WEG-NGTL-001

Reference:

Non-Direct Costs

(i) At Section 2.2.1, page 5 of 62, lines 14-15, NGTL states:

> The remaining 26.5% were non-direct costs related to General Plant and Working Capital, and General and Administration (G&A).

(ii) Page 6 of 62, lines 8-19, NGTL discusses how the non-direct costs are allocated.

(iii) Page 9 of Appendix 2A, Table 4 Functionalized Pipeline Asset Costs.

Request:

(a) Please confirm that the 26.5% of non-direct costs (in (i) above) refers to the $344.5 million total non-direct costs indicated in Table 4 (in (iii) above). If not, please provide a breakdown of those non-direct costs in the same format as in Table 4.

(b) For each of the non-direct costs on Table 4, or the new table provided in response to (a) above, please identify whether each of the non-direct costs are predominantly distance-related, non-distance-related or a combination of both.

(c) Please explain NGTL's rationale for each response in (b) above, being distance-related, non-distance-related or a combination of each.

Response:

(a) Confirmed.

(b) Please refer to Attachment WEG-NGTL-001(b).

(c) Please refer to Attachment WEG-NGTL-001(b).

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Non-Direct Costs	Classification	Reason for Classification
General Operating Assets	Non-Distance Related	Includes compressors, pipes and m/s required for emergency response, until they are in use there is no obvious relationship to distance.
Calgary Offices	Non-Distance Related	Includes costs related to Calgary Head Office, no obvious relationship to distance.
Field/Service Centers/Vehicles	Combined	Includes costs related to field office, heavy equipment, vehicles,etc., vehicles may have some relationship to distance.
Information Technology	Non-Distance Related	Includes costs related to computer hardware and software, no obvious relationship to distance.
Cash Working Capital	Non-Distance Related	No obvious relationship to distance.
Material & Supplies Inventory	Non-Distance Related	Includes the cost of materials purchased primarily for use in the construction, operation or maintenance of pipeline facilites, no obvious relationship to distance.
Linepack Gas	Distance Related	There is a relationship between linepack gas and distance.
Unamortized Debt Issue Costs	Non-Distance Related	No obvious relationship to distance.
Maintenance	Combined	Includes operating expenses for the Field Operatons and Engineering Departments which are related to to the maintenance of the pipeline facilities.
Other Departments	Non-Distance Related	Includes operating expenses for all other company departments, no obvious relationship to distance.
General Expenses	Non-Distance Related	Includes recurring costs incurred in the conduct of business (eg. insurance, external legal fees, etc). There is no obvious relationship to distance.
Other Expenses	Non-Distance Related	Includes sporadic costs incurred in the conduct of business (eg. Uninsured losses, regulatory hearing expenses, etc). There is no obvious relationship to distance.

WEG-NGTL-002

Reference:

Section 2.2.1, page 10 of 62, lines 15-17

NGTL states:

> This [NIT] pool includes supply from over 900 individual receipt points and provides delivery to over 100 intra-Alberta delivery points, as well as to six ex-Alberta pipelines that supply markets across North America.

Request:

(a) Exactly how many individual Receipt point meters are there and what is the NBV and estimated COS in respect of those receipt point meters?

(b) Exactly how many individual intra-Alberta delivery point meters are there and what is the NBV and estimated COS in respect of those intra-Alberta delivery point meters.

(c) Exactly how many individual ex-Alberta meters are there and what is the NBV and estimated COS in respect of those ex-Alberta meters.

(d) Based on contract demand and estimated cost of service, please provide the estimated unit cost of service for:

  (i) receipt point meters;

  (ii) intra-Alberta delivery meters; and

  (iii) ex-Alberta meters.

(e) Are there facilities, other than meters, which are used primarily to provide service for intra-Alberta deliveries? What is the NBV of these facilities and the estimated cost of service?

WEG-NGTL-002

Response:

(a) Please refer to the table provided below.

Analysis of Metering Costs

Category	Sub-Category	No. of Stations	Estimated NBV at Dec. 31, 2003 ($ millions)	Annual Cost ($ millions)	Avge. Daily Volume (MMcf)	Unit Cost (¢/Mcf)
Receipt		944	245.5	88.7	10,586.74	2.30
Export Delivery		10	40.9	8.0	9,173.49	0.24
Intra-Alberta Delivery:						
	Industrial	19	9.0	2.4	390.40	1.70
	Producer	90	19.6	7.9	287.14	7.50
	Utility	36	12.9	4.1	269.14	4.13
Total Intra-Alberta Delivery		145	41.6	14.4	946.7	4.15
Storage		14	15.6	3.1	1,025.70	0.83
Extraction		6	1.2	0.5	405.16	0.36
Totals		1119	344.7	114.7	22,137.78	1.42

(b) Please refer to the response to (a).

(c) Please refer to the response to (a).

(d) Please refer to the response to (a).

(e) No. Facilities upstream of delivery meters are used to provide multiple services.

WEG-NGTL-003

Reference:

Tab 2.2.1, page 18 of 62, Q&A 27

Preamble:

NGTL refers briefly to two other cost allocation methodologies that it "has not developed… in sufficient detail to properly evaluate further in this Application." [emphasis added]

Those alternatives are:

(i) functionalize receipt services into mainline and lateral components, and

(ii) export point-specific delivery prices.

Request:

(a) Are (i) and (ii) above mutually exclusive? Please discuss.

(b) Please discuss NGTL's current view on the merits and demerits of both (i) and (ii) above, that led it to conclude each had sufficient potential to warrant mention in its Application.

(c) Please provide the detail NGTL does have on each of these two that formed the basis of the evaluation it has conducted to date. Produce copies of all relevant working papers, preliminary analyses, internal memoranda and consultants' work product.

(d) Are there any possible future NGTL changes it has announced or that it is currently considering that may cause either (i) or (ii) above to be more or less appropriate as a cost allocation methodology in the future? If so, please identify those changes and explain how each would affect the applicability to the NGTL system of that methodology.

WEG-NGTL-003

Response:

(a) No. Each Alternative could be implemented independently or both could be implemented concurrently.

(b) As NGTL stated in Section 2, Page 18, lines 6 – 15 of the Application, functionalization of receipt services into mainline and lateral components has merit because the rates would be based on a more detailed segregation of costs than the existing methodology. The use of export point specific delivery prices has merit because the individual export point delivery rates would be based on a more detailed segregation of costs than the existing flat rate approach.

(c) NGTL provided information on the mainline/lateral concept in Section 2 of its 2004 GRA Phase 2 Application. However, NGTL has not conducted any further formal evaluation of either alternative nor otherwise advanced these concepts in sufficient detail to provide more information at this time.

In any event, NGTL generally will not provide internal working papers, correspondence and analysis used in the preparation of filed hearing documents. These materials are often either draft or otherwise incomplete documents which may not indicate the context and purpose for which they were prepared. Some of these materials also are subject to claims of legal privilege, or contain confidential NGTL and customer information.

(d) No.

WEG-NGTL-004

Reference:

Section 2.3, pages 30 and 31 of 62

Preamble:

At lines 18 through 25 of page 30, NGTL begins its explanation of limits on its cost allocation methodology, stating it must maintain certain cost relationships. Those cost relationships were, for NGTL's "(a)":

$$\frac{FTR + FTD}{2} = FTR + FTA$$

and for NGTL's "(b)":

$$FTR = FTD$$

Request:

(a) Confirm that if the cost relationships in both NGTL's (a) and (b) above are true concurrently, then FTA has to be zero.

(b) If the answer to (a) above is "yes", then describe how both equations can be simultaneously honoured while providing a separate transmission rate component for FTA service other than zero.

(c) If NGTL could only maintain one of either cost relationship (a) or (b) from page 30, but not both, which would it recommend the Board preserve and why?

(d) To maintain the relationship of the second equation [FTR = FTD] is the following additional cost relationship a reasonable solution:

$$FTR + 1/2\ FTA = FTD + 1/2\ FTA$$

If not, why not?

(e) To maintain the relationship of the second equation [FTR = FTD] is the following additional cost relationship a reasonable solution:

WEG-NGTL-004

FTR = FTA + FTD

If not, why not?

(f) If FTA revenue is credited against NGTL's general revenue requirement and then again credited against revenue to be collected from FTR customers, is this FTA revenue being double counted for rate design purposes? Please explain.

Response:

(a) WEG misstates the relationships of the existing rate design in the preamble. The relationships are correctly stated as follows:

(a) The transmission component of the average service rate (FT-R + FT-D) = 2 x the transmission component of the average service rate (FT-R + FT-A); and

(b) The transmission component of the average FT-R rate = the transmission component of the FT-D rate.

These two relationships can only hold true at the same time when the transmission component of the FT-A rate is zero.

(b) Both equations cannot hold true at the same time if the transmission component of the FT-A rate is any value other than zero.

(c) NGTL is not recommending one relationship over the other. NGTL recommends maintaining both of the existing relationships. Alternatives 1, 2 and 3 maintain the first relationship at the expense of the second relationship. Alternatives 4, 5 and 6 do not maintain either relationship.

(d) NGTL sees no merit in WEG's proposal. Adding the same value to both sides of an equation will still maintain the original relationship.

(e) NGTL sees no merit in WEG's proposal. Adding a value to only one side of an equation will not maintain the original equation unless that value is zero.

(f) No revenue is being double counted. If revenue was credited twice then NGTL would not be able to generate its total revenue requirement.

WEG-NGTL-005

Reference:

Intra-Alberta delivery toll

Request:

(a) Does NGTL agree with the following proposition: "FTA is a service that facilitates utilization of the NIT sourcing of gas, therefore it is a delivery service"?

(b) Provide NGTL's rationale for the response to (a) above and discuss fully.

(c) If NGTL's answer to (a) above is "yes", does NGTL also agree, therefore, that FTR = FTA + FTD? Again, please discuss fully NGTL's views on this matter.

Response:

(a) No. FT-A is a delivery service because it provides for delivery of gas and not because it facilitates utilization of the NIT sourcing of gas.

(b) Please refer to the response to (a).

(c) Not applicable.

WEG-NGTL-006

Reference:

Tab 2.3, page 30 of 62, Q&A 35, lines 21-23

Request:

(a) Please report the effect on tolls and discuss the merits and demerits in NGTL's view of the Board approving NGTL's Application as filed with only one change, namely, instead of the 2:1 cost relationship (adjusted in this Application to reflect the historic pattern of 2.2:1) in "(a)" at the above reference [(FTR + FTD) = 2(FTR + FTA)], use a 10:7 cost relationship to reflect the COH study results.

(b) Please respond to (a) above if, instead of replacing 2.2:1 with 10:7, it was replaced with the notional mid-point between those two ratios, approximately 10:6 (or to be precise, it would be 10:5.775 - the mid-point between 10:4.55 and 10:7).

Response:

(a) NGTL believes that changes to any one part of the existing rate design for 2005 would significantly, and unpredictably, disrupt the balance of competing interests which it represents. Please refer to the response to WEG-NGTL-012 for analysis using the COH methodology.

(b) There is no logical rationale for mixing these two independent methodologies. Please refer to the response to WEG-NGTL-012 for analysis using the COH methodology.

WEG-NGTL-007

Reference:

Allocating Revenue Requirement

Request:

(a) Please confirm that the 50/50 split was not originally based on the results of a DOH study. Rather, after a 50/50 split was selected, the results of a DOH study provided a degree of corroboration after the fact.

(b) If (a) cannot be confirmed, please modify it to a form that NGTL considers accurate.

(c) In NGTL's view, has the Board ever approved the 50/50 split as a direct consequence of DOH studies (as opposed to checking this *a priori* split against DOH study results from time to time).

Response:

(a) Confirmed. Please refer to the response to BR-NGTL-002(g).

(b) Not applicable.

(c) No. Please refer to the response to BR-NGTL-002(g).

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WEG-NGTL-008

Reference:

Appendix 2A, Distance of Haul Study, page 3 of 13, Methodology

Request:

(a) Did NGTL's filed DOH study incorporate gas flows into or out of both storage and extraction for the determination of distances of haul for receipt, intra-Alberta and ex-Alberta services?

(b) If the answer to (a) is "yes", please explain in detail how such flows were factored into the calculations.

(c) How does the DOH study factor seasonal variations into the determination of distances of haul?

Response:

(a) The DOH study treats extraction delivery points in the same manner as other intra-Alberta delivery points. Therefore, extraction delivery points are a component of overall intra-Alberta DOH calculations. The study also treats flows to extraction delivery points in the same manner as flows to other intra-Alberta delivery points. Please refer to the 2003 DOH Study in Appendix 1 to Appendix 2A of the Application for an explanation of the DOH calculation methodology.

All volumes that are delivered into storage stations under IT-S must be received from storage under IT-S and continue to their ultimate destinations. For this reason, storage stations are not included in the DOH calculation for either the intra-Alberta DOH or ex-Alberta DOH. However, storage volumes into and out of storage stations are used in the DOH model to balance the flows on a monthly basis as generally storage volumes are being injected in the summer months and withdrawn in the winter months.

(b) Deliveries to extraction facilities are treated in the same manner as deliveries to other intra-Alberta delivery stations. Please refer to the 2003 DOH Study in Appendix 1 to Appendix 2A of the Application for an explanation of the DOH calculation methodology.

WEG-NGTL-008

(c) The DOH study is compiled using monthly flow paths and monthly volumes. Each monthly volume and flow path is based on the average daily flows for that particular month. This analysis of flow on a monthly basis accounts for seasonal variations.

Please refer to the Application, Appendix 1 to Appendix 2A, DOH study, Page 7 of 13, Table 4.1 for results by month for 2003.

WEG-NGTL-009

Request:

(a) Please report the capital spent, either directly or through TBO arrangements, in each of the last five years and forecast to be spent in each of the next five years (assume the Mackenzie Delta pipeline is built as applied for and NGTL's forecast growth plans are approved), solely on:

(i) receipt points,

(ii) intra-Alberta delivery points in the oils sands region,

(iii) intra-Alberta delivery points other than in the oil sands region, and

(iv) export points.

If any capital investments were made in respect of any two or more of the above, please segregate those costs and identify the two or more of the above that were improved by the capital investment and, where possible, indicate the allocable share of each. Please include in your response to this request for information, details of dollars spent on TBO or other contractual arrangements in lieu of capital investments as well as about acquisitions of facilities from third parties.

(b) If Mackenzie Delta gas comes into the NGTL system as proposed, will that gas be treated as an intra-Alberta receipt?

(c) What is NGTL's view on the probable effect on DOH and COH of the infusion into its system of:

(i) Mackenzie Delta gas, and/or

(ii) Alaska-sourced gas?

Please discuss.

(d) To the extent that NGTL believes the infusions referred to in (c) above may cause significant shifts in costs after allocations, does it also believe that those implications, and the potential for them to trigger regulatory changes, ought to be known before large capital investments are made on the basis of any assumption the status quo will persist?

WEG-NGTL-009

Response:

(a) NGTL has no capital associated with TBO agreements. The following table provides capital addition costs and TBO costs for the years 2000 to 2005. Note that the 2005 values are forecast costs and the capital value covers capacity capital only.

Year	2000	2001	2002	2003	2004	2005
	($ million)					
Capital	145.4	129.1	165.2	52.7	87.1	75.7
TBO	77.4	86.5	79.6	76.8	77.2	83.4

The only costs that are solely related to a receipt or delivery point are meter station costs. For the years 2000 – 2003 the following costs were related specifically for measurement: $12.2 million for 2000, $14.8 million for 2001, $9.3 million for 2002 and $8.0 million for 2003. For the capital expenditures in 2004 the breakdown was $6.7 million for receipt meter stations, $0.3 million for storage and $0.7 million for delivery stations in the oil sands region. All other costs are incurred to provide multiple services through NGTL's integrated system. As a result NGTL cannot provide a further breakdown.

(b) Yes. Gas can be received onto the Alberta System using FT-R, FT-RN, IT-R and FT-P services. Currently NGTL has requests for FT-R service at the terminus of the Mackenzie Valley Pipeline.

(c) Please refer to the response to BR-NGTL-002(h).

(d) NGTL does not know how these changes, in combination with other events, may affect the intra-Alberta to ex-Alberta DOH ratio. In any event, changes to the intra-Alberta to ex-Alberta DOH ratio may not necessarily require amendments to the rate design. NGTL believes that the rate design will continue to evolve to meet the changing dynamics of the marketplace and to reflect, at any given time, an appropriate balance of interests among stakeholders.

WEG-NGTL-010

Reference:

Appendix 2A, page 9 of 13; Appendix 2C, page 10 of 14

Request:

Please calculate and report border-specific rates for FTD based on NGTL's:

(a) DOH, and

(b) COH.

Response:

(a) The DOH study is used to establish the reasonableness of the split of transportation costs between the intra and ex-Alberta markets. Rates are not calculated based the results of the DOH study.

As indicated in Section 2.2.1 on Page 18, lines 10 to 15 of the Application, NGTL believes that calculation of export point specific delivery prices using an analogous methodology to the existing receipt point specific pricing algorithm may have some merit. However, NGTL has not developed these concepts in sufficient detail to properly evaluate them or to calculate border specific rates.

(b) Please refer to the response to (a).

WEG-NGTL-011

Reference:

Appendix 2A, Cost of Service Study, page 4, footnote 3 to Table 1, NGTL states that the total length of pipe in 2003 was 14,131 miles

Request:

Using NGTL's current criterion to determine whether a new facility is a transmission facility or is a lateral that NGTL will not construct, what percentage of the 14,131 miles of pipeline would be defined as a lateral and what percentage would be defined as transmission.

Response:

The Guidelines for New Facilities were not developed for, nor are they applicable to, the assessment of existing facilities. NGTL provides an analysis of mainline-lateral split in the response to ATCO-NGTL-023.

WEG-NGTL-012

Reference:

Section 2.2.2, Cost of Service Analysis

NGTL performed a series of sensitivities based upon its DOH and COS studies. DOH and COH are different methods of allocating COS to determine rates.

Request:

(a) For the most recent COS, please recalculate, based on COH instead of DOH, the following:

(i) Table 2.2.2-1 Comparison of Alternatives 1 to 3,

(ii) Table 2.2.2-3 Illustrative Rates and Ratios from Application of Existing and Alternative COS Methodologies,

(iii) Table 2.2.2-4 Change in Existing Illustrative Rates and Ratios from Application of Alternative COS Methodologies, and

(iv) Table 2.2.2-5 Change in Existing Illustrative Rates and Ratios from Application of Alternative COS Methodologies.

(b) If not provided in response to (a) above, please provide the FTR, FTA and FTD rates if they were to be derived utilizing a COH-based cost split rather than a DOH-based cost split. Show the calculations and indicate all assumptions made in arriving at these rates.

Response:

(a) Please refer to Attachment WEG-NGTL-012(a).

(b) Please refer to Attachments 1 through 3, WEG-NGTL-012(b) for all calculations and assumptions.

Table 2.2.2-1 - Revised
Comparison of COH Alternatives 1 to 3

	COH Alternative		
Cost Allocation	**1**	**2**	**3**
Intra-Alberta/Ex-Alberta DOH Ratio	71.9%	71.9%	71.9%
Percent of the COS for transmission facilities not associated with export, storage, or extraction included in the FT-A rate	0%	50%	50%
Percent of the cost for the Ventures, ATCO and Kearl Lake TBOs included in the FT-A rate	0%	0%	50%

Table 2.2.3-1 - Revised
Illustrative Rates and Ratios from Alternative COS Methodologies
(cents/Mcf)

Alternative	Existing	COH 1	COH 2	COH 3
Rate/Ratio				
Average FT-R	15.51	20.70	20.29	19.26
FT-D	15.51	8.96	9.42	10.59
FT-A	1.42	1.42	1.87	3.00
Average FT-P	15.89	21.08	20.67	19.64
FT-X	-	-	-	-
IT-S	-	-	-	-
Intra Rate	16.93	22.12	22.16	22.26
Export Rate	31.02	29.66	29.71	29.85
Intra/Ex Ratio	54.6%	74.6%	74.6%	74.6%
Intra Transmission	14.09	19.28	19.32	19.42
Ex Transmission	28.18	26.82	26.87	27.01
Intra/Ex Ratio	50.0%	71.9%	71.9%	71.9%
Receipt Rate	15.51	20.70	20.29	19.26
Export Rate	31.02	29.66	29.71	29.85
Receipt/Ex Ratio	50.0%	69.8%	68.3%	64.5%

Table 2.2.3-2 -Revised
Change in Illustrative Rates and Ratios from Alternative COS Methodologies
(cents/Mcf)

Alternative	Existing	COH 1	COH 2	COH 3
Rate/Ratio				
Average FT-R	-	5.19	4.78	3.75
FT-D	-	(6.55)	(6.09)	(4.92)
FT-A	-	-	0.45	1.58
Average FT-P	-	5.19	4.78	3.75
FT-X	-	-	-	-
IT-S	-	-	-	-
Intra Rate	-	5.19	5.23	5.33
Export Rate	-	(1.36)	(1.31)	(1.17)
Intra/Ex Ratio (percentage points)	-	20.00	20.01	20.00
Intra Transmission	-	5.19	5.23	5.33
Ex Transmission	-	(1.36)	(1.31)	(1.17)
Intra/Ex Ratio (percentage points)	-	21.89	21.90	21.90
Receipt Rate	-	5.19	4.78	3.75
Export Rate	-	(1.36)	(1.31)	(1.17)
Receipt/Ex Ratio (percentage points)	-	19.79	18.29	14.52

Table 2.2.3-3 - Revised
Change in Illustrative Rates and Ratios from Alternative COS Methodologies
(%)

Alternative	Existing	COH 1	COH 2	COH 3
Rate/Ratio				
Average FT-R	0%	33%	31%	24%
FT-D	0%	-42%	-39%	-32%
FT-A	0%	0%	32%	111%
Average FT-P	0%	33%	30%	24%
FT-X	0%	0%	0%	0%
IT-S	0%	0%	0%	0%
Intra Rate	0%	31%	31%	31%
Export Rate	0%	-4%	-4%	-4%
Intra/Ex Ratio	0%	37%	37%	37%
Intra Transmission	0%	37%	37%	38%
Ex Transmission	0%	-5%	-5%	-4%
Intra/Ex Ratio	0%	44%	44%	44%
Receipt Rate	0%	33%	31%	24%
Export Rate	0%	-4%	-4%	-4%
Receipt/Ex Ratio	0%	40%	37%	29%

Diagram Alternative COH 1 Illustrative Rate Calculation

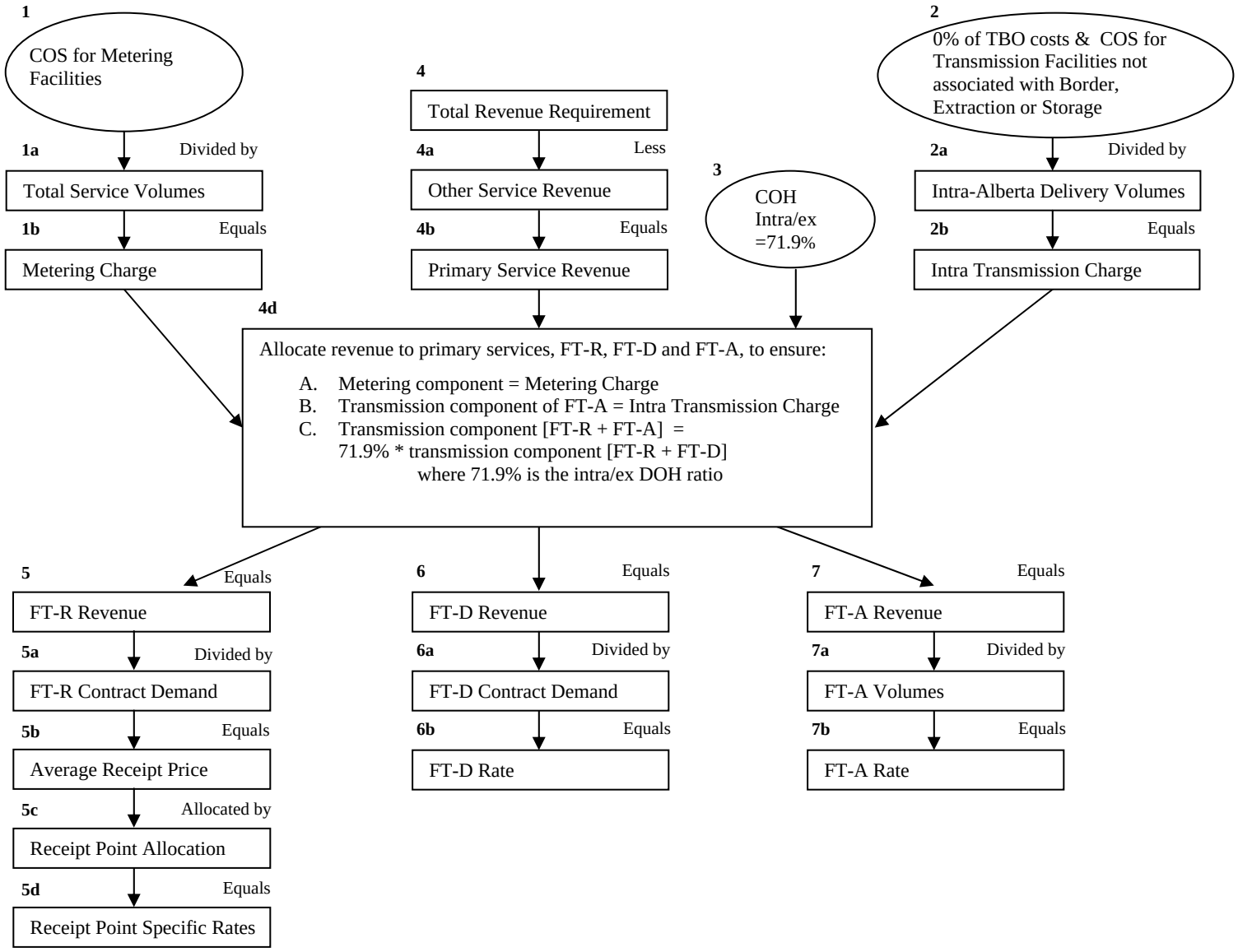
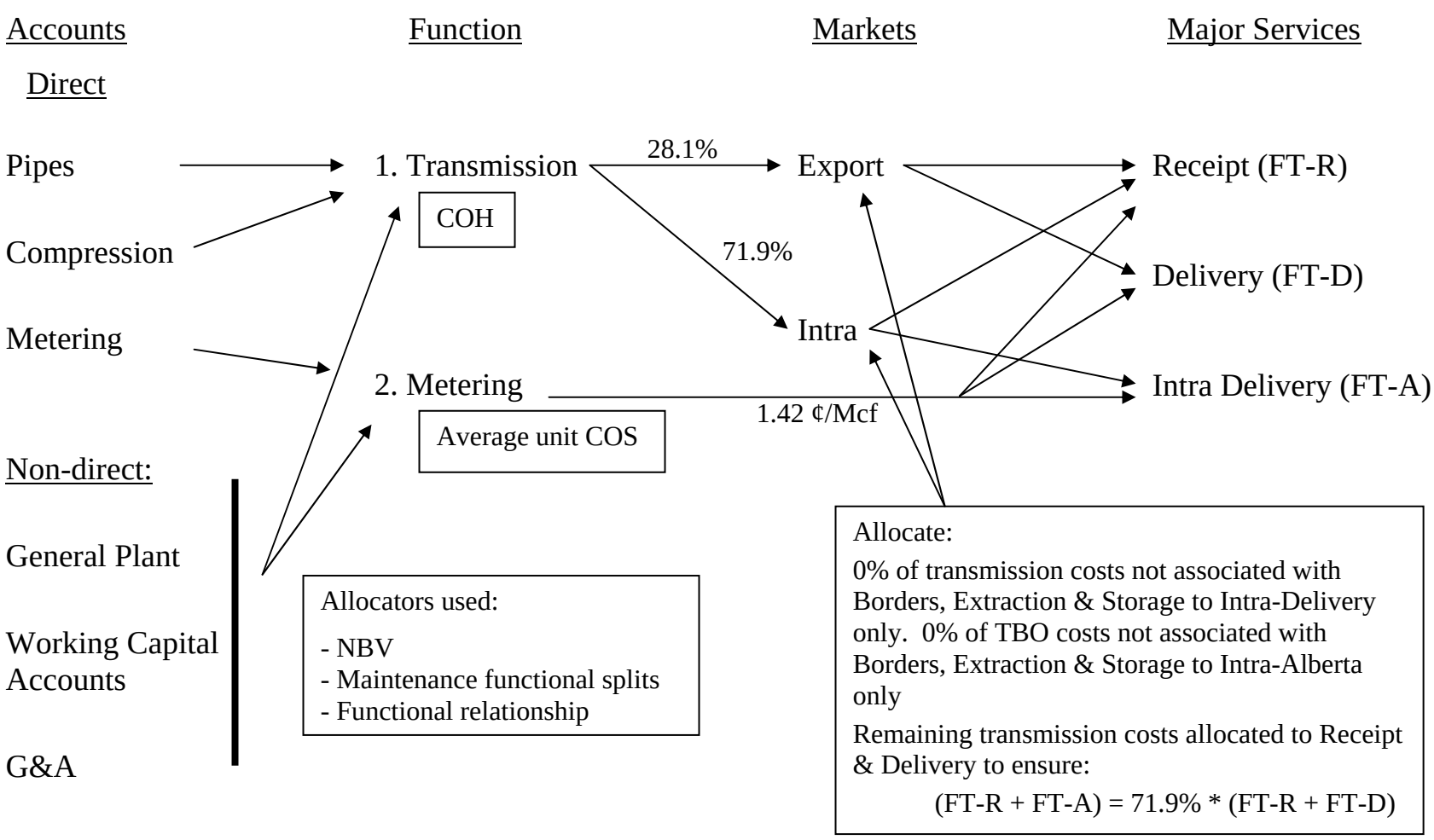


Diagram Alternative COH 1

Application of Cost Allocations to Rates Determination



Box/Oval	**Diagram Alterntive COH 1**
Oval 1	$114,741,982
Box 1a	22,137,781 Mcf/d
Box 1b	$0.0142 Mcf/d
Oval 2	$0.0 million
Box 2a	513.7 Bcf/yr
Box 2b	$0.00 Mcf/d
Oval 3	Intra/Ex COH 71.9%
Box 4	$1,160 million
Box 4a	$314.9 million
Box 4b	$845.0 million
Box 4d	n/a
Box 5	$604.6 million
Box 5a	2,920.1 Bcf/yr
Box 5b	$0.2070 Mcf/d
Box 6	$240.4 million
Box 6a	2,684.7 Bcf/yr
Box 6b	$0.0896 Mcf/d
Box 7	$5.3 million
Box 7a	374.71 Bcf/yr
Box 7b	$0.0142 Mcf/d

Diagram Alternative COH 2 Illustrative Rate Calculation

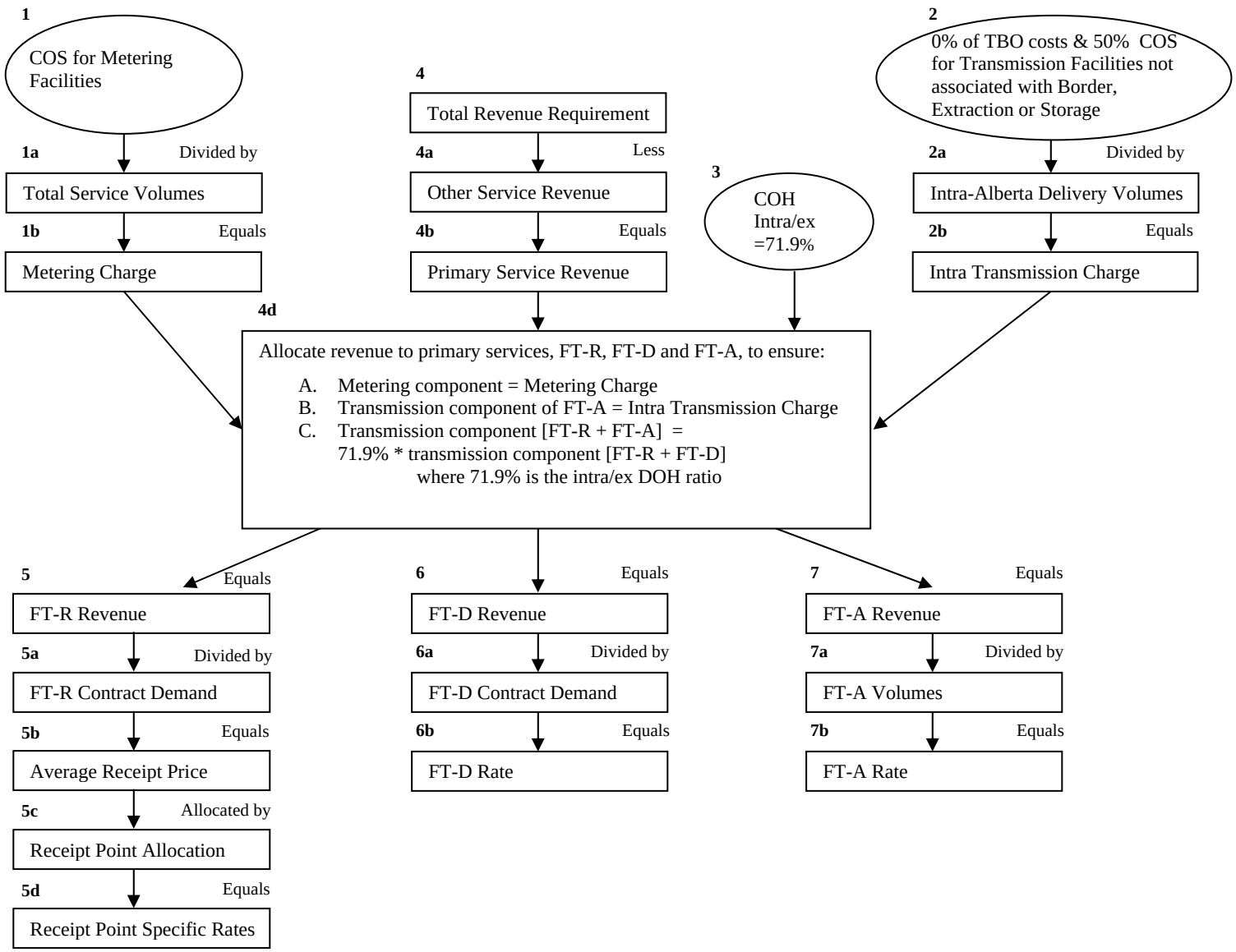
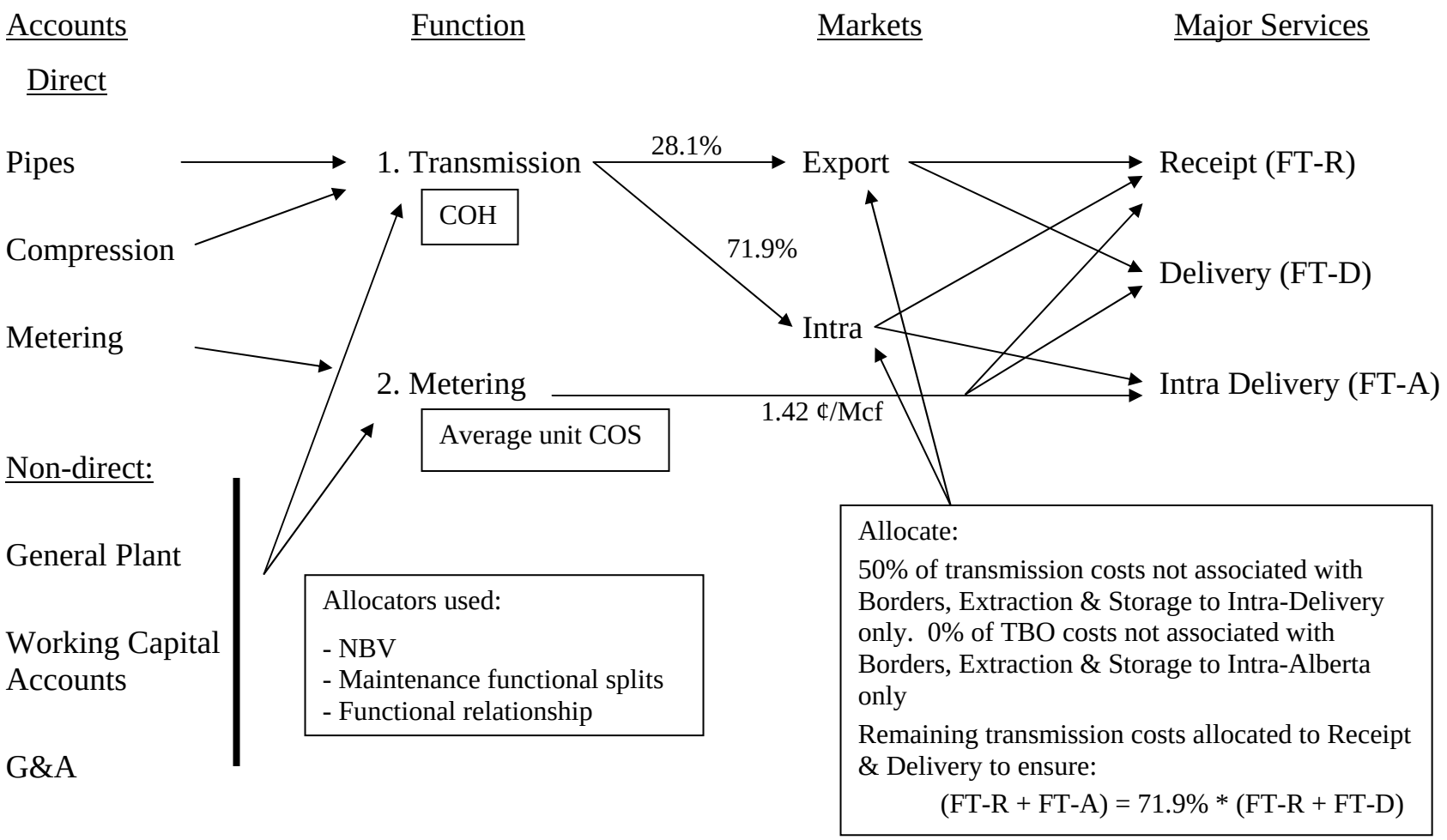


Diagram Alternative COH 2

Application of Cost Allocations to Rates Determination



Box/Oval	**Diagram Alterntive COH 2**
Oval 1	$114,741,982
Box 1a	22,137,781 Mcf/d
Box 1b	$0.0142 Mcf/d
Oval 2	$2.3 million
Box 2a	513.7 Bcf/yr
Box 2b	$0.0045 Mcf/d
Oval 3	Intra/Ex COH 71.9%
Box 4	$1,160 million
Box 4a	$314.4 million
Box 4b	$845.5 million
Box 4d	n/a
Box 5	$592.5 million
Box 5a	2,920.1 Bcf/yr
Box 5b	$0.2029 Mcf/d
Box 6	$253.0 million
Box 6a	2,684.7 Bcf/yr
Box 6b	$0.0942 Mcf/d
Box 7	$7.0 million
Box 7a	374.71 Bcf/yr
Box 7b	$0.0187 Mcf/d

Diagram Alternative COH 3 Illustrative Rate Calculation

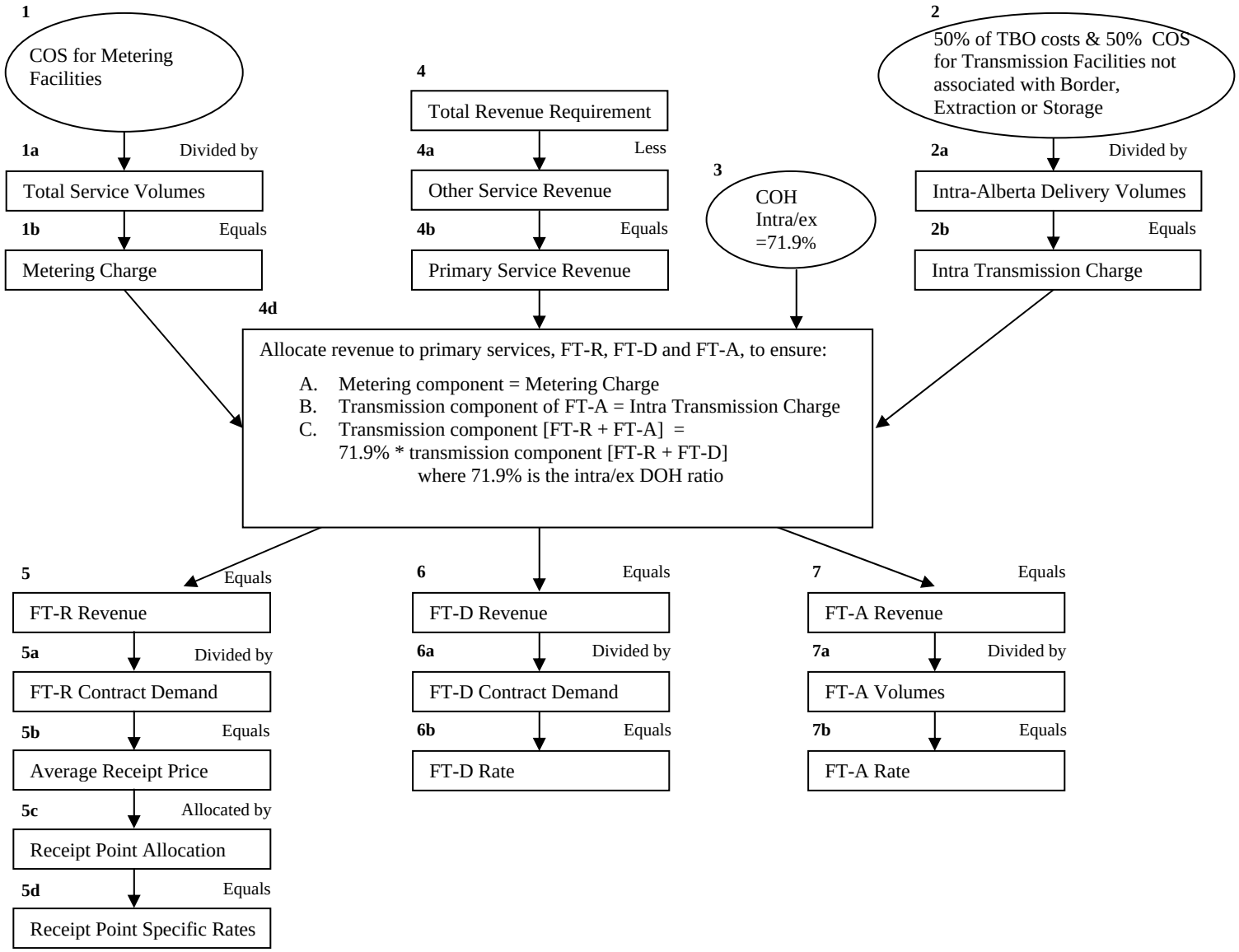
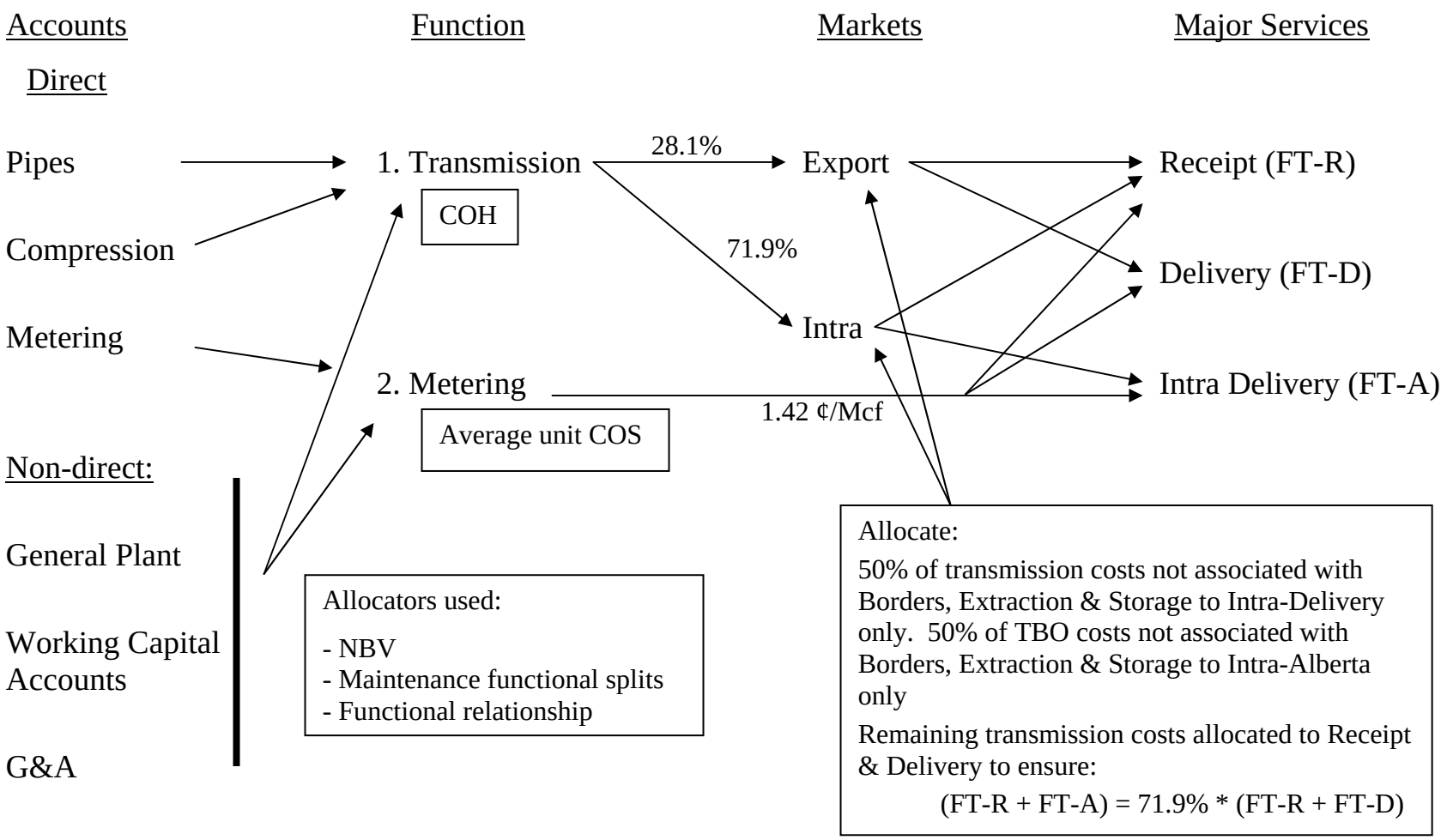


Diagram Alternative COH 3

Application of Cost Allocations to Rates Determination



Box/Oval	**Diagram Alterntive COH 3**
Oval 1	$114,741,982
Box 1a	22,137,781 Mcf/d
Box 1b	$0.0142 Mcf/d
Oval 2	$8.1 million
Box 2a	513.7 Bcf/yr
Box 2b	$0.0158 Mcf/d
Oval 3	Intra/Ex COH 71.9%
Box 4	$1,160 million
Box 4a	$313.2 million
Box 4b	$846.7 million
Box 4d	n/a
Box 5	$562.5 million
Box 5a	2,920.1 Bcf/yr
Box 5b	$0.1926 Mcf/d
Box 6	$284.2 million
Box 6a	2,684.7 Bcf/yr
Box 6b	$0.1059 Mcf/d
Box 7	$11.2 million
Box 7a	374.71 Bcf/yr
Box 7b	$0.0300 Mcf/d

WEG-NGTL-013

Reference:

Appendix 2A, Cost of Service Study, Existing Allocation Methodologies; and Appendix 2B, Cost of Service Study, Alternative Allocation Methodologies

Request:

(a) Provide NGTL's rationale as to why FTA, which is a firm service, should not pay a demand charge like FTD and FTR.

(b) Since the FTA is a 'commodity' service, that is, not tolled on a demand basis, why/how can it be considered a "primary" service for the purposes of alternatives 4 to 6 in the second reference above?

Response:

(a) All of NGTL's services were developed and have evolved to meet the needs of NGTL and the marketplace. FT-A service cannot be offered without an associated FCS contract. The FCS contract provides accountability for the FT-A service which is similar to the accountability provided through the term and demand rate structures of the FT-R and FT-D services. The FT-A service and FCS were modified in 2003 as part of a settlement agreement that resulted in the existing rate design.

(b) The designation of a service as primary is not dependent on a particular service attribute. In Alternatives 4, 5 and 6, primary refers to the function of the service. FT-A is a primary service for delivering gas from the system at intra-Alberta delivery points.

WEG-NGTL-014

Reference:

Appendix 2C, Cost of Haul Study, pages 9 and 10 of 14

Request:

Please provide a summary of all prior NGTL COH studies, going as far back as NGTL has reported prior year DOH information, in the formats of Table 5.2 and Table 6 (for export deliveries only).

Response:

NGTL did not conduct COH studies prior to 2003. The results of all studies are contained in the Application as filed in Table 5.2 of Appendix 2C, Cost of Haul Study, Page 9 of 14.

The station-by-station COH data for export deliveries for the 2003 study (based on 2002 data) is provided in the table below.

COH for Ex-Alberta Deliveries (2003 COH Study, based on 2002 data)

Unit Number	Unit Name	Annual Volume (e^3m^3)	COH	Relative Volume-Distance Cost
1250	UNITY BORDER	328,909	767.7	252,508,039
1417	COLD LAKE BDR	288,330	491.0	141,565,554
1958	EMPRESS BORDER	58,917,880	972.8	57,314,008,298
2001	ABC SALES #1	10,971,008	772.8	8,478,403,968
2002	ALBERTA-MONTANA	96,193	452.5	43,530,530
2004	ABC SALES #2	10,990,813	759.7	8,350,106,978
3886	GORDONDALE BDR	18,743	471.8	8,843,668
6404	MCNEILL BORDER	21,910,898	1,028.2	22,528,584,301
8002	ESTHER DELIVERY	51,243	238.4	12,215,328
8003	MERIDIAN LK DLV	158,530	7.6	1,199,995
	Subtotal for ex-Alberta deliveries	103,732,548	936.4	97,130,966,659

WEG-NGTL-015

Reference:

Section 3.0, Energy Conversion

Request:

(a) Does NGTL propose converting all services to energy? If not, why not? Please explain in detail the rationale for each service that NGTL does not currently expect to convert to energy content.

(b) Does NGTL propose converting those services to energy in the future? If so, what is the anticipated timeline?

Response:

(a) No. Please refer to the response to IGCAA-NGTL-026.

(b) No.

WEG-NGTL-016

Reference:

Section 3.0, Energy Conversion

Request:

Does NGTL consider it discriminatory to provide only certain services in energy? If not, please explain why. Does NGTL consider it unduly discriminatory, from a regulatory policy perspective? If not, please explain why.

Response:

No. NGTL does not consider it discriminatory to provide certain services in energy. NGTL is treating all customers for the same service in the same way.

WEG-NGTL-017

Reference:

Section 3.0, Energy Conversion

Request:

(a) Summarize and quantify the savings that NGTL anticipates achieving from converting FTD to energy?

(b) Summarize the savings that NGTL might achieve by converting FTA to energy?

(c) To what extent have the potential savings been reduced by not converting FTR and LRS to energy?

(d) Does NGTL anticipate further savings through integration with downstream-affiliated pipelines that have already converted to energy?

Response:

(a) Please refer to the response to BR-NGTL-024(b).

(b) NGTL is not proposing to convert FT-A contracts to energy units and NGTL has not conducted an analysis of the cost implications of such a change.

(c) NGTL is not proposing to convert FT-R and LRS contracts to energy units and NGTL has not conducted an analysis of the cost implications of such a change.

(d) Yes.

WEG-NGTL-018

Reference:

Section 3.0, Energy Conversion

Request:

(a) Have any receipt, intra-Alberta or ex-Alberta customers requested energy conversion?

(b) What portion of current Receipt shippers have requested the conversion to energy? Please report separately by both volume and number of shippers.

(c) What portion of current Delivery shippers have requested the conversion to energy? Please report separately by both volume and number of shippers.

Response:

(a) NGTL has not received any formal customer requests for energy conversion. However, it is common, absent a formal request, for NGTL or its customers to propose changes to services when a need is identified. NGTL understands, through discussions outside of the TTFP process, that many of its customers affected by this change agree that contracting at the export delivery points in energy will simplify the management of their capacity.

(b) NGTL is not proposing to convert receipt contracts from volumetric units to energy units.

(c) Please refer to the response to (a).

WEG-NGTL-019

Reference:

Section 3.0, Energy Conversion

Request:

(a) Has NGTL surveyed its FTD shippers outside of any confidential process to determine their support or non-support of NGTL's energy conversion as proposed in Section 3.0? If so, please report the results.

(b) Have any shippers expressed interest in maintaining the status quo, i.e., FTD contracts in base volume units?

(c) Have any FTD customers objected to NGTL's conversion proposal, as described in Section 3.0? If so, what were their stated reasons for objecting?

Response:

(a) No.

(b) Yes.

(c) Yes. NGTL understands that the objection is largely due to the minor distributional effect.

WEG-NGTL-020

Reference:

Section 3.0, Energy Conversion

Request:

(a) If NGTL uses a postage stamp energy toll based on the system average heat value, as proposed, will western export shippers at A/BC, which have a higher heat value than the average, effectively pay more after conversion for their existing level of service? If the answer is "yes", please explain how NGTL's proposal is fair and equitable from a rate perspective to all FTD shippers.

(b) How does NGTL intend to compensate FTD shippers at A/BC who are disadvantaged by the proposal?

(c) Table 3.2-4, Section 3.0, page 9, shows a range of specific heat values at four border points. However, A15, page 8, states that all energy contracts will be converted based on a 37.8 MJ/m3 heat value. Would it be possible for NGTL to implement conversion of FTD service contracts to energy using those specific heat rates at each border point? If not, explain why not. If so, explain why NGTL has not proposed to implement conversion using heat rates at the specific border points.

(d) Section 3.0, page 9, A18, postulates that a transition period could be considered to mitigate the financial impact of the proposed change on export shippers. Are there other means to eliminate or mitigate the distributional effects? If "yes", please describe, all in detail.

(e) Section 3.0, page 9, A18, states that NGTL currently uses a single uniform export delivery rate. Has NGTL ever considered proposing separate export delivery rates, specific to each export point? Would such a proposal eliminate distributional effects referred to in A18? If the answer is "yes", please explain why this Application does not propose separate export delivery rates.

Response:

(a) Yes. NGTL believes that its proposal is fair and equitable because export customers at the Alberta/B.C. delivery point will pay the same rate per unit of

energy as export shippers at any other export delivery points and export customers will continue to receive the same level of service.

(b) NGTL does not believe that there is a need or basis for compensation.

(c) Yes. NGTL is proposing that customers' contracts be converted to energy units at the border specific heat values.

(d) No. Under the current rate design, NGTL has a single uniform export delivery rate. Consequently, the distributional effects resulting from the calculation of rates in energy units cannot be mitigated.

(e) NGTL has considered rates specific to each export point. Export point specific delivery prices could be calculated using an analogous methodology to the existing receipt point specific pricing algorithm. However, NGTL has not developed this concept in sufficient detail to properly evaluate it further at this time.

Such a proposal would not eliminate the distributional effects due to conversion to energy contracts as the receipt point specific algorithm considers only distance and diameter factors.

NGTL believes that its current rate design continues to be appropriate.

WEG-NGTL-021

Reference:

Section 3.0, Energy Conversion, page 1, line 25

Request:

(a) Is Duke Energy's Westcoast system contracted on volume or energy?

(b) Would energy conversion as proposed completely eliminate the "mismatches of capacity" between NGTL and downstream pipelines? Please elaborate on an interconnect by interconnect basis, including the interconnect with Duke's Westcoast pipeline system.

Response:

(a) Volume.

(b) Energy conversion would eliminate the mismatches of capacity between NGTL and downstream pipelines that result from fluctuations in heat values.

At this time, all transactions with downstream pipelines connected to market that are served with gas delivered through NGTL's major export delivey points are conducted in energy.

NGTL's interconnection with Duke's Westcoast system at Gordondale operates as a receipt point and it is NGTL's expectation that this will continue. There are no FT-D contracts at Gordondale. Contracts for service upstream and downstream of the interconnection with the Duke Energy's Westcoast system will continue to be in volume.

WEG-NGTL-022

Reference:

Section 3.0, Energy Conversion, page 3, line 14

Request:

Does LRS provide an ex-Alberta delivery service? If "yes", will LRS be converted to energy? If not, why not?

Response:

No. LRS is a receipt to ex-Alberta service. LRS contracts will not be converted to energy because LRS is a combined receipt to delivery service. NGTL proposes to convert only export delivery contracts. Please refer to the response to IGCAA-NGTL-026.

WEG-NGTL-023

Reference:

Section 3.0, Energy Conversion

Request:

NGTL has various intra-Alberta delivery tolls and contracts. Is NGTL proposing to convert these to energy? If not, why not?

Response:

No. Please refer to the response to IGCAA-NGTL-026.

WEG-NGTL-024

Reference:

Section 3.0, Energy Conversion

Request:

Is NGTL able to convert the receipt tolls to energy? If "yes", why isn't NGTL proposing to convert the whole NGTL system to energy?

Response:

Yes. NGTL could convert receipt contracts to energy units but it is not proposing to do so as outlined in the response to IGCAA-NGTL-026.

WEG-NGTL-025

Reference:

Section 3.0, Energy Conversion

Request:

(a) NGTL's energy conversion proposal converts only ex-Alberta tolls to energy while leaving the rate calculation and revenue requirement allocation in volume. Please explain why.

(b) Will there be any distributional impacts when converting from energy back to volume for rate calculation purposes?

(c) Would it not be simpler to convert the whole NGTL system to energy on a one time basis rather than convert just part of the delivery services on the NGTL system?

Response:

(a) In order to allocate the revenue requirement under the existing rate design, the firm receipt and delivery contracts must be expressed in the same units. As the calculation has always been done in volume it was simplest to continue with this approach. However, the calculation could also be done in energy units.

(b) No.

(c) No.

WEG-NGTL-026

Reference:

Section 3.0, Energy Conversion

Request:

Are there different heat values at receipt points just as there are different border heat values? If "yes", please provide the range.

Response:

Yes. As at April 2005 the heating values for receipt stations range from 33.84 to 45.95 MJ/m^3. The heating values will vary at the various receipt points from time to time.

WEG-NGTL-027

Reference:

Section 3.0, Energy Conversion, page 8, line 11 and page 9, lines 4-5

Request:

(a) Based on the WEG's CD (approximately 1.42 bcfd), what is the annual adverse impact in dollars on WEG, of NGTL's energy conversion proposal?

(b) Does NGTL consider this amount to be of "minor impact"?

(c) Is NGTL able to provide any quantifiable tangible benefits of energy conversion to western export shippers that would mitigate this dollar impact?

Response:

NGTL does not arrive at a CD of 1.42 Bcf/d for the export services held by the members of WEG. NGTL calculates that the WEG members collectively hold 976 MMcf/d of export service at NGTL's western gate. Even if the export service held by WEG's members' associated companies are also included, NGTL calculates a total CD at the western gate of only 1.17 Bcf/d.

(a) Based on a CD of 1.17 Bcf/d the impact is approximately $318,000/year. This annual impact can fluctuate up and down with changes to the heating value. Please refer to the response to WEG-NGTL-028(a).

(b) Yes. $318,000 is a minor amount in relation to the $66 million total annual demand charges on 1.17 Bcf/day of export service. The impact of this amount on the export rate is only .0007¢/GJ. In comparison, the annual variation in the export delivery rate as a result of other factors over the past five years has ranged from a decrease of 1¢/GJ to an increase of 1¢/GJ, which translates to an annual increase or decrease of $4.5 million on a CD of 1.17 Bcf/d.

(c) Please refer to the response to BR-NGTL-026(c).

WEG-NGTL-028

Reference:

Section 3.0, Energy Conversion, page 9, lines 8-11

Request:

(a) Does NGTL's energy conversion proposal shift costs between western and eastern export shippers based on what these shippers originally based their contracting commitments on? Please explain.

(b) Outline what and how NGTL proposes to mitigate the distributional impacts of energy conversion between export points?

Response:

(a) No. Customers originally contracted in volume and the heat value was dependent upon the time period. The heat value has fluctuated over time and will continue to fluctuate. During certain past periods, the energy content at the eastern export point of McNeill has equaled or exceeded the energy content at the western export point of Alberta-B.C.

(b) Distributional impacts cannot be mitigated. However, a transition period could be considered. Please refer to the response to BR-NGTL-030.

WEG-NGTL-029

Reference:

Section 3.0, Energy Conversion

Request:

The different border heat values are a small aspect of the broader question as to whether, under more accurate cost causation, border specific rates should be implemented. Would NGTL consider a financial transition to mitigate the distributional effects of energy conversion, until border specific rates were discussed and resolved?

Response:

Please refer to the response to BR-NGTL-030.

WEG-NGTL-030

Reference:

Intra-Alberta delivery toll

Request:

(a) Are any of the facilities included in NGTL's revenue requirement facilities that are forecast to be used in 2005 exclusively for intra-Alberta deliveries?

(b) If so, are these facilities included in the portion of the revenue requirement which is split between receipt and ex-Alberta delivery shippers? Please explain.

Response:

(a) Yes. The intra-Alberta delivery meter stations are exclusively used for intra-Alberta delivery service. The cost of owning and operating these facilities is included in the 2005 revenue requirement.

(b) No. The charge to recover metering-related costs is included in the rates of all services, except FT-X and IT-S.

WEG-NGTL-031

Reference:

Sub-section 1.2, Introduction and Executive Summary, pages 2-3 of 4, Q&A 7

Preamble:

NGTL indicates as a reason for maintaining the status quo:

> NGTL believes that changes to any one part of the existing rate design for 2005 would significantly, and unpredictably, disrupt the balance of competing interests which it represents.

Request:

(a) Please identify and describe the "competing interests" NGTL refers to and explain how NGTL "represents" each interest.

(b) Please explain the "balance" to which NGTL refers. Please provide a full discussion of NGTL's view. For example:

  (i) Can this balance be maintained by changing more than one part of the existing rate design?

  (ii) Does this "balance" depend on maintaining existing rates in real numbers or simply the principles underlying the rates?

  (iii) Does NGTL believe: that the actual rates can vary significantly provided that the underlying cost allocation principles are maintained? That the underlying principles can vary significantly provided the actual resulting rates are maintained? That both or neither of those end points must be maintained?

  (iv) In NGTL's view, what would need to happen before the Board should or could change "any one part of the existing rate design"?

(c) NGTL's statement regarding this "balance" of interests is based on its belief. Does NGTL have any information that it can offer the Board and parties as evidence to substantiate this belief? If so, please produce it.

WEG-NGTL-031

(d) NGTL indicates that potential disruptions of "the balance of competing interests" will be unpredictable, yet also says that it would be significant. Please explain the basis for NGTL's belief that the disruption to the balance of competing interests would be significant when it is unpredictable.

(e) By this proposition, does NGTL claim that there can never be changes to its existing rate design? In NGTL's view, is the existing "balance" the only balance that would result in just and reasonable rates for 2005? What circumstances would ever justify changes to "any one part of the existing rate design"?

(f) What elements of the existing balance should the Board also consider changing if it moves to:

(i) border-specific rates?

(ii) border-specific heat content usage?

(iii) greater cost-accountability by intra-Alberta system users?

(iv) allocating NGTL's revenue requirement based on COH rather than DOH?

(v) allocating some general costs based on CD rather than COH or DOH?

Response:

(a) In this context "competing interests" refers to the different interests among NGTL's diverse stakeholder group. NGTL is not representing the interest of each stakeholder. Rather, the existing rate design represents a balance of competing interests and if changes were made to it the balance would be disrupted.

(b)

(i) Possibly.

(ii) The balance depends on maintaining the principles underlying the rate design and service structure.

(iii) Please refer to the response to (ii).

(iv) The Board would have to be satisfied that an alternative rate design was superior to the existing design after taking into account all relevant factors and the desired balance between various goals, objectives and interests.

WEG-NGTL-031

(c) Yes. Both the 2003 Tariff Settlement and the support demonstrated for NGTL's existing design in its 2004 Phase 2 GRA reflect the fact that a balance of interests has been achieved among the majority of stakeholders.

(d) This is a belief based on discussions with various customers.

(e) No. The NGTL rate design will continue to evolve as a function of changes in the business environment. NGTL expects to have ongoing discussions with stakeholders through its collaborative process and to bring change forward for Board approval from time to time.

(f) The views of NGTL's various stakeholders would be required to determine what rate design changes would be acceptable to maintain a balance of interests.

WEG-NGTL-032

Reference:

Sub-section 1.2, pages 2-3, Q&A 7

Request:

Please confirm that NGTL's recommendation to the Board for the appropriate disposition of its Application (that is, maintaining the status quo) is based entirely upon the best interests of NGTL and its system users (or more specifically, the "competing interests it represents") and has not been influenced in any way by the present or future interests of any of NGTL's affiliates.

Response:

Confirmed.

WEG-NGTL-033

Reference:

Tab 2.2.1, page 10 of 62

Preamble:

At lines 16 and 17, NGTL reports that deliveries from the NIT pool are possible "to over 100 intra-Alberta delivery points as well as to six ex-Alberta pipelines…"

Request:

Has NGTL ever considered allocating the portion of its revenue requirement assigned to be borne by metering on a "per meter" basis? That is, for example, for the allocation of costs to all delivery services, approximately 100/106ths of the costs would be allocated to intra-Alberta customers and approximately 6/106ths would be allocated to ex-Alberta customers. If not, why not? If so, please provide copies of NGTL's analysis and full discussion of the rationale behind NGTL's decision to not seek approval from the Board for that approach.

Response:

NGTL considered many alternatives when developing its original Cost of Service Study. It chose a set of methodologies that was appropriate for the integrated nature of the Alberta System and the specific services which it offers. These methodologies have been refined over the years, with the current methodologies being those presented and explained in Appendix 2A of the Application.

WEG-NGTL-034

Reference:

Tab 2.4.2, page 51 of 62, Q&A 54

Request:

Does the cost of service referred to in the proposition quoted above include *all facilities* used to serve those deliveries? Please discuss fully.

Response:

No. The cost of service in table 2.4.2-4 is for all delivery meter stations and all pipe that is not used to provide service to extraction, storage or border points. This cost includes an allocation of compressor and general plant facilities. It does not include the cost of service for facilities required to provide service from the receipt stations to the border delivery stations. Some of the facilities required to provide receipt to border delivery service would also be required to provide receipt to intra-Alberta delivery service.

WEG-NGTL-035

Reference:

Tab 2.4.2, page 51 of 62, Q&A 54

Request:

Please provide details of the "costs associated with… facilities accounted for by FCS agreements", in sufficient detail to indicate the portion of costs relating to metering and to transmission and compression.

Response:

Please see the table below.

	Total Cost of Service ($ million)
Metering	14.2
Transmission and Compression	2.0

WEG-NGTL-036

Reference:

Tab 2.4.2, page 51 of 62, Q&A 55

Request:

(a) What does NGTL mean by the phrase "not associated with" in Q 55? That is, what criteria does NGTL use to determine whether revenues and costs are "associated with" or not "associated with", in this case, export, storage or extraction?

(b) If NGTL is excluding such costs from intra-Alberta delivery rates, what is its rationale for not excluding them also from ex-Alberta delivery rates?

(c) If NGTL excluded such costs from both intra- and ex-Alberta rates, where should they be included?

Response:

(a) Please refer to Section 2 of the Application, Page 45, line 22 to Page 46, line 13 for an explanation of how these costs were determined.

(b) NGTL is not excluding these costs from the calculation of the intra-Alberta delivery rates. However, if they were excluded from both intra-Alberta and ex-Alberta rates then they would have to be recovered through receipt service rates or NGTL would not collect its full revenue requirement.

(c) Please refer to the response to (b).

WEG-NGTL-037

Reference:

Tab 2.4.2, page 52 of 62, Q&A 56

Request:

(a) Please identify specifically the "analysis" NGTL refers to in line 4 of the above reference and, if it refers to something not within the filed Application, please produce a copy of it.

(b) Is the statement at lines 5 and 6 ("…the direct revenues associated with intra-Alberta delivery services exceed the cost of service of the associated facilities") true under any rate design or only under the applied-for rate design? Please discuss the sensitivity of this proposition to alternate rate designs, including, but not limited to, a rate design based upon COH rather than DOH.

Response:

(a) The analysis appears in Section 2 of the Application, Page 46, lines 16 through Page 51, line 3, preceding the referenced quote.

(b) The statement is true for this situation, which is for the NGTL forecast for 2005 of the existing rate design and service offerings. NGTL has not analyzed this situation using different assumptions.

WEG-NGTL-038

Reference:

Appendix 2D, Direct Evidence of Dr. Gaske

Request:

(a) Did NGTL retain any other external consultants, experts or advisors besides Dr. Gaske? If so, please report on the requests made of those individuals relevant to this application and the response(s) received.

(b) At page 2, commencing at line 14, Dr. Gaske describes what he was asked to do by NGTL. Is that list exhaustive? If not, please indicate all other questions and requests put to Dr. Gaske, his response, including any recommendation made and NGTL's rationale for not incorporating that within its filed Application.

(c) It appears that Dr. Gaske was not asked to recommend an optimal rate structure for NGTL, rate design for NGTL, cost allocation for NGTL or accountability mechanisms for NGTL rates. Are all of those observations correct? If not, please explain.

(d) Please confirm that Dr. Gaske was not asked to suggest any alternatives to NGTL, rather just assess NGTL's Application proposals. If that is incorrect, in other words, if Dr. Gaske was asked to suggest any alternatives to NGTL, please provide a copy of all Dr. Gaske's suggestions and recommendations.

Response:

(a) Dr. Gaske received comments and assistance in preparing his testimony from his associate, Kenneth B. Johnston of H. Zinder & Associates.

(b) Dr. Gaske described the full scope of his retainer with NGTL for the purpose of the Application in his testimony. Dr. Gaske has, in the execution of his retainer, had ongoing communications with NGTL in addition to the information presented in his written testimony. However, Dr. Gaske's communications with NGTL, apart from his testimony, are legally privileged or confidential and NGTL will not provide the requested information.

(c) Please refer to the response to (b).

WEG-NGTL-038

(d) Please refer to the response to (b).