

CHAPTER 7 – CAPITAL EXPENDITURE AND FINANCIAL FORECAST**7.1 Introduction**

Capital expenditure and financial forecasts included in this Annual Plan are based upon the June 2006 design forecast and design assumptions outlined elsewhere in the Annual Plan. The forecasts are subject to revision and are dependent upon the approval and timing of construction projects and Customer applications for service.

This chapter includes data for the years 2006 and 2007. During 2006 NGTL operated under final rates that were approved by the Board in Decision U2006-83. The rates applied for were based on the revenue requirements established pursuant to the 2005-2007 Revenue Requirement Settlement approved by the Board in Decision 2005-057. For 2006, the data is based on the information contained in the 2006 final rate application. For 2007, the data is based on the 2007 Interim Rates, Tolls and Charges Application. A decision on the 2007 Interim Rates, Tolls and Charges Application is pending. This chapter does not include a forecast of capital expenditures for 2008 for the facilities contained in this Annual Plan or the impact on the revenue requirement and rates for 2008.

7.2 Capital Expenditure Forecast

NGTL's forecast of capital expenditures in 2007, including the facilities requirements identified in this Annual Plan, is provided in Table 7.2.1. This table also shows forecast capital expenditures for 2006. The table is segmented into capacity capital, including mainline expansion, receipt and delivery facilities, and retirements, and system maintenance and general plant. The figures are presented on a calendar year basis and are rounded to the nearest \$5 million.

The firm transportation design process identifies facilities requirements for the 2007/08 Gas Year. The costs associated with the facilities requirements for the 2007/08 Gas Year will generally occur in the 2007 and 2008 calendar years.

Table 7.2.1
Capital Expenditure Forecast
(\$ millions)

	2006	2007
Capacity Capital		
Mainline Expansion	200	210
Receipt and Delivery	35	25
Retirements	0	0
System Maintenance and General Plant	20	25
Total	255	260

7.3 Financial Forecast

Financial information, including forecasts of NGTL's revenue requirements and firm transportation demand rates, associated with 2006 and 2007 is provided in Table 7.3.1. Also included are forecasts of system annual throughput and ex-Alberta firm transportation unit cost for the years 2006 and 2007. The amounts for investment base and for revenue requirement are rounded to the nearest \$5 million.

Table 7.3.1
Financial Forecast
(\$ millions)

	2006	2007
Investment Base (December 31)	4,305	4,285
Revenue Requirement ¹	1,080	1,115
System Annual Throughput (tcf) ²	4.12	4.08
Unit Volume Cost (¢/mcf) ³	28.0	27.9
Monthly Average Firm Transportation Receipt Demand Rate (\$/mcf) ⁴	4.08	4.26
Monthly Firm Transportation Delivery Demand Rate (\$/mcf) ⁵	4.08	4.26
Ex-Alberta Average Firm Transportation Unit Cost (¢/mcf) ⁶	26.8	28.0

NOTES:

- 1 The 2007 revenue requirement is based on the interim rate application for 2007. The 2006 revenue requirement is based on the 2005-2007 Revenue Requirement Settlement Application and information contained in the 2006 final rate application.
- 2 Throughput includes fuel gas.
- 3 Unit volume cost is lower in 2007 compared to 2006 because the revenue requirement (net of deferrals from the previous year) is lower in 2007 than 2006.
- 4 Based on a three year term.
- 5 The Monthly Firm Transportation Delivery Demand Rate for 2007 is \$4.00/GJ. The rate has been provided on volumetric basis in the above table for comparative purposes.
- 6 The forecast of ex-Alberta firm transportation unit cost assumes a one to one receipt to delivery ratio at a 100% load factor and is based on the average three year firm transportation receipt rate and the firm transportation delivery rate, expressed on a volumetric basis.