

File No.: 8630-N1-3

February 25, 2002

Western Product Development
TransCanada Pipelines Limited
111 - 5 Avenue S.W.
Calgary, Alberta T2P 3Y6
Attention: Mr. Denis Gagnon

Dear Mr. Gagnon:

**NOVA GAS TRANSMISSION LTD. (NGTL)
FACILITIES LIASON and TOLLS, TARIFF & PROCEDURES COMMITTEES
(FLC/TTP)
RESOLUTION F2001-01/T2001-05 – THRESHOLD LEVEL FOR SALE OF ASSETS**

The above noted resolution, attached to your letter dated January 14, 2002, relating to the establishment of a threshold level for the sale of NGTL assets is accepted as a filing for information. The resolution supported the findings of the joint FLC/TTP Threshold Level for Sale of Assets Task Force (Task Force).

The Task Force agreed to the threshold level concept whereby the sale of an NGTL asset valued at less than \$6 million (either sale price or original cost) could be completed without Board approval. The Task force also agreed that the \$6 million threshold (Threshold) would remain in place until amended by the next Alberta System Rate Settlement, and that NGTL had sole discretion to seek Board approval of sales below the Threshold. NGTL's divestiture process would include the provision of notice to the FLC/TTP. Any party objecting to a sale of NGTL assets could continue to do so through a submission to the Board. Finally, the Task Force agreed to report on a quarterly basis to the FLC/TTP on asset sales on an aggregate basis. It is understood that Resolution F2001-01/T2001-05 was supported by the TTP at its January 8, 2002 meeting.

Notwithstanding the Board's acceptance of the resolution, the Board considers it beneficial to reiterate certain other aspects of Order U2001-196, which approved the sale of the NGTL Athabasca Maintenance Facility. In that Order the Board considered not only the quantum of the sale, but also the proposed accounting treatment of the proceeds, and any consequential impact

the sale might have on rates and the level of service provided to customers (essentially the no-harm test).

In that case the Board found that the sale met the no-harm threshold and was acceptable. The Board also agreed to NGTL's proposed accounting for the disposition of the proceeds of the sale, which was to credit the appropriate accumulated depreciation accounts with the net proceeds of the sale. Further, the Board directed NGTL to report annually with respect to dispositions in a report sufficiently detailed to allow for a review of individual dispositions, both inside and outside the ordinary course of business.

To be clear, for a sale that is below the Threshold, NGTL will not require the Board's approval unless some other element of the no-harm test is not met. With respect to the accounting and report of these sales, the Board expects NGTL to adhere to the requirements of U2001-196 until otherwise directed.

NGTL is directed to distribute the filing, including the resolution, and this letter to its customers. The EUB's letter has been provided in electronic format to facilitate the distribution to customers.

Yours truly,

<original signed by Mr. Heggie>

Robert Heggie
Executive Manager, Utilities Branch