



**TransCanada**

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June 19, 2008

Filed Electronically

Alberta Utilities Commission  
Utilities Division, Edmonton Branch  
10<sup>th</sup> Floor, 10055 - 106 Street  
Edmonton, Alberta  
T5J 2Y2

**Attention: Mr. David Mitchell**

Dear Mr. Mitchell:

**Re: NOVA Gas Transmission Ltd. (“NGTL”)  
2008-2009 Revenue Requirement Settlement Application  
Application No. 1566927  
Proceeding ID 23  
Responses to Alberta Utilities Commission (“AUC”)  
Information Request No. 1**

In accordance with the AUC’s directions in its letter dated May 28, 2008, please find attached NGTL’s responses to Information Request No.1 in this proceeding.

If the Board has any questions regarding NGTL’s responses, please contact Ben Leung at (403) 920-2275, or at [ben\\_leung@transcanada.com](mailto:ben_leung@transcanada.com).

Yours truly,

**NOVA Gas Transmission Ltd.**

A wholly-owned subsidiary of TransCanada PipeLines Limited

***Original Signed By***

Jennifer Scott  
Senior Legal Counsel  
Law and Regulatory Affairs

**NOVA Gas Transmission Ltd.**

**2008/2009 Revenue Requirement  
Settlement Application  
Application No. 1566927  
Response to AUC-NGTL  
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**AUC-NGTL 1**

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**Reference:** Decision 2004-069

**Issue/Sub-Issue:** Direction 18

**Quote:** The Board, however, for the reasons discussed under the Regulatory Hearing Costs Reserve Account, does not consider the inclusion of the Foreign Exchange Reserve Account in rate base to be appropriate. NGTL is directed to treat the Foreign Exchange Reserve Account as no-cost capital and calculate carrying charges on negative balances or credits to customers on positive balances based on the Bank of Canada's Bank Rate plus 1½% in the Foreign Exchange Reserve Account.

**Preamble:** The Commission would like to know if NGTL is still following this direction.

**Request:**

Please advise whether or not the final revenue requirement schedules that were agreed to as part of the negotiated settlement include the Foreign Exchange Reserve Account as no-cost capital and not as part of rate base. If the Foreign Exchange Reserve Account was not treated as directed in the quote above, please explain why.

**Response:**

The Prefunded/(Unfunded) Foreign Exchange on Long Term Debt account is included in the rate base for this Settlement, as it was in the 2005-2007 Revenue Requirement Settlement approved by the EUB in Decision 2005-057. This account represents funds owed to NGTL by shippers as a result of actual losses incurred on the maturity of U.S. dollar debt, net of amounts collected through the Annual Foreign Exchange Amortization Amounts.

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**AUC-NGTL 1**

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In 2001 and 2003 NGTL incurred foreign exchange losses of \$51 million and \$15 million, respectively. These losses could have been included in the revenue requirement in the year in which they occurred, however, an agreement was reached to defer recovery of these losses over a number of years and record the unamortized losses on the balance sheet as a regulatory asset. The intent of this agreement was to address intergenerational inequities associated with realized losses on foreign denominated debt.

# NOVA Gas Transmission Ltd.

2008/2009 Revenue Requirement  
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## AUC-NGTL 2

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**Reference:** Decision 2004-069

**Issue/Sub-Issue:** Direction 22

**Quote:** The Board agrees with the CCA that monthly compounding of the AFUDC rate is an inappropriate methodology because it results in a return greater than the approved WACC. The Board recognizes that this is a change from the previous GRA decision, however the Board does not believe going forward that monthly compounding is the correct approach. Therefore the Board directs NGTL to recalculate the AFUDC on a nominal basis and remove the monthly compounding in the calculation of AFUDC and provide the change in the compliance filing.

**Preamble:** The Commission would like to know if NGTL is still following this direction.

**Request:**

Please advise whether or not the final revenue requirement schedules that were agreed to as part of the negotiated settlement included any allowance for funds used during construction (AFUDC) that was calculated on a monthly basis. If the AFUDC was calculated on a monthly basis please explain why.

**Response:**

Final rate base and gas plant under construction numbers will be based on actual AFUDC and not forecast amounts included in the Settlement. The methodology directed by the EUB was implemented in 2004 and will be used in this Settlement.

# NOVA Gas Transmission Ltd.

2008/2009 Revenue Requirement  
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## AUC-NGTL 3

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**Reference:** Previous NGTL Decisions

**Issue/Sub-Issue:** Outstanding Board Directions

**Preamble:** The Commission would like to obtain NGTL's understanding with regard to directions from previous decisions.

**Request:**

- (a) Please provide NGTL's opinion as to whether or not there are any directions from previous decisions of the Alberta Energy and Utilities Board with respect to NGTL applications that are still outstanding.
- (b) If it is NGTL's opinion that there are some outstanding directions then please provide a list of these and indicate when NGTL plans on filing responses to them. Please indicate whether the responses to these outstanding directions could impact the revenue requirements for 2008 and 2009.

**Response:**

(a) & (b):

There are a number of outstanding directions of the EUB from Decision 2004-069. NGTL will address these matters in its next General Rate Application ("GRA") unless otherwise directed or allowed:

**Direction 8 – Vacancy percentage**

To develop and include a method of identifying a vacancy percentage that can be applied to the annual labour cost of a full complement of Full Time Equivalents and provide a five year history of unplanned vacancies.

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**AUC-NGTL 3**

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**Direction 11 – TransCanada Energy Ltd. (“TCE”) agreement**

To submit an unredacted agreement.

**Direction 12 – Unit of Production (“UOP”) depreciation**

To present an alternative UOP scenario, which would use the UOP depreciation method for all facilities, and to compare that to the combined Equal Life Group (“ELG”) and UOP method as presented in NGTL’s 2004 GRA Phase 1 Application.

**Direction 13 – Depreciation and Supply Studies**

To update the depreciation study and the supply study, including impacts on retirement analyses.

**Direction 15 – Uninsured Losses**

To provide the Board with a detailed accounting of the uninsured loss account.

**Direction 16 – Pipeline Integrity**

To present a methodology or plan that will provide for a reasonable method of forecasting pipeline integrity costs.

**Direction 28 – Uniform Classification of Accounts**

To provide rate base, Capital Expenditures, and Operating and Maintenance expenses in accordance with the Uniform Classification of Accounts, complete with five years of actual history.

As the Settlement is the result of a negotiation, these outstanding directions do not impact the revenue requirements for 2008 and 2009.

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**AUC-NGTL 4**

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**Reference:** Application No. 1523528

**Issue/Sub-Issue:** Submission of GRA documentation on August 23, 2007 in response to the July 31, 2007 letter from the Alberta Energy and Utilities Board which approved NGTL's right to negotiate (Application No. 1518248)

**Preamble:** The Commission is seeking additional information regarding the settlement.

**Request:**

Please advise whether there are any schedules similar to the ones included in the August 23, 2007 submission referenced above that were prepared to reflect the final revenue requirements agreed to for 2008 and 2009 in this Application. If there were, please provide them. If there were no such schedules prepared, please explain why.

**Response:**

The revenue requirements for 2008 and 2009 were determined as a result of a negotiation. As a result, an update to the August 23, 2007 data package was not provided for the revenue requirements agreed to for 2008 and 2009. However, certain other schedules with similar information were provided to stakeholders at the conclusion of the negotiation to reflect the forecast parameters for rate base, gas plant under construction ("GPUC"), capital cost allowance ("CCA"), and long-term debt. These schedules are provided as Attachment AUC-NGTL 4.

The Settlement establishes methodologies for calculation of the 2008 and 2009 revenue requirements based on fixed and flow-through cost components and the use of deferral accounts for various revenues and costs. In Appendix E to the Application, NGTL provides a forecast of its 2008 revenue requirement that includes the fixed components of Operating Costs, Return on Equity, Income Taxes, and Depreciation. All other costs are flow-through and variances between forecast and actual flow-through costs will be recorded in the appropriate deferral accounts.

NOVA Gas Transmission Ltd.

RATE BASE SUMMARY <sup>(1)</sup>

FOR THE TEST YEAR ENDING DECEMBER 31, 2008  
(\$Thousands)

LINE NO.	DESCRIPTION													13 MONTH		
		Jan 1	Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	AVERAGE	TOTAL
(a)		(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Opening Gas Plant In Service		7,597,849	7,599,168	7,600,934	7,606,587	7,854,742	7,929,883	7,971,958	7,980,816	7,984,986	7,986,033	7,990,504	8,002,424		
2	Additions		1,619	2,066	5,954	248,454	75,441	42,675	9,458	5,070	1,948	6,113	12,963	32,675		444,436
3	Retirements		(300)	(300)	(300)	(300)	(300)	(600)	(600)	(900)	(900)	(1,643)	(1,043)	(13,095)		(20,281)
4	Gas Plant In Service		7,597,849	7,599,168	7,600,934	7,606,587	7,854,742	7,929,883	7,971,958	7,980,816	7,984,986	7,986,033	7,990,504	8,002,424	8,022,004	7,855,991
5	Opening Accumulated Depreciation		3,645,585	3,665,437	3,685,307	3,703,559	3,723,640	3,744,188	3,763,793	3,784,352	3,804,635	3,824,928	3,844,481	3,864,646		
6	Depreciation Expense		20,166	20,169	20,174	20,189	20,848	21,047	21,159	21,182	21,193	21,196	21,208	21,240		249,773
7	Retirements		(313)	(300)	(1,922)	(108)	(300)	(1,442)	(600)	(900)	(900)	(1,643)	(1,043)	(16,471)		(25,942)
8	Accumulated Depreciation		3,645,585	3,665,437	3,685,307	3,703,559	3,723,640	3,744,188	3,763,793	3,784,352	3,804,635	3,824,928	3,844,481	3,864,646	3,869,415	3,763,382
9	Net Gas Plant In Service		3,952,265	3,933,731	3,915,627	3,903,029	4,131,102	4,185,695	4,208,165	4,196,464	4,180,351	4,161,105	4,146,022	4,137,777	4,152,588	4,092,609
10	Cash Working Capital		19,415	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,555	16,775
11	Materials and Supply Inventory		23,798	24,083	24,426	24,754	25,041	25,235	25,718	26,166	26,595	26,843	27,093	27,345	27,525	25,740
12	Linepack Gas		25,400	26,650	26,650	26,650	26,650	25,400	24,150	24,150	22,900	22,900	22,900	24,150	25,400	24,919
13	Unamortized Capital Assets		14,300	14,265	14,273	12,706	12,964	13,043	12,290	12,550	12,899	13,210	13,480	13,588	10,270	13,064
14	Prefunded / (Unfunded) Foreign Exchange on Long Term Debt		33,690	33,557	33,423	33,289	33,156	33,022	32,888	32,755	32,621	32,487	32,354	32,220	32,086	32,888
15	Prefunded / (Unfunded) Pension and Other Post Employment Liability		30,223	28,936	27,650	31,350	30,064	28,778	32,478	31,192	29,905	33,606	32,319	31,033	34,733	30,944
16	<b>Rate Base</b>		<b>4,099,091</b>	<b>4,077,776</b>	<b>4,058,604</b>	<b>4,048,333</b>	<b>4,275,531</b>	<b>4,327,728</b>	<b>4,352,244</b>	<b>4,339,830</b>	<b>4,321,826</b>	<b>4,306,706</b>	<b>4,290,723</b>	<b>4,282,667</b>	<b>4,299,157</b>	<b>4,236,940</b>

<sup>(1)</sup> Includes Capital Pipeline Integrity Rate Base



NOVA Gas Transmission Ltd.

GAS PLANT UNDER CONSTRUCTION (GPUC)<sup>(1)</sup>

FOR THE TEST YEAR ENDING DECEMBER 31, 2008  
(\$Thousands)

LINE NO.	DESCRIPTION	Jan 1	Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	13 MONTH	TOTAL
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Opening GPUC		179,993	241,115	293,551	352,520	167,371	122,992	96,807	104,465	125,392	140,851	191,135	290,560		
2	Capital Expenditures		61,534	52,884	62,954	60,940	29,940	15,665	16,466	25,297	16,565	55,452	111,106	123,480		632,281
3	AFUDC		1,207	1,617	1,969	2,365	1,123	825	649	701	841	945	1,282	1,949		15,474
4	Transfers to GPIS		(1,619)	(2,066)	(5,954)	(248,454)	(75,441)	(42,675)	(9,458)	(5,070)	(1,948)	(6,113)	(12,963)	(32,675)		(444,436)
5	Closing GPUC	179,993	241,115	293,551	352,520	167,371	122,992	96,807	104,465	125,392	140,851	191,135	290,560	383,313	206,928	

<sup>(1)</sup> Includes Pipeline Integrity and CO<sub>2</sub> Management

NOVA Gas Transmission Ltd.

CAPITAL COST ALLOWANCE AND CUMULATIVE ELIGIBLE CAPITAL

FOR THE TEST YEAR ENDING DECEMBER 31, 2008  
(\$Thousands)

Capital Cost Allowance

LINE NO.	CCA CLASS	UCC BALANCE JAN. 1, 2008	ADJUSTMENTS TO OPENING BALANCE	COST OF ADDITIONS	NET SALVAGE	UCC BEFORE DEFERRED CAPITAL COST	EXCESS	CAPITAL COST DEFERRED	UCC BEFORE CCA	MAX RATE	CAPITAL COST ALLOWANCE	UCC BALANCE DEC. 31, 2008
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	01	2,271,256	-	15,628	(95)	2,286,789	15,533	7,767	2,279,022	4%	91,161	2,195,628
2	02	191,796	-	-	-	191,796	-	-	191,796	6%	11,508	180,289
3	03	30,649	-	-	-	30,649	-	-	30,649	5%	1,532	29,117
4	06	2,254	-	-	-	2,254	-	-	2,254	10%	225	2,028
5	07	28,956	-	41,342	-	70,298	41,342	20,671	49,627	15%	7,444	62,854
6	08	116,246	-	257	-	116,503	257	129	116,375	20%	23,275	93,228
7	10	10,522	-	3,172	(192)	13,502	2,980	1,490	12,012	30%	3,604	9,898
8	10a	5,103	-	-	-	5,103	-	-	5,103	45%	2,296	2,807
9	10b	3,174	-	1,898	-	5,072	1,898	949	4,123	55%	2,267	2,804
10	12	2,718	-	11,068	-	13,787	11,068	5,534	8,252	100%	8,252	5,534
11	13	7,864	-	372	-	8,236	372	186	8,050	S/L	659	7,577
12	17	24,988	-	-	-	24,988	-	-	24,988	8%	1,999	22,989
13	49	297,446	-	365,766	(466)	662,746	365,300	182,650	480,096	8%	38,408	624,338
14		2,992,972	-	439,504	(753)	3,431,723	438,751	219,375	3,212,348		192,631	3,239,092

In-Service Additions	Total	444,436
	AFUDC	(8,553)
	Land	-
	Removal	6,416
	Straight Deduct	(1,000)
		<u>439,504</u>

Cumulative Eligible Capital

LINE NO.	OPENING BALANCE	COST OF ADDITIONS	EXCLUDE 25 % OF ADDITIONS	ELIGIBLE BALANCE	RATE	CEC DEDUCTION	CLOSING BALANCE
15	10,967	1,792	448	12,311	7%	862	11,449

NOVA Gas Transmission Ltd.

WEIGHTED AVERAGE COST OF LONG-TERM DEBT OUTSTANDING

FOR THE TEST YEAR ENDING DECEMBER 31, 2008

(\$Thousands)

LINE NO.	DESCRIPTION	INTEREST	PRINCIPAL OUTSTANDING	DAYS OUTSTANDING	TOTAL	DISALLOWED	ADJUSTED	
		RATE %			NGTL INTEREST	INTEREST <sup>(1)</sup> %		DISALLOWED INTEREST <sup>(1)</sup>
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	11.70% Series 15	11.70%	52,500	288	4,847			4,847
2	11.2% Series 18	11.20%	81,750	151	3,788			3,788
3	11.2% Series 18	11.20%	76,850	214	5,046			5,046
4	12 5/8% Series 19	12.63%	43,704	105	1,587	0.44%	55	1,532
5	12 5/8% Series 19	12.63%	39,371	260	3,541	0.44%	123	3,417
6	12.20 % Series 20	12.20%	100,000	365	12,200	0.88%	880	11,320
7	12.20 % Series 21	12.20%	125,000	365	15,250	0.88%	1,100	14,150
8	9.9% Series 23	9.90%	100,000	365	9,900			9,900
9	8 1/2% U.S. \$175MM	8.50%	223,046	360	18,959			18,959
10	7 7/8% U.S. \$200MM	7.88%	248,544	360	19,573			19,573
11	7.7% U.S. \$200MM	7.70%	257,207	360	19,805			19,805
	<b>Medium Term Notes - Cdn</b>							
12	8.90% MTN #7	8.90%	33,000	365	2,937			2,937
13	8.90% MTN #8	8.90%	39,000	365	3,471			3,471
14	8 7/8% MTN #9	8.88%	30,000	365	2,663			2,663
15	8.46% MTN #11	8.46%	45,000	365	3,807			3,807
16	8.90% MTN #12	8.90%	15,000	365	1,335			1,335
17	8 7/8% MTN #13	8.88%	15,000	365	1,331			1,331
18	7.00% \$100MM MTN #17	7.00%	100,000	365	7,000			7,000
19	6.05% \$50MM MTN #18	7.00%	49,798	365	3,486			3,486
20	6.00% \$22MM MTN #19	6.00%	22,000	31	112			112
21	6.59% \$20MM MTN #20	6.59%	20,000	365	1,318			1,318
22	6.59% \$2.5MM MTN #21	6.59%	2,500	365	165			165
23	6.59% \$10MM MTN #22	6.59%	10,000	365	659			659
24	6.59% \$20MM MTN #23	6.59%	20,000	365	1,318			1,318
25	6.00% \$5MM MTN #24	6.00%	5,000	31	25			25
26	6.00% \$53MM MTN #25	6.00%	53,000	31	270			270
27	6.59% \$25MM MTN #29	6.59%	25,000	365	1,648			1,648
28	6.00% \$25MM MTN #30	6.00%	25,000	31	127			127
29	6.30% \$100MM MTN#31	6.30%	100,000	365	6,300			6,300
30	7.52% \$300MM Note Payable to TransCanada	7.52%	300,000	365	22,560			22,560
31	5.10% \$300MM Note Payable to TransCanada	5.10%	300,000	365	15,300			15,300
	<b>Medium Term Notes - U.S.</b>							
32	7.50% US\$32.5MM	7.50%	38,402	360	2,880			2,880
33	<b>Total Interest</b>				<u>193,208</u>		<u>2,159</u>	<u>191,049</u>
34	Weighted Average (Schedule 3.2.3)		<u>2,372,841</u>					
35	Amortization of Issue Costs (Schedule 3.2.4)							<u>1,236</u>
36	<b>Total Cost of Long Term Debt Outstanding</b>							<u>192,285</u>
37	<b>Financing Cost Rate</b>							<u>8.10%</u>

(1) The effective interest rate on Series 19, Series 20 and Series 21 debentures has been reduced by 44 basis points (bp), 88 bp and 88 bp respectively, in accordance with PUB order E92086.

NOVA Gas Transmission Ltd.

RATE BASE SUMMARY <sup>(1)</sup>

FOR THE TEST YEAR ENDING DECEMBER 31, 2009  
(\$Thousands)

LINE NO.	DESCRIPTION	13 MONTH												TOTAL		
		Jan 1	Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30		Dec 31	AVERAGE
(a)		(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Opening Gas Plant In Service		8,022,004	8,049,209	8,050,429	8,061,334	8,608,008	8,648,313	8,673,285	8,692,547	8,711,217	8,728,842	8,745,335	8,769,851		
2	Additions		27,805	1,820	11,505	547,275	40,605	25,271	20,162	19,570	18,525	18,176	25,900	21,630		778,245
3	Retirements		(600)	(600)	(600)	(600)	(300)	(300)	(900)	(900)	(900)	(1,684)	(1,384)	(12,730)		(21,497)
4	Gas Plant In Service		8,022,004	8,049,209	8,050,429	8,061,334	8,608,008	8,648,313	8,673,285	8,692,547	8,711,217	8,728,842	8,745,335	8,769,851	8,778,752	8,503,010
5	Opening Accumulated Depreciation		3,869,415	3,888,505	3,907,662	3,926,822	3,946,201	3,967,029	3,987,956	4,008,345	4,028,781	4,049,262	4,069,003	4,089,085		
6	Depreciation Expense		19,690	19,757	19,760	19,787	21,128	21,227	21,289	21,336	21,382	21,425	21,465	21,526		249,771
7	Retirements		(600)	(600)	(600)	(408)	(300)	(300)	(900)	(900)	(900)	(1,684)	(1,384)	(16,488)		(25,063)
8	Accumulated Depreciation		3,869,415	3,888,505	3,907,662	3,926,822	3,946,201	3,967,029	3,987,956	4,008,345	4,028,781	4,049,262	4,069,003	4,089,085	4,094,123	3,987,092
9	Net Gas Plant In Service		4,152,588	4,160,703	4,142,767	4,134,512	4,661,808	4,681,284	4,685,329	4,684,202	4,682,436	4,679,580	4,676,331	4,680,766	4,684,629	4,515,918
10	Cash Working Capital		16,555	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,276	17,220
11	Materials and Supply Inventory		27,525	26,790	26,055	25,320	24,585	23,851	22,741	21,686	20,685	19,740	18,848	18,012	17,230	22,544
12	Linepack Gas		25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400	25,400
13	Unamortized Capital Assets		10,270	10,387	10,523	10,661	11,068	11,191	11,341	11,608	11,875	12,151	12,423	12,532	8,883	11,147
14	Prefunded / (Unfunded) Foreign Exchange on Long Term Debt		32,086	31,959	31,832	31,704	31,577	31,450	31,322	31,195	31,068	30,940	30,813	30,686	30,558	31,322
15	Prefunded / (Unfunded) Pension and Other Post Employment Liability		34,733	33,543	32,354	34,064	32,874	31,684	33,395	32,205	31,015	32,726	31,536	30,346	32,056	32,502
16	<b>Rate Base</b>		<b>4,299,157</b>	<b>4,306,057</b>	<b>4,286,205</b>	<b>4,278,936</b>	<b>4,804,587</b>	<b>4,822,135</b>	<b>4,826,802</b>	<b>4,823,571</b>	<b>4,819,755</b>	<b>4,817,811</b>	<b>4,812,626</b>	<b>4,815,017</b>	<b>4,816,032</b>	<b>4,656,053</b>

<sup>(1)</sup> Includes Capital Pipeline Integrity Rate Base

NOVA Gas Transmission Ltd.

GAS PLANT UNDER CONSTRUCTION (GPUC)<sup>(1)</sup>

FOR THE TEST YEAR ENDING DECEMBER 31, 2009

(\$Thousands)

LINE NO.	DESCRIPTION	Jan 1	Jan 31	Feb 28	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	13 MONTH	TOTAL
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Opening GPUC		383,313	439,002	518,099	601,579	138,196	162,360	190,744	219,417	248,586	277,975	308,142	332,254		
2	Capital Expenditures		80,930	77,981	91,520	79,868	63,844	52,570	47,558	47,272	46,251	46,485	47,951	49,039		731,270
3	AFUDC		2,564	2,936	3,465	4,024	924	1,086	1,276	1,468	1,663	1,859	2,061	2,222		25,548
4	Transfers to GPIS		(27,805)	(1,820)	(11,505)	(547,275)	(40,605)	(25,271)	(20,162)	(19,570)	(18,525)	(18,176)	(25,900)	(21,630)		(778,245)
5	Closing GPUC	383,313	439,002	518,099	601,579	138,196	162,360	190,744	219,417	248,586	277,975	308,142	332,254	361,885	321,658	

<sup>(1)</sup> Includes Pipeline Integrity and CO<sub>2</sub> Management

NOVA Gas Transmission Ltd.

CAPITAL COST ALLOWANCE AND CUMULATIVE ELIGIBLE CAPITAL

FOR THE TEST YEAR ENDING DECEMBER 31, 2009  
(\$Thousands)

Capital Cost Allowance

LINE NO.	CCA CLASS	UCC BALANCE JAN. 1, 2008	ADJUSTMENTS TO OPENING BALANCE	COST OF ADDITIONS	NET SALVAGE	UCC BEFORE DEFERRED CAPITAL COST	EXCESS	CAPITAL COST DEFERRED	UCC BEFORE CCA	MAX RATE	CAPITAL COST ALLOWANCE	UCC BALANCE DEC. 31, 2008
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	01	2,195,628	-	20,235	-	2,215,863	20,235	10,117	2,205,746	4%	88,230	2,127,633
2	02	180,289	-	-	-	180,289	-	-	180,289	6%	10,817	169,471
3	03	29,117	-	-	-	29,117	-	-	29,117	5%	1,456	27,661
4	06	2,028	-	-	-	2,028	-	-	2,028	10%	203	1,826
5	07	62,854	-	121,215	-	184,070	121,215	60,608	123,462	15%	18,519	165,550
6	08	93,228	-	50	-	93,278	50	25	93,253	20%	18,651	74,628
7	10	9,898	-	2,988	(192)	12,694	2,796	1,398	11,296	30%	3,389	9,305
8	10a	2,807	-	-	-	2,807	-	-	2,807	45%	1,263	1,544
9	10b	2,804	-	1,898	-	4,702	1,898	949	3,753	55%	2,064	2,638
10	12	5,534	-	11,069	-	16,603	11,069	5,534	11,069	100%	11,069	5,534
11	13	7,577	-	315	-	7,892	315	158	7,734	S/L	455	7,437
12	17	22,989	-	-	-	22,989	-	-	22,989	8%	1,839	21,150
13	49	624,338	-	608,900	-	1,233,238	608,900	304,450	928,788	8%	74,303	1,158,935
14		3,239,092	-	766,669	(192)	4,005,569	766,477	383,238	3,622,330		232,257	3,773,311

In-Service Additions	Total	782,245
	AFUDC	(15,319)
	Land	-
	Removal	3,758
	Straight Deduct	(1,000)
		<u>766,669</u>

Cumulative Eligible Capital

LINE NO.	OPENING BALANCE	COST OF ADDITIONS	EXCLUDE 25% OF ADDITIONS	ELIGIBLE BALANCE	RATE	CEC DEDUCTION	CLOSING BALANCE
15	11,449	3,016	754	13,711	7%	960	12,751

NOVA Gas Transmission Ltd.

WEIGHTED AVERAGE COST OF LONG-TERM DEBT OUTSTANDING

FOR THE TEST YEAR ENDING DECEMBER 31, 2009

(\$Thousands)

LINE NO.	DESCRIPTION	INTEREST	PRINCIPAL OUTSTANDING	DAYS OUTSTANDING	TOTAL	DISALLOWED	ADJUSTED	
		RATE %			NGTL INTEREST	INTEREST <sup>(1)</sup> %		DISALLOWED INTEREST <sup>(1)</sup>
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>Debentures</b>								
1	11.2% Series 18	11.20%	76,875	151	3,562			3,562
2	11.2% Series 18	11.20%	72,000	214	4,728			4,728
3	12 5/8% Series 19	12.63%	39,338	105	1,429	0.44%	50	1,379
4	12 5/8% Series 19	12.63%	35,005	260	3,148	0.44%	110	3,038
5	12.20 % Series 20	12.20%	100,000	365	12,200	0.88%	880	11,320
6	12.20 % Series 21	12.20%	125,000	365	15,250	0.88%	1,100	14,150
7	9.9% Series 23	9.90%	100,000	365	9,900			9,900
8	8 1/2% U.S. \$175MM	8.50%	223,046	360	18,959			18,959
9	7 7/8% U.S. \$200MM	7.88%	248,544	360	19,573			19,573
10	7.7% U.S. \$200MM	7.70%	257,207	360	19,805			19,805
<b>Medium Term Notes - Cdn</b>								
11	8.90% MTN #7	8.90%	33,000	365	2,937			2,937
12	8.90% MTN #8	8.90%	39,000	365	3,471			3,471
13	8 7/8% MTN #9	8.88%	30,000	365	2,663			2,663
14	8.46% MTN #11	8.46%	45,000	365	3,807			3,807
15	8.90% MTN #12	8.90%	15,000	365	1,335			1,335
16	8 7/8% MTN #13	8.88%	15,000	365	1,331			1,331
17	7.00% \$100MM MTN #17	7.00%	100,000	365	7,000			7,000
18	6.05% \$50MM MTN #18	7.00%	49,798	365	3,486			3,486
19	6.59% \$20MM MTN #20	6.59%	20,000	365	1,318			1,318
20	6.59% \$2.5MM MTN #21	6.59%	2,500	365	165			165
21	6.59% \$10MM MTN #22	6.59%	10,000	365	659			659
22	6.59% \$20MM MTN #23	6.59%	20,000	365	1,318			1,318
23	6.59% \$25MM MTN #29	6.59%	25,000	365	1,648			1,648
24	6.30% \$100MM MTN#31	6.30%	100,000	365	6,300			6,300
25	7.52% \$300MM Note Payable to TransCanada	7.52%	300,000	365	22,560			22,560
26	5.10% \$300MM Note Payable to TransCanada	5.10%	300,000	365	15,300			15,300
<b>Medium Term Notes - U.S.</b>								
27	7.50% US\$32.5MM	7.50%	38,402	360	2,880			2,880
28	<b>Total Interest</b>				<u>186,730</u>		<u>2,140</u>	<u>184,591</u>
29	Weighted Average (Schedule 3.2.3)		<u>2,307,085</u>					<u>1,236</u>
30	Amortization of Issue Costs (Schedule 3.2.4)							<u>185,827</u>
31	<b>Total Cost of Long Term Debt Outstanding</b>							<u>185,827</u>
32	<b>Financing Cost Rate</b>							<u>8.05%</u>

(1) The effective interest rate on Series 19, Series 20 and Series 21 debentures has been reduced by 44 basis points (bp), 88 bp and 88 bp respectively, in accordance with PUB order E92086.

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**AUC-NGTL 5**

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**Reference:** The Application

**Issue/Sub-Issue:** Capital Expenditures

**Preamble:** The Commission would like some information about the planned capital expenditures for 2008 and 2009.

**Request:**

- (a) Please indicate whether any information regarding capital expenditures by project for 2008 and 2009 was reviewed with and subsequently agreed to by the parties who are signatories to the 2008-2009 Revenue Requirement Settlement. If there was, please provide this information. If there was not, please provide the details of all capital expenditures by category and by project for 2008 and 2009 which form the basis for the 2008-2009 Revenue Requirement Settlement. If the 2008-2009 Revenue Requirement Settlement is not based on any specific capital expenditure information, please provide the most recent internally approved forecast of capital expenditures for 2008 and 2009 by category and by project.
- (b) Please indicate which projects provided in the response to part (a) of this IR have received AUC facilities approval and those which still require approval from the facilities branch of the AUC.

**Response:**

- (a) An update to Tables 12 and 12.1 of the August 23, 2007 data package was provided which outlined the major capital projects that were expected to be undertaken during the term of the proposed settlement. These updated tables are provided as Attachment AUC-NGTL 5(a).

Subsequent to the conclusion of the negotiations, NGTL also provided stakeholders with detailed rate base schedules reflecting the most recent capital forecast upon which the Settlement was based. Please refer to the response to AUC-NGTL 4. In addition, information for individual projects is provided in NGTL's December 2007 Annual Plan, as filed with the EUB.



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**AUC-NGTL 5**

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- (b) All projects listed in Attachment AUC-NGTL 5(a) have received approval, other than the North Central Corridor (“NCC”) facilities currently before the AUC (Application 1551990), and the Leismer to Kettle River project, which was included in 2010 and is outside of the Settlement time frame. During 2008 and 2009 additional facilities may be required. NGTL will apply for these facilities and the associated costs will be included in rate base in accordance with the Settlement and with the approval of the AUC.

**NOVA GAS TRANSMISSION LTD.  
2008 - 2010 REVENUE REQUIREMENT DATA PACKAGE**

**TABLE 12**

**WEIGHTED AVERAGE RATE BASE  
(\$thousands)**

	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>
Opening Gas Plant In Service	7,410,062	7,599,962	7,992,921	8,753,669
GPIS Transfers	216,403	413,240	782,245	881,259
Retirements	(26,503)	(20,281)	(21,497)	(18,798)
Gas Plant In Service	<u>7,599,962</u>	<u>7,992,921</u>	<u>8,753,669</u>	<u>9,616,130</u>
Opening Accumulated Depreciation	3,382,194	3,645,950	3,867,830	4,107,638
Depreciation Expense	289,062	247,822	264,871	287,450
Retirements	(25,306)	(25,942)	(25,063)	(21,630)
Accumulated Depreciation	<u>3,645,950</u>	<u>3,867,830</u>	<u>4,107,638</u>	<u>4,373,458</u>
Net Gas Plant In Service	3,954,012	4,125,091	4,646,032	5,242,672
Cash Working Capital	19,434	17,145	17,135	23,392
Materials & Supplies Inventory	23,798	27,525	19,945	15,192
Linepack Gas	25,400	25,400	26,550	27,650
Unamortized Capital Assets	14,300	10,270	10,775	9,583
Foreign Exchange on Long Term Debt	33,690	32,086	30,481	28,877
Pension/OPEB's	30,223	26,890	24,232	22,162
Total Rate Base	<u>4,100,857</u>	<u>4,264,407</u>	<u>4,775,150</u>	<u>5,369,529</u>
Weighted Average Rate Base	<u>4,147,751</u>	<u>4,232,305</u>	<u>4,617,607</u>	<u>5,107,068</u>

**GAS PLANT UNDER CONSTRUCTION**

Opening GPUC	98,059	179,994	395,697	371,453
Capital Expenditures	292,198	613,992	731,270	526,596
AFUDC	6,140	14,952	26,731	14,990
Transfers to GPIS:				
Base Rate Base	(23,269)	(17,006)	(18,714)	(18,483)
Capacity Capital	(186,425)	(387,694)	(759,531)	(858,776)
CO2 Management Service	-	-	-	-
Pipeline Integrity <sup>(1)</sup>	<u>(6,709)</u>	<u>(8,540)</u>	<u>(4,000)</u>	<u>(4,000)</u>
Closing GPUC	<u>179,994</u>	<u>395,697</u>	<u>371,453</u>	<u>31,779</u>
Weighted Average GPUC	<u>89,012</u>	<u>201,147</u>	<u>334,324</u>	<u>174,137</u>

<sup>(1)</sup> 2010 Pipeline Integrity capital is held constant at the 2009 level.

**NOVA GAS TRANSMISSION LTD.  
2008 - 2010 REVENUE REQUIREMENT DATA PACKAGE**

**TABLE 12.1**

**CAPITAL EXPENDITURES <sup>(1)</sup>**

(\$ Thousands)

LINE NO.	DESCRIPTION	Forecast	Forecast	Forecast	Forecast
		2007	2008	2009	2010
(a)		(b)	(c)	(d)	(e)
1	Capacity Capital <sup>(2) (3)</sup>	266,596.0	588,419	709,075	504,232
2	Pipeline Integrity <sup>(4)</sup>	4,570	8,369	3,920	3,920
3	CO <sub>2</sub> Management Service <sup>(5)</sup>	-	-	-	-
4	Maintenance Capital <sup>(6)</sup>	6,185	6,044	1,955	1,955
5	General Plant	14,847	11,159	16,319	16,488
6	Total Capital	<u>292,198</u>	<u>613,992</u>	<u>731,270</u>	<u>526,596</u>

<sup>(1)</sup> Exclude AFUDC and net retirement spending.

<sup>(2)</sup> Capacity Capital includes the following projects: Marten Hills Lateral Loop #2 (McMullen Section), Fort McKay Mainline (Birchwood Creek Section), NCC Loop (Buffalo Creek East Section), Paul Lake C/S Unit #2, Jackpine Creek Lateral, NCC Loop (Buffalo Creek West Section), NCC Northstar Section, Woodenhouse C/S Unit #2, Meikle River C/S, Leismer to Kettle River North Crossover, NCC Red Earth Section, and other meter stations, compressor reversals and extension facilities.

<sup>(3)</sup> 2010 forecast for Capacity Capital has not been finalized.

<sup>(4)</sup> Pipeline Integrity capital for 2010 is held constant at the 2009 level.

<sup>(5)</sup> No CO<sub>2</sub> capital has been forecast.

<sup>(6)</sup> Maintenance capital for 2010 is held constant at the 2009 level.

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**AUC-NGTL 6**

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**Reference:** Application – Section 3.0

**Issue/Sub-Issue:** Part 4 of 10, Lines 21-24

**Quote:** “In addition, NGTL received funds related to the Calpine Corporation bankruptcy settlement in the amount of \$32.7 million including carrying charges.”

**Preamble:** The Commission would like additional information with regard to this.

**Request:**

- (a) Please advise if the settlement referred to in the above quote is the final amount and if NGTL expects to receive any more funds in relation to this matter.
- (b) If NGTL expects to receive more funds from this matter, is it prepared to include them as a credit to the revenue requirement in future years? If not, please explain why.
- (c) Are there any other proceedings of this type that are ongoing and for which NGTL may receive funds? If there are, please provide details including any amounts NGTL expects to receive. Is NGTL prepared to include any funds received from these proceedings as a credit to revenue requirement in future years? If not, please explain why.

**Response:**

(a) & (b):

The Calpine settlement amount of \$32.7 million is final. NGTL does not expect to receive any more settlement claims in relation to this matter.

- (c) There are no other ongoing proceedings of this type for which NGTL would receive funds.

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**AUC-NGTL 7**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 1 of 8 - Overview

**Quote:** “This Settlement includes all elements of NOVA Gas Transmission Ltd.’s revenue requirement but does not extend to any rate design, accountability, services or competitive issues.”

**Preamble:** The Commission would like to obtain additional information about this.

**Request:**

- (a) Please advise what plans NGTL has regarding any Phase II issues or applications for 2008/2009. How does NGTL propose to address any rate design, accountability or service issues that may arise during this time frame?
- (b) Please list any and all re-opener provisions included within the Settlement agreement, highlighting whether or not they may be initiated by customers or NGTL.

**Response:**

- (a) On May 14, 2008, pursuant to the AUC’s Rule 018 and NGTL’s established practice, NGTL requested approval to commence negotiations on Issue T2008-01, Rate Design and Services Review. The Tolls, Tariff, Facilities and Procedures Committee (“TTFP”) adopted this issue for the purpose of reviewing, evaluating, and potentially modifying the Alberta System rate design and the associated terms and conditions of NGTL’s service offerings.

On June 4, 2008, the AUC approved NGTL’s request to commence negotiations in Order U2008-194. NGTL is working with members of the TTFP to develop the process and a reasonable timeline for completion of the collaborative process.

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AUC-NGTL 7

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- (b) There are no expressed “reopeners” in the Settlement. However, Section 3(A) of the Settlement states “(t)he parties agree that approval of this Settlement in its entirety as a package is a requirement for the Settlement to be binding on any party”. This provision applies to the signatories to the Settlement, which includes NGTL.

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**AUC-NGTL 8**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 1 of 8 – Section 1(A)(i)a

**Quote:** “NGTL’s return on equity shall be adjusted to account for any difference between actual and forecast rate base for 2008.”

**Preamble:** The Commission would like additional information regarding the calculation of the actual and forecast rate base figures for 2008 and 2009.

**Request:**

- (a) Please provide details which support the calculation of the forecast rate base figures shown in Appendix 2 for 2008 and 2009. These details should include the opening balance by account, the depreciation rate for each account and the corresponding depreciation amount, and the closing balance by account. In addition, please include any working capital amounts included in the forecast rate base and details on how these amounts were calculated, including a list of all working capital ratios (e.g. lead lag percentages).
- (b) Please indicate if the depreciation rates used to calculate the actual depreciation expense for 2008 and 2009 will be the same as those used in calculating the forecast rate base figures referred to in part (a) of this IR? If they will not be, please provide the depreciation rates that will be used and explain why these rates will be different.
- (c) With respect to the calculation of the actual working capital amounts for 2008 and 2009, please indicate whether the working capital ratios that will be used will be actual amounts for 2008 and 2009 or if they will be the same as the figures used to determine the forecast working capital amounts for 2008 and 2009 referred to in part (a) of this IR.

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**AUC-NGTL 8**


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- (d) Please identify all costs that have been agreed to within this settlement that could impact customers upon the expiry of the settlement. How does NGTL mitigate any inter-generational inequities that might result?

**Response:**

- (a) For details on the forecast rate base, please refer to the response to AUC-NGTL 4. Costs related to differences between actual and forecast rate base will be included in deferral accounts. Sections 1(A)(i)a and 2(A)(i)a of the Settlement describe how this deferral will be calculated for Return on Equity (“ROE”), which is illustrated by the following example:

	<u>“Actual”</u>	<u>Forecast</u>	<u>Deferral</u>
Rate Base (\$000)	4,250,043	4,236,940	
Equity Capital Ratio	35%	35%	
ROE	8.75%	8.75%	
Return on Equity (\$000)	<u>130,158</u>	<u>129,756</u>	<u>402</u>

This difference of \$0.4 million plus carrying charges, would be included in the deferral. Differences in actual and forecast rate base would similarly be factored into the income tax adjustment mechanism. Please refer to the response to AUC-NGTL 16(f).

For the costs associated with depreciation and working capital please refer to the responses below.

- (b) The depreciation rates used to calculate the actual depreciation expense for 2008 and 2009 will not be the same as those used in calculating the forecast rate base figures shown in Appendix 2 of the Application.

The Settlement specifies that depreciation for 2008 and 2009 will be a fixed expense of \$249,800,000. This amount will be applied pro rata to each of the asset classes based upon respective 2007 asset class rates. The depreciation rates for each of 2008 and 2009 will be finalized at the end of each year when the average gas plant in service is final.

Please refer to Attachment AUC-NGTL 8(b) for the forecast of depreciation rates by asset class. This attachment also provides examples of how the rate base and depreciation will change if capital additions are increased or decreased by 5% for both 2008 and 2009.



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**AUC-NGTL 8**

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- (c) Actual working capital components in the 2008 and 2009 rate bases will be based on actual 2008 and 2009 costs. Cash Working Capital is calculated based on the lead/lag study approved in Decision 2004-069.
- (d) The only item that has been agreed to within the Settlement that could impact customers upon expiry of the Settlement is the methodology to manage the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account.

As explained in the response to AUC-NGTL 1, the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account was expected to address the inter-generational inequities associated with realized losses on foreign denominated debt.

In 2010, the balance of the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account is forecast to be prefunded in excess of \$25 million. If upon expiry of the Settlement, this account is not approved for 2010, NGTL customers at that time would be impacted by the outstanding balance being included in rates for that year.

Please also refer to the response to AUC-NGTL 12.

**Depreciation & Amortization**THE YEARS ENDING DECEMBER 31  
(\$Thousands)

Line No.	Description	2007			2008			2009		
		Rate	Average GPIS	Expense	Rate	Expense	Average GPIS	Rate	Expense	
1	<b>Transmission Plant</b>									
2	Meter Stations	4.14%	563,748	3.46%	19,531	615,694	3.22%	19,796		
3	Compressor Stations	5.70%	1,543,560	4.77%	73,624	1,655,946	4.42%	73,265		
4	Pipelines	2.96%	5,490,293	2.47%	135,813	5,970,811	2.29%	137,008		
5	<b>General Plant</b>									
6	Structures and Improvements	4.41%	81,825	3.69%	3,019	82,146	3.42%	2,812		
7	Furniture and Office Equipment	4.94%	19,475	4.13%	805	18,209	3.84%	699		
8	Tools and Work Equipment	2.02%	45,668	1.69%	772	46,358	1.57%	727		
9	Transportation Equipment	7.62%	31,697	6.38%	2,021	31,948	5.91%	1,889		
10	Computer Equipment	22.19%	75,561	18.57%	14,031	78,051	17.23%	13,446		
11	Intangibles	5.29%	4,167	4.42%	184	3,846	4.10%	158		
12	Average GPIS		<u>7,855,991</u>			<u>8,503,010</u>				
13	<b>Total Depreciation Expense</b>				<u>249,800</u>			<u>249,800</u>		
14	Composite Depreciation Rate			3.18%			2.94%			

**Impact on Depreciation Rates of changes in GPIS**

	2008			2009		
	Average GPIS	Composite Rate	Depreciation Expense	Average GPIS	Composite Rate	Depreciation Expense
Forecast GPIS	7,855,991	3.18%	249,800	8,503,010	2.94%	249,800
Forecast GPIS (increase 5% capital additions)	7,869,095	3.17%	249,800	8,527,305	2.93%	249,800
Forecast GPIS (decrease 5% capital additions)	7,842,888	3.19%	249,800	8,478,714	2.95%	249,800

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**AUC-NGTL 9**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 1 of 8 – Section 1(A)(ii)

**Quote:** “Depreciation expense shall be fixed at \$249,800,000. This amount shall be applied pro rata to each of the asset class rates.”

**Preamble:** The Commission would like some additional information in regard to this.

**Request:**

- (a) Please indicate if NGTL’s depreciation expense for 2008 and 2009 as reported for external financial reporting purposes will be the same as the fixed depreciation expense of \$249,800,000 for 2008 and 2009 that will be reported for regulatory purposes. If it will not be, please explain what depreciation expense will be used in calculating the actual rate base for 2008 and 2009 for the purposes of the return on equity adjustments referred to in Sections 1(A)(i)a and 2(A)(i)a of the Revenue Requirement Settlement.
- (b) Please provide details of how the pro rata application of the depreciation expense as described in the above quote was done by asset class for the forecast 2008 and 2009 rate base figures that are shown in Appendix 2 of Appendix A of the Application.
- (c) Please provide a numerical example of how the pro rata application of the depreciation expense as described in the above quote will be done by asset class for the actual 2008 and 2009 rate base figures that will be used in calculating the return on equity adjustments referred to in Sections 1(A)(i)a and 2(A)(i)a of the Revenue Requirement Settlement.
- (d) Is NGTL able to confirm whether or not the agreed depreciation amount and composite rate are based on depreciation rates and expected life of the assets previously approved by the Commission or Board.

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**AUC-NGTL 9**

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**Response:**

(a) NGTL intends to record depreciation expense for external financial reporting purposes equal to the amount negotiated in the Settlement.

(b) & (c):

Please refer to the response to AUC-NGTL 8(b). The actual and forecast depreciation for 2008 and 2009 will be \$249,800,000. As a result, there will be no ROE adjustment related to depreciation.

(d) The actual depreciation rates will be a function of the expense amount agreed to in the Settlement. The composite depreciation rate for 2008 and 2009 will be approximately 3.18 percent and 2.94 percent respectively, which is appropriate for the Alberta System based on relevant factors and is similar to rates charged by other pipeline systems.

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**AUC-NGTL 10**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 2 of 8 – Section 1(B)

**Quote:** “Carrying charges on the 2008 Deferral Accounts shall be calculated using the Bank of Canada Rate plus 1½ %.”

**Preamble:** The Commission would like some additional information in regard to this.

**Request:**

- (a) Please provide NGTL’s understanding of when these carrying charges would begin to be applied, the frequency when they will be applied (e.g. daily, monthly, annually) and when they will cease to be applied.
- (b) Please confirm that NGTL’s carrying cost treatment for the 2008 deferral accounts is consistent with AUC Rule No. 023. If not, please explain why not.

**Response:**

- (a) Carrying charges would be applied at the end of the month in which a deferral balance is recorded and carrying charges would be applied monthly until the balance of the account is zero.
- (b) NGTL’s understanding is that AUC Rule 023 applies to the collection of interest or the payment of interest on balances in deferral accounts, which is consistent with NGTL’s practice used since 2004.

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**AUC-NGTL 11**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 2 of 8 – Section 1(B)(ii)

**Quote:** “Debt costs for 2008 are forecast to be \$207,900,000. Actual debt costs shall be determined based on deemed debt structure of 65%.”

**Preamble:** The Commission would like some additional information in regard to this.

**Request:**

Please provide a numerical example of how the actual debt costs for 2008 and 2009 will be calculated based on the information in the above quote. Please explain how the actual embedded cost of debt will be calculated for 2008 and 2009.

**Response:**

The actual cost of debt in each year of the Settlement will be based on a deemed debt structure of 65 percent. Attachment AUC-NGTL 11 provides examples of how debt costs will be calculated using the forecast rate base as well as a scenario with higher capital additions to rate base for 2008.

The schedule on page 1 of 2 in Attachment AUC-NGTL 11 provides the forecast debt cost for the 2008 revenue requirement.

The schedule on page 2 of 2 in Attachment AUC-NGTL 11 provides an example of how the debt cost for 2008 would be calculated if capital additions to rate base are five percent higher than forecast (capital additions of approximately \$466 million versus \$444 million).

The same methodology would be used for both 2008 and 2009 debt costs. Any difference between the actual debt cost and the forecast debt cost will be included in the

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**AUC -NGTL 11**

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Flow-through Cost deferral account and carried forward into the next year's revenue requirement.

## DEBT COST

FOR THE YEAR ENDED DECEMBER 31, 2008

(\$Thousands)

LINE NO.	DESCRIPTION	AVERAGE CAPITAL OUTSTANDING	CAPITAL RATIO % <sup>(1)</sup>	AVERAGE RATE BASE	COST FACTOR % <sup>(1)</sup>	WEIGHTED COST % <sup>(1)</sup>	OPERATING RETURN
(a)		(b)	(c)	(d)	(e)	(f)	(g)
1	Long-Term Debt	2,372,841	53.38%	2,261,479	8.10%	4.33%	183,261
2	No-Cost Capital	(402)	-0.01%	(383)	0.00%	0.00%	-
3	Unfunded Debt	517,188	11.63%	492,915	5.00%	0.58%	24,646
4	Total Debt	<u>2,889,627</u>	<u>65.00%</u>	<u>2,754,011</u>		<u>4.92%</u>	<u>207,907</u>

Base Rate Base	4,236,940
CO2 Mgmt Rate Base	1,712
GPUC	206,928
Average Capitalization	<u>4,445,580</u>
Common Equity (35%)	1,555,953
Debt (65%)	<u>2,889,627</u>
	<u><u>4,445,580</u></u>

<sup>(1)</sup> Rounded to 2 decimal places for presentation purposes only.



## DEBT COST

FOR THE YEAR ENDED DECEMBER 31, 2008

(\$Thousands)

**5% increase in additions**

LINE NO.	DESCRIPTION	AVERAGE CAPITAL OUTSTANDING	CAPITAL RATIO % <sup>(1)</sup>	AVERAGE RATE BASE	COST FACTOR % <sup>(1)</sup>	WEIGHTED COST % <sup>(1)</sup>	OPERATING RETURN
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Long-Term Debt	2,372,841	53.22%	2,261,806	8.10%	4.31%	183,206
2	No-Cost Capital	(402)	-0.01%	(383)	0.00%	0.00%	-
3	Unfunded Debt	525,705	11.79%	501,105	5.00%	0.59%	25,055
4	Total Debt	2,898,144	65.00%	2,762,528		4.90%	208,261

Base Rate Base	4,250,043
CO2 Mgmt Rate Base	1,712
GPUC	206,928
Average Capitalization	4,458,683

Common Equity (35%)	1,560,539
Debt (65%)	2,898,144
	4,458,683

<sup>(1)</sup> Rounded to 2 decimal places for presentation purposes only.

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**AUC-NGTL 12**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 3 of 8 – Section 1(B)(xi)

**Quote:** “The mechanism established in the 2001 Alberta System Rate Settlement for amortization of foreign exchange gains and losses related to long-term debt shall be modified as follows:”

**Preamble:** The Commission would like some additional information in regard to this.

**Request:**

Please advise what the impact of the modification referred to in the above quote was for 2008 and 2009. In other words, if the methodology for 2001 was still being utilized what would the forecasted annual foreign exchange amortization amount be for 2008 and 2009.

**Response:**

The impact of the modification to the mechanism for amortization of foreign exchange gains and losses related to long-term debt is an increase in the revenue requirement of approximately \$6.0 million over the current methodology.

This modification was agreed to by the parties in order to reduce the outstanding balance of the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account in accordance with the intent of the original 2001 agreement.

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**AUC-NGTL 13**

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**Reference:** 2008-2008 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 6 of 8 – Section 3(E)

**Quote:** “NGTL will report annually to all parties using the AUC reporting package augmented with the additional schedules set out in Appendix 3.”

**Preamble:** The Commission wishes to have the report for 2007 on the record of this proceeding.

**Request:**

- (a) Please indicate whether or not the AUC reporting package referred to in the above quote refers to the ‘Schedules for Gas Utility and Default Service Providers Annual Financial and Operating Reporting’ as listed on Appendix 2 of Rule 005 of the AUC (AUC Rule 005 Reporting Package). If this is not the AUC reporting package referred to in the above quote, please provide a copy of the reporting package that is referenced.
- (b) Please confirm that on May 15, 2008, NGTL submitted its AUC Rule 005 Reporting Package for the year 2007 and that NGTL complied with AUC Order U2008-113 in preparing its AUC Rule 005 Reporting Package for 2007.
- (c) Please advise whether NGTL has any objection to the reporting package referred to in part (b) of this IR being placed on the record of this 2008-2009 Revenue Requirement Settlement Application. If it does, please explain why.
- (d) Please confirm that the additional schedules set out in Appendix 3 as referred to in the above quote were not included as part of the AUC Rule 005 Reporting Package for 2007 referred to in part (b) of this IR. Please indicate whether these additional schedules will be included with the AUC Rule 005 Reporting Package for 2008 that will be filed with the AUC in 2009 or if they will be reported separately to all parties including the AUC.

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**AUC-NGTL 13**

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**Response:**

- (a) Confirmed.
- (b) Confirmed.
- (c) NGTL has no objections.
- (d) These schedules were not included in the AUC reporting package for 2007 and will not be included in the AUC reporting package for 2008 and 2009. They will be provided to parties as a separate package.

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**AUC-NGTL 14**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 6 of 8 – Section 3(G)

**Quote:** During the Term, for any calculation under the Tariff that includes operating return, rate of return on rate base or any calculation for an allowance for funds used during construction, operating return, rate of return on rate base or allowance for funds used during construction shall be deemed to be 8.0% unless there is a Cost of Capital proceeding affecting NGTL in 2009 in which case the deemed weighted average cost of capital for 2009 shall be calculated based on the results of such proceeding.

**Preamble:** The Commission would like some additional information in regard to this.

**Request:**

- (a) Please advise whether the 8% referred to in the above quote is an after-tax figure or a pre-tax figure.
- (b) Please provide examples of when this 8% figure would be used in the context of any calculations referred to in the Settlement Agreement.

**Response:**

- (a) The eight percent referenced in the Settlement is a combination of after-tax return on equity and pre-tax cost of debt.
- (b) The eight percent referenced in the Settlement would be used in the calculation of AFUDC. Please refer to the response to AUC-NGTL 4 for a forecast of AFUDC.

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**AUC-NGTL 15**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Page 8 of 8 – Section 4

**Preamble:** The Commission would like some additional information in regard to the signatories to the Revenue Requirement Settlement.

**Request:**

Please indicate how many parties on the invitee list to the settlement negotiations (which, as per page 1 of 4 of Section 2.0 of the Application, consisted of members of the Tolls, Tariff, Facilities, and Procedures Committee; interested parties to NGTL’s 2005 GRA Phase 2 and 2005-2007 Revenue Requirement Settlement; and all Alberta System shippers) are represented by the following signatories to the agreement: The Canadian Association of Petroleum Producers; The Industrial Gas Consumers Association of Alberta; The Office of the Utilities Consumer Advocate and the Consumers’ Coalition of Alberta (whose signature page was submitted by NGTL on April 28, 2008).

**Response:**

The number of parties on the invitee list to the settlement negotiations who are members of Canadian Association of Petroleum Producers (“CAPP”) and Industrial Gas Consumers Association of Alberta (“IGCAA”), as determined by NGTL to the best of its knowledge are:

Canadian Association of Petroleum Producers	57 Producer Members 19 Associate Members
Industrial Gas Consumers Association of Alberta	5 Members

CAPP has 140 Producer Members and 135 Associate Members and IGCAA has 10 Members. NGTL understands that these Associations generally represent the consensus

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**AUC-NGTL 15**

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views of their members. However, individual members are free to take positions different than those of their respective Associations.

NGTL understands that the mandate of the Office of the Utilities Consumer Advocate (“UCA”) is to represent the interests of Alberta residential, farm and small business consumers of electricity and natural gas. NGTL understands that the Consumers’ Coalition of Alberta is a coalition comprised of the Alberta Council on Aging and the Consumers’ Association of Canada (Alberta) and represents the interest of residential customers of monopoly utilities. NGTL is not able to determine the number of invitees to the settlement negotiations that may have been represented by either of these two groups.

In addition to the direct invitations to participate in these settlement negotiations, NGTL placed public notices in the Calgary Herald, the Calgary Sun, the Edmonton Journal, and the Edmonton Sun one week in advance of the first negotiation meeting.

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**AUC-NGTL 16**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix A of Application

**Issue/Sub-Issue:** Forecast Parameters

**Preamble:** The Commission would like some additional detail regarding the calculation of the figures shown on Appendix 2.

**Request:**

- (a) Please provide details that show how the figures for the weighted average rate base for 2008 and 2009 as shown on Appendix 2 were calculated. Please indicate if this includes actual capital expenditures or forecasted capital expenditures for 2007. Please provide a definition of the term “Weighted Average Rate Base.” Please indicate if the figures for the weighted average rate base as shown on Appendix 2 represent the forecast rate base amounts that will be used in the calculation of the return on equity adjustments for 2008 and 2009 as outlined in Sections 1(A)(i)a and 2(A)(i)a of the Settlement Agreement.
- (b) Please provide a breakdown of the 29.5% income tax rate by its various federal and provincial components. Please indicate if there are any other income tax rates (such as part IV tax) that will be subject to deferral treatment, and if there are please provide these rates as they were used for the settlement agreement.
- (c) Please provide details by CCA rate class that show how the CCA amounts as shown on Appendix 2 were calculated. Please indicate if the rates for CCA as shown on Appendix 2 represent the forecast CCA rates that will be used in the calculation of the income tax expense adjustments for 2008 and 2009 as outlined in Sections 1(A)(i)b and 2(A)(i)b of the Settlement Agreement.
- (d) Please provide details that show how the AFUDC Interest Component amounts as shown on Appendix 2 were calculated. Please indicate if the amounts shown for AFUDC Interest Component as shown on Appendix 2 represent the forecast figures that will be used in the calculation of the income tax expense adjustments for 2008 and 2009 as outlined in Sections 1(A)(i)b and 2(A)(i)b of the Settlement Agreement.



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**AUC-NGTL 16**

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- (e) Please provide itemized details that show how the Other Income Tax Deductions amounts as shown on Appendix 2 were calculated. Please indicate if the amounts shown for Other Income Tax Deductions as shown on Appendix 2 represent the forecast figures that will be used in the calculation of the income tax expense adjustments for 2008 and 2009 as outlined in Sections 1(A)(i)b and 2(A)(i)b of the Settlement Agreement.
- (f) Please provide details of the calculation of the forecast income tax amounts for 2008 and 2009 that are referred to in Sections 1(A)(i)b and 2(A)(i)b of the Settlement Agreement.

**Response:**

- (a) Details of the weighted average rate base for 2008 and 2009 are provided in the response to AUC-NGTL 4 and are based on forecast capital expenditures and additions for 2007. The “Weighted Average Rate Base” is a thirteen month average rate base. The forecast rate base amounts will be used to calculate the return on equity adjustments for 2008 and 2009. Please refer to the response to AUC-NGTL 8(a).
- (b) The income tax rate of 29.5 percent includes the federal tax rate of 19.5 percent and the provincial tax rate of 10.0 percent. There are no other tax rates incorporated into the income tax calculation. Any new income tax rates that come into effect during the term of the Settlement will be subject to the adjustment mechanism in the Settlement. Please refer to the response to (f) below.
- (c) Please refer to the response to AUC-NGTL 4 for the CCA amounts forecast in the Settlement. The Settlement is the result of a negotiation and Appendix 2 to the Settlement was provided to document the parameters under which the agreement was reached. The forecast CCA will be used in the calculation of the income tax expense adjustment. Please refer to the response to (f) below.
- (d) Please refer to Attachment AUC-NGTL 4 for the AFUDC forecast in the Settlement. The Settlement is the result of a negotiation and Appendix 2 to the Settlement was provided to document the parameters under which the agreement was reached. The forecast AFUDC will be used to calculate the income tax expense adjustment. Please refer to the response to (f) below.
- (e) Other Income Tax Deductions include Amortization of Issue Costs, Non Allowable Expenses, Cumulative Eligible Capital, Debt Issue Costs and Other, which is removal costs net of salvage. The amounts provided for Other Income Tax Deductions in Appendix 2 represent the forecast figures that will be used in the calculation of the income tax expense adjustment for 2008 and 2009. Please

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**AUC-NGTL 16**


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refer to the response to (f) below.

- (f) Income Tax for 2008 and 2009 is part of the fixed “Black-box” component of the Settlement along with Operating Costs and Return on Equity. Therefore, there is not a specific amount that can be attributed to Income Tax in the Settlement.

For the purposes of the adjustment mechanism, the forecast income tax will be based on an equity return on the forecast rate base (equity return based on AUC deemed equity and ROE) and the other income tax adjustments (Depreciation, CCA, etc.) outlined in the Settlement. For the purposes of the adjustment mechanism the actual income tax will be based on the same parameters as the forecast but using actual rate base and actual income tax rates and adjustments. Attachment AUC-NGTL 16(f) provides a numerical example of how the income tax adjustment mechanism will work. For illustrative purposes, NGTL has assumed the following for “actual” 2008 values:

	<b>(\$000)</b>
Return on Equity	130,158
Capital Cost Allowance	195,000
Cumulative Eligible Capital	900
AFUDC Interest Component	9,700
Other	3,800

The differences between the actual income tax and forecast income tax will be the income tax adjustment which, including carrying charges, will be included in the deferral account to be carried forward into the next year’s revenue requirement.

## INCOME TAXES

THE YEAR ENDED DECEMBER 31, 2008  
(\$Thousands)

LINE NO.	DESCRIPTION	FORECAST	"ACTUAL"	INCOME TAX ADJUSTMENT
		INCOME TAX	INCOME TAX	
		2008	2008	
	(a)	(b)	(c)	
1	Return on Equity	129,756	130,158	
	Add :			
2	Depreciation and Amortization	249,800	249,800	
3	Amortization of Issue Costs	1,236	1,236	
4	Non Allowable Expenses	200	200	
	(Deduct):			
5	Capital Cost Allowance	(192,631)	(195,000)	
6	Cumulative Eligible Capital	(862)	(900)	
7	AFUDC Interest Component	(9,386)	(9,700)	
8	Debt Issue Costs	(283)	(283)	
9	Other	(5,663)	(3,800)	
10	Taxable Amount	172,167	171,711	
11	Taxes thereon (Tax Rate/(1-Tax Rate)) <sup>(1)</sup>	41.84%	40.85%	
12	<b>Total Income Taxes</b>	72,042	70,135	(1,906)

<sup>(1)</sup> Income Taxes are calculated using the following rates:

Federal	19.500%	19.000%
Federal Surtax	0.000%	0.000%
Provincial	10.000%	10.000%
<b>Total</b>	<b>29.500%</b>	<b>29.000%</b>

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**AUC-NGTL 17**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix E of the Application

**Issue/Sub-Issue:** “Flow-through” Components – Annual Foreign Exchange Amortization Amount and Regulatory Hearing Costs

**Preamble:** The Commission would like some additional detail regarding these accounts.

**Request:**

- (a) Please indicate if the two accounts referred to in the Issue/Sub-Issue line above, which are shown as flow-through costs on Appendix E, are to be considered as part of their respective reserve accounts for 2008 and 2009. If this is the case, please confirm that these two accounts as listed above will not be included in the 2008 and 2009 deferral account balances when these deferral account balances are submitted for AUC approval in future years.
- (b) Please provide the actual transactions in the foreign exchange reserve account and the regulatory hearing costs reserve account for 2007, including the opening balances at January 1, 2007, the additions to and reductions in the accounts during the year and the closing balances at December 31, 2007.

**Response:**

- (a) NGTL confirms that costs associated with the Annual Foreign Exchange Amortization Amount and regulatory costs will not be included in the 2008 and 2009 deferral account balances and will not be submitted for AUC approval in future years.

The Annual Foreign Exchange Amortization Amount accrues, net of income taxes, to the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account which is not a reserve account. Please refer to the response to AUC-NGTL 1.

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**AUC-NGTL 17**


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- (b) The following table is a summary of the transactions in the Prefunded/(Unfunded) Foreign Exchange on Long Term Debt Account and in the Regulatory Hearing Costs Reserve Account.

<b>2007 Actual</b>				
Account	Opening Balance	Adds	Amortization	Ending Balance
Prefunded/(Unfunded) Foreign Exchange on Long Term Debt	\$32,664,000	\$0	\$1,026,000	\$33,690,000
Regulatory Hearing Costs Reserve	(\$670,000)	\$1,306,000	(\$1,057,000)	(\$421,000)

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**AUC-NGTL-18**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix f of the Application

**Issue/Sub-Issue:** 2007 Deferral Account Calculations

**Preamble:** The Commission would like some additional detail regarding some of these deferral accounts.

**Request:**

- (a) In Section 3.2 (a) of the 2005-2007 Revenue Requirement Settlement, this item “Rate Base” is shown as a flow-through component. Please provide the actual amount for 2007 including details of the calculations. (E.g. actual opening balance at January 1, 2007, additions, reductions, depreciation, and closing balance at December 31, 2007). Please include the details by the different categories as shown in Section 3.2 (a) of the 2005-2007 Revenue Requirement Settlement (i.e. – base rate base, general plant and maintenance capital, capacity capital, pipeline integrity, and CO<sub>2</sub> capital).
- (b) Please explain why ‘Emission Compliance Costs’ would be considered a deferral account for 2007 and not considered as an operating cost for 2007. Please indicate where this account is specifically identified as a flow-through cost in the 2005-2007 Revenue Requirement Settlement.
- (c) Please provide details, including all supporting calculations, of the following amounts from Appendix F: ‘Return on Equity’ (2007 Forecast and 2007 Actual); ‘Debt Costs’ (2007 Forecast and 2007 Actual); ‘Depreciation’ (2007 Forecast and 2007 Actual); ‘Income Tax’ (2007 Forecast and 2007 Actual).
- (d) Please provide details of the 2007 Actual Revenue figure of \$1,092,984,000 by rate class.

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**AUC-NGTL 18**

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- (e) Please provide details, including all supporting calculations, of the Carrying Charges amounts for each category as shown on Appendix F.

**Response:**

- (a) Please refer to Schedules 4, 4.1, and 4.2 of NGTL's Alberta System Annual Financial and Operating Report for the year ended December 31, 2007, as filed with the AUC on May 15, 2008. As indicated in the response to AUC-NGTL 13(c), NGTL does not object to having this reporting package put on the record for this proceeding. The purpose of listing the various capital categories in the 2005-2007 Revenue Requirement Settlement was to indicate that all capital would be treated as flow-through. It was not an indication that the rate base would be tracked at that level of detail. Schedules 4, 4.1, and 4.2 provide the level of detail available.
- (b) The Emissions Compliance deferral account was not specifically identified in the 2005-2007 Revenue Requirement Settlement. Section 3.0 of the 2005-2007 Revenue Requirement Settlement states:

The revenue requirement will be calculated each year based on inclusion of certain costs that are fixed pursuant to this Settlement ("fixed cost components"), and a forecast of remaining costs that will flow through ("flow through cost components"), adjusted for appropriate deferral account balances.

Costs associated with emission compliance were not known when the 2005-2007 Revenue Requirement Settlement was negotiated and could not have been reasonably foreseen. On September 20, 2007, NGTL applied to the EUB for approval to account for any costs incurred in 2007 to comply with the Greenhouse Gas ("GHG") legislation in the existing Flow-through Costs deferral account established under the 2005-2007 Revenue Requirement Settlement. The EUB issued Order U2007-351 on December 7, 2007, approving NGTL's application. The EUB was satisfied that "prudent costs incurred to comply with the GHG Legislation should be recovered from shippers as a flow-through cost."

The approach taken by NGTL for meeting emission compliance in 2007 and 2008 is similar. Prior to the North Central Corridor facilities being placed in-service, NGTL will achieve the requirement to reduce or otherwise offset its emissions by contributing \$15 per tonne of excess emissions to the "Climate Change and Emissions Management Fund." This is the lowest cost alternative for compliance until the NCC facilities are constructed and in-service. For 2008, costs are

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**AUC-NGTL 18**


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forecast to be \$8.3 million as agreed to in the Settlement. For 2007, actual costs were \$3.8 million (not including carrying charges) for the six month period from July 1, 2007 to December 31, 2007.

Once the NCC facilities are in-service in 2010, NGTL anticipates that it will meet the current provincial emissions targets.

- (c) Please refer to Attachment AUC-NGTL 18(c) for the 2007 forecast and actual costs.
- (d) NGTL does not have rate classes. A breakdown of revenue requirement by service classification was provided in Schedule 6 of NGTL's Alberta System Annual Financial and Operating Report for the year ended December 31, 2007 and is as follows:

<b>Service Classification</b>	<b>(\$000)</b>
Firm Transportation Receipt	448,471
Firm Transportation Delivery	418,163
Interruptible Transportation	144,321
Other Revenue	99,090
<b>Total Transportation Revenue</b>	<b>1,110,045</b>

Included in the Other Revenue amount of \$99,090,000, is other non-transportation service (such as CO<sub>2</sub> Management Service) revenue totaling \$17,061,000.

Subtracting this amount from the Total Transportation Revenue of \$1,110,045,000 nets the \$1,092,984,000 as provided in Appendix F of the Application.

- (e) Please refer to the response to AUC-NGTL 10 for the methodology for calculating carrying charges. The interest rate is based on the Bank of Canada's Bank Rate plus 1½%. Please refer to Attachment AUC-NGTL 18(e) for an example of the calculation.



## RETURN ON EQUITY AND DEBT COSTS

FOR THE ACTUAL YEAR ENDING DECEMBER 31, 2007

(\$Thousands)

LINE NO.	DESCRIPTION	AVERAGE CAPITAL OUTSTANDING	CAPITAL RATIO % <sup>(1)</sup>	AVERAGE RATE BASE	COST FACTOR % <sup>(1)</sup>	WEIGHTED COST % <sup>(1)</sup>	OPERATING RETURN
(a)		(b)	(c)	(d)	(e)	(f)	(g)
1	Common Equity	1,478,399	35.00%	1,451,006	8.51%	2.98%	123,481
2	Long-Term Debt	2,522,960	59.73%	2,476,212	8.13%	4.86%	201,399
3	No-Cost Capital	414	0.01%	407	0.00%	0.00%	-
4	Unfunded Debt	222,224	5.26%	218,107	4.47%	0.24%	9,753
5		4,223,998	100.00%	4,145,731		8.07%	334,633

FOR THE FORECAST YEAR ENDING DECEMBER 31, 2007

(\$Thousands)

LINE NO.	DESCRIPTION	AVERAGE CAPITAL OUTSTANDING	CAPITAL RATIO % <sup>(1)</sup>	AVERAGE RATE BASE	COST FACTOR % <sup>(1)</sup>	WEIGHTED COST % <sup>(1)</sup>	OPERATING RETURN
(a)		(b)	(c)	(d)	(e)	(f)	(g)
6	Common Equity	1,491,880	35.00%	1,458,452	8.51%	2.98%	124,114
7	Long-Term Debt	2,499,976	58.65%	2,443,959	8.14%	4.78%	199,027
8	No-Cost Capital	453	0.01%	442	0.00%	0.00%	-
9	Unfunded Debt	270,206	6.34%	264,151	4.45%	0.28%	11,755
10		4,262,515	100.00%	4,167,005		8.04%	334,896

<sup>(1)</sup> Rounded to 2 decimal places for presentation purposes only.

**Depreciation & Amortization**

THE YEAR ENDING DECEMBER 31, 2007

(\$Thousands)

Line No.	Description	Rate	Actual Expense	Forecast Expense
1	<b>Transmission Plant</b>			
2	Meter Stations	4.12%	22,306	22,194
3	Compressor Stations	5.70%	86,442	86,250
4	Pipelines	2.96%	153,887	154,526
5	<b>General Plant</b>			
6	Structures and Improvements	4.41%	3,588	3,590
7	Furniture and Office Equipment	4.94%	976	974
8	Tools and Work Equipment	2.02%	905	908
9	Aircraft	0.00%	-	-
10	Transportation Equipment	7.58%	2,390	2,372
11	Computer Equipment	22.17%	18,297	18,128
12	Intangibles	5.29%	220	220
13	<b>Total Depreciation Expense</b>		289,011	289,163
14	Composite Depreciation Rate	3.84%		

## INCOME AND LARGE CORPORATION TAXES

FOR THE YEAR ENDING DECEMBER 31, 2007

(\$Thousands)

LINE NO.	DESCRIPTION	Actual	Forecast
	(a)		
1	Return Related to Equity	123,481	124,114
	Add :		
2	Large Corporation Taxes	-	0
3	Depreciation and Amortization	289,011	289,163
4	Amortization of Issue Costs	1,618	1,618
5	Non Allowable Expenses	310	200
	(Deduct):		
6	Capital Cost Allowance	(176,758)	(175,319)
7	Cumulative Eligible Capital	(816)	(863)
8	AFUDC Interest Component	(3,478)	(4,528)
9	Debt Issue Costs	(283)	(283)
10	Other	(2,184)	(2,625)
11		<u>230,901</u>	<u>231,476</u>
12	Taxes thereon (Tax Rate/(1-Tax Rate)) <sup>(1)</sup>	47.32%	47.32%
13	Income Taxes	109,260	109,532
14	Large Corporation Taxes	-	-
15	<b>Total Income and Large Corporation Taxes</b>	<u>109,260</u>	<u>109,532</u>

<sup>(1)</sup> Income Taxes are calculated using the following rates:

Federal	21.000%
Federal Surtax	1.120%
Provincial	<u>10.000%</u>
Total	<u>32.120%</u>

## Debt Expenses Deferral Calculation

### 2007 Deferral Buildup

Carrying Charges:	2007 Jan 31	2007 Feb 28	2007 Mar 31	2007 Apr 30	2007 May 31	2007 June 30	2007 July 31	2007 Aug 31	2007 Sep 30	2007 Oct 31	2007 Nov 30	2007 Dec 31	12 Month Totals
Debt Expenses Opening Balance	-	31	62	94	125	157	188	220	253	285	317	350	
Less: Amount collected in month	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(17,565)	(210,782)
Expensed amount	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>17,596</u>	<u>211,152</u>
Ending balance outstanding	31	62	93	124	156	187	219	251	283	316	348	381	
Carrying charge	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>13</u>
Ending Balance	<u>31</u>	<u>62</u>	<u>94</u>	<u>125</u>	<u>157</u>	<u>188</u>	<u>220</u>	<u>253</u>	<u>285</u>	<u>317</u>	<u>350</u>	<u>383</u>	
<b>2007 Carrying Charge Monthly Interest Rate:</b>													
Bank of Canada Bank Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.50%	
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	
Carrying Charge Interest Rate	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>6.00%</u>	<u>6.25%</u>	<u>6.25%</u>	<u>6.25%</u>	<u>6.25%</u>	<u>6.25%</u>	<u>6.00%</u>	

<u>Draw down of 2007 Deferrals</u>	2008 Jan 31	2008 Feb 28	2008 Mar 31	2008 Apr 30	2008 May 31	2008 June 30	2008 July 31	2008 Aug 31	2008 Sep 30	2008 Oct 31	2008 Nov 30	2008 Dec 31	12 Month Totals
Debt Expenses Opening Balance	383	351	320	289	257	226	194	162	130	98	65	33	
Less: Amount collected in month	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(393)</u>
	349	318	287	256	225	193	161	129	97	65	33	0	
Carrying charge at 6.48%	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>
Ending Balance	<u>351</u>	<u>320</u>	<u>289</u>	<u>257</u>	<u>226</u>	<u>194</u>	<u>162</u>	<u>130</u>	<u>98</u>	<u>65</u>	<u>33</u>	<u>0</u>	

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**AUC-NGTL 19**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix G of the Application

**Issue/Sub-Issue:** Contract Demand Quantity and Throughput

**Preamble:** The Commission would like some additional detail regarding this information.

**Request:**

Please indicate whether any of the information presented in the tables in Appendix G was reviewed with and subsequently agreed to by the parties who are signatories to the 2008-2009 Revenue Requirement Settlement.

**Response:**

The information in Appendix G was not reviewed with and agreed to by the parties. On July 31, 2007, the AUC approved NGTL's request to commence a negotiated settlement with respect to its revenue requirement. Approval was not sought nor provided to negotiate throughput forecasts or rates.

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**AUC-NGTL 20**

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**Reference:** 2008-2009 Revenue Requirement Settlement – Appendix H of the Application

**Issue/Sub-Issue:** Attachment 1 to Table 1.1-1 of Appendix H

**Preamble:** The Commission would like some information about two new Receipt Points.

**Request:**

In the Application, NGTL requested that the AUC approve the interim rates as final rates for 2008 for the period of May 1, 2008 to December 31, 2008. Please confirm that there are two new Receipt Point Numbers included on Attachment 1 to Table 1.1-1 of Appendix H that were not included in the corresponding 2008 interim rates that were approved by the Alberta Energy and Utilities Board in Decision 2007-109. These two are as follows: Receipt Point Number 2798 – SHERRI VAIL; and Receipt Point 2116 – TONY CREEK N. Please provide the details that support the calculation of the rates included in Appendix H for these two receipt points.

**Response:**

Confirmed. On February 28, 2008 NGTL filed an update to Attachment 1 to the 2008 Table of Rates, Tolls and Charges for the Tariff incorporating rates for one new receipt point, Station 2798 Sherri Vail. On April 18, NGTL received Non-Routine Order U2008-137 approving the rates for this station.

Attachment 1 to Table 1.1-1 of Appendix H of the Application included the Sherri Vail receipt point as well as one additional receipt point, Station 2116 Tony Creek N. It is NGTL's standard practice when applying for interim or final rates to include all stations that require pricing in its Attachment 1 to the Table of Rates, Tolls and Charges for the Tariff.

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**AUC-NGTL 20**

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The rates for both receipt points, Station 2798 Sherri Vail and Station 2116 Tony Creek N. were determined in accordance with the receipt-point pricing methodology approved by the EUB in Decision 2006-010 (February 21, 2006).

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**AUC-NGTL 21**

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**Reference:** Exhibit 0014 – Statement of Intent to Participate from Pacific Gas and Electric Company

**Issue/Sub-Issue:** Funding of North Central Corridor project

**Quote:** PG&E does wish to call the AUC’s attention that the proposed Settlement apparently includes \$80 million of funding in 2009 for NGTL’s proposed North Central Corridor project (Application No. 1551990). PG&E objects to the recovery of such costs under NGTL’s current rate design, and fully reserves its right to challenge this matter in other proceedings.

**Preamble:** The Commission would like NGTL’s opinion on the matter identified by PG&E.

**Request:**

- (a) Please provide a response to the above quote from PG&E. Please identify any costs included in the 2008-2009 Revenue Requirement Settlement and in the composition of the \$1,145.2 million revenue requirement for 2008 and the \$658.6 million fixed cost components for 2009 that are related in any way to the North Central Corridor project (Application No. 1551990).
- (b) If there are any costs identified in the response to part (a) of this IR, please indicate how NGTL plans to deal with this issue, especially given the Commission’s findings in Decision 2008-035 as indicated by the following from Section 5.4.3 of that Decision: “The Commission agrees with the submissions of several parties at the Prehearing Meeting that rate design and rates must be settled prior to the addition of costs into NGTL’s rates for the pipeline and associated compression facilities, if approved.”



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**AUC-NGTL 21**

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**Response:**

- (a) The Settlement is the result of a negotiation. As a result there is no direct link between the fixed cost components of the revenue requirement and any particular asset, including the NCC facilities. For the same reason, there is no direct link between the total revenue requirement and any particular asset.

However, the Settlement has a mechanism to adjust Return on Equity and Income Tax for differences between the actual and forecast rate base.

Please refer to the responses to AUC-NGTL 8(a) and 16(f) for an example of how these mechanisms work.

In addition the Flow-through Cost deferral account will be used to account for differences between actual and forecast costs such as Debt Costs and Municipal Taxes that are directly related to rate base.

Please refer to the response to AUC-NGTL 11 for an explanation of how Debt Costs will be determined.

- (b) The Settlement is structured to accommodate the rate design in place at the time the rates are set. This is documented in the Overview section of the Settlement as follows: “Rates during the Term shall be based on the revenue requirement for that year and calculated in accordance with the methodology in effect at the time as approved by the Alberta Utilities Commission ...” This means that the Settlement can be approved independent of any rate design changes.

The Settlement also has a mechanism to establish interim rates as outlined in Section 3(C) that would allow 2009 Interim Rates to be calculated on the 2008 revenue requirement, which does not contain any costs related to NCC facilities. This is similar to the mechanism that was used to establish the 2008 Interim Rates currently in effect.

As a result, costs related to the NCC will not be included in 2009 rates until the AUC approves final rates. NGTL expects Phase II issues will be resolved in 2009.

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**AUC-NGTL 22**

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**Reference:** Exhibits 0016 and 0017 – Statements of Intent to Participate from Terasen Gas and the Export Users Group

**Issue/Sub-Issue:** Concerns Regarding the Settlement Negotiation Process

**Preamble:** The Commission would like further information on the matter raised in connection with this issue.

**Request:**

- (a) On April 28, 2008, NGTL submitted a letter (Exhibit 0020) in which it provided a response to the concerns raised by Terasen and the EUG regarding the logistics of the settlement negotiation meetings. On page 2 of this letter, NGTL states the following: “NGTL provided appropriate notice of meetings and made available sufficient information to facilitate understanding and review of the issues being negotiated.” Please provide details (E.g. copies of e-mails sent or letters) of when the notices of meetings were sent to all parties in the negotiations for each meeting that was held; please provide details of when the agendas for each meeting were sent to all parties in the negotiations and also submit copies of the agendas, including the scheduled duration of the meetings; please provide details of when any information packages were sent to all parties in the negotiations for each meeting that was held.
- (b) Please comment on whether NGTL sees any merit in having longer meetings with less frequency which would justify necessary travel for parties outside the province and outside the country.
- (c) Please comment on whether conference calls were used during the negotiation sessions that enabled all parties who could not be physically present to participate. Please indicate whether any difficulties were experienced during these conference calls with respect to quality of service (E.g. inability to hear all participants, connections, etc.) and please indicate if NGTL has felt the need to take any steps to ensure that its conference call quality is acceptable.

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**AUC-NGTL 22**

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**Response:**

- (a) Please refer to Attachment AUC-NGTL 22 for details regarding communication and meeting dates, meeting agendas and materials, and next steps.
- (b) As indicated in Attachment AUC-NGTL 22, NGTL discussed logistics at the beginning of the process and implemented a schedule based on stakeholder input. If stakeholders were to determine that longer less frequent meetings would be more appropriate, then this would be included in the process.
- (c) Teleconference links to the negotiation sessions that enabled all parties who could not be physically present to participate were available after signed Confidentiality Agreements were received and after stakeholders requested that teleconference access to the meetings be available. Certain parties may have experienced difficulties during conference calls, however, NGTL was unaware at the time.

NGTL works to ensure that meetings are conducted as efficiently and effectively as possible.

Meeting Date	Communication Date / Agenda	Meeting Materials	Next Steps / Next Meeting
September 13, 2007	September 4, 2007  Agenda <ul style="list-style-type: none"> <li>• Invitation to participate in the 2008-2010 Revenue Requirement Settlement negotiations</li> </ul>	Presentation made at meeting (information session)	<ul style="list-style-type: none"> <li>• Next meeting scheduled for September 27, 2007</li> <li>• Meetings set for Thursday afternoons weekly or bi-weekly as needed</li> <li>• Requested confidentiality agreements be signed prior to next meeting</li> </ul>
September 27, 2007	September 14, 2007  Agenda <ul style="list-style-type: none"> <li>• NGTL intends to present additional detail and some updates to the costs outlined in the 2008-2010 Revenue Requirement Data Package that was filed with the Board on August 23, 2007</li> </ul>	Presentation made at meeting (information session)	<ul style="list-style-type: none"> <li>• Information sessions scheduled for October 4 and 11</li> <li>• NGTL to provide updated data package by October 12               <ul style="list-style-type: none"> <li>• NGTL's proposal in a more detailed format</li> <li>• 2007 forecast as available</li> <li>• Updated 2008-2010 forecast</li> </ul> </li> <li>• Further discussion at October 16 meeting</li> </ul>
October 4, 2007	October 1, 2007  Agenda <ul style="list-style-type: none"> <li>• NGTL intends to present the TBO and Capacity Capital portions of the September 27<sup>th</sup> presentation (attached to meeting notice)</li> <li>• NGTL will present further information and follow up from the questions posed at the last meeting</li> </ul>	Presentation made at meeting (information session)	<ul style="list-style-type: none"> <li>• NGTL to provide updated data package by October 12 (may be later)               <ul style="list-style-type: none"> <li>• NGTL's proposal in a more detailed format</li> <li>• 2007 forecast as available</li> <li>• Updated 2008-2010 forecast</li> </ul> </li> <li>• Further discussion at October 16 meeting</li> </ul>

<b>Meeting Date</b>	<b>Communication Date / Agenda</b>	<b>Meeting Materials</b>	<b>Next Steps / Next Meeting</b>
October 11, 2007 Stakeholders Only	October 5, 2007		
October 16, 2007 - Cancelled	October 12, 2007		<ul style="list-style-type: none"> <li>• Next meeting scheduled for October 25, 2007</li> <li>• Anticipate data package available prior to the October 25, 2007 meeting</li> </ul>
October 25, 2007	October 24, 2007  Agenda <ul style="list-style-type: none"> <li>• NGTL to provide high-level comments regarding data package, but does not intend to get into specific details</li> </ul> Materials Distributed with Agenda <ul style="list-style-type: none"> <li>• Updated data package and NGTL proposal</li> </ul>	Presentation made at meeting (information session)	<ul style="list-style-type: none"> <li>• Next meeting scheduled for November 1, 2007               <ul style="list-style-type: none"> <li>• Depreciation Session</li> <li>• Data Package Q&amp;A</li> </ul> </li> </ul>
November 1, 2007	October 29, 2007  Agenda <ul style="list-style-type: none"> <li>• Discussion about depreciation followed by a Data Package Q&amp;A</li> </ul>	Presentation made at meeting (information session)  Handouts Distributed at meeting <ul style="list-style-type: none"> <li>• Depreciation numbers</li> <li>• Sensitivity results for depreciation</li> <li>• Reconciliation of updated data package with 2007 data and August 23 data package</li> </ul>	<ul style="list-style-type: none"> <li>• Next meeting scheduled for November 8, 2007</li> </ul>
November 8, 2007	November 1, 2007	Presentation made at meeting (information session)	<ul style="list-style-type: none"> <li>• Next meeting to be arranged for Stakeholders Only</li> </ul>

Meeting Date	Communication Date / Agenda	Meeting Materials	Next Steps / Next Meeting
	Agenda <ul style="list-style-type: none"> <li>• NGTL will provide additional information on Cost of Capital</li> </ul>		
November 14, 2007 Stakeholders Only	November 13, 2007		
November 20, 2007	November 15, 2007  Agenda <ul style="list-style-type: none"> <li>• NGTL will be present for the first portion of the meeting to respond to requests for additional information on O&amp;M costs</li> <li>• Stakeholder Only meeting will follow immediately after</li> </ul>	Presentation made at meeting (information session)	
November 22, 2007	November 21, 2007  Agenda <ul style="list-style-type: none"> <li>• Stakeholders to present NGTL with a counter proposal</li> </ul>		
December 18, 2007	December 10, 2007  Agenda <ul style="list-style-type: none"> <li>• NGTL to respond to Stakeholder counter proposal</li> </ul>	Presentation made at meeting (information session) <ul style="list-style-type: none"> <li>• NGTL presented options for counter proposal</li> </ul>	<ul style="list-style-type: none"> <li>• Await response from Stakeholders</li> <li>• Next meeting to be scheduled in early January 2008</li> </ul>
January 15, 2007	January 11, 2008  Agenda <ul style="list-style-type: none"> <li>• Stakeholders to present NGTL with a counter proposal</li> </ul>		<ul style="list-style-type: none"> <li>• Next meeting to be scheduled for January 22, 2008</li> </ul>

<b>Meeting Date</b>	<b>Communication Date / Agenda</b>	<b>Meeting Materials</b>	<b>Next Steps / Next Meeting</b>
January 22, 2008	January 17, 2008  Agenda <ul style="list-style-type: none"> <li>• NGTL will be presenting more information on uninsured losses, foreign exchange on interest payments, mechanics of the adjustment formula, and next steps</li> </ul>	Presentation made at meeting (information session) <ul style="list-style-type: none"> <li>• NGTL presented counter proposal</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders to get back to NGTL to confirm scheduling of next meeting</li> </ul>
January 31, 2008		Stakeholder representatives presented counter proposal	
February 8, 2008		NGTL presented counter proposal to stakeholder representatives	
February 12, 2008 Stakeholders Only	February 7, 2008		
February 29, 2008 Stakeholders Only	February 21, 2008		
March 5, 2008 Stakeholders Only	March 3, 2008		
March 6, 2008	March 3, 2008  Agenda <ul style="list-style-type: none"> <li>• Stakeholders to present counter proposal to NGTL</li> </ul>		<ul style="list-style-type: none"> <li>• Settlement accepted by NGTL on March 6, 2008</li> <li>• NGTL to schedule meeting to review documentation</li> </ul>
March 12, 2008	March 7, 2008  Agenda <ul style="list-style-type: none"> <li>• Review settlement</li> </ul>		

Meeting Date	Communication Date / Agenda	Meeting Materials	Next Steps / Next Meeting
	documentation and reporting requirements  Materials Distributed with Agenda <ul style="list-style-type: none"><li>• 2008-2009 Settlement document</li><li>• Proforma AUC Reporting Package</li><li>• Reporting Package comparison</li></ul>		