset Swap Agreement, as amended, the ATCO Transferred Assets comprise:

- One compressor station (Noel Lake);
- 30 meter stations (11 delivery and 19 receipt); and
- 1 249 km of pipeline.

The NGTL assets to be transferred to ATCO Pipelines are comprised of:

- 120 meter stations (31 delivery and 89 receipt); and
- 1 418 km of pipeline.

NGTL stated that the assets chosen to be transferred were determined based on geographic location, operability of NGTL facilities within the ATCO Pipelines Footprint, franchise areas, and a review of the ATCO Transferred Pipeline Facilities.

4.2 Operation

In discharging its regulatory oversight responsibilities, the Board uses a risk-informed compliance verification approach so that companies identify and manage integrity-related hazards that may impact safety and the environment throughout the life cycle of the project. This life cycle approach follows the project from design through construction and operation, until the pipeline is abandoned. The adequacy, implementation and effectiveness of a company's commitments are verified by the Board through various compliance mechanisms.

This compliance approach is an integral part of the Board's continuous oversight of a company's pipeline and facilities, for instance, through its monitoring of a company's compliance and incidents. Accordingly, should a Certificate for the Project be issued, the Board would employ its normal compliance verification approach as a means of verifying that NGTL is meeting the regulatory requirements, the commitments made in its Application, and as otherwise agreed to during questioning or in its related submissions.

4.2.1 Operation, Safety and Security

In accordance with the OPR, regulated companies are required to implement mitigative and preventative measures for all risks posed by hazards and threats to the integrity of pipeline systems, the public and workers, and to the environment. The Board monitors a company's compliance with the Board-imposed conditions and with all applicable acts and regulations during all stages of a project. The Board evaluates the need for specific compliance verification activities and determines whether an on-site inspection or review of the company's management systems is necessary. This includes an evaluation of a company's programs to address safety and security.

Views of NGTL

NGTL indicated that both the ATCO Transferred Assets and the NGTL Transferred Assets are operating facilities and no change in the operating status of the assets is planned subsequent to the proposed transfer. The transfer of ownership was not expected to have an impact on upstream or downstream facilities. Furthermore, NGTL confirmed that the change in jurisdiction of the Transferred Assets would have no impact on operating decisions as they relate to day-to-day operations, operations planning and outage management.

NGTL submitted that upon change of ownership, the ATCO Transferred Pipeline Facilities would be incorporated into TransCanada's Geographic Information System (GIS). These facilities would also be integrated into TransCanada's management and operation of the NGTL System. As a result, the ATCO Transferred Pipeline Facilities would be operated and maintained in accordance with TransCanada's common management systems, programs and processes, including TransCanada's existing Security Management Program.

NGTL stated that TransCanada's management systems, programs and processes have been developed to meet NEB requirements along with any codes and standards incorporated by reference and other applicable provincial and federal regulatory requirements, permit conditions or approvals. NGTL also indicated that TransCanada's management systems, programs and processes are reviewed on an annual basis to ensure continued compliance with the OPR and CSA Z662.

Prior to filing its Application, NGTL and ATCO Pipelines executed the following four operating agreements to facilitate the transfer of assets:

- Transitional Operating Agreement;
- Long-Term Operating Agreement;
- Odourization Agreement; and
- Cathodic Protection Services Agreement.

NGTL explained that the Transitional Operating Agreement sets out pre-transfer commissioning activities that must occur prior to the transfer of assets in each geographic area. These activities would result in the receiving party providing gas control and monitoring function to the Transferred Assets upon completion of commissioning, but before the change of ownership. In addition, pre-transfer activities under the Transitional Operating Agreement include the development of a project execution plan.

The Transitional Operating Agreement would cease to apply to the Transferred Assets within a particular geographic area upon the transfer of assets in that area. From this point, the Long-Term Operating Agreement would apply. NGTL indicated that the Long-Term Operating Agreement addresses long term management, safety and operation of the Transferred Assets. Specifically, it addresses the provision and retention of pipeline documentation, valve operation, pipeline integrity programs, and abandonment of pipeline facilities.

NGTL explained that the Odourization Agreement requires ATCO Pipelines to continue to provide odourization services at specified facilities and locations.

Finally, NGTL and ATCO Pipelines have agreed, pursuant to the Cathodic Protection Services Agreement, to use their existing cathodic protection equipment to protect each other's regulated pipes as per the original design and configuration.

NGTL indicated that upon acquisition of the ATCO Transferred Pipeline Facilities, all relevant available records, data and documents would be transferred to NGTL where they would be checked for quality, and integrated into respective data repositories, databases and spreadsheets. The pipelines transferred from ATCO Pipelines would be managed within NGTL's Pipeline Integrity Management Program, where the data would be used to identify threats and assess risks, leading to pipeline maintenance decisions and implementation of control, monitoring and remediation programs.

Views of Participants

No participants expressed concerns with respect to the operation, safety and security of the ATCO Transferred Assets.

Views of the Board

The Board is of the view that operating practices must address safety and security considerations. NGTL has confirmed that, once transferred to NGTL, the ATCO Transferred Assets would be incorporated into TransCanada's existing Security Management Program.

As the Project covers numerous locations and is to be completed in a series of Tranches, the Board has decided that any Certificate issued include a condition requiring NGTL to confirm in writing to the Board, on the Closing Date of each Tranche, that the acquired assets have been incorporated into TransCanada's existing Security Management Program, pursuant to the OPR and CSA standard Z246.1, *Security Management for Petroleum and Natural Gas Industry Systems* (Certificate Condition 9, Appendix II). When conducting compliance verification activities, the Security Management Program

would facilitate the Board's review of TransCanada's security management approach with respect to the Project.

In order to support compliance verification activities and facility oversight, the Board has also decided to include a condition relating to GIS information (Certificate Condition 5, Appendix II).

4.2.2 Pipeline Integrity

Views of NGTL

NGTL submitted that it conducted a review of ATCO Pipelines' records for the ATCO Transferred Pipeline Facilities. According to NGTL, the review was undertaken with the objectives of determining the state of the ATCO Transferred Pipeline Facilities, and confirming the potential for future operation and integrity management of the facilities in accordance with TransCanada's Integrity Management Program (IMP). NGTL noted that the construction of the ATCO Transferred Pipeline Facilities occurred over a period of several decades. Consequently, construction and design were in accordance with a number of codes and standards in place over that time.

NGTL stated that it reviewed key elements of line pipe and facility attributes, construction, and operational and inspection data elements to determine the current state of the ATCO Transferred Pipeline Facilities. The data elements were compiled from various sources including drawings, maps, pipeline aerial photography, industry and operator standards/specifications, operations and maintenance procedures, records, reports, regulatory approvals, and interviews with ATCO Pipelines' engineering and operations personnel. In addition to its review of data elements, NGTL also conducted site visits to review a representative sample of the ATCO Transferred Pipeline Facilities.

NGTL's review concluded that the ATCO Transferred Assets were designed, constructed and put into service using good engineering practices of the day. According to NGTL, the fact that the AUC or its predecessors issued operating licenses indicates that the ATCO Transferred Pipeline Facilities were designed, constructed, and tested by ATCO Pipelines and its predecessors in accordance with the then-applicable codes, standards, specifications and regulatory requirements in effect within Alberta.

It was NGTL's submission that the 1 249 km of pipeline included in the ATCO Transferred Pipeline Facilities range in diameter from nominal pipe size (NPS) 3/4 to NPS 12, with approximately 76 per cent consisting of NPS 4 or smaller sweet dry natural gas pipelines. NGTL stated that of these pipeline facilities, extruded polyethylene comprises 58 per cent of the protective pipeline coating types, while 14 per cent are bare or the coating type is unknown.

Two of the pipelines to be transferred from ATCO Pipelines are, in NGTL's submission, piggable. The remainder cannot currently be pigged. NGTL stated that it intends to incorporate the unpiggable pipelines into its current corrective action plan (CAP) for unpiggable lines upon acquiring these facilities. NGTL further stated that it will incorporate the data for the Transferred Assets into its CAP immediately upon receipt of this data; however, the timing of prioritization

in the CAP will depend on the schedule of transfer, quality of data and the time required to validate data and address deficiencies.

NGTL indicated that from an operating perspective, the ATCO Transferred Pipeline Facilities have experienced a low failure rate and no systemic integrity issues. NGTL submitted a list of incidents, as defined in the OPR, which have occurred on the transferred pipeline facilities in the past 10 years. All incidents were a result of uncontained releases of natural gas, primarily due to external corrosion and leaks from fittings. NGTL also submitted that all ATCO Transferred Pipeline Facilities have pressure-control and overpressure pressure equipment as required per CSA Z662-11.

NGTL submitted that the ATCO Transferred Pipeline Facilities were assessed using a pipeline threat matrix. The matrix was prepared to identify and assess the potential for integrity threats and to identify appropriate management approaches. NGTL identified seven of nine threat categories as having low potential, and two, external corrosion and mechanical damage, were identified as having medium potential for occurrence. NGTL concluded that all threats can be managed within its existing integrity management processes without any changes to those processes.

NGTL indicated that it would implement OPR requirements to evaluate risk on all acquired pipelines, including likelihood and consequence assessments. NGTL stated that upon acquisition of the ATCO Transferred Pipeline Facilities, all pipeline segments would be managed within TransCanada's IMP and subjected to annual system-wide risk assessments, which include societal risk analyses. In addition, TransCanada's public awareness program would be extended to include new communities along the pipelines and would be directed at educating residents of the dangers and appropriate precautions to take when planning a ground disturbance. NGTL stated that all necessary preventive measures, such as patrol and signs, would be updated according to the risk assessment.

NGTL submitted that the ATCO Transferred Pipeline Facilities represent a group of small diameter pipelines that have been designed and constructed to the same codes and standards as many of the NGTL pipelines in Alberta. In contrast to the NGTL System, however, these lines have been licensed to operate at low stresses relative to the limits of CSA Z662. It was NGTL's view that on the basis of record reviews and NGTL's integrity management system, policies and procedures, the pipelines are fit for the designed service and safe for continued operation by NGTL.

Views of Participants

No participants expressed concerns regarding the integrity of the ATCO Transferred Pipeline Facilities.

Views of the Board

For new pipeline facilities, the Board assesses compliance with the design requirements of the OPR and various engineering codes and standards, including CSA Z662-11, to ensure its safety prior to granting leave to open. In these circumstances, the Board sought evidence demonstrating that the ATCO Transferred Pipeline Facilities were designed,

constructed and tested in accordance with the prevailing codes, standards and regulations in effect at the time. To ensure facilities are monitored and repaired as needed once in operation, the Board requires companies to maintain an IMP that anticipates, prevents, manages and mitigates conditions that could adversely affect safety or the environment.

The Board notes that no change in operating status is planned for the ATCO Transferred Pipeline Facilities subsequent to the asset transfer, and that NGTL's review indicated the assets are fit for their designed service. The Board also notes NGTL's commitment to incorporate the ATCO Transferred Assets into TransCanada's management and operation of the NGTL System, including its IMP. The Board is satisfied that the ATCO Transferred Assets meet OPR requirements. Consequently, the Board grants leave to open these facilities to NGTL, pursuant to section 47 of the NEB Act, should a Certificate for the Project be issued.

The Board is of the view that In-Line Inspection (ILI) provides important data on the integrity status of a pipeline. The majority of the ATCO Transferred Pipeline Facilities cannot run ILI tools (i.e., cannot be pigged) and NGTL has committed to incorporate these facilities into its current CAP for unpiggable lines. To ensure these facilities are assessed appropriately, the Board has decided to include a Certificate condition requiring NGTL to file with the Board for approval, within nine months of the Closing Date of each Tranche, its CAP for unpiggable pipelines incorporating the ATCO Transferred Assets. The CAP is to include pipeline integrity assessment prioritization and an anticipated implementation schedule (Certificate Condition 10, Appendix II).

The Board is of the view that the ATCO Transferred Pipeline Facilities can be operated safely in accordance with the commitments made by NGTL and the imposed conditions.

4.3 Emergency Preparedness and Response

As required by the OPR, companies must establish, implement and maintain effective management systems and protection programs in order to anticipate, prevent, mitigate and manage conditions that may adversely affect the safety and security of the company's pipelines, employees, the general public, as well as property and the environment.

With respect to emergency response matters, and in accordance with OPR Sections 6 and 32 to 35, the Board expects companies to develop and implement emergency management systems and programs for all aspects of their operations to minimize the effects of incidents and emergencies that have the potential to impact the health and safety of the public, company employees, property and the environment. The Board developed the OPR Guidance Notes to assist companies in understanding the requirements of the OPR. Further information on emergency management programs, including hazard assessment, the emergency procedures manual, agency liaison, communications, continuing education, emergency response processes and capability, emergency response exercises and equipment is provided in Annex A of the OPR Guidance Notes.

Views of NGTL

NGTL stated that TransCanada maintains a comprehensive emergency management system (EMS), which provides for emergency preparedness planning and response. NGTL expected that the EMS would be modified to encompass the integration and continued operation of the ATCO Transferred Assets as part of the NGTL System. It was NGTL's submission that TransCanada also coordinates with emergency response agencies to help ensure that appropriate communication, understanding and cooperation is in place, and that company emergency plans appropriately link into plans maintained by other affected parties.

Similarly, NGTL expected that TransCanada's Integrated Public Awareness (IPA) Program would be modified to encompass the integration and continued operation of the ATCO Transferred Assets. According to NGTL, the IPA informs landowners and other key stakeholders of the location of facilities and operational activities. Further information on the IPA can be found in sections 5.1 and 6.2 of this Report.

Regarding emergency incidents, NGTL submitted that it would use its Emergency Management Corporate Program Manual as a guiding document. NGTL stated that the manual outlines all activities in the event of an emergency, and was developed in accordance with the NEB *Onshore Pipeline Regulations* (SOR/99-294), CSA Z662-11, Department of Transportation (DOT) 49 CFR Parts 192, 194 and 195 Regulations, CSA Z731-03, and industry best practices. According to NGTL, the manual ensures that the response to an incident would be consistent and would involve the appropriate agencies, and that stakeholders would be contacted throughout the incident.

Views of Participants

NOVA Chemicals Corporation and the Stoney Nakoda Nations each questioned NGTL as to whether it would have the appropriate emergency response plans in place for emergency incidents.

Views of the Board

The Board is of the view that the measures proposed by NGTL to address emergency preparedness and response for the ATCO Transferred Assets are appropriate. The Board has decided to include a Certificate condition relating to the integration of the ATCO Transferred Assets into NGTL's Emergency Response Plan (Certificate Condition 8, Appendix II).

Chapter 5

Public Consultation

Public consultation involves engagement of potentially affected landowners, communities, federal and provincial departments and regulatory agencies, Aboriginal communities, and other stakeholders, such as landowner associations and commercial third parties. The Board's expectations of an applicant regarding public consultation are set out in the Board's Filing Manual. Applicants are expected to undertake an appropriate level of public involvement, commensurate with the setting, nature and magnitude of a project. The Board considers public involvement to be a fundamental component during each phase in the life cycle of a project (that is, project design, construction, operation and maintenance, and abandonment) in order to address potential impacts of that project. This chapter addresses NGTL's public consultation program. NGTL's Aboriginal engagement and consultation are discussed in Chapter 6, Aboriginal Matters.

5.1 NGTL's Public Consultation Program

5.1.1 Overview of Landowner and Stakeholder Engagement

Views of NGTL

In its RHW-1-2010 Letter Decision and the RH-2-2008 Reasons for Decision, the Board provided directions regarding stakeholder engagement. NGTL stated that it and ATCO Pipelines structured their stakeholder engagement based on these directions and the commitments it made in RHW-1-2010. NGTL added that the NEB Filing Manual and the nature of the Application also influenced its approach.

NGTL indicated that the nature and scope of consultation it undertakes depends on the scope of the project. In this Application, NGTL did not seek approval to construct any additional facilities, or to decommission or abandon any existing facilities.

NGTL stated that, in light of the direction provided by the Board in RHW-1-2010, its approach to stakeholder engagement was to ensure that potentially affected parties had the opportunity to review and provide input into the proposed Asset Swap. The consultation related to the transfer of assets between NGTL and ATCO Pipelines, and encompassed the continued operation of:

- the ATCO Transferred Assets, as federally regulated facilities under the NEB's jurisdiction, by NGTL; and
- the NGTL Transferred Assets, as provincially regulated facilities under the AUC's jurisdiction, by ATCO Pipelines.

NGTL submitted that it had completed an extensive stakeholder engagement process prior to filing its Application. This process was completed with those landowners who had Transferred Assets located on their property. NGTL stated that it provided stakeholders with information

outlining the details of the Asset Swap, the differences between federal and provincial regulation and the regulatory process for completing the Asset Swap, including various methods for contacting the NEB and the AUC in order to submit comments.

NGTL submitted that notification of landowners and stakeholders was provided in September 2013, advising them of changes in the scope of facilities being included in the Asset Swap. NGTL stated that it would continue to identify and resolve any stakeholder issues associated with the Asset Swap.

5.1.2 NGTL and ATCO Pipelines Stakeholder Engagement Program

Views of NGTL

NGTL submitted that a joint Stakeholder Engagement program was designed and implemented in conjunction with ATCO Pipelines in order to communicate Project-specific information to directly-affected landowners and other potentially affected parties with respect to the proposed Asset Swap.

NGTL stated that the key objectives of this program were to:

- formally introduce the Asset Swap to directly-affected landowners and other potentially affected parties to ensure that they had a broad awareness and understanding of the potential effects of a jurisdictional change;
- ensure that directly-affected landowners and other potentially affected parties had the means and opportunities to consult directly with NGTL, ATCO Pipelines and/or the NEB and the AUC regarding their questions, comments and concerns; and
- lay the groundwork for successful ongoing landowner and stakeholder relations under the new regulatory frameworks applicable to the proposed Asset Swap.

NGTL indicated that the joint Stakeholder Engagement Program was developed and conducted in accordance with the principles of TransCanada's Stakeholder Engagement Framework and community relations best practices in order to comply with NEB guidelines. The program consisted of four phases and was implemented using open communication and participatory stakeholder involvement practices.

Phase One

NGTL stated that the first phase focused on identifying directly-affected landowners and other potentially affected and interested parties in the Asset Swap area, along with developing Project-specific information materials to be distributed to parties included in the stakeholder engagement process. For this Project, NGTL and ATCO Pipelines identified the stakeholders that consisted primarily of landowners on whose property the Transferred Assets are located, as well as elected officials and staff in municipalities in the vicinity of the proposed Asset Swap; emergency responders; federal and provincial government officials; Aboriginal communities; and landowner associations.

NGTL submitted that it and ATCO Pipelines developed Project-specific information packages, which were distributed to each of the directly-affected landowners by registered mail and to each potentially-affected party by tracked courier.

In order to communicate the Asset Swap information effectively to directly-affected landowners, other potentially affected stakeholders, and the general public, NGTL submitted that it developed the following materials and feedback mechanisms and implemented them prior to consultation:

- a Public Notice describing the Asset Swap;
- a dedicated website to provide directly-affected landowners with information about the effects of the jurisdictional change, and to provide NGTL-specific contact information;
- a dedicated e-mail address to provide landowners and stakeholders with a means of online communication with TransCanada representatives regarding the jurisdictional change; and
- a dedicated toll-free telephone line in order to provide landowners and stakeholders with the means of contacting company representatives.

Phase Two

NGTL indicated that the second phase of engagement focused on the initial public disclosure of the Asset Swap and the solicitation of stakeholder input. The initial public outreach for the Asset Swap consisted of advertising the Public Notice in 100 daily and weekly newspapers throughout Alberta. NGTL stated that consultation mail-out packages were sent to approximately 400 communities, including counties, municipal districts, towns and villages throughout Alberta, as well as to approximately 225 emergency responders, 67 MLAs and 27 MPs within Alberta.

In addition, NGTL stated that meetings and presentations were offered to municipal, provincial and federal government representatives. Meetings were also offered to two landowner associations, the Canadian Association of Energy and Pipeline Landowner Associations and the Alberta Association of Pipeline Landowners. NGTL submitted that no requests for meetings were received from any of these potentially interested parties.

According to NGTL, the consultation process was designed to encourage ongoing dialogue between NGTL and ATCO Pipelines and landowners and stakeholders regarding the proposed Asset Swap and the associated change in jurisdiction. To achieve this, Project-specific information packages were sent by registered mail to 3,154 landowners. NGTL stated that each business day a report tracking landowner inquiries was generated and inquiries were followed up on within one business day.

NGTL submitted that ten open houses were held in key locations throughout the Asset Swap area. According to NGTL, these open houses were designed to provide directly-affected landowners, other potentially affected stakeholders and interested parties with the opportunity to engage directly with TransCanada and ATCO Pipelines representatives.

Phase Three

NGTL stated that the third phase of the program involved ongoing stakeholder communication and engagement designed to continue to provide updates on the status of the Asset Swap, solicit input regarding potential Asset Swap effects and benefits, address and resolve concerns raised by directly-affected landowners and other stakeholders, and advise directly-affected landowners and stakeholders of the process for submitting comments on the Asset Swap to the NEB.

NGTL sent a Project-specific update letter to all directly-affected landowners and stakeholders via registered mail regarding the 31 July 2013 amendment to the Asset Swap Agreement. NGTL indicated that this notification package provided a general update to the Asset Swap, the anticipated timeline to file the Application, and details on the removal of approximately 390 km of natural gas pipelines and related facilities from the Asset Swap. NGTL stated that it had identified new landowners since the previous mail-out and that these new landowners had also received the entire Project-specific information package.

NGTL maintained a daily tracking report to ensure all stakeholder inquiries were responded to within one business day. NGTL stated it was not aware of any outstanding concerns related to the Asset Swap by any directly-affected landowners or other interested party. However, NGTL indicated that if it becomes aware of any future concerns regarding the Asset Swap, these concerns would be disclosed to the NEB.

Phase Four

NGTL submitted that the final phase continues through the regulatory review process and, should the NEB approve the Application, would continue until the final transfer of assets in the Asset Swap. During this phase, NGTL indicated that it and ATCO Pipelines would respond to inquiries and emerging issues, work to resolve potential issues, and continue to communicate with landowners and stakeholders, as required. In addition, NGTL committed to inform stakeholders of the NEB's and AUC's decisions regarding each company's regulatory applications, which would also be posted on the Asset Swap website.

According to NGTL, ongoing stakeholder engagement would be transitioned to each company's regional staff with the last transfer of assets in the Asset Swap. In NGTL's case, ongoing stakeholder engagement would be undertaken within the framework of TransCanada's Integrated Public Awareness (IPA) Program, as TransCanada is NGTL's parent company. NGTL stated that within each of TransCanada's operating regions, a Community/Aboriginal relations liaison, working with Regional Land Representatives and other regional staff, would ensure ongoing landowner and stakeholder engagement and issue resolution during operations.

Views of Participants

Other than the SNN, whose information request on Aboriginal consultation is dealt with in Chapter 6, no other participant expressed concerns about NGTL's public consultation.

Views of the Board

The Board is of the view that NGTL has undertaken an appropriate level of public involvement, commensurate with the setting, nature and magnitude of the Project. The Board is also of the view that NGTL's public engagement is in keeping with the direction provided by the Board in its RHW-1-2010 Letter Decision and Order TG-04-2010, as well as the guidance contained in the NEB Filing Manual.

Chapter 6

Aboriginal Matters

The Board takes Aboriginal interests and concerns into consideration before it makes any recommendation that could have an impact on those interests. Whenever a project has the potential to impact the rights or interests of Aboriginal groups, the Board obtains as much evidence as possible in that regard so that it may assess and consider the potential impacts in its recommendation.

Before filing a project application, applicants are required by the Board's Filing Manual to identify, engage and consult with potentially affected Aboriginal groups. The Board's Filing Manual requires applicants to consult with potentially impacted Aboriginal groups early on in the planning of the project and report on these activities to the Board. Further, the Filing Manual requires that an application include detailed information on any issues or concerns raised by Aboriginal groups or that are otherwise identified by the applicant.

Aboriginal groups are encouraged to engage with applicants so that their concerns are identified early, considered by the applicant, and potentially resolved before the application is filed. The Board also encourages Aboriginal groups who are directly impacted by a proposed project, or have information and expertise that could help the Board gain a greater understanding of the project under consideration, to apply to participate in the hearing process. If accepted to participate in the hearing, there are various ways for Aboriginal groups to contribute. These can include providing letters of comment, written evidence, conducting cross-examination of the applicant and other participants, and presenting final argument.

6.1 Participation of Aboriginal Groups in the Regulatory Process

The Stoney Nakoda Nations (SNN), comprised of the Bearspaw Nakoda Nation, Chiniki Nakoda Nation and Wesley Nakoda Nation, applied to participate as an Intervenor in the GH-002-2014 proceeding and was granted Intervenor status by the Board on the basis of its assertion that it was directly affected. As an Intervenor, the SNN submitted an information request to NGTL, filed written evidence, agreed to move to a written process, and filed final argument. The SNN had applied for and was granted funding assistance through the Participant Funding Program; however, the contribution agreement was not executed by the SNN.

No other Aboriginal groups submitted an ATP in the proceeding.

6.2 Aboriginal Engagement by NGTL

Views of NGTL

NGTL stated that the primary goals of its engagement process were to advise Aboriginal communities of the Asset Swap, and to develop and/or maintain positive relationships with Aboriginal communities.

NGTL submitted that the Aboriginal engagement process used for the Asset Swap was guided by TransCanada's Aboriginal Relations Policy. According to NGTL, TransCanada's Aboriginal Relations Policy seeks to engage with all Aboriginal communities early and often. NGTL indicated that TransCanada shares project information, gathers input from Aboriginal communities and responds to questions. Where Aboriginal communities raise issues or concerns about a project, TransCanada considers this input and incorporates it in project planning and the implementation of appropriate mitigation measures.

Using a combination of publicly-available information and NGTL's existing land base and Aboriginal engagement data, NGTL found that the ATCO Transferred Assets and NGTL Transferred Assets:

- are located within lands encompassed by Treaties 6, 7, and 8;
- do not cross any reserves, as defined under the *Indian Act*;
- do not cross any lands that have been designated for reserve status under the *Indian Act*;
- may cross lands that are currently used by Aboriginal people for traditional purposes; and
- are located in proximity to Aboriginal communities that may have an interest in environmental and socio-economic matters related to the Application.

Based on these factors, NGTL stated that all of the First Nations, Métis Settlements and Métis Nation of Alberta Regions in Alberta were initially engaged on the Asset Swap. NGTL submitted that it did not collect or incorporate traditional land use and traditional ecological knowledge for the Application because no new facilities or ground disturbance would take place.

NGTL engaged with the following Aboriginal communities:

Treaty 6

Alexander First Nation
Alexis Nakota Sioux Nation
Beaver Lake Cree Nation
Cold Lake First Nation
Enoch Cree Nation #440
Ermineskin Tribe
Frog Lake First Nation
Heart Lake First Nation
Kehewin Cree Nation
Louis Bull Tribe
Montana First Nation
O'Chiese First Nation
Onion Lake Cree Nation
Paul First Nation
Saddle Lake Cree Nation
Samson Cree Nation
Sunchild First Nation
Whitefish Lake First Nation

Treaty 7

- Blood Tribe
- Piikani Nation
- Siksika Nation
- Tsuu T'ina Nation
- **Stoney Nakoda Nations**
  - Bearspaw Nakoda Nation
  - Chiniki Nakoda Nation
  - Wesley Nakoda Nation

Treaty 8

- Athabasca Chipewyan First Nation
- Beaver First Nation
- Bigstone Cree Nation
- Chipewyan Prairie First Nation
- Dene Tha' First Nation
- Driftpile First Nation
- Duncan's First Nation
- Fort McKay First Nation
- Fort McMurray #468 First Nation
- Horse Lake First Nation
- Kapawe'no First Nation
- Little Red River Cree Nation
- Loon River First Nation
- Lubicon Lake Band
- Mikisew Cree First Nation
- Peerless Trout First Nation #478
- Sawridge First Nation
- Smith's Landing First Nation
- Sturgeon Lake Cree Nation
- Sucker Creek First Nation
- Swan River First Nation
- Tallcree First Nation
- Whitefish Lake First Nation
- Woodland Cree First Nation

First Nation Organizations

- Aseniwuche Winewak Nation
- Foothills Ojibway Society
- Nakcowinewak Nation of Canada

Métis Communities and Organizations

- **Métis Nation of Alberta**
  - Métis Nation of Alberta Region 1
  - Métis Nation of Alberta Region 2
  - Métis Nation of Alberta Region 3
  - Métis Nation of Alberta Region 4
  - Métis Nation of Alberta Region 5
  - Métis Nation of Alberta Region 6
- **Métis Settlements General Council**
  - Buffalo Lake Métis Settlement
  - East Prairie Métis Settlement
  - Elizabeth Métis Settlement
  - Fishing Lake Métis Settlement
  - Gift Lake Métis Settlement
  - Kikino Métis Settlement
  - Paddle Prairie Métis Settlement
  - Peavine Métis Settlement

NGTL indicated that it provided an information package to the Aboriginal communities listed above and requested their input regarding the Asset Swap. The information package included:

- an Asset Swap notification letter with NGTL contact information;
- a map illustrating where the facilities being exchanged are generally located;
- a chart containing a comparison of the key differences between the federal (NEB) and provincial (AUC) regulations;
- information on the Call Before You Dig Program and emergency contact numbers;
- the following information published by the NEB:
    - Pipeline Safety
    - A Proposed Pipeline or Power Line Project – What you need to know
    - Living and Working Near Pipelines: Landowner Guide
    - Guidance for Safe Crossings of NEB-Regulated Pipelines Using Agricultural Vehicles and Mobile Equipment; and
- the following material published by the AUC:
    - About the AUC
    - Understanding Gas Utility Pipeline Regulation in Alberta.

NGTL stated that an updated NGTL and ATCO Pipelines Asset Swap letter was sent by mail to these Aboriginal communities on 17 September 2013. According to NGTL, the updated Asset Swap letter indicated the AUC's approval of the Asset Swap and the anticipated NEB Application filing date. The updated letter also notified the Aboriginal communities of the amended Asset Swap Agreement, which removed certain pipelines and facilities, and provided a map identifying the removed pipelines and facilities.

In addition, NGTL stated that it held nine face-to-face meetings with Aboriginal communities. The following topics were discussed at the meetings:

- the contents of the Asset Swap letter;
- the appropriate communication and engagement methods;
- feedback on the Asset Swap; and
- contact information and timing of any follow-up meetings, if requested.

NGTL indicated that no issues or concerns with the Asset Swap were raised during the meetings with interested Aboriginal communities or as a result of the mail-out communications.

NGTL stated that both it and ATCO Pipelines continue to communicate and engage with all Aboriginal communities identified for engagement on the Application, and that the issues and interests of these Aboriginal communities will be addressed as part of the companies' ongoing Aboriginal Relations programs. NGTL submitted that it would follow its Aboriginal engagement process during the regulatory approval phases of the Asset Swap. For the operations phase, NGTL stated that it would then use TransCanada's IPA program and a proactive approach to

Aboriginal community engagement. This approach, in NGTL's view, would focus on maintaining ongoing relationships with Aboriginal communities within the area of the Asset Swap through TransCanada's regionally-based Aboriginal Relations liaisons.

6.3 Impacts of the Project on Aboriginal Groups

Views of NGTL

NGTL submitted that none of the ATCO Transferred Assets are located on Indian Reserves or Métis Settlements; however, a number of Aboriginal communities are located near the ATCO Transferred Assets. According to NGTL, TransCanada would continue to work with Aboriginal communities near these facilities.

NGTL responded to specific concerns raised by the SNN. NGTL confirmed that certain ATCO Transferred Assets and NGTL Transferred Assets cross the asserted traditional lands of the SNN, and identified these as being all pipelines listed in Schedule A-1, Parts I (a) and II (a), to the First Amending Agreement and located approximately south of Township 60 in the Province of Alberta. NGTL also indicated that it is not aware of any impacts the Project would have on the calculation of royalties under the *Indian Oil and Gas Act*. The concerns raised by the SNN regarding NGTL's emergency response plan, and hydrogen sulphide (H_2S) and mercaptan, are discussed in Chapters 4 and 8, respectively.

NGTL submitted that it is not proposing any physical activities and that the proposed Asset Swap, being a commercial asset exchange, would not result in any impacts on the SNN. While NGTL confirmed that the Asset Swap includes facilities located within the SNN's asserted traditional territory, NGTL contended that the SNN did not provide any evidence or argument explaining how its Aboriginal or treaty rights may be affected. NGTL asserted that because the Asset Swap would have no impact on the SNN's rights, the Crown's duty to consult does not arise. It further stated that its consultation with the SNN has been more than adequate.

It was NGTL's view that the GH-002-2014 proceeding is not the appropriate forum for considering whether pipelines located on federal lands are automatically subject to federal jurisdiction. NGTL contended that while the SNN requested this determination from the Board, this determination is not required for the Board to make its decision on the Application. NGTL argued that the SNN's request should be refused for the following three reasons: (i) the SNN's request has no impact on the proposed Asset Swap because, with one exception, none of the pipelines subject to the Asset Swap are located on federal lands; (ii) the relief requested would have significant implications for third parties who did not participate in the proceeding; and (iii) fundamental questions regarding the scope of federal and provincial jurisdiction are beyond the NEB's jurisdiction.

NGTL submitted that the Asset Swap Agreement between NGTL and ATCO Pipelines was the product of commercial negotiations between the parties. NGTL argued that the Board should refuse the SNN's request that the Board impose a condition requiring NGTL and ATCO Pipelines to negotiate to include the Calgary-Banff line in the scope of the Asset Swap. NGTL contended that this pipeline was excluded from the Asset Swap by commercial agreement, and is

not relevant to the Application. NGTL also contended that the SNN provided no evidence or explanation to support its request.

It was NGTL's view that none of the relief requested by the SNN was necessary or appropriate, and that the Asset Swap is in the overall public interest and should be approved.

NGTL indicated that it had not been made aware of any issues or concerns by Aboriginal groups other than the SNN.

Views of SNN

The SNN questioned NGTL on the following matters:

- regulatory jurisdiction over facilities on the SNN's asserted traditional lands;
- NGTL's emergency response plans;
- recurrence of natural gas incidents;
- the H_2S and mercaptan content of the natural gas transported on the ATCO Transferred Assets;
- potential changes to setback requirements;
- the impact of the Project on the calculation of royalties under the *Indian Oil and Gas Act*; and
- NGTL's proposed consultation with the SNN.

In addition, the SNN submitted written evidence consisting of a number of documents, including an amended statement of claim, an easement agreement, a right-of-way agreement, an Order-in-Council, a letter to the Alberta Minister of Energy, and the SNN consultation protocol. The SNN indicated that the purpose of its submission and evidence was to demonstrate the potential for the Application to have a direct and adverse effect on its Aboriginal title and rights. It sought the following relief from the Board:

- a determination on whether there has been adequate consultation, accommodation and compensation conducted and offered by the Crown;
- a determination on whether transmission lines located on federal lands fall under the Board's jurisdiction, even in the absence of a CPCN; and
- a condition of approval requiring NGTL and ATCO Pipelines to undertake further negotiations with respect to the transfer of the Calgary-Banff line from ATCO Pipelines to NGTL as part of the Asset Swap.

Views of Alberta Department of Energy (ADE)

The ADE confirmed that the proceeding referred to by the SNN in its filed evidence (Alberta Court of Queen's Bench Action No. 0301-19586) is an ongoing matter currently before the Courts and which the ADE is fully defending. The ADE submitted that the NEB is not the appropriate forum for the determination of the issues in that Court Action.[14]

[14] The SNN requested that the ADE's final written argument be disregarded on the basis that it was submitted after the filing deadline. The Board's ruling on this matter can be found in 2.2.3 Oral Hearing Process.

Views of the Board

In its Application, NGTL defined the potentially affected Aboriginal groups in broad terms and elected to engage all Aboriginal groups in Alberta, with the exception of the Christina River Dene Nation Council (a group formed after NGTL's initial notification of Aboriginal groups, and that NGTL engaged upon a query by the Board). The Board is of the view that all Aboriginal groups potentially affected by the Application were identified.

The Board requires applicants to consult with potentially impacted Aboriginal groups in a manner commensurate with the scope of the project and the potential for adverse environmental and socio-economic impacts. The Board is of the view that NGTL has undertaken an appropriate level of Aboriginal engagement commensurate with the setting, nature and magnitude of the Application, which does not involve the construction of facilities. NGTL provided information packages to all of the First Nations, Métis Settlements and Métis Nation of Alberta Regions based within Alberta, and offered to discuss the Project with all groups. NGTL has followed up to address any concerns. NGTL's Aboriginal engagement is in keeping with the direction provided by the Board through its Letter Decision in RHW-1-2010 and further direction contained in Order TG-04-2010.

The Board has considered the requested relief of the SNN as expressed in its written final argument, as well as the NGTL's reply argument. Since this Application involves the transfer of ownership of existing facilities and does not involve new construction, the Board is of the view that NGTL's consultation with the SNN was adequate. The Board is of the view that through the SNN's participation in the hearing process, the SNN has had an opportunity to have its concerns heard and present its views on the Project. Based on the evidence submitted in this proceeding, the Board is not persuaded that the SNN would be adversely affected by this Project.

In addition, the Board notes NGTL's commitments to continue to work with Aboriginal groups near its assets and to maintain ongoing relationships with Aboriginal communities within the area of the Asset Swap through TransCanada's regionally-based Aboriginal Relations liaisons.

With regard to the request of the SNN that the Board determine that pipelines on federal lands fall under NEB jurisdiction, it is the Board's view that this proceeding is not the appropriate forum to address this issue. It is beyond the scope of the Application. The Board notes that this issue was raised for the first time in the SNN's final argument. The Board also notes that no evidence was filed in support of this request and, consequently, the other participants in this proceeding did not have the opportunity to file evidence in relation to it.

Furthermore, the Board has considered the SNN's request for a condition requiring NGTL and ATCO Pipelines to undertake further negotiations with respect to the Calgary-Banff line. It is the Board's view that this pipeline is not part of the Application, and therefore, is beyond the scope of the GH-002-2014 proceeding. The Board denies the SNN's request for a condition in this regard.

Chapter 7

Landowner Issues

The Board's Filing Manual sets out the expectations for lands information to support an application for a Certificate under section 52 of the NEB Act. Applicants are expected to provide a description and rationale for the proposed route of a pipeline, and the location of associated facilities.

The Project involves a change in ownership of land rights that are to be exchanged by NGTL and ATCO Pipelines, and does not require any new construction since the facilities are already in place. Therefore, a description of the routes and locations of facilities, typically included as part of a section 52 application, were not included in this Application.

7.1 Land Information

Views of NGTL

NGTL submitted that the ATCO Pipelines System and the NGTL System are existing pipeline systems for which ATCO Pipelines and NGTL hold valid and subsisting surface land rights. Those surface land rights underlying the Transferred Assets have been acquired by ATCO Pipelines, NGTL or their predecessors by privately negotiated contractual agreements or by regulatory orders. NGTL stated that the Asset Swap does not require the construction or operation of any new facilities.

NGTL submitted that the ATCO Transferred Assets consist of approximately 1 249 km of pipe, one compressor station, and 30 metering facilities. The NGTL Transferred Assets consist of approximately 1 418 km of pipe and 120 metering facilities. According to NGTL, all of the Transferred Assets are located entirely within the Province of Alberta. NGTL indicated that approximately 20 per cent of the ATCO Transferred Assets are on provincially-owned Crown lands, with the remainder located on privately-owned freehold lands. NGTL also submitted that approximately one per cent of the NGTL Transferred Assets are on provincially-owned Crown lands, with the remainder located on privately-owned freehold lands.

In its Application, NGTL indicated that none of the Transferred Assets are located on lands within a National Park, Indian Reserve or Canadian Forces Base. However, NGTL later clarified that the ATCO Transferred Assets include a pipeline that runs through the Department of National Defense lands at the Medley airbase near Cold Lake, Alberta. NGTL stated that none of the other pipeline facilities to be transferred from ATCO Pipelines to NGTL are located on federal land.

NGTL stated that it and ATCO Pipelines intend to complete the Asset Swap in a series of four separate transactions in order to accommodate the number of facilities involved and the field work required to complete the exchange of ownership.

Views of Participants

No participants expressed any concerns with respect to the lands currently being used.

7.2 Description of Land Rights

NGTL stated that it and ATCO Pipelines currently hold the surface rights required for the Transferred Assets located on Alberta's provincially-owned Crown lands, pursuant to various forms of Alberta Crown Dispositions, including pipeline agreements, pipeline installation agreements and licenses of occupation. NGTL reviewed the surface rights to determine if they were valid and subsisting.

With respect to the Transferred Assets located on freehold lands, NGTL submitted that it and ATCO Pipelines currently hold the surface rights required for these assets pursuant to various types of contractual agreements or regulatory orders. NGTL stated that, prior to filing this Application, it obtained and reviewed searches of Alberta land titles to confirm the current registered surface owner(s) and ATCO Pipelines' and NGTL's registered instruments filed against the lands comprising the Transferred Assets. According to NGTL, this investigation also provided the basis for developing and preparing the consultation "line lists".

Lastly, NGTL submitted that there are approximately 19 parcels of land owned in fee simple by ATCO Pipelines and 43 parcels of land owned in fee simple by NGTL associated with the above-ground facilities included in the Transferred Assets, such as compressor stations and metering facilities.

7.3 Review and Transfer of Land Rights

Views of NGTL

NGTL indicated that, pursuant to the Asset Swap Agreement, it and ATCO Pipelines agreed to exchange, by certain dates, lists of specific land rights together with the underlying documents associated with these land rights. NGTL stated that it had completed the exchange and a review of the land right lists, the underlying agreements associated with those lists, and the corresponding surface files with ATCO Pipelines to determine what specific conveyancing should be prepared to properly assign the land rights. NGTL submitted that any land rights that were determined to be non-assignable were identified and the applicable party agreed to undertake the appropriate steps to remedy this situation prior to or as part of each transfer of assets.

NGTL stated that specific conveyances would be prepared and signed by the parties to assign the surface rights required at each transfer. With respect to the fee simple titles owned by NGTL and ATCO Pipelines, NGTL indicated that Transfers of Land and transfers of Alberta Land Title registrations regarding surface rights would be prepared, signed and registered at Alberta Land Titles. According to NGTL, the assignment of land rights on provincially-owned Crown lands would be accomplished electronically through the Alberta Energy Electronic Transfer System at each transfer of assets affecting such land rights. NGTL stated that once a transfer had occurred,

it would notify the freehold surface owners of the completion of the assignment of the surface rights affecting their lands.

In cases where an existing land right is not assignable, NGTL suggested that the parties would negotiate a new contractual agreement for the surface rights required. As an example, NGTL stated that it and ATCO Pipelines have agreed to handle non-assignable agreements, such as CAPLA Master Road Use Agreements and Addenda, through a process of simultaneous termination and application to the applicable third parties. NGTL or ATCO Pipelines would provide notice to the third party requesting termination of that Agreement or Addendum, and would simultaneously make an application to the third party for a replacement agreement. According to NGTL, this process would take place upon each transfer of assets affecting these agreements. Where non-assignable rights cannot be obtained, reacquired or acquired by right of entry prior to or as part of each transfer, NGTL stated that the asset would not be exchanged.

NGTL submitted that it was reviewing the titles of assets being transferred to ATCO Pipelines and was working to have any obsolete security discharged from title. NGTL stated that ATCO Pipelines had completed an analogous review and discharge for the assets it intends to transfer to NGTL. For titles on assets entering the NGTL System, NGTL submitted that 2,143 titles were reviewed and that the review had been completed. According to NGTL, four titles were found to have obsolete securities, and all of these have been discharged.

For titles on assets leaving the NGTL System to ATCO Pipelines, NGTL submitted that 1,603 titles were reviewed and that the review had also been completed. NGTL identified 261 obsolete security registrations in Alberta that could affect the assets to be transferred to ATCO Pipelines. NGTL indicated that 12 security registrations were in the final stage of being discharged. NGTL stated that the remaining 249 obsolete security registrations would be submitted for discharge by the end of October 2014.

NGTL indicated that it was reviewing and processing the removal of obsolete securities on land titles, system-wide. NGTL provided a description of the process used to identify and remove obsolete securities, and confirmed that the process would be completed for the entire NGTL System by the fourth quarter of 2014. NGTL further confirmed that it would notify affected landowners by mail, and that it would notify the Board upon the completion of the process.

Views of Participants

Mr. Mork, a commenter in the proceeding, expressed concerns about obsolete instruments on land titles. In particular, he referred to the difficulty that landowners face in having pipeline companies remove these instruments. Mr. Mork stated that TransCanada informed him that it was in the process of having each obsolete security discharged from titles for its other pipelines.

Views of the Board

Landowners will benefit from the removal of obsolete securities from land titles. The Board finds NGTL's commitments in this regard adequate. Furthermore, the Board is of the view that NGTL's system-wide actions, which would be much broader than the review for this Application, will resolve a source of concern voiced by landowners.

7.4 Communications with Landowners

Views of NGTL

NGTL submitted that it maintained open communication with landowners and stakeholders since 3 October 2013. In addition, NGTL submitted that it sent out an Asset Exchange Information Update letter and provided Board letters dated 7 February 2014 and 21 February 2014 to all affected landowners and stakeholders.

NGTL stated that it established and monitored dedicated toll-free direct lines for landowners and stakeholders, as well as a Project email address. In total, 84 phone calls were placed to the landowner hotline, 6 phone calls were placed to the stakeholder hotline and 20 emails were placed to the Project email address. NGTL stated that it answered all calls and replied to all emails. According to NGTL, the calls were of a varied nature, but queries were generally related to annual rentals, address updates and general Project information requests. One stakeholder was sent a letter via Express Post regarding concerns related to obsolete charges being removed from land title. NGTL advised the landowner that the Project included the review of title of relevant land and that NGTL was carrying out the work to discharge from title each obsolete lien, mortgage, charge or other security registered in relation to the NGTL pipelines to be transferred.

Views of Participants

No participants expressed concern with respect to NGTL's communication with landowners and stakeholders.

Views of the Board

In its Letter Decision in RHW-1-2010, the Board found that landowner consultations regarding the Asset Swap would be required as a result of the NGTL Transferred Assets falling under provincial jurisdiction and ATCO Transferred Assets moving under federal jurisdiction. Due to the differences between provincial and federal regulation, the Board was of the view that landowners could be impacted.

The Board is of the view that NGTL's consultation is in keeping with the direction provided by the Board through its Letter Decision in RHW-1-2010 and the further direction contained in Order TG-04-2010. The Board observes that the landowner organizations involved in the RHW-1-2010 proceeding were notified and did not become involved in the GH-002-2014 proceeding. Accordingly, it is the Board's view that NGTL's communication with landowners has been appropriate, given the nature of the Application as a commercial asset exchange rather than new construction.

Chapter 8

Environment and Socio-Economic Matters

Under the NEB Act, the Board considers environmental protection as a component of the public interest. When making its recommendations, the Board is responsible for assessing the environmental and socio-economic effects of the Project throughout the life of the Project. This chapter represents the NEB's environmental assessment (EA).

8.1 The NEB's Environmental Assessment Methodology

In assessing the environmental and socio-economic effects of the Project, the Board used an issue-based approach as set out in the NEB's Filing Manual.

This assessment begins with: (a) a description of the Project, (b) a description of the setting and the environmental and socio-economic elements within that setting, and (c) a summary of those environmental and socio-economic concerns raised by the public. Based on these, the Board identified Project-environment interactions expected to occur (Table 8-1). If there were no expected Project-environment interactions (or interactions would be positive or neutral), no further examination was deemed necessary.

The Board then assessed the potential adverse environmental and socio-economic effects, as well as the adequacy of the Applicant's proposed environmental protection strategies and mitigation measures. Where there are any residual effects remaining after proposed mitigation, cumulative effects are considered. Finally, the Board's conclusion on significance is given.

8.2 Project Details

The Project consists of the integration and continued operation and maintenance of the existing ATCO Transferred Assets as federally regulated facilities under the Board's jurisdiction. The Project would not involve new construction, facility expansion, decommissioning or abandonment of any of the ATCO Transferred Assets.

The ATCO Transferred Assets consist of pipelines (approximately 1 249 km), one compressor station (1 compressor unit) and 30 meter stations (19 receipt points and 11 delivery points). Pipeline diameters range from 26.7 mm to 323.9 mm and are located in Right-of-Way (RoW) ranging from approximately 15 m to 25 m. The ATCO Transferred Assets would undergo operational system changes or upgrades as necessary to integrate with the NGTL System, and would be controlled from the TransCanada Gas Control Centre located in Calgary, Alberta.

The activities associated with the integration and continued operation of the ATCO Transferred Assets as part of the NGTL System include:

- regular surveillance along the pipeline RoW;
- vegetation and weed management activities along the RoW and at facility sites;

- planned maintenance activities along the RoW;
- cathodic protection site visits;
- operation and maintenance activities (including vehicle traffic) at above-ground facilities (e.g., compressor station); and
- site-specific repairs to RoW and associated facilities as a result of a random physical event (e.g., mass movement event, or slope erosion).

With the exception of activities undertaken to remediate random physical events, ongoing operation and maintenance activities would be confined to the existing RoW, facility sites and access roads.

Pursuant to the NEB Act, an application would be required to decommission and/or abandon any facility, at which time the environmental effects would be assessed by the Board.

8.3 Environmental Setting

The ATCO Transferred Assets are present throughout Alberta and operate in various locations ranging from rural counties to major metropolitan areas.

8.3.1 Land Use

The ATCO Transferred Assets are located in the Green and White Areas of Alberta. The Green Area is mainly Crown land used for recreation and resource development. The White Area comprises settled areas where lands are primarily freehold and used for agricultural production, although some recreational and industrial activities also occur within this area. NGTL initially stated that the Project would not involve any federal lands such as national parks, Indian reserves or army bases; however, NGTL later clarified that the ATCO Transferred Assets include one pipeline that crosses the Department of National Defense lands at the Medley airbase near Cold Lake, Alberta.

8.3.2 Biophysical Environment

The ATCO Transferred Assets occur throughout Alberta, and are found within most of the province's major natural regions, including the Boreal Forest, Foothills, Parkland and Grassland regions. Therefore, the existing RoW and facility sites are subject to a wide range of climate, moisture and vegetation conditions. For example, vegetation conditions range from dry mixed grass prairie in southern Alberta, to aspen parkland in the central regions, and wet muskeg black spruce bogs with potential occurrences of discontinuous permafrost in the north.

Pipelines that are part of the ATCO Transferred Assets cross many watercourses in Alberta, including watercourses within the Hay, Peace/Slave, Athabasca, Beaver, North Saskatchewan and South Saskatchewan River Basins. Crossing methods such as open cut, isolation, horizontal bore or horizontal directional drill, as approved by the provincial regulator, were used at the time of construction, and the crossings were reclaimed as per regulatory conditions in place at the time.

8.3.3 Socio-economic Environment

None of the ATCO Transferred Assets are located on Indian Reserve or Métis Settlements, although a number of Aboriginal communities are located nearby.

NGTL confirmed that there are ATCO Transferred Assets and NGTL Transferred Assets in the asserted traditional lands of the SNN. NGTL also stated that existing lines currently owned by ATCO Pipelines that cross Tsuu T'ina, Pikani, Sawridge and Saddle Lake Indian Reserve land were excluded from the Integration Asset Transfer as both NGTL and ATCO Pipelines were sensitive to affecting existing agreements.

8.4 Environmental Issues of Public Concern

The Board received one submission from a participant that raised a concern related to environmental issues. The SNN was concerned that mercaptans or other odourants added to natural gas may be hazardous. This issue is addressed in section 8.5.2.

8.5 Environmental Effects Analysis

8.5.1 Interactions and Potential Adverse Environmental Effects

Table 8-1 identifies the expected interactions between the Project and the environment, and the potential adverse environmental effects resulting from those interactions. Since no new construction is associated with the Project, the interactions are associated with facilities operations.

Table 8-1 Project-Environment Interactions

	Environmental Element	Description of Interaction (or Why No Interaction is Expected)	Potential Adverse Environmental Effect	Mitigation Discussed in:
Bio-Physical	Physical Environment	▪ Random mass-movement event on existing RoW	▪ Slumping ▪ Soil erosion ▪ Loss or alteration of pipeline integrity	8.5.2
	Soil and Soil Productivity	▪ Random slope erosion on existing RoW ▪ Air emissions from compressor station may contribute to acid input ▪ Maintenance activities on existing RoW ▪ Hazardous material spill	▪ Soil erosion, compaction, rutting and/or admixing ▪ Soil contamination and/or discovery of historic soil contamination	8.5.2
	Vegetation	▪ Random slope erosion or mass-movement event on existing RoW ▪ Vegetation and weed management activities on existing RoW ▪ Air emissions from compressor station may contribute to acid input ▪ Hazardous material spill	▪ Loss or alteration of native vegetation or communities	8.5.2
	Water Quality and Quantity	▪ Random slope erosion or mass-movement event on existing RoW ▪ Hazardous material spill	▪ Loss or alteration of surface or groundwater quality or quantity	8.5.2
	Aquatic Species and Habitat	▪ Random slope erosion or mass-movement event on existing RoW ▪ Hazardous material spill	▪ Degradation or loss of fish habitat ▪ Fish mortality ▪ Changes to watercourse flow characteristics	8.5.2
	Wetlands	▪ Random slope erosion or mass-movement event on existing RoW ▪ Vegetation and weed management activities on existing RoW ▪ Air emissions from compressor station may contribute to acid input	▪ Loss or alteration of wetland habitat ▪ Changes to wetland hydrological functions ▪ Loss or alteration of native vegetation ▪ Contamination of soil and/or water quality	8.5.2

	Environmental Element	Description of Interaction (or Why No Interaction is Expected)	Potential Adverse Environmental Effect	Mitigation Discussed in:
		▪ Hazardous material spill		
	Wildlife and Wildlife Habitat	▪ Operation and maintenance activities may cause sensory disturbance ▪ Vegetation and weed management activities on existing RoW ▪ Intermittent facility blowdowns may cause short-term sensory disturbance ▪ Long-term sensory disturbance surrounding the compressor station ▪ Hazardous material spill	▪ Changes to wildlife movement and habitat use patterns ▪ Displacement of wildlife ▪ Loss or alteration of wildlife habitat ▪ Wildlife mortality	8.5.2
	Wildlife Species at Risk or Species of Special Status and related habitat	▪ Operation and maintenance activities may cause sensory disturbance ▪ Vegetation and weed management activities on existing RoW ▪ Intermittent facility blowdowns may cause short-term sensory disturbance ▪ Long-term sensory disturbance surrounding the compressor station ▪ Hazardous material spill	▪ Changes to wildlife species at risk movement and habitat use patterns ▪ Displacement of wildlife ▪ Loss or alteration of wildlife habitat for species at risk ▪ Wildlife species at risk mortality	8.5.2
	Vegetation Species at Risk or Species of Special Status and related habitat	▪ Vegetation and weed management activities on existing RoW ▪ Air emissions from compressor station may contribute to acid input ▪ Hazardous material spill	▪ Loss or alteration of native vegetation species or communities at risk	8.5.2
	Air Quality	▪ Compressor station would produce ongoing air emissions ▪ Intermittent facility blowdowns may cause short-term air quality issues	▪ Increase in Criteria Air Contaminants, dust and/or particulates ▪ Increase in greenhouse gas emissions	8.5.2

	Environmental Element	Description of Interaction (or Why No Interaction is Expected)	Potential Adverse Environmental Effect	Mitigation Discussed in:
		▪ Accident or malfunction event		
	Acoustic Environment	▪ Compressor station would cause ongoing sensory disturbance ▪ Operation and maintenance activities may cause temporary sensory disturbance ▪ Intermittent facility blowdowns may cause short-term sensory disturbance ▪ Accident or malfunction event	▪ Changes to wildlife movement and habitat use patterns ▪ Displacement of wildlife ▪ Nearby residents may be bothered by noise	8.5.2
Socio-Economic	Human Occupancy/Resource Use (including Fisheries)	▪ The change in regulatory oversight from the AUC to the NEB may cause uncertainty with communities, landowners and stakeholders ▪ Demands on human occupancy or resource use	▪ Disruption of farming and ranching operations and land uses during maintenance activities ▪ Disruption of outfitting, hunting and fishing activities during maintenance activities	8.5.2
	Heritage Resources	▪ Operation and maintenance activities may expose previously undiscovered heritage resources	▪ Disruption of previously unidentified heritage resource sites	8.5.2
	Current Traditional Land and Resource Use	▪ Some of the ATCO Transferred Assets may traverse asserted traditional territories of Aboriginal groups	▪ Disruption of traditional activities during maintenance activities	8.5.2
	Navigation and Navigation Safety	▪ Effects on navigation or navigation safety during maintenance activities	▪ Temporary disruption of or interference with navigation during maintenance activities	8.5.2
	Social and Cultural Well-being	▪ Demands on social and cultural wellbeing of local residents or communities	▪ Temporary alterations of community life during maintenance activities	8.5.2
	Employment and Economy	▪ Demands on local and regional employment, procurement and contracting conditions or government revenues	▪ Changes in suppliers or goods and services	8.5.2

	Environmental Element	Description of Interaction (or Why No Interaction is Expected)	Potential Adverse Environmental Effect	Mitigation Discussed in:
Other	Accidents/Malfunctions	▪ Accidental spill or release of hazardous materials ▪ Equipment failure or material fire ▪ Transportation accident ▪ Pipeline failure or facility explosion	▪ Adverse health effects for humans and/or animals ▪ Mortality of humans and/or animals ▪ Damage or destruction of property ▪ Damage or destruction of natural features and habitat	8.5.2
	Effects of the Environment on the Project	▪ Severe weather ▪ Wildfire	▪ Damage or destruction of facilities ▪ Mortality of humans and/or animals ▪ Disruption of service to end users	8.5.2

8.5.2 Mitigation of Potential Adverse Environmental Effects

In its Application, NGTL identified standard mitigation to mitigate the potential adverse environmental effects of the Project on the biophysical and socio-economic elements identified in Table 8-1. Standard mitigation refers to a specification or practice that has been developed by industry, or prescribed by a government authority, that has been previously employed successfully and is now considered sufficiently common or routine that it is integrated into the company's management systems and meets the expectations of the NEB.

Standard mitigation committed to by NGTL includes following TransCanada Operating Procedures (TOPs), including with respect to Invasive Vegetation, Fish and Wildlife Protection, Soils Management, and Wetlands, Watercourses and Waterbody Protection. NGTL also committed to continue its engagement with Aboriginal and other communities, landowners, and other stakeholders during the integration and continued operation of the ATCO Transferred Assets as part of the NGTL System. The reader is referred to NGTL's Application and supporting documentation for details on all of NGTL's proposed mitigation.

Views of NGTL

NGTL stated that any Project interactions that would occur during operations under NGTL ownership are interactions that already occur under ATCO Pipelines ownership, and that no new interactions or increased effects from these interactions would be expected to occur as a result of the change in ownership. These interactions would continue until such time as the facilities are decommissioned.

NGTL identified few expected residual effects; those identified relate to the operation of above-ground facilities (i.e., compressor station) or maintenance activities on the RoW. NGTL stated

that the effects started when the facilities were commissioned and are expected to be reversible once the facilities are decommissioned.

In response to a question from SNN, NGTL stated that many of the pipelines to be transferred contain mercaptan, which is added to the natural gas to allow olfactory detection in the event of a leak. NGTL further stated that the amount of mercaptan added is consistent with established industry practice and is not considered dangerous.

In response to questions from the Board about historical environmental issues and contaminated sites reporting, NGTL submitted the following:

- ATCO Pipelines implemented chemical vegetation control at facilities annually, and pipelines have been aerially inspected annually;

- ATCO Pipelines mainly contracted TERA Environmental Consultants, Matrix Solutions Inc., and West Country Oilfield Services for development of environmental protection plans and monitoring, site remediation, and vegetation management services, respectively;

- There were two spills (12 m^3 and 2 m^3) in the last 10 years. The associated contamination has been fully remediated in the former instance, and surface and groundwater monitoring activities are ongoing in the latter case. The latter case occurred in 2013, and is the only contaminated site subject to the transfer that was not previously disclosed to NGTL by ATCO Pipelines;

- Spills and releases have been reported to the Alberta Energy Regulator (AER) and Alberta Environment and Sustainable Resource Development (AESRD) in accordance with release reporting requirements;

- All reportable contamination would be reported to the Board within the first quarter of the year following the transfer, in the form of a complete Notification of Contamination as per section 3 of the Remediation Process Guide, including site-specific environmental management strategies; and

- No compliance or monitoring activities have resulted in environmental regulatory enforcement over the past 10 years, and no comments or concerns have been received by ATCO Pipelines from provincial or federal regulators or agencies, or other stakeholders.

NGTL also provided information requested by the Board on vegetation management and other TOPs that it committed to follow. NGTL provided a copy of the Invasive Weed Control Procedure Canada, one of the TOPs NGTL made reference to in its Application, as well as a list of all current environmental TOPs applicable to the Project.

Views of Participants

The SNN questioned NGTL as to whether any of the ATCO Transferred Assets carry high levels of mercaptan or other odourants at dangerous levels, and whether NGTL would inform the SNN of the hazards of mercaptan and other natural gas odourants for ATCO Transferred Assets that

run through SNN traditional lands. NGTL addressed this concern as described above under *Views of NGTL*. The SNN did not address the issue further in its final argument.

Views of the Board

The Board is satisfied with NGTL's response and commitments regarding historical environmental issues and reportable contamination, and has no outstanding concerns with respect to the TOPs submitted by NGTL. The Board is also satisfied that mercaptan or other odourants are not of concern since the amounts currently used are consistent with established industry practice, which is not considered dangerous.

The Board agrees that there would be no additional or increased interactions with biophysical or socio-economic elements as a result of continued operation of the ATCO Transferred Assets under NGTL ownership. The Board also agrees that no new or increased residual effects would be expected as a result of the Project.

The Board's regulatory oversight will contribute to environmental protection through the life of the Project through various compliance verification activities related to operation, safety and security, pipeline integrity, and emergency preparedness and response programs. These are discussed in Chapter 4. With this oversight, the Board is confident that the ATCO Transferred Assets can continue to operate as part of the NGTL System in a manner that would not be detrimental to the environment.

8.6 Cumulative Effects Assessment

Views of NGTL

NGTL predicted no new or increased residual effects for the integration and continued operation of the ATCO Transferred Assets. Accordingly, NGTL determined that no new or increased contributions to cumulative effects are expected. NGTL also submitted that once the facilities are decommissioned, any adverse residual effects are expected to be reversible. For these reasons, NGTL determined that the potential contribution of the Project to cumulative effects is not significant.

Views of Participants

No participants expressed concerns regarding the potential contribution of the Project to cumulative effects.

Views of the Board

The Board agrees that no new or increased contributions to cumulative effects are likely to occur as a result of the Project.

The Board has considered the potential for cumulative effects and has determined that any cumulative effects arising as a result of operations and maintenance activities undertaken by NGTL are expected to be temporary, localized, and minor in magnitude. Furthermore, the Board's compliance verification approach to regulatory oversight

through the life cycle of the Project is expected to help mitigate cumulative effects occurring as a result of the continued operation of the facilities. Therefore, it is unlikely that there would be any significant cumulative effects resulting from this Project.

8.7 EA Conclusion

The Board is satisfied that there are no outstanding concerns related to historical environmental issues, contaminated sites reporting, TOPs, or mercaptan.

The Board is of the view that the Project is unlikely to result in new or increased interactions between the Project and the environment, new or increased environmental or socio-economic effects, and new or increased contributions to cumulative effects.

The Board is of the view that overall, with the implementation of NGTL's environmental protection procedures and mitigation and the NEB's recommended conditions, the Project is not likely to cause significant adverse environmental effects.

Appendix I

List of Issues

The Board has identified but does not limit itself to the following issues for consideration in the proceeding:

1. The terms of the transfer, including the assets to be transferred.

2. The potential commercial impacts of the proposed project.

3. The potential environmental and socio-economic effects of the proposed project, including any cumulative environmental effects that are likely to result from the project, including those required to be considered by the NEB's Filing Manual.

4. Potential impacts of the project on Aboriginal interests.

5. Potential impacts of the project on landowners and land use.

6. The creation and use of the Non-Monetary Adjustment Deferral Account.

7. The terms and conditions to be included in any approval the Board may issue.

Appendix II

NEB Section 52 Certificate Conditions

In these conditions, where any condition requires a filing with the National Energy Board (Board or NEB) "for approval", NGTL must not commence that action until the approval is issued.

In this document, the terms below (in bold) have the following meanings:

Assets: The pipeline facilities and miscellaneous interests.

ATCO Transferred Assets: Assets to be acquired by NGTL, which are currently owned by ATCO Pipelines.

NGTL Transferred Assets: Assets to be sold to ATCO Pipelines, which are currently owned by NGTL.

Transferred Assets: Collectively, ATCO Transferred Assets and NGTL Transferred Assets.

Closing: The change of ownership and possession of the Transferred Assets.

Tranche: The specific facilities listed in Schedule A to the Certificate that will have Closing on the same dates.

Closing Date: The date when Closing occurs for one or more Tranche(s).

Certificate: Certificate(s) of Public Convenience and Necessity, pursuant to section 52 of the *National Energy Board Act* (NEB Act), authorizing the operation of the Section 52 Facilities.

Certificate Conditions

1. Condition Compliance

NGTL shall comply with all of the conditions contained in this Certificate, unless the Board otherwise directs.

2. Operation of Transferred Assets

NGTL shall cause the approved ATCO Transferred Assets to be operated in accordance with the specifications, standards and other information referred to in its Application, and as otherwise agreed to during questioning or in its related submissions.

3. Implementation of Environmental Protection

NGTL shall implement or cause to be implemented all of the policies, practices, programs, mitigation measures, recommendations and procedures for the protection of the environment included in or referred to in its Application, and as otherwise agreed to during questioning or in its related submissions.

4. Commitments Tracking Tables

NGTL shall:

a) file with the Board and post on its Project website, at least 30 days before the Closing of the first Tranche, a Commitments Tracking Table listing all commitments made by NGTL in its Application, and as otherwise agreed to during questioning or in its related submissions, including reference to:

   i) the documentation in which the commitment appears (for example, the Application, responses to information requests, hearing transcripts, permit requirements, condition filings, or other);
   ii) the accountable lead for implementing each commitment; and
   iii) the estimated timelines associated with the fulfillment of each commitment.

b) update the status of the commitments in a) on its Project website, and notify the Board, on a:

   i) monthly basis until the Closing of the final Tranche; and
   ii) quarterly basis until the end of the fifth (5^{th}) year following the Closing of the final Tranche.

5. Geographic Information System (GIS) Information

NGTL shall file with the Board, within one year after the Closing Date of each Tranche, GIS data in the form of an Esri® shape file that contains all pipeline segment centre lines. The

datum shall be North American Datum of 1983 (NAD83) and projection shall be geographic (latitudes and longitudes).

a) For the ATCO Transferred Assets, each segment shall have a pipeline name, outside diameter, wall thickness, maximum operating pressure (MOP), pipe material, pipe material standard, pipe grade, external coating, in-service year, and operating stress level. If the above values of the pipeline change at any point along the length of the pipeline, the pipeline shall be segmented at that point. NGTL shall also provide GIS locations and names of all meter stations, compressor stations and block valves, as applicable.
b) For the NGTL Transferred Assets, each pipeline segment shall include characteristics such as pipeline name, outside diameter, wall thickness and MOP.

6. Notification of Closing

On the Closing Date of each Tranche, as specified in Schedule A, NGTL shall provide the Board with written notice of the Closing.

7. Effective Date of the Certificate

For each Tranche, the Certificate shall come into force at the Closing Date of that Tranche.

8. Updated Emergency Response Plan(s) Incorporating ATCO Transferred Assets

NGTL shall confirm in writing to the Board, on the Closing Date of each Tranche, that the ATCO Transferred Assets comprising that Tranche have been incorporated into TransCanada's Emergency Management System. NGTL shall also confirm that the Transferred Assets have been integrated into NGTL's Emergency Response System covering the geographic areas where the Transferred Assets are located and that the procedures needed to prepare for, respond to, recover from, and mitigate the potential effects of emergencies of any type, including a hydrogen sulphide (H_2S) release (where applicable), in any season, are in place.

9. Security Program

NGTL shall confirm in writing to the Board, on the Closing Date of each Tranche, that the acquired assets have been incorporated into TransCanada PipeLines Limited's existing Security Management Program, pursuant to the *National Energy Board Onshore Pipeline Regulations* and *CSA Z246.1 Security Management for Petroleum and Natural Gas Industry Systems.*

10. Corrective Action Plan

NGTL shall file with the Board for approval, within nine months of the Closing Date of each Tranche, its Corrective Action Plan (CAP) for unpiggable pipelines incorporating the ATCO Transferred Assets. The CAP shall include pipeline integrity assessment prioritization and an anticipated implementation schedule.

11. Condition Compliance by a Company Officer

Within 30 days of the Closing Date of the final Tranche, NGTL shall file with the Board a confirmation, by an officer of the company, that the approved Project is in compliance with all applicable conditions in this Certificate. If compliance with any of these conditions cannot be confirmed, the officer of the company shall file with the Board details as to why compliance cannot be confirmed. The filing required by this condition shall include a statement confirming that the signatory to the filing is an officer of the company.

Appendix III

Section 74 Letter and Order

File OF-Fac-Gas-N081-2013-17 02
16 October 2014

Ms. Stephanie Brown
Regulatory Project Manager
Regulatory Services
TransCanada PipeLines Limited
450 – 1 Street SW
Calgary, AB T2P 5H1
Facsimile 403-920-2347

Mr. Matthew Ducharme
Legal Counsel
Pipelines Law
TransCanada PipeLines Limited
450 – 1 Street SW
Calgary, AB T2P 5H1
Facsimile 403-920-2354

Dear Ms. Brown and Mr. Ducharme:

NOVA Gas Transmission Ltd. (NGTL)
Integration Asset Transfer Project (Project)
Application pursuant to paragraphs 74(1)(a) and (b) of the *National Energy Board Act* (NEB Act) for the sale of certain assets currently owned by NGTL to ATCO Gas and Pipelines Ltd. (NGTL Transferred Assets) and the purchase by NGTL of certain assets currently owned by ATCO Gas and Pipelines Ltd. (ATCO Transferred Assets)

The National Energy Board (Board) has considered the evidence in the GH-002-2014 proceeding with respect to the above-referenced application and has issued Order MO-116-2014 dated 16 October 2014, the effect of which is to grant NGTL leave to sell the NGTL Transferred Assets and purchase the ATCO Transferred Assets.[1]

In order for the ATCO Transferred Assets to be operated under the Board's jurisdiction, the Governor in Council must direct the Board to issue a Certificate of Public Convenience and Necessity (Certificate) for these facilities under section 54 of the NEB Act. The Governor in Council must also approve the Board's variation of the existing Certificate GC-113 to reflect the NGTL Transferred Assets leaving the Board's jurisdiction. In the *National Energy Board Report* for the Project, the Board recommends that a Certificate be issued for all of the ATCO Transferred Assets and that the variation of Certificate GC-113 be approved to reflect the removal of the NGTL Transferred Assets.

In consideration of NGTL's projected dates for completing each of the four consecutive transactions comprising the transfer of facilities, the Board notes that the attached Order will

[1] The NGTL Transferred Assets and the ATCO Transferred Assets are collectively referred to as the Transferred Assets.

expire on 16 October 2016, unless an application for extension of the deadline is filed with the Board before 16 October 2016.

The Board reminds NGTL that it must comply with the Board's findings, directions and decisions contained in the RH-2-2008, MH-001-2012 and MH-001-2013 Reasons for Decision, regarding the funding of future abandonment costs.

NGTL is required to serve this letter on all parties to the GH-002-2014 proceeding.

Yours truly,

Sheri Young
Secretary of the Board

Attachment(s)

MO-116-2014

IN THE MATTER OF the *National Energy Board Act* (NEB Act) and the regulations made thereunder; and

IN THE MATTER OF an application dated 12 November 2013 for the sale of certain assets owned by NOVA Gas Transmission Ltd. (NGTL) (NGTL Transferred Assets) to ATCO Gas and Pipelines Ltd. (ATCO Pipelines) pursuant to paragraph 74(1)(a) of the NEB Act and the purchase by NGTL of certain assets owned by ATCO Pipelines (ATCO Transferred Assets) pursuant to paragraph 74(1)(b) of the NEB Act, as part of the Integration Asset Transfer Project, filed with the National Energy Board (Board or NEB) under File OF-Fac-Gas-N081-2013-17 02.

BEFORE the Board on 5 September 2014.

WHEREAS NGTL applied to the Board requesting leave to:

1. purchase from ATCO Pipelines the facilities, comprising Schedule A for the ATCO Transferred Assets, attached to and forming part of this Order; and
2. sell to ATCO Pipelines the facilities comprising Schedule A for the NGTL Transferred Assets, attached to and forming part of this Order;

AND WHEREAS NGTL owns and operates the NGTL Transferred Assets pursuant to Certificate of Public Convenience and Necessity (Certificate) GC-113, which was issued on 15 April 2009 and came into force on 29 April 2009;

AND WHEREAS on 1 June 2010 the Board issued Amending Order AO-1-GC-113 to NGTL to reflect the removal of the Moosehorn River Sales Lateral and Moosehorn River Sales Meter Station from the Schedule A attached to and forming part of Certificate GC-113;

AND WHEREAS on 16 February 2011 the Board issued Amending Order AO-2-GC-113 to NGTL to correct errors in the Schedule A to Certificate GC-113;

AND WHEREAS on 28 May 2013 the Board issued Amending Order AO-003-GC-113 to NGTL to reflect the removal of the Brazeau East Lateral Pipeline and Pembina West Meter Station from the Schedule A to Certificate GC-113;

AND WHEREAS the change of ownership and possession of the ATCO Transferred Assets and the NGTL Transferred Assets (Closing) is to occur in four separate transactions;

AND WHEREAS specific facilities listed in Schedule A for the ATCO Transferred Assets and Schedule A for the NGTL Transferred Assets to this Order will have Closing on the same dates (Tranches);

AND WHEREAS the Board has examined the application and considers it to be in the public interest to grant the leave requested in the application;

IT IS ORDERED THAT:

A. Pursuant to paragraph 74(1)(a) of the NEB Act, that NGTL is granted leave to sell the NGTL Transferred Assets to ATCO Pipelines; and

B. Pursuant to paragraph 74(1) (b) of the NEB Act, that NGTL is granted leave to purchase the ATCO Transferred Assets from ATCO Pipelines.

This Order is subject to the conditions listed below:

1. NGTL shall, prior to the Closing of the first Tranche:
   a) confirm in writing to the Board that NGTL has obtained all required non-NEB regulatory approvals, including clearance from the Competition Bureau, and

   b) if the approvals in a) above are not obtained prior to the deadline, file with the Board an explanation describing why such timing is not feasible, detailing the remaining steps NGTL will take to obtain the required non-NEB regulatory approvals.

2. Unless the Board otherwise directs, this Order shall expire on 16 October 2016 unless an application for extension of the deadline is filed with the Board before 16 October 2016.

NATIONAL ENERGY BOARD

Sheri Young
Secretary of the Board