
ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER OF the *Alberta Energy and Utilities Board Act*, R.S.A. 2000, c. A-7, and the Regulations under it;

IN THE MATTER OF the *Gas Utilities Act*, R.S.A. 2000, c. G-5, and the Regulations under it;

IN THE MATTER OF the *Public Utilities Board Act*, R.S.A. 2000, c. P-45, as amended, and the Regulations under it; and

IN THE MATTER OF an Application by NOVA Gas Transmission Ltd. (NGTL) to the Alberta Energy and Utilities Board for an order fixing NGTL's 2004 revenue requirement and approving NGTL's Code of Conduct.

2004 GENERAL RATE APPLICATION – PHASE 1

NGTL applies to the Alberta Energy and Utilities Board (Board) under Part 4 of the *Gas Utilities Act* for an order:

- (a) fixing the Alberta System's 2004 revenue requirement at the level and based on the components proposed in the Application;
- (b) determining a rate base as proposed in the Application for property used by the Alberta System to provide services;
- (c) approving the deferral and reserve accounts specified in Section 7 of the Application, effective January 1, 2004;
- (d) providing for disposition in 2004 of the 2003 balances in the Firm Service Demand Revenue, the Throughput Volume, and the Non-Routine Adjustment Deferral Accounts and the Foreign Exchange Reserve Account approved and continued for 2003 by the Board in Decision 2003-051;

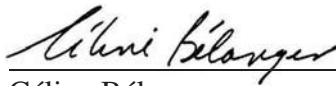
- (e) approving the NGTL Code of Conduct, as proposed in Section 9 of the Application; and
- (f) granting such further and other relief as NGTL may request or the Board may determine is appropriate.

In support of its 2004 General Rate Application, Phase 1, NGTL provides and relies on the information in the Application, including the attached evidence, schedules and explanatories, and any additional information that NGTL may file, as directed or permitted by the Board.

Respectfully submitted.

Calgary, Alberta
September 30, 2003

NOVA GAS TRANSMISSION LTD.
a wholly owned subsidiary of
TransCanada PipeLines Limited

Per: 
Céline Bélanger
Vice President, Regulatory Services

All notices and communications relating to this Application should be directed to:

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1 **1.2 INTRODUCTION AND EXECUTIVE SUMMARY**

2 **Q1. What is the purpose of this Application?**

3 A1. This Application is a Phase 1 General Rate Application (GRA). NGTL seeks
4 approval of the Board of the Alberta System rate base and revenue requirement for
5 2004 at the levels and based on the components proposed in the Application. NGTL
6 also seeks approval of a new Code of Conduct.

7
8 NGTL provides in this Application comprehensive and detailed information in
9 support of the components of the 2004 revenue requirement. This information
10 includes a policy on transportation by others, Fort McMurray area development plans,
11 and responses to certain directives of the Board in Decision 2003-051.¹

12
13 **Q2. Why is NGTL filing the Application at this time?**

14 A2. NGTL requires new rates, tolls and charges for the Alberta System commencing
15 January 1, 2004. The existing rates, tolls and charges, established under the approved
16 provisions of the 2003 Alberta System Revenue Requirement Settlement (ASRRS),
17 expire December 31, 2003. In Article 12.2 of the ASRRS, NGTL committed to
18 preparing and filing a general rate application with the Board by September 30, 2003
19 as the basis for establishing 2004 rates, tolls and charges.

20 NGTL also acknowledges the desire of the Board and interested parties to
21 comprehensively review the details of the Alberta System capital and operating costs.
22 Such a review was last done in NGTL's 1995 GRA. Since that time, NGTL's annual
23 revenue requirements and rates, tolls and charges have been determined in accordance
24 with the provisions of approved negotiated settlements. There have been
25 considerable changes to NGTL's business in the intervening years, influenced by

¹ EUB Decision 2003-051 (June 24, 2003), Appendices 4 and 5.

1 various factors, such as negotiated settlement incentives, the advent of significant
2 competition, the merger of TransCanada PipeLines Limited (TCPL) and NOVA
3 Corporation, a fundamental rate design change, and NGTL’s exit from the lateral
4 construction business.

5

6 **Q3. Is NGTL seeking in this Application Board approval of 2004 rates, tolls and**
7 **charges?**

8

9 A3. No. NGTL was originally directed by the Board in Decision 2003-051 “to submit a
10 comprehensive 2004 tariff application as part of its 2004 GRA that will be filed by
11 September 30, 2003.”² However, in a subsequent letter dated July 24, 2003, the
12 Board directed NGTL to file Phase 1 of the GRA by September 30, 2003 and a
13 Phase 2 GRA by November 14, 2003. NGTL will in its Phase 2 GRA request 2004
14 rates, tolls and charges based on the 2004 revenue requirement determined by the
15 Board in this Application.

16

17 NGTL does, however, provide illustrative 2004 rates, tolls and charges in Section 6.0
18 of this Application. These rates, tolls and charges are based on the proposed 2004
19 revenue requirement and existing, approved rate design methodology and services.

20 **Q4. What is included in this Application?**

21 A4. NGTL provides comprehensive details of the Alberta System’s proposed rate base
22 and revenue requirement.

23 NGTL also provides in the Application responses to all of the items listed in
24 Appendix 4 to Decision 2003-051, 2004 NGTL GRA Phase 1 Submission
25 Requirements, as indicated below.

² EUB Decision 2003-051 (June 24, 2003), p. 32

	Appendix 4 Requirement	Location in the Application
1		
2	Details on all TBO arrangements	Section 2.7
3	TBO policy	Section 2.7
4	Code of Conduct	Section 9.0
5	Schedule J items:	
6	Depreciation expense	Section 4.0
7	Necessary working capital	Section 3.6
8	Foreign exchange practice	Section 2.8
9	Deferral and reserve accounts	
10	- reconciliation of insurance reserve	Section 10.2
11	Construction work in progress	Section 3.3
12	Existing property, plant, and	
13	equipment	Section 10.3
14	Reporting requirements	Section 10.4
15	Technical audit/outsourcing	Section 10.5

16 NGTL also provides responses to some of the items listed in Appendix 5 to Decision
17 2003-051, 2004 NGTL GRA Phase 2 Submission Requirements, as indicated below.

	Appendix 5 Requirement	Location in the Application
18		
19	Definition of mainline and lateral used	
20	to establish eligibility to construct	Section 10.6
21	Update on customer accountability for	
22	Facilities at Storage Delivery Points	Section 10.7
23	Update on FGA gas quality concern	Section 10.8

24 NGTL does not address in this Application NGTL's capital structure or return on
25 equity. These components are being addressed and will be determined through
26 NGTL's Application in the Generic Cost of Capital Proceeding (Application No.
27 1271597).

1 NGTL also does not address in this Application rate design or service issues. These
2 matters, together with information to meet outstanding directives of the Board, will be
3 included in NGTL's Phase 2 GRA Application.

4 **Q5. What is the amount of the 2004 revenue requirement and what does it include?**

5 A5. The 2004 revenue requirement is ~~\$1,349~~\$1,356 million. It includes the following
6 components:

- 7 • Depreciation rates resulting in a composite rate of 4.13%, which are based on a
8 depreciation study provided in Section 4.0 of this Application. Approval of the
9 proposed rates will provide NGTL with a reasonable opportunity to recover its
10 capital invested in the Alberta System while minimizing intergenerational
11 inequities by matching the costs of facilities with the consumption of service
12 value.
- 13 • Total Operating Costs of ~~\$205~~\$208 million. The long-term trend of decreased
14 Operating Costs shows the benefits to shippers achieved through past incentive
15 settlements and NGTL's commitment to operational excellence.
- 16 • A cost of capital based on an 11.0% rate of return on a deemed common equity
17 of 40%. These values are consistent with the return requested in NGTL's
18 Application in the Generic Cost of Capital Proceeding No. 1271597. NGTL
19 uses these values in this Application as a placeholder pending the Board's
20 decision in the Generic Cost of Capital Proceeding. The operating return and
21 dependent revenue requirement components will be amended, as required, based
22 on the Board's decision in that Proceeding.

23 **Q6. Besides the 2004 revenue requirement, what other significant items has NGTL**
24 **included in this Application?**

25 Q6. Other significant components in this Application include:

- 1 • NGTL is seeking approval of certain deferral and reserve accounts as discussed in
2 Section 7.0.
- 3 • NGTL is seeking approval of a new Code of Conduct, provided and explained in
4 Section 9.0. The Code is based on the code approved by the Board for the ATCO
5 Group in Decision 2003-040.³ NGTL has amended the ATCO Code to reflect
6 NGTL’s unique structural and operational circumstances.
- 7 • NGTL provides in Section 8.0 an overview of its plans to meet customers’
8 requests and market requirements for additional delivery capacity and service to
9 the Fort McMurray area of Alberta.

10 **Q7. Why has NGTL provided an overview of Fort McMurray area delivery service**
11 **in this Application?**

12 A7. The 2004 revenue requirement includes costs related to the construction of the North
13 Central Corridor (Peerless Lake Section) Phase 1, the purchase of the Simmons
14 pipeline system, and a new Transportation by Others (TBO) arrangement with
15 TransCanada Pipeline Ventures Limited Partnership. These three items are each
16 integral parts of NGTL’s overall plan to meet short-term and long-term customer
17 requests for delivery service in the Fort McMurray area. NGTL has provided a
18 description of its comprehensive development plans to assist the Board in
19 understanding why these facility choices represent the best and least cost alternatives
20 for delivery service to this important Alberta market.

21 **Q8. Are there other considerations the Board should be aware of in its deliberations**
22 **related to these items?**

³ EUB Decision 2003-0410 (May 22, 2003).

1 A8. Yes. The combination of these items is required for NGTL to meet its customers'
2 service requirements beginning April 1, 2004. NGTL will be submitting a separate
3 facilities application related to the North Central Corridor (Peerless Lake Section)
4 Phase 1 project to the Board by mid-October, 2003 and is asking for approval of the
5 other two items in this Application.

6 The arrangement to purchase the Simmons pipeline system is contingent upon Board
7 approval. In order to complete this transaction in time to meet its April 1, 2004
8 service requirements, NGTL requests that the Board consider rendering a partial
9 decision on this portion of the application by March 1, 2004, prior to the release of
10 the complete decision on the Application, in the event that the complete decision will
11 not be available by that date.

12 **Q9. Does that conclude NGTL's evidence in this section?**

13 A9. Yes.