

1975 Bill 52
(Second Session)

First Session, 18th Legislature, 24 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 52

THE NATURAL GAS PRICING AGREEMENT ACT

THE MINISTER OF ENERGY AND NATURAL RESOURCES

First Reading

Second Reading

Third Reading

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BILL 52

1975

(Second Session)

THE NATURAL GAS PRICING AGREEMENT ACT

(Assented to _____, 1975)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

1. In this Act,

- (a) "Alberta border price" means
 - (i) the imputed Alberta border price as defined in paragraph 2 of the letter referred to in section 4, subsection (3), clause (a) with respect to the period during which the federal-provincial agreement referred to in that subsection is in effect, or
 - (ii) in the case of any other federal-provincial agreement, the amount determined under the agreement as the Alberta border price or the imputed Alberta border price;
- (b) "Btu's" means British thermal units;
- (c) "contract delivery point" means the point within Alberta at which delivery of gas is taken by the original buyer under a gas sales contract;
- (d) "contract field price" means the price of gas under a gas sales contract, whether the price is specified in the contract or is redetermined pursuant to the contract by agreement or by arbitration;
- (e) "federal-provincial agreement" means an agreement entered into or deemed to be entered into under section 4, subsection (1);
- (f) "gas" means gas (as defined in *The Oil and Gas Conservation Act*) that is produced, extracted or recovered in Alberta;
- (g) "gas sales contract" means a contract for the sale and delivery of gas within Alberta under which the producer of the gas is the seller;
- (h) "marketable gas" means marketable gas as defined in *The Oil and Gas Conservation Act*;

Explanatory Notes

1. Definitions.

- (i) "Minister" means the Minister of Energy and Natural Resources;
- (j) "original buyer" means the buyer under a gas sales contract;
- (k) "producer" means the person who owns gas at the time it is first produced, extracted or recovered in Alberta;
- (l) "regulated field price" means, with reference to any gas sales contract, the price to be paid under the contract by virtue of the operation of section 7.

2. For the purposes of this Act and any regulation or order under this Act, prices for gas and the cost of service or any kind of cost of service with respect to gas or the movement of gas shall be expressed in or converted to cents per million Btu's based on gross or higher heating value, upon such conditions as to the delivery of the gas as are specified in the gas sales contract for the gas, the contract relating to the movement of the gas or an order of the Minister under Part 2, as the case may be.

3. The Minister may delegate any of his powers and duties under this Act or the regulations to any agent of the Government of Alberta, except the power to enter into a federal-provincial agreement.

4. (1) With the approval of the Lieutenant Governor in Council, the Minister may enter into an agreement on behalf of the Government of Alberta with the Government of Canada for the purpose of establishing prices for the various kinds of gas during any period and for any other purposes related to the provisions of this Act.

(2) An agreement under subsection (1) may provide for the determination of an amount called the "imputed Alberta border price" or the "Alberta border price".

(3) The Lieutenant Governor in Council may declare that the following documents, namely,

- (a) the letter dated October 17, 1975 from the Minister of Energy and Natural Resources and the Minister of Federal and Intergovernmental Affairs to the Minister of Energy, Mines and Resources of Canada, and
- (b) the reply to that letter by the Minister of Energy, Mines and Resources of Canada,

be deemed to be an agreement made under subsection (1) with the approval of the Lieutenant Governor in Council

2. Manner of expressing prices of gas and costs of service.

3. Delegation of Minister's powers and duties.

4. Federal-provincial agreement.

and to have been in effect for the purposes of this Act as of November 1, 1975.

(4) *The Regulations Act* applies to orders of the Lieutenant Governor in Council under this section but an order made under subsection (3) and filed under that Act shall be deemed to have been in effect as of November 1, 1975 and not the date of filing.

PART 1

DETERMINATION OF FIELD PRICES OF GAS

5. In this Part, "cost of service" with respect to any gas or the movement of any gas means

- (a) the costs associated with the movement and metering of the gas,
- (b) the costs attributable to the acquisition of the gas by the original buyer, except the contract field price or the regulated field price, whichever applies, and
- (c) other costs that are related to any processing required to cause the gas to become marketable gas or that are otherwise related to the supply of the gas,

as prescribed by or pursuant to the regulations.

6. The purpose and intent of this Part is to provide for the regulation of prices paid for gas under gas sales contracts.

7. (1) Where a federal-provincial agreement is in effect during any month and the contract field price of gas delivered in that month under a gas sales contract and intended to be removed from Alberta is different from an amount equal to

- (a) the Alberta border price for the month

less

- (b) the cost of service with respect to the gas and the movement of the gas from the contract delivery point to the point on the Alberta border at which the gas is or will be removed from Alberta,

the price of the gas delivered under the contract during the month shall for all purposes be deemed to be the amount calculated pursuant to this subsection and not the contract field price.

(2) Where a federal-provincial agreement is in effect during any month and the contract field price under a gas sales contract relating to gas delivered in that month in Alberta for consumption within Alberta is greater than an amount equal to

- (a) the Alberta border price for the month

less

- (b) an amount estimated by the Minister as the amount that would be the cost of service with respect to the gas and the movement of the gas from the contract delivery point to a point on the Alberta border specified by the Minister if the gas were to

5. “Cost of service” defined for the purposes of Part 1.

6. Intent and purpose of Part 1.

7. Redetermination of contract field prices on the basis of the Alberta border price.

be moved between those points and pipeline facilities were available for that purpose, the price of the gas delivered under the contract during the month shall for all purposes be deemed to be the amount calculated pursuant to this subsection and not the contract field price.

8. (1) The regulated field price determined with respect to any gas purchase contract for any month applies with respect to that contract for that month notwithstanding

- (a) anything in the gas sales contract, or
- (b) any award under *The Arbitration Act* or any agreement that redetermines the price under a gas sales contract, or
- (c) any order of the Public Utilities Board under *The Gas Utilities Act*.

(2) Any provision in a gas sales contract that specifies the price of gas delivered thereunder and any award, agreement or order referred to in subsection (1), clause (b) or (c) is inoperative with respect to any month during which the regulated field price applies to the contract.

(3) Any cost of service prescribed, determined or estimated pursuant to this Part or the regulations under this Part applies notwithstanding any order of the Public Utilities Board under *The Gas Utilities Act*.

9. The Lieutenant Governor in Council may make regulations

- (a) providing for appeals from the determination of any cost of service under this Part;
- (b) providing for any matter in connection with or incidental to the administration of this Part.

8. Overriding effect of price determination under section 7 and of determination of cost of service.

9. Regulations.

PART 2
ACQUISITION AND RESALE OF GAS

10. In this Part,

- (a) "cost of service" means
 - (i) with reference to costs incurred in Alberta or deemed by the regulations to be incurred in Alberta with respect to any gas or movement of any gas,
 - (A) the costs associated with the movement and metering of the gas,
 - (B) the costs attributable to the acquisition of the gas by the original buyer, except the contract field price, and
 - (C) other costs that are related to any processing required to cause the gas to become marketable gas or that are otherwise related to the supply of the gas,as prescribed by or pursuant to the regulations, and
 - (ii) with reference to any costs incurred outside Alberta with respect to any gas or the movement of any gas, the cost of transmission and metering and all other costs associated with the movement of gas, as determined by the National Energy Board;
- (b) the "international border price" of any gas means the price of that gas at the point it crosses the international boundary of Canada as specified in the licence of the National Energy Board authorizing the removal of that gas from Canada.

11. The purpose and intent of this Part is to provide legislative authority for the following:

- (a) the acquisition by the Minister of gas, the removal from gas so acquired of any constituent other than methane, and the resale of the gas so acquired at prices consistent with the federal-provincial agreement;
- (b) the distribution to producers on an equitable basis of net revenues accruing to the Crown under this Part.

12. (1) The Minister may by order direct that any owner of gas in Alberta shall deliver that gas to the Minister at the point within Alberta prescribed in the order.

(2) Where gas is delivered to the Minister pursuant to an order under subsection (1), the gas becomes the property of the Crown in right of Alberta.

10. Definitions.

11. Purposes of Part 2.

12. Compulsory purchase of gas by the Minister and resale.

(3) Where any gas is delivered to the Minister pursuant to an order under subsection (1), the Minister shall compensate the person to whom the order is directed

- (a) in the case of gas intended to be removed from Alberta, in an amount equal to the Alberta border price less the cost of service with respect to that gas and the movement of that gas from the contract delivery point to the point on the Alberta border at which the gas is or will be removed from Alberta, or
- (b) in the case of gas intended for consumption within Alberta, in an amount equal to the lesser of
 - (i) the Alberta border price minus an amount estimated by the Minister as the amount that would be the cost of service with respect to the gas and the movement of the gas from the contract delivery point to a point on the Alberta border specified by the Minister if the gas were to be moved between those points and pipeline facilities were available for that purpose, and
 - (ii) the contract field price plus the cost of service with respect to the gas and the movement of the gas from the contract delivery point to the delivery point prescribed in the Minister's order under subsection (1).

(4) Where any gas is delivered to the Minister pursuant to an order under subsection (1), the Minister, on behalf of the Crown in right of Alberta, shall sell the gas, except for any constituent caused to be removed therefrom pursuant to section 13 and any gas used as fuel for the purpose of such removal, to the person to whom the order under subsection (1) was directed.

(5) Where the Minister sells gas pursuant to subsection (4), the price at which the gas shall be sold shall be

- (a) in the case of gas sold for consumption within Canada or gas used as fuel in the transmission of Canadian gas back to Canada in any pipeline system in the United States, the amount paid as compensation for the gas under subsection (3);
- (b) in the case of gas sold for consumption outside Canada, except gas used as fuel in the transmission of Canadian gas back to Canada in any pipeline system in the United States, the international border price less the sum of
 - (i) the cost of service with respect to the gas and the movement of the gas from the point at which the Minister delivers the gas to the

purchaser to the point on the Alberta border at which the gas is or will be removed from Alberta, and

- (ii) the cost of service with respect to the gas and the movement of the gas from the Alberta border to the point at which it crosses the international boundary of Canada.

(6) Except with respect to gas from which a constituent is removed pursuant to section 13, the point of delivery of gas sold by the Minister under this section shall be the delivery point prescribed in the order under subsection (1).

(7) The Minister may make an order under subsection (1) that is effective as of November 1, 1975 and in that case the order shall be deemed to have been in effect on November 1, 1975 for the purposes of this section as though this Act had come into force on that date, and any sale by the Minister of gas acquired under this subsection may, in the Minister's discretion, be deemed to have been made at any time on or after the date on which he is deemed to have acquired the gas under this subsection.

13. (1) Where the Crown in right of Alberta becomes the owner of any gas pursuant to section 12, the Minister, on behalf of the Crown in right of Alberta,

- (a) may, subject to subsection (2), cause to be removed from the gas in Alberta any constituent of the gas other than methane;
- (b) may enter into an agreement with any person for any purpose related to the removal of any constituent of gas pursuant to clause (b);
- (c) may sell within Alberta any constituent of the gas removed pursuant to clause (a) to any person.

(2) The Minister shall not take any action under subsection (1), clause (a) unless the Lieutenant Governor in Council

- (a) is satisfied that the constituent would not otherwise be removed from the gas within Alberta,
- (b) declares that it is in the public interest that the constituent be removed from the gas, and
- (c) approves the removal of the constituent from the gas by the Minister.

(3) There shall be a fund called the "Natural Gas Constituent Proceeds Fund" which shall be held and administered by the Minister.

(4) The Minister shall keep a separate accounting record of the Fund.

13. Removal of constituents from gas by the Minister and distribution of the sale proceeds to producers.

(5) The proceeds of the sale of any constituent sold pursuant to subsection (1), clause (c) shall be paid into the Fund.

(6) The following shall be paid out of the Fund:

- (a) any costs incurred by the Minister in connection with the removal of any constituent of gas pursuant to this section;
- (b) moneys paid to producers pursuant to the regulations under subsection (7).

(7) The Lieutenant Governor in Council may make regulations

- (a) authorizing the Minister to make payments to the producers of the gas from which any constituent was removed pursuant to this section, from moneys in the Fund that are not from time to time required to pay any costs referred to in subsection (6), clause (a);
- (b) prescribing the conditions on which the payments shall be made and the manner in which they shall be made;
- (c) governing any other matter incidental to the making of payments under this section.

(8) The regulations under subsection (7)

- (a) shall, as far as practicable, provide for payments to producers on an equitable basis;
- (b) may authorize the Minister or any other person to do any act in connection with the administration of the regulations;
- (c) shall be administered in such a manner that the producers receive all the moneys in the Fund except for those moneys required to pay costs referred to in subsection (6), clause (a).

(9) The Minister shall

- (a) after the end of each fiscal year of the Government prepare a report summarizing the operation of the Fund for the preceding fiscal year and a financial statement showing the revenues of and expenditures from the Fund during the same fiscal year,
- (b) submit the financial statement to the Provincial Auditor for auditing, and
- (c) when the report for a fiscal year and the financial statement, as audited by the Provincial Auditor, are prepared, lay a copy of them before the Legislative Assembly if it is then sitting and if not, within 15 days after the commencement of the next sitting.

14. (1) There shall be a fund called the "Natural Gas Pricing Agreement Act Fund" which shall be held and administered by the Minister.

(2) The Minister shall keep a separate accounting record of the Fund.

(3) The proceeds of the sale of gas received by the Minister pursuant to section 12 shall be paid into the Fund.

(4) The following shall be paid out of the Fund:

- (a) compensation payable by the Minister pursuant to section 12 with respect to gas delivered to him under that section;
- (b) any cost of service incurred by the Minister with respect to gas delivered to the Minister under section 12 and the movement of the gas from the point of delivery to the Minister to the point of delivery to the purchaser of the gas from the Minister;
- (c) moneys paid to producers pursuant to the regulations under subsection (5).

(5) The Lieutenant Governor in Council may make regulations

- (a) authorizing the Minister to make payments to producers on a monthly basis from moneys in the Fund that are not from time to time required to pay any compensation or costs referred to in subsection (4), clauses (a) and (b);
- (b) prescribing the classes of producers eligible to receive payments pursuant to regulations under clause (a);
- (c) prescribing the conditions on which the payments shall be made and the manner in which they shall be made;
- (d) governing any other matter incidental to the making of payments to producers under this section.

(6) The regulations under subsection (5)

- (a) shall, as far as practicable, provide for payments to eligible producers on an equitable basis;
- (b) may authorize the Minister or any other person to do any act in connection with the administration of the regulations;
- (c) shall be administered in such a manner that the eligible producers receive all of the moneys in the Fund except for those moneys required to pay for compensation or costs referred to in subsection (4), clauses (a) and (b).

(7) The Minister shall

- (a) after the end of each fiscal year of the Government prepare a report summarizing the operation of the Fund for the preceding fiscal year and a financial

14. The Natural Gas Marketing Fund and distribution to eligible producers of profits realized from the sale of gas by the Minister.

statement showing the revenues of and expenditures from the Fund during the same fiscal year,

- (b) submit the financial statement to the Provincial Auditor for auditing, and
- (c) when the report for a fiscal year and the financial statement, as audited by the Provincial Auditor, are prepared, lay a copy of them before the Legislative Assembly if it is then sitting and if not, within 15 days after the commencement of the next sitting.

15. Any cost of service prescribed, determined or estimated pursuant to this Part or the regulations under this Part applies notwithstanding any order of the Public Utilities Board under *The Gas Utilities Act*.

16. The Lieutenant Governor in Council may make regulations

- (a) providing for appeals from the determination of any cost of service under this Part;
- (b) providing for any matter in connection with or incidental to the administration of this Part.

PART 3

COMMENCEMENT

17. This Act comes into force on the day upon which it is assented to and upon coming into force shall be deemed to have been in force at all times on and after November 1, 1975.

15. Overriding effect of determination of cost of service.

16. Regulations.