PERSONALIZED INVESTMENT PLANNING INC.

1644 Highland Rd. W., Unit #5
Kitchener, Ontario
N2N 3K7
Bus: (519) 886-2707
Fax: (519) 886-0080

Cash Flow

There is an old saying "It's not what you earn so much as what you get to keep, that really counts".

We sincerely believe that today this is more important than it has ever been in the past. Inflation has been relatively benign over the last 4 – 5 years. We don't believe that the current interest rates and the related costs of living are sustainable in the near future. You don't have to look very far to come to this conclusion.

The Province of Ontario will announce its budget on May 1, 2014 and in that budget, we can expect to see cost items related to mass transit, highway construction and electricity to name a few. We have just seen gasoline prices reach new highs and we expect natural gas and electricity to follow soon.

Oh, did I mention Municipal and Provincial taxes?? Needless to say, you need to be prepared for these significant changes on the financial horizon.

We at Personalized Investment Planning & Benefits Plus have the tools that you will need to assist you in improving your cash flow in todays' challenging financial environment.

Please give us a call and I will be pleased to provide you with a brochure that describes in more detail how you can improve your cash flow and potentially reduce debt.

P.S. A recent article in the Financial Post (April 17/2014) addresses the soaring costs of energy. We recommend that you read it.

FINANCIAL POST

April 16, 2014

Cost of oil transported by pipelines up 60% in five years, NEB says

By Jeff Lewis

It's getting more expensive to export a barrel of oil from Canada by pipeline

CALGARY • It's getting more expensive to export a barrel of oil from Canada by pipeline.

Clean enough for California? The promise of steam-assisted gravity drainage in the oil sands[1]

Commercial variations of steam-assisted gravity drainage, or SAGD, date to the 1970s. But in recent years, the technique has emerged as the fastest-growing source of new oil sands expansion

A combination of higher costs for system expansions, larger payouts to landowners and more strident regulatory conditions is pushing up fees charged by pipeline companies to shippers, industry experts say.

The total cost of moving oil and natural gas on Canadian-regulated pipelines has shot up 60% in five years, according to National Energy Board (NEB) data. Tolls on the Enbridge Inc. system, which carries the bulk of Canadian crude exports into the U.S., doubled over the period, the data show.

Experts say most of that increase can be attributed to system expansions undertaken by Enbridge since 2008, including construction of its Alberta Clipper pipeline to Chicago. New pipelines are expensive, and tolls tend to decline over time as assets depreciate.

But the overall escalation comes with regulators increasingly flexing their muscles, attaching new environmental, financial and technical conditions to pipeline approvals in response to public calls for greater scrutiny on the industry.

The stepped-up regulation threatens to exacerbate cost inflation at a time major energy companies are desperate to see new pipelines built. The result could be even higher shipping fees on newer pipelines, from Enbridge Inc.'s $7.9-billion Northern Gateway to TransCanada Corp.'s $12-billion Energy East pipeline to Canada's Atlantic shore, observers say.

"There's been a definite ramp-up, particularly in the last couple of years, in the degree of regulatory oversight and conditions," said Glenn Booth, principal at Veracity Plus Consulting and a former chief economist with the NEB. "What you see on Northern Gateway is unprecedented."

A panel of energy and environmental regulators last year placed 209 conditions on the Edmonton-to-Kitimat oil pipeline. Enbridge must set aside nearly $1-billion in liability insurance to cover costs of a possible leak and fund oil-spill research. The company also has pledged to spend an extra $500-million on extra-thick pipe to safeguard against a rupture.

Company officials have warned such measures will contribute to a "significant" cost increase when a more detailed engineering assessment is completed later this year.

Commercial support for the project has not wavered, Janet Holder, Enbridge's vice-president of western access, said in an interview this week. She said additional costs are being shared with the project's original funding partners, which include Total SA, Suncor Energy Inc. and Cnooc Ltd.-owned Nexen Inc.

Those companies have yet to sign binding transportation service agreements to send crude on the line, however. They could balk if project costs climb too high, experts say.

By contrast, 13 energy companies have signed contracts in support of a proposed $5.4-billion expansion to Kinder Morgan Inc.'s rival Trans Mountain pipeline, which would nearly triple oil exports through Vancouver.

In Canada, pipeline tolls are typically negotiated among oil companies then reviewed by the NEB. The fees have taken on new importance amid chronic shortages of space on existing networks. Higher tolls eat into producer revenues, a significant consideration in Alberta's oil sands, which has some of the highest operating costs globally.

Suncor Energy Inc., Canada's largest oil company, last year accused Kinder Morgan of trying to extract monopoly profits from shippers by jacking up the price of shipping crude to Canada's West Coast on its proposed expansion project. Regulators ultimately rejected that view. But they found current pipeline constraints gave the Houston-based pipeline company an edge in negotiating shipping contracts with producers.

Delays are also pushing up the cost of transporting crude. TransCanada Corp., for one, has sunk at least $2-billion maintaining pipe in the field for its contentious Keystone XL project while it awaits a decision from the U.S. government. Company officials have said shippers would be on the hook for a "material" jump in expected costs, over and above the current estimate of $5.4-billion.

Most observers argue such increases pale in comparison to potential gains at the other end of the pipe. Much also depends on how commercial contracts are structured - not all cost increases necessarily flow through to shippers in equal measure, experts say.

Even so, the cost of transportation has jumped in step with volume increases. Last year Canada's pipeline system transported more than $134-billion worth of energy products, at an estimated transportation cost to producers of $7.1 billion, according to NEB data published this month. In 2008, the last year for which the energy watchdog reviewed such data, pipelines moved $127-billion worth of energy products at a transportation cost of $4.4-billion.

"We used to think cost per diametre inch-mile for the [average] pipeline itself was roughly $100,000, and now we're seeing closer to $200,000," said Steven Paget, analyst at FirstEnergy Capital Corp. in Calgary, using a standard industry measure.

Regulatory costs have also crept up, he said. "It's not impossible to see costs go to half a billion dollars on a major pipeline before sod is even turned."

References

1. business.financialpost.com/2014/04/12/clean-enough-for-california-the-promise-of-steam-assisted-gravity-drainage-in-the-oil-sands

National Post