


MADE at the City of Calgary, in the Province of Alberta, on 14th day of December 2005.	 ALBERTA ENERGY AND UTILITIES BOARD
NOVA Gas Transmission Ltd. (NGTL) 2006 Interim Rate Application	Application No. 1430905

1 INTRODUCTION

On November 22, 2005, NGTL filed an application with the Board requesting approval for interim rates tolls and charges on the Alberta System effective January 1, 2006 (the Application). NGTL is currently operating under 2005 interim rates, tolls and charges approved by the Board in Order U2004-446 (2005 Interim rates) issued on December 14, 2004. The Board stated in that Order that the 2005 Interim Rates shall be effective from January 1, 2005 until the same are superseded by a Board decision on the NGTL 2005 GRA Phase II.

2 PARTICULARS OF THE APPLICATION

In Decision 2005-057, the Board approved the Revenue Requirement Settlement which provides for the determination of interim and final rates tolls and charges for the period of 2005-2007. The forecast revenue requirement and forecast of firm transportation contract demand quantity and throughput, provided for within the Settlement, are used in the calculation of rates using the approved rate design in place at the time.

NGTL submitted that in the current circumstance where a decision on the NGTL 2005 GRA Phase II is outstanding, and given the approval for the methodology to establish the revenue requirement for 2006, it is appropriate for the Board to approve new interim rates for 2006. NGTL further submitted that it would apply for final 2005 and 2006 rates in compliance with the Board's decision on the NGTL 2005 GRA Phase II.

The applied for 2006 Interim Rates are based on:

- The 2006 revenue requirement determined in accordance with the 2005-2007 Revenue Requirement Settlement (the Settlement),
- The forecast 2006 contract demand quantities and throughput as filed in the Application, and
- The current rate design approved by the Board in Decision 2004-097.

NGTL submitted that the proposed 2006 interim rates are reasonable. The 2006 interim rates were based on a revenue requirement of \$1,107.7 million. This was \$52.2 million lower than the

2005 approved revenue requirement largely due to decreases in rate base and the rate of return on equity. Based on the above noted information, NGTL applied for average FT-R and FT-D interim rates of \$0.144/mcf and an average interim export rate of \$0.288/mcf. NGTL noted that these rates were approximately 10% lower than NGTL's current rates.

In the Notice for the Application, issued on November 30, 2005, the Board requested that interested parties provide submissions with respect to the Application by December 7, 2005, and that NGTL provide any responses to those submissions by December 12, 2005. Submissions were received from the Alberta Urban Municipalities Association (AUMA) and the City of Edmonton (EDM), the Consumers Coalition of Alberta (CCA), the Consumer Group (CG), the Aboriginal Communities (ABCOM), the Utilities Consumer Advocate (UCA) and the Public Institutional Consumers of Alberta (PICA). The CCA, CG, UCA, and PICA noted their interest in the Application, but did not file an objection of the Application.

The AUMA/EDM did not object to the Application, but did raise three areas of concern and requested additional information in regards to the forecast 2006 flow-through costs for transportation by others (TBO) arrangements, pipeline integrity and deferral accounts.

By way of a letter dated December 12, 2005, NGTL responded to the concerns of the AUMA/EDM. NGTL provided a breakdown of the forecast and approved costs by TBO arrangement and service provider for 2005 and 2006. NGTL also provided further information and details of the forecast pipeline integrity costs and the deferral account amounts for 2005 and 2006. On December 13, 2005, the AUMA/EDM submitted a letter noting that it was satisfied with the response by NGTL in regards to its concerns and did not have an objection to the Application.

3 VIEWS OF THE BOARD

The Board recognizes that the proposed interim rates reflect a decrease in NGTL's total revenue requirement from 2005 as well as a decrease in the FT-R and FT-D rates from the currently approved 2005 rates. The Board notes that 2006 revenue requirement proposed in the Application was determined in accordance with the 2005-2007 Settlement approved by the Board in Decision 2005-057.

Decision 2005-099 outlined the factors in the Board's consideration for interim rates. In this Decision the Board divided those considerations into quantum and need factors relating to a requested rate increase and into more general public interest considerations. In absence of a proposed rate increase, and the presence of the Settlement, the Board considers that the change to the current rates proposed by NGTL satisfy the need for, and quantum of, the proposed rates.

The Board will now assess the proposed interim rates against the general public interest factors as set out in Decision 2005-099 and listed below.

- Interim rates should promote rate stability and ease rate shock
- Interim adjustments should help to maintain intergenerational equity
- Can interim rate increases be avoided through the use of carrying costs
- Interim rate increases may be required to provide appropriate price signals to customers
- It may be appropriate to apply the interim rider on an across-the-board basis

In its consideration of the above factors the Board recognizes that different weighting to the factors is dependant on the specific circumstances surrounding each application. The Board has considered the above factors in its deliberations.

The rate decrease proposed by NGTL represents an approximate 10% reduction to the currently approved rates. NGTL is operating under the terms of the Settlement and Board approved rate design. The Board notes that there are no objections to the Application. From this it can be generally accepted that the Application is within the public interest. NGTL is currently operating under the interim rates for 2005 until the decision is released for the NGTL 2005 Phase II Application currently before the Board. The Board considers that a rate decrease will provide ratepayers relief on an interim basis until the expected NGTL 2005 Phase II Decision. Further, the Board considers that the proposed interim rates will provide rate stability.

Therefore, the Board approves NGTL's 2006 Interim Rates as of January 1, 2006, until NGTL's 2006 final rates tolls and charges are approved by the Board.

4 ORDER

THEREFORE, IT IS HEREBY ORDERED THAT:

- (1) The 2006 Interim Rates of NOVA Gas Transmission Ltd. as filed in the Application are hereby approved as of January 1, 2006.

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