8.0 FORT MCMURRAY AREA DELIVERY SERVICE

8.1 INTRODUCTION

Q1. What is the purpose of this evidence?

A1. NGTL describes in this Sub-section its comprehensive development plans for meeting customer requests for delivery service to the Fort McMurray area of Alberta for 2004 and forward.

Specifically, NGTL requests in this Application Board approval of two fundamental components of NGTL's development plans:

- the acquisition and inclusion in NGTL's rate base effective April 1, 2004, of pipeline facilities presently owned and operated by Simmons Group Inc.; and
- the recovery of 2004 costs for a new transportation by others (TBO) arrangement with TransCanada Pipeline Ventures Limited Partnership (Ventures) for capacity on the Ventures Oil Sands Pipeline.

NGTL provides detailed information in this section about these components, describes how they fit into NGTL's development plans, and explains why they represent NGTL's optimal solution to respond to customers' service requirements and forecast market demands.

8.2 THE FORT McMURRAY AREA

Q1. How does NGTL define the Fort McMurray area?

A1. Figure 8.2-1, North East Alberta Oilsands Region, illustrates the general Fort McMurray region, and Figure 8.2-2, Fort McMurray Area, illustrates the specific market area NGTL has considered in its development plans for additional delivery service.

Q2. Does NGTL currently provide delivery service to the Fort McMurray area?

A2. Yes. NGTL currently provides delivery service to Syncrude Canada Ltd. (Syncrude), Petro-Canada Oil & Gas (Petro-Canada), Suncor Energy Marketing Inc. (Suncor) and TransCanada Energy Ltd. (TC Energy) in the Fort McMurray area. This service is provided through a TBO arrangement with Ventures for capacity on the Oil Sands Pipeline. This arrangement commenced March 1, 2002 and expires October 31, 2004.

The Board approved the TBO arrangement with Ventures in Decision 2002-16. It also approved the recovery of costs under this arrangement for the 2002 year.

In 2003, NGTL increased the capacity under its TBO arrangement with Ventures. NGTL included the 2003 costs of the TBO arrangements in the 2003 Alberta System Revenue Requirement Settlement (ASRRS) which was approved by the Board in Decision 2003-051.

Figure 8.2-1

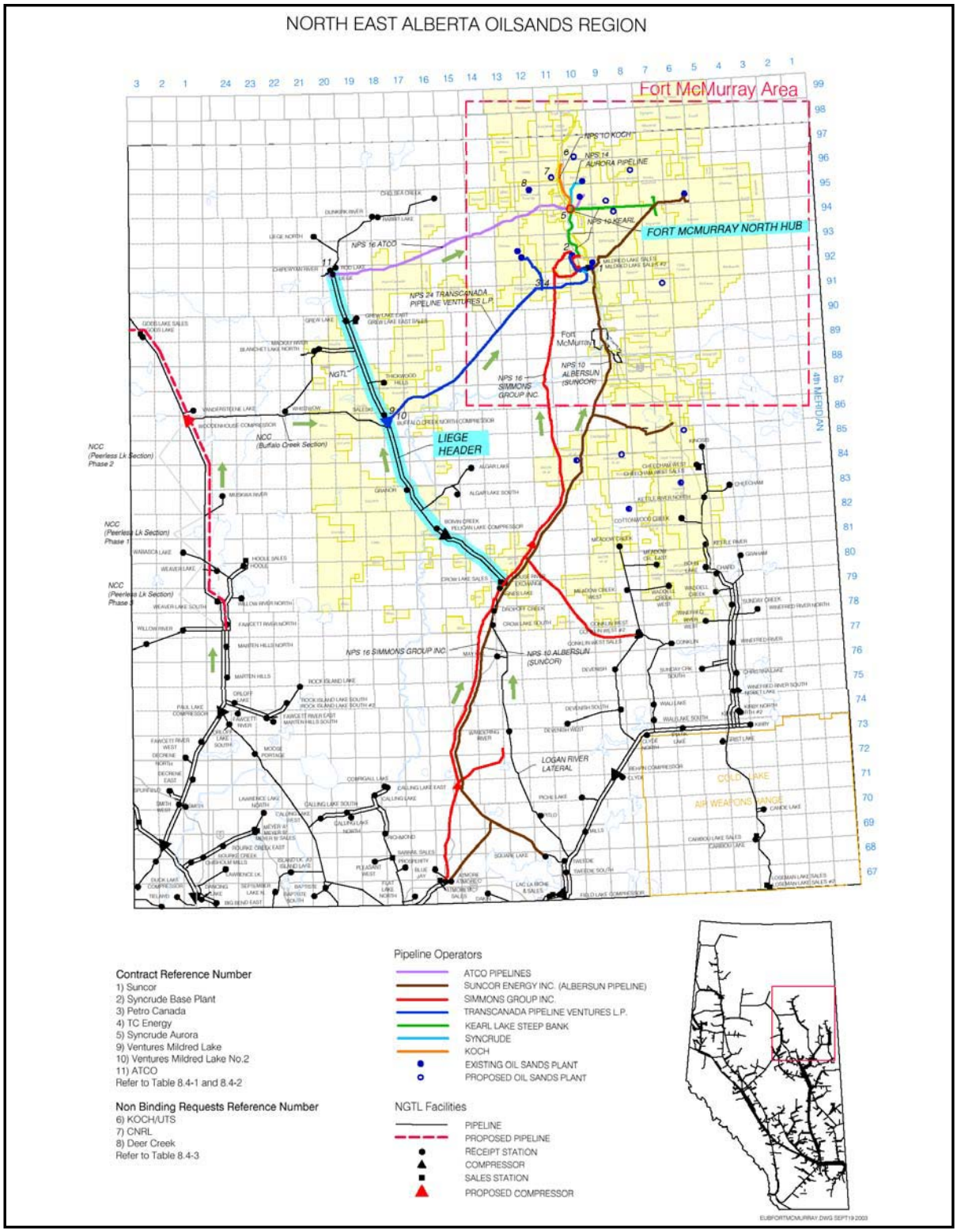
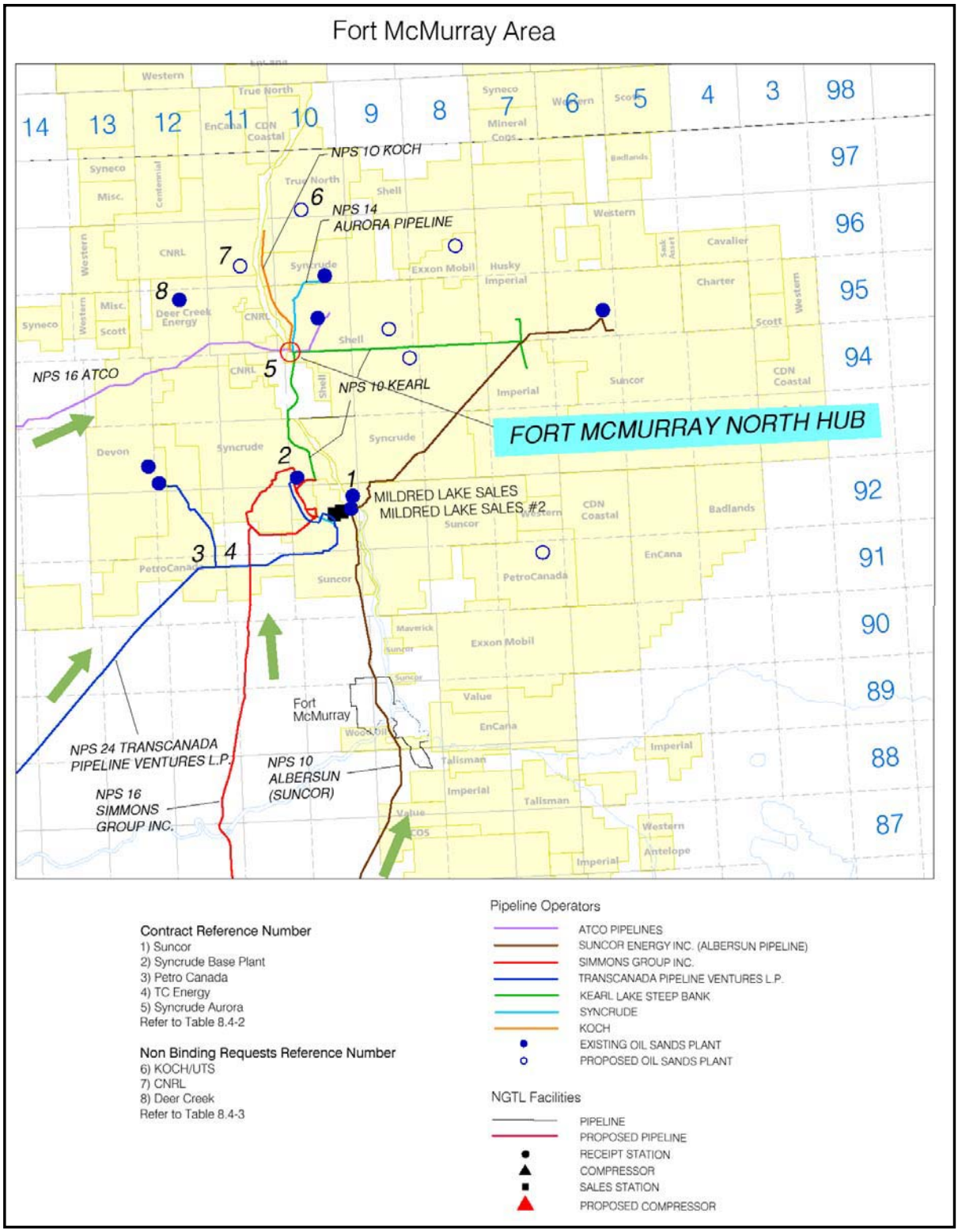

NORTH EAST ALBERTA OILSANDS REGION
Fort McMurray Area
FORT MCMURRAY NORTH HUB
LIEGE HEADER
NPS 16 SIMMONS GROUP INC.
NPS 10 ALBERSUN (SUNCOR)
NPS 24 TRANSCANADA PIPELINE VENTURES L.P.
NPS 16 ATCO
NPS 14 AURORA PIPELINE
NPS TO KOCH
NPS 10 KEARL
NGTL
LOGAN RIVER LATERAL
COLD LAKE AIR WEAPONS RANGE
Contract Reference Number
1) Suncor
2) Syncrude Base Plant
3) Petro Canada
4) TC Energy
5) Syncrude Aurora
9) Ventures Mildred Lake
10) Ventures Mildred Lake No.2
11) ATCO
Refer to Table 8.4-1 and 8.4-2
Non Binding Requests Reference Number
6) KOCH/UTS
7) CNRL
8) Deer Creek
Refer to Table 8.4-3
Pipeline Operators
ATCO PIPELINES
SUNCOR ENERGY INC. (ALBERSUN PIPELINE)
SIMMONS GROUP INC.
TRANSCANADA PIPELINE VENTURES L.P.
KEARL LAKE STEEP BANK
SYNCRUDE
KOCH
EXISTING OIL SANDS PLANT
PROPOSED OIL SANDS PLANT
NGTL Facilities
PIPELINE
PROPOSED PIPELINE
RECEIPT STATION
COMPRESSOR
SALES STATION
PROPOSED COMPRESSOR

Figure 8.2-2


Fort McMurray Area
NPS 10 KOCH
NPS 14
AURORA PIPELINE
NPS 16 ATCO
NPS 10 KEARL
FORT MCMURRAY NORTH HUB
MILDRED LAKE SALES
MILDRED LAKE SALES #2
Fort
McMurray
NPS 24 TRANSCANADA
PIPELINE VENTURES L.P.
NPS 10
ALBERSUN
(SUNCOR)
NPS 16
SIMMONS
GROUP INC.
Contract Reference Number
1) Suncor
2) Syncrude Base Plant
3) Petro Canada
4) TC Energy
5) Syncrude Aurora
Refer to Table 8.4-2
Non Binding Requests Reference Number
6) KOCH/UTS
7) CNRL
8) Deer Creek
Refer to Table 8.4-3
Pipeline Operators
ATCO PIPELINES
SUNCOR ENERGY INC. (ALBERSUN PIPELINE)
SIMMONS GROUP INC.
TRANSCANADA PIPELINE VENTURES L.P.
KEARL LAKE STEEP BANK
SYNCRUDE
KOCH
EXISTING OIL SANDS PLANT
PROPOSED OIL SANDS PLANT
NGTL Facilities
PIPELINE
PROPOSED PIPELINE
RECEIPT STATION
COMPRESSOR
SALES STATION
PROPOSED COMPRESSOR

Q3. Why are NGTL's existing TBO arrangements with Ventures short-term?

A3. At the time NGTL made these arrangements in 2001, there was uncertainty regarding the magnitude and timing of future service requirements in the Fort McMurray area. Consequently, NGTL believed it was best to delay decisions on further facilities build-up until 2004 when the longer term service requirements in the Fort McMurray area would be better established.

As NGTL stated in its Application for Approval of Costs for Delivery Service to the Fort McMurray Area, filed March 19, 2001:

> The short duration of the proposed TBO arrangement also provides NGTL flexibility to assess and plan for long term area service beyond 2004, without requiring significant capital investment today. In this sense, the TBO arrangement minimizes the financial risks for NGTL and its customers in meeting the service requests, while preserving NGTL's ability to ensure an economic and orderly extension of its system for the long term provision of delivery service to the Fort McMurray area.

NGTL believes that service requirements in the Fort McMurray area are now sufficiently established to justify longer term arrangements and implementation of a longer term facility build-up plan into the area.

Q4. What are NGTL's contract demand requirements for the Fort McMurray area?

A4. NGTL's current contract demand in the Fort McMurray area for the winter of 2003/04 is 17.794 $10^6 m^3/d$ (632 MMcf/d). The contract demand increases to 24.243 $10^6 m^3/d$ (860 MMcf/d) by April 2004, and to 25.651 $10^6 m^3/d$ (910 MMcf/d) by November 2004. A detailed description of the contracted demand and forecast maximum day delivery into the area is provided in Sub-section 8.4.

Q5. To what location does NGTL propose to provide additional delivery service and why?

A5. NGTL proposes to provide additional delivery service into the Fort McMurray area with a combination of mainline expansion and mainline extension to a location NGTL refers to as the Fort McMurray North Hub. The location of the new Fort McMurray North Hub is identified in Figure 8.2-2.

The Fort McMurray North Hub is a central location for interconnection with other pipelines including the Muskeg River Pipeline (NPS16), the Syncrude Aurora Pipeline (NPS14) and the Koch Pipeline (NPS10). The Fort McMurray North Hub is strategically located to allow future oilsands developers requesting NGTL delivery service an opportunity to construct short laterals to connect to it.

Projects which could be served from the Fort McMurray North Hub, including those projects for which delivery service has been requested from NGTL, include:

- Syncrude's Aurora North and South projects;
- CNRL's Horizon project;
- Deer Creek Energy's Josyln project;
- Koch/UTS's Fort Hills project;
- Imperial Oil/Exxon Mobil's Kearl Lake project;
- Husky/Imperial Oil's Kearl Lake project; and
- Suncor's Firebag expansions.

Additionally, the Albian Sands Energy Muskeg River mine project could be provided with service either to supplement the transportation currently received from ATCO or for the incremental demand forecast for the Jackpine project.

Q6. Please explain what combination of mainline expansion and mainline extension NGTL plans to meet Fort McMurray area service requirements.

A6. NGTL needs to expand existing infrastructure to meet its customers' service requirements to Mildred Lake. NGTL considers this increase in existing capacity to be a mainline expansion.

NGTL also needs to extend its existing infrastructure to meet its customers' service requirements beyond Mildred Lake to the Syncrude Base Plant and to the Fort McMurray North Hub. NGTL considers this new capacity to be a mainline extension.

Q7. Does NGTL consider the Fort McMurray area to be a significant market for transmission services?

A7. Yes. The Fort McMurray area market forecast for natural gas demand, based on contracts and requests for service to NGTL alone, is 30.525 $10^6 m^3/d$ (1,083 MMcf/d), as shown in Table 8.4-3. This is a significant industrial area in Alberta and is expected to be one of the largest growth areas for natural gas demand in North America.

The capital expenditures for oil sands facilities development also represent one of the largest construction programs for energy development in North America, with a total of $6 billion per year spent in 2001 and 2002.

Fort McMurray is at the centre of a significant world scale resource, with an estimated 300 billion barrels of recoverable bitumen reserves in the Athabasca oil sands. Alberta oil sands production is forecast to pass 1 million barrels per day in 2004 and double to more than two million barrels per day by 2013.

Q8. Why does NGTL believe its customers are entitled to receive expanded and extended delivery service to the Fort McMurray area?

A8. NGTL believes its customers are entitled to receive expanded and extended delivery service for several reasons.

First, the Fort McMurray area is a major gas market which is deserving of regulated service. In this context, the Board, in Decision 2002-16 stated on page 20:

> The Board agrees with those who submitted that production from the oilsands is expected to play a major role in meeting future demand for oil in the North American market. Given the current and expected activity in the Fort McMurray area, the Board believes that it is in the public interest for mainline service to be provided with the intent to promote cost efficiencies, secure gas supplies, and enhance fair and consistent access to gas requirements by all industrial customers in the area.

Second, NGTL's customers are entitled to expanded and extended delivery service in the Fort McMurray area under the provisions of NGTL's Guidelines for New Facilities. There are multiple customers whose aggregate service requests exceed 100 MMcf/d and the facilities that NGTL would have to build to serve these requests would exceed 20 km in length and require a pipe diameter equal to or larger than NPS 12.

Third, NGTL has existing contracts for delivery service to Mildred Lake. The terms of these contracts extend beyond the term of NGTL's existing TBO arrangement with Ventures. These customers are entitled to continued service under these contracts.

Lastly, NGTL is well positioned to provide expanded and extended service economically and efficiently at the scale warranted by this important and expanding market.

Q9. How does NGTL propose to meet customers' aggregate requirements for delivery service into the Fort McMurray area?

A9. NGTL has completed a detailed assessment of alternatives available and potential facilities required to serve the immediate and longer-term needs of its customers and the market. In conducting its assessment, NGTL sought to maximize the use of existing infrastructure in the area and minimize the construction of new facilities while still achieving the overall least cost solution.

The service solution that NGTL proposes to meet customers' delivery requirements for 2004 is comprised of:

- the construction of the North Central Corridor (Peerless Lake Section) Phase 1;
- the acquisition of the Simmons pipeline system; and
- a new TBO arrangement with Ventures on the Oil Sands Pipeline.

This set of facilities and arrangements, which NGTL refers to in this Application as its Proposed Service Solution, are described in detail in Sub-section 8.5. The Proposed Service Solution will enable NGTL to meet its customers' aggregate requirements for delivery service in the Fort McMurray area for April 1, 2004 and November 1, 2004.

However, the Proposed Service Solution will not satisfy all of NGTL's customers' service requirements. It allows NGTL to satisfy the expansion requirements to Mildred Lake and the extension requirements from Mildred Lake to Syncrude's Base Plant. It does not enable NGTL to satisfy extension requirements to the Fort McMurray North Hub. Consequently, NGTL is assessing additional capacity alternatives, including the use of a portion of the Kearl Lake Steepbank Natural Gas Pipeline (Kearl Lake), to meet NGTL's contracted delivery service requirements at the Fort McMurray North Hub. Refer to Sub-section 8.9 for further details about Kearl Lake.

Q10. Is NGTL applying in this GRA for approval of each of the three components of its Proposed Service Solution?

A10. No. NGTL seeks Board approval in this Application to acquire the Simmons pipeline system and include the costs of the acquisition in rate base and to recover the 2004 costs for the Ventures TBO arrangement. An application for the North Central Corridor (Peerless Lake Section) Phase 1 will be filed separately with the Board by mid-October 2003. The capital costs associated with the North Central Corridor (Peerless Lake Section) Phase 1 have been included in the 2004 rate base and are discussed in Section 3.4, Capital Expenditures.

Also, as noted above, arrangements for the use of Kearl Lake capacity that will allow NGTL to provide service to the Fort McMurray North Hub are still being finalized. Details of these arrangements will be provided to the Board once they are determined.

Q11. How has NGTL organized the remaining evidence in Section 8.0?

A11. The remaining evidence is organized as follows:

- **Sub-section 8.3** – NGTL describes the existing pipeline infrastructure in the Fort McMurray area.
- **Sub-section 8.4** – NGTL provides details of NGTL's forecast maximum day delivery and contract levels in the Fort McMurray area.
- **Sub-section 8.5** – NGTL describes the Proposed Service Solution and potential facilities build-up to meet service requirements.
- **Sub-section 8.6** – NGTL explains the methodology it used to determine possible alternatives to meet service requirements.

- **Sub-section 8.7** – NGTL provides details of its proposed acquisition of the Simmons pipeline system, including a description of the physical facilities, NGTL's use of those facilities and the commercial terms and conditions of the acquisition.

- **Sub-Section 8.8** – NGTL describes details of the new proposed arrangements for TBO service with Ventures on the Oil Sands Pipeline.

- **Sub-Section 8.9** – NGTL describes how it may use the Kearl Lake pipeline to meet service requirements to the Fort McMurray North Hub.

- **Sub-Section 8.10** – NGTL describes the service alternatives it has considered and its economic assessment of them.

- **Sub-Section 8.11** – NGTL discusses timing issues for its proposed acquisition of the Simmons pipeline system.

- **Sub-Section 8.12** – NGTL discusses compliance of its overall development plans with NGTL's Acquisition Guidelines and the Guidelines for New Facilities.

8.3 EXISTING PIPELINE INFRASTRUCTURE AND CAPACITY IN THE FORT MCMURRAY AREA

Q1. Please describe NGTL's methodology for defining the infrastructure in the Fort McMurray area.

A1. For the purposes of assessing demand requirements, NGTL has separated the infrastructure in the Fort McMurray area into two sections:

- infrastructure that transports gas onto the Liege Header; and
- infrastructure that delivers gas off of the Liege Header.

Q2. What is the Liege Header?

A2. The Liege Header is the NGTL pipeline that extends from an interconnection with the Simmons pipeline at the House River Meter Station in the south, to the Chipewyan River Sales Meter Station in the north. The Liege Header is an NPS 16 pipeline with the majority being looped with either NPS 10 or NPS 12 pipeline. It acts as a supply header or manifold, directly or indirectly, for all pipelines supplying the Fort McMurray market. Refer to Figure 8.2-1 for the location of the Liege Header.

Q3. Please describe what NGTL means by the phrase "onto the Liege Header."

A3. The phrase "onto the Liege Header" defines NGTL's facility build-up requirements to expand its mainline system to meet the aggregate delivery service requirements for all pipelines connecting to the Liege Header.

Q4. Please describe what NGTL means by the phrase "off of the Liege Header."

A4. NGTL defines "off of the Liege Header" as the demand requirements for those markets downstream of the Liege Header that are directly served by NGTL. This excludes markets served directly by others.

Q5. Why did NGTL separate the infrastructure and demand requirements into the categories of "onto the Liege Header" and "off of the Liege Header"?

A5. The characteristics of the aggregate Fort McMurray natural gas market are complex. This complexity results from the geography of the region, the number of current gas pipeline alternatives, the number of alternatives for future facilities, the number of oil sands development projects, and the growing demand requirements of those projects. Describing the infrastructure on the basis of NGTL's use of the facilities provides a simpler model for discussion. For the purpose of this discussion, NGTL provides a twofold service to the Fort McMurray area.

- NGTL provides transportation service directly or indirectly to all pipeline operators in the area. These operators connect to the Alberta System at the Liege Header. In order for these operators to provide service to their customers they require NGTL to provide service "onto the Liege Header." These operators are then responsible for their own capacity from the Liege Header to their respective markets.

- NGTL also provides delivery service through its existing TBO arrangement with Ventures, to markets at and on the way to the Mildred Lake Meter Station. NGTL is proposing to expand and extend this service in 2004 to meet its customers' aggregate requirements. NGTL's customers therefore require NGTL to provide service "off of the Liege Header" directly to the market.

The proposed new Ventures TBO arrangement is required by NGTL to serve contracted demand off of the Liege Header and the separately applied-for North Central Corridor (Peerless Lake Section) Phase 1 is required to serve the aggregate contracted demand onto the Liege Header. The acquisition of the Simmons pipeline system serves a dual purpose by providing transportation capacity onto the Liege Header and off of the Liege Header.

Q6. Describe the infrastructure that delivers gas onto the Liege Header.

A6. The facilities that deliver gas onto the Liege Header are:

- the 18 receipt meter stations connected to the Liege Header;
- the NPS 24 North Central Corridor (Buffalo Creek Section), which connects to the Liege Header at the Buffalo Creek North Compressor Station;
- the NPS 12 Logan River Lateral, which connects with the Liege Header near the House River Meter Station; and
- the NPS 16 Simmons pipeline, which connects to the Liege Header at the House River Meter Station.

Q7. Describe NGTL's capacity onto the Liege Header without the proposed facilities and arrangements.

A7. NGTL would have the ability to transport approximately 13.260 $10^6 m^3/d$ (471 MMcf/d) of gas onto the Liege Header as of April 1, 2004.

Q8. Describe the overall infrastructure that delivers gas off of the Liege Header.

A8. The facilities that deliver gas from the Liege Header are:

- ATCO's NPS 16 Muskeg River pipeline: This pipeline is connected to the Liege Header at the Chipewyan River Sales Meter Station and transports gas to the Albian Sands Energy Muskeg River project.

- Suncor's NPS 10 Albersun pipeline: This pipeline connects with the Liege Header at the Crow Lake Sales Meter Station and delivers gas to the Suncor Oilsands project, the City of Fort McMurray and the Japan Canada Oil Sands project. Albersun is also connected to the Alberta System at the Atmore and Square Lake Meter Stations.

- Ventures' NPS 24 Oil Sands pipeline: This pipeline is connected to the Liege Header at the Buffalo Creek North Compressor site and delivers gas to Suncor's

Oilsands project. NGTL also has TBO service on this facility to deliver gas to Syncrude, Petro-Canada, TC Energy and Suncor.

- Simmons' NPS 16 pipeline: This pipeline is connected to the Liege Header at the House River Meter Station and meets demands from Syncrude Canada Ltd., Japan Canada Oil Sands, Devon Canada Corporation, ATCO, and the Alberta Oilsands Pipeline (AOSPL) as well as interconnects with the Albersun and Ventures pipelines. The Simmons pipeline interconnects with the Ventures Oil Sands pipeline through Syncrude's 3-km, NPS 12 Buffalo pipeline. The Simmons pipeline is also connected to the Alberta System at the Conklin West Sales, Atmore B Sales and Atmore C Meter Stations.

Q9. Describe NGTL's capacity off of the Liege Header without the proposed facilities and arrangements.

A9. NGTL presently provides service off of the Liege Header through its existing TBO arrangement with Ventures. As of April 1, 2004, without the Proposed Service Solution, NGTL would have the ability to transport approximately 4.776 $10^6 m^3/d$ (170 MMcf/d) of gas off of the Liege Header, through this existing TBO arrangement. This arrangement terminates on October 31, 2004. The proposed new TBO arrangement, if approved, will supersede this arrangement.

8.4 FORT MCMURRAY FORECAST MAXIMUM DAY DELIVERY REQUIREMENTS

Q1. Please describe NGTL's delivery forecast methodology for the Fort McMurray area.

A1. NGTL considers several sources of information in developing its delivery forecast for Alberta Delivery Points. The principal source of information used in the development of the forecast of delivery requirements to the Fort McMurray area is consultation with the industrial customers in the area who have executed contracts with NGTL, have requested service, or are developing projects in the area.

Each customer's forecast of gas requirements for its respective projects is taken into account, and risk adjusted, with consideration to macroeconomic parameters (for a list of macroeconomic parameters, please refer to Section 4.0, Appendix A - Supply Study).

As described in NGTL's December 2002 Annual Plan, Chapter 2, Table 2.6.2, maximum day delivery to the Fort McMurray area serves as the basis for the design in this area.

Q2. Please summarize NGTL's executed contracts in the Fort McMurray area.

A2. Table 8.4-1 summarizes the executed contracts onto the Liege Header and Table 8.4-2 summarizes the executed contracts off of the Liege Header.

Table 8.4-1

FCS Contracts onto the Liege Header as of July 30, 2003

(MMcf/d)

CUSTOMER	Map Reference Number	Contract Execution Date	Term years	1999	2000	2001	April 2002	Nov 02/03	April 2003	Nov 03/04	April 2004	Nov 04/05	April 2005	Nov 05/06	April 2006	Nov 06/07	April 2007	Nov 07/08	April 08 to Nov 13/14
VENTURES MILDRED LAKE	9	22-Oct-98	20	248	248	248	248	248	248	248	248	248	248	248	248	248	248	248	248
VENTURES MILDRED LAKE #2	10	08-Nov-99	20	103	103	103	103	103	103	103	0	0	0	0	0	0	0	0	0
ATCO CHIPEWYAN SALES	11	18-Dec-00	10	0	0	111	111	111	111	111	111	111	111	111	111	111	111	111	111
SUNCOR FIREBAG SAGD	1	06-Mar-01	10	0	0	0	0	11	15	15	25	25	60	60	92	92	122	122	131
SYNCRUDE BASE PLANT	2	05-Mar-01	10	0	0	0	89	89	89	89	248	248	248	248	248	248	248	248	248
PETRO-CANADA MACKAY RIVER	3	*	*	0	0	0	32	32	32	32	32	32	32	32	32	32	32	32	32
TC ENERGY MACKAY RIVER	4	10-Jan-03	20	0	0	0	0	0	34	34	34	34	34	34	34	34	34	34	34
SYNCRUDE BASE PLANT INCREASE	2	10-Apr-03	10	0	0	0	0	0	0	0	112	142	142	142	142	142	142	142	142
SYNCRUDE AURORA	5	16-Jan-03	10	0	0	0	0	0	0	0	50	70	70	110	110	110	110	110	110
TOTAL				**351**	**351**	**462**	**583**	**594**	**632**	**632**	**860**	**910**	**945**	**985**	**1017**	**1017**	**1047**	**1047**	**1056**

*Conditional on NGTL acquiring the Ruth Lake Sales Meter Station
- Map reference numbers are shown on Figures 8.2-1 and 8.2-2.

Table 8.4-2

NGTL FCS Contracts Off of the Liege Header as of July 30, 2003

(MMcf/d)

CUSTOMER	Map Reference Number	Contract Execution Date	Term years	1999	2000	2001	April 2002	Nov 02/03	April 2003	Nov 03/04	April 2004	Nov 04/05	April 2005	Nov 05/06	April 2006	Nov 06/07	April 2007	Nov 07/08	April 08 to Nov 13/14
SUNCOR FIREBAG SAGD	1	06-Mar-01	10	0	0	0	0	11	15	15	25	25	60	60	92	92	122	122	131
SYNCRUDE BASE PLANT	2	05-Mar-01	10	0	0	0	89	89	89	89	248	248	248	248	248	248	248	248	248
PETRO-CANADA MACKAY RIVER	3	*	*	0	0	0	32	32	32	32	32	32	32	32	32	32	32	32	32
TC ENERGY MACKAY RIVER	4	10-Jan-03	20	0	0	0	0	0	34	34	34	34	34	34	34	34	34	34	34
SYNCRUDE BASE PLANT INCREASE	2	10-Apr-03	10	0	0	0	0	0	0	0	112	142	142	142	142	142	142	142	142
SYNCRUDE AURORA	5	16-Jan-03	10	0	0	0	0	0	0	0	50	70	70	110	110	110	110	110	110
TOTAL				**0**	**0**	**0**	**122**	**132**	**170**	**170**	**501**	**551**	**586**	**626**	**658**	**658**	**688**	**688**	**697**

* Conditional on NGTL acquiring the Ruth Lake Sales Meter Station
- Map reference numbers are shown on Figures 8.2-1 and 8.2-2.

Q3. Does appropriate customer accountability exist for the incremental service NGTL is proposing in the Fort McMurray area?

A3. Yes. The service to the Fort McMurray market, like other intra-Alberta markets that NGTL serves, is underpinned by contracts for services under terms and conditions and at tolls approved by the Board.

NGTL has worked with industry since the release of Decision 2002-016 to develop appropriate accountability for mainline extensions into markets such as Fort McMurray and to increase the accountability associated with all intra-Alberta delivery service provided via Firm Transportation – Alberta Service (FT-A). Changes to accountability were approved by the Board in Decision 2003-51 and are effective October 1, 2003.

Specifically, mainline extension accountability to delivery points has been increased with the implementation of an Extension Annual Volume (EAV) commitment for Facility Connection Service (FCS) contracts associated with the mainline extension. This accountability mirrors the accountability already in place for mainline receipt extensions in terms of volume commitment (100 MMcf/d) and term commitment (minimum of three years).

In addition, the formula for calculating the Minimum Annual Volume (MAV) commitment associated with the FCS contracts for intra-Alberta delivery points has been modified, resulting in an approximately ten-fold increase in the MAV. Direct accountability for FT-A service has also increased, as the FT-A rate was increased from zero to 1.6 cents/Mcf, effective October 1, 2003.

Q4. What is NGTL's forecast maximum day delivery for the Fort McMurray area?

A4. Figures 8.4-1 and 8.4-2 show NGTL's forecast maximum day delivery onto and off of the Liege Header. The figures also show the capacity of existing facilities prior to April 2004 and with the addition of the Proposed Service Solution after April 2004. The contract levels shown in the Figures 8.4-1 and 8.4-2 represent the total volumes under Facility Connection Service (FCS) contracts signed by customers of NGTL.

Figure 8.4-1

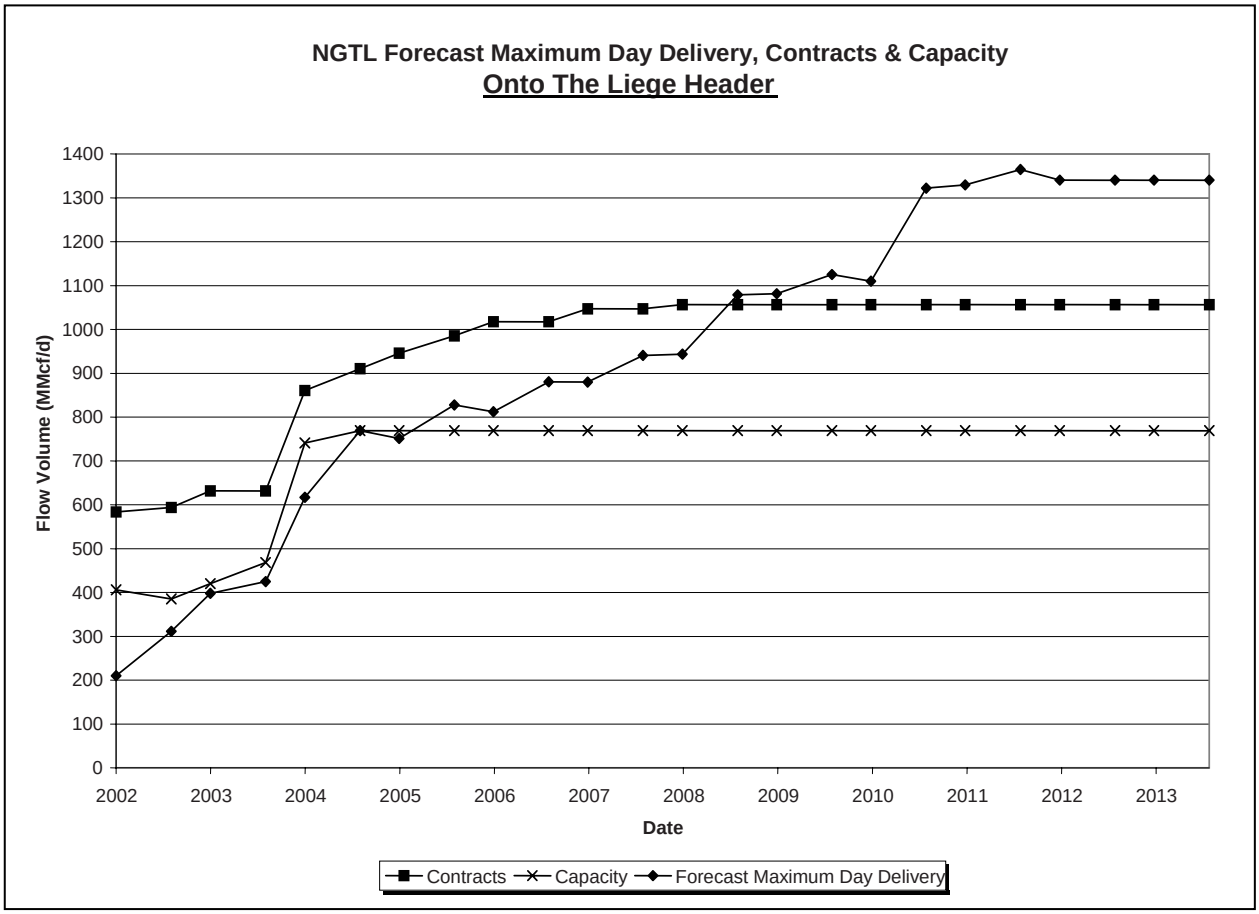


Figure 8.4.1 Legend Description

Contracts -These are contract volumes under FCS commitments between NGTL and customers as shown in Table 8.4-1.

Capacity - The capacity of NGTL's existing and proposed facilities up to November 2004 is shown. After November 2004 the capacity would not remain steady as illustrated on the graph but would decline slightly each year as the local supply in the area declines.

Forecast maximum day delivery - The forecast maximum volume to be delivered onto the Liege Header used for pipeline design purposes.

Figure 8.4-2

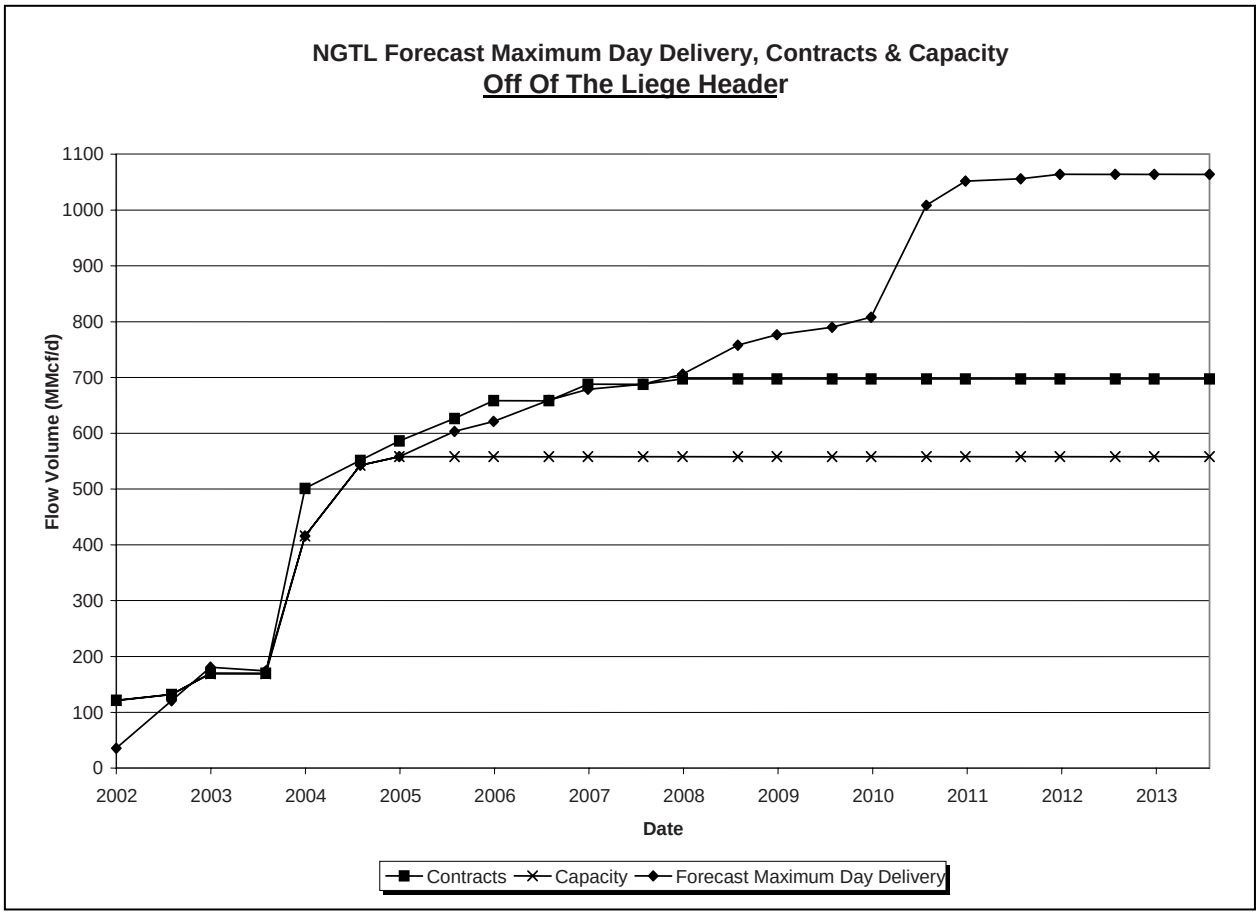


Figure 8.4.2 Legend Description

Contracts - These are contract volumes under FCS commitments between NGTL and customers as shown in Table 8.4-2.

Capacity – The capacity of NGTL's existing and proposed facilities up to November 2004 is shown.

Forecast maximum day delivery - The forecast maximum volume to be delivered off of the Liege Header used for pipeline design purposes.

Q5. To which markets "off of the Liege Header" is NGTL referring?

A5. When referring to markets off of the Liege Header, NGTL is referring to intra-Alberta markets which it expects to serve within the next five years. It does not include markets that are served by other pipelines that obtain their supply from the Liege Header.

The Fort McMurray market includes a number of existing large commercial projects as well as others currently under development. NGTL has contracts totaling 19.649 $10^6m^3/d$ (697 MMcf/d) and non-binding requests totaling 10.875 $10^6m^3/d$ (386 MMcf/d) for these markets.

These markets, itemized in Table 8.4-~~1~~ 3 below, are distributed along a flow path from the Liege Header to the Fort McMurray North Hub, as illustrated in Figures 8.2-1 and 8.2-2.

Table 8.4-~~1~~3

NGTL Contracts and Requests for Service off of the Liege Header						
Developer	**Map Reference Number***	Date Request Received	Contract Volume ($10^6m^3/d$)	Contract Volume MMcf/d	Location	Requested On-Stream Date
Syncrude	**5**	24-Apr-02	3.100	110	North Hub	01-Apr-04
Syncrude	**2**	24-Apr-02	4.000	142	Along Path	01-Apr-04
Syncrude	**2**	10-Jan-01	7.000	248	Along Path	01-Mar-02
Suncor	**1**	10-Jan-01	3.700	131	Along Path	01-Oct-02
Petro-Canada	**3**	20-Dec-00	0.905	32	Along Path	01-Apr-02
TransCanada Energy	**4**	09-Mar-01	0.944	34	Along Path	01-Sept-03
Total Contracted			**19.649**	**697**		
			Requested Volumes ($10^6m^3/d$)	Requested Volumes MMcf/d	Location	Originally Requested On-Stream Date
Koch / UTS	**6**	10-Jul-02	1.409	50	North Hub	01-2005
CNRL	**7**	01-Apr-02	4.592	163	North Hub	01-2004
Deer Creek Energy	**8**	02-Dec-02	0.085	3	North Hub	04-2004
Suncor	**1**	07-Mar-03	4.790	170	Along Path	04-2004
Total Non-Binding Requests			**10.875**	**386**		
Total			**30.525**	**1,083**		

*Map reference numbers are shown on Figures 8.2-1 and 8.2-2.

Q6. Why do the maximum day delivery levels and contract levels differ in each of Figures 8.4-1 and 8.4-2?

A6. Contract volumes shown on Figures 8.4-1 and 8.4-2 represent the aggregate volumes of gas with FCS commitments as of July 30, 2003. In the case of Fort McMurray oil sands projects, a plant's normal operating condition requires less gas than its peak requirement. Industrial plants typically need to ensure that the peak requirement during a plant upset condition is met, and they therefore contract for a higher volume than required under normal operating conditions.

To determine maximum day delivery for design purposes, NGTL considers various factors, including customer input, construction project timing and delays, start-up conditions, normal operating conditions, upset conditions, industry and labour capabilities, and historical flow patterns. In addition, NGTL applies a demand coincidence factor to adjust the system maximum day deliveries for all of the Alberta Delivery Points within a design area to a value more indicative of the expected actual peak day deliveries.

Q7. Please summarize the forecast maximum day delivery, contract and capacity volumes onto the Liege Header.

A7. As of April 1, 2004, without the Proposed Service Solution, NGTL's capacity onto the Liege Header is 13.260 $10^6m^3/d$ (471 MMcf/d), existing contracts are 24.243 $10^6m^3/d$ (860 MMcf/d), and forecast maximum day delivery is 17.380 $10^6m^3/d$ (617 MMcf/d). NGTL requires additional capacity of 4.120 $10^6m^3/d$ (146 MMcf/d) to meet the forecast maximum day delivery for April 1, 2004.

As of November 1, 2004, without the Proposed Service Solution, NGTL's capacity onto the Liege Header is 12.590 $10^6m^3/d$ (447 MMcf/d), existing contracts are 25.651 $10^6m^3/d$ (910 MMcf/d), and forecast maximum day delivery is 21.670 $10^6m^3/d$ (769 MMcf/d). NGTL requires additional capacity of 9.080 $10^6m^3/d$ (322 MMcf/d) to meet the forecast maximum day delivery for November 1, 2004.

Q8. Please summarize the forecast maximum day delivery, contract and capacity volumes off of the Liege Header.

A8. As of April 1, 2004, without the Proposed Service Solution, NGTL's capacity off of the Liege Header is 4.776 $10^6m^3/d$ (170 MMcf/d), existing contracts are 14.130 $10^6m^3/d$ (501 MMcf/d), and forecast maximum day delivery is 11.720 $10^6m^3/d$ (416 MMcf/d). NGTL requires additional capacity of 6.944 $10^6m^3/d$ (246 MMcf/d) to meet the forecast maximum day delivery for April 1, 2004.

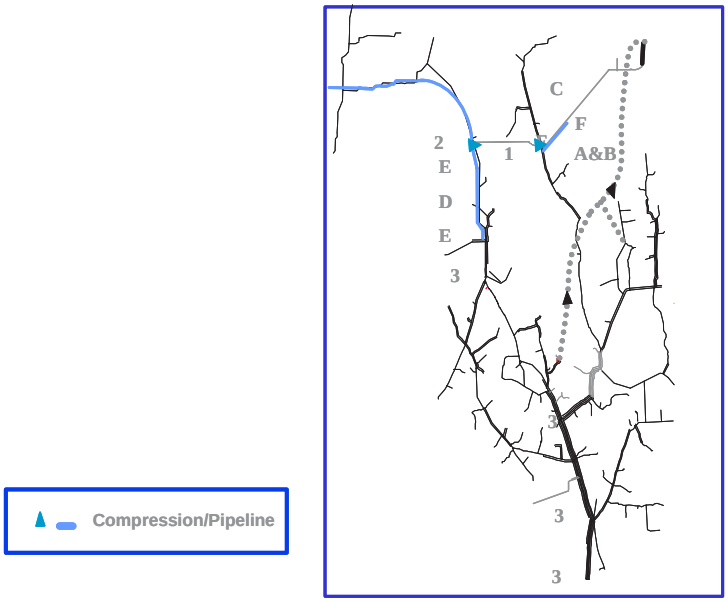
As of November 1, 2004, without the Proposed Service Solution, NGTL has no capacity off of the Liege Header, due to the expiry of the existing Ventures TBO. Existing contracts are 15.540 $10^6 m^3/d$ (551 MMcf/d), and forecast volumes are 15.3 $10^6 m^3/d$ (543 MMcf/d). NGTL requires additional capacity of 15.3 $10^6 m^3/d$ (543 MMcf/d) to meet the forecast maximum day delivery for November 1, 2004.

8.5 FORT MCMURRAY AREA FACILITY BUILD-UP

Q1. What facilities and arrangements does NGTL propose for the period 2004-2008?

A1. NGTL's proposed facilities and arrangements to serve the demand in the Fort McMurray market, both onto the Liege Header and off of the Liege Header, for 2004 to 2008 are shown in Figure 8.5-1.

Figure 8.5-1
Proposed and Potential Service Solutions 2004 - 2008



MAP LOCATION	PROPOSED FACILITIES AND ARRANGEMENTS	DESCRIPTION	REQUIRED IN-SERVICE DATE	CAPITAL COST ($ Millions)
A	Simmons Purchase		2004	21
B	Simmons Transition Costs		2004	1
C	Ventures TBO Service		2004	
D	NCC (Peerless Section) Phase 1	18 Km NPS 24	2004	12
E	NCC (Peerless Section) Phase 2 & 3	71 Km NPS 24	2005	48
F	Oil Sands Pipeline Loop Section #1	22 km NPS 24	2008	13
1	Buffalo C/S Unit #2	Taurus T60	2005	14
2	Woodenhouse C/S Unit #1(Note 1)	Mars 100 (10.5 MW)	2006	19
3	North Lateral Compressor Yard Modification		2004 - 2008	10
			Total	138

Note 1: A change in the timing of this facility is discussed in this Sub-section.

Q2. What are the facility requirements to serve demand onto the Liege Header?

A2. NGTL's plan to expand the capability of the facilities that deliver gas to the Liege Header includes the separately applied-for North Central Corridor (Peerless Lake Section) Phase 1 and the proposed Simmons pipeline system acquisition.

The Peerless Lake Section is an 18 km loop that will provide an incremental capability onto the Liege Header of approximately 1.160 10^6m^3 (41 MMcf/d). In addition to this loop, the acquisition of the Simmons pipeline system will provide capability to move gas onto the Liege Header through the House River meter station. This acquisition will provide incremental capacity to the Liege header of approximately 7.920 10^6m^3 (281 MMcf/d) and defers the requirements of the full Peerless Lake Section looping of 89 km as originally identified in the December 2002 Annual Plan, Chapter 5.

Future potential facility expansions, as shown in Figure 8.5-1 after 2004, were used in the analysis of the build-up of facilities to determine the Proposed Service Solution. The facilities along the North Central Corridor (Peerless Lake and Buffalo Creek) sections will be less extensive than they would have been, as a result of the capacity provided by the acquisition of Simmons pipeline system.

NGTL had originally considered the addition of the Woodenhouse compressor station in 2006. However, as a result of the Board's conservation requirements in the Wabiskaw-McMurray formation, this facility has since been advanced to 2004. The impacts of this change are discussed later in this Sub-section.

Q3. Are there additional future requirements for facilities to serve demand onto the Liege Header?

A3. NGTL will continue to use the Liege Header as the common manifold to serve the Fort McMurray area going forward.

No expansions of the Simmons pipeline system are planned at this time. The Simmons

facilities will provide a major transportation route onto the Liege Header within the five year forecast period.

NGTL anticipates the construction of the North Central Corridor to connect NGTL's infrastructure in northwest Alberta with its facilities in northeast Alberta as part of its current long-term expansion plans. The North Central Corridor will bring supply received by NGTL in northwest Alberta, northeast British Columbia, and the Northwest Territories to the Fort McMurray area and southwards to the Empress border delivery point. As a result of this facility addition, the flow paths of gas will be changed such that NGTL will source the majority of the required supply to serve the Fort McMurray area from northwest Alberta via the North Central Corridor. Therefore, the utilization of the Simmons pipeline system to flow gas onto the Liege Header may be reduced. In this scenario Simmons capacity onto the Liege Header will continue to provide supply security and operational flexibility.

As part of its normal facility evaluation process, NGTL examined facility build-up scenarios over a five-year forecast. To account for the impact that the North Central Corridor could have on the value of the Simmons pipeline system acquisition, NGTL has also considered the implications of a 10-year forecast on the expansion of its mainline system. See Table 8.10-1 and Table 8.10-2 for the results of these analyses. In both cases, the acquisition of the Simmons pipeline continues to be NGTL's lowest cost alternative to meet customer delivery requirements.

Future expansions onto the Liege Header, within the five year forecast period, include the remaining 71 km of the Peerless Lake Section (considered in two sections of 39 km and 32 km, referred to as Phase 2 and Phase 3) which, in whole or part, is expected to be required by November 2005 at the earliest. The requirement for these phases will be examined during NGTL's design review in 2004. Other expansions to transport gas to the Liege Header include yard modifications at various compressor stations along the North Lateral which will allow the system to redirect gas, which has historically moved

southwards, to flow northwards to the Fort McMurray market. Any specific facility additions in future years will be examined in more detail to ensure that the most current information is used. See Figure 8.5-1, Proposed and Potential Service Solutions 2004 - 2008, for locations of the currently proposed facilities.

Q4. What are the facility requirements to serve demand off of the Liege Header?

A4. NGTL proposes to expand its capacity to deliver gas off of the Liege Header through the acquisition of the Simmons pipeline system and the proposed new TBO arrangement with Ventures on the Oil Sands Pipeline. This combination will provide NGTL with capacity off of the Liege Header of up to 20.090 $10^6 m^3/d$ (713 MMcf/d), depending on the pressure at the interconnect between the Ventures and NGTL facilities. NGTL describes the Simmons and Ventures transactions in detail in Sub-sections 8.7 and 8.8.

Future potential facility expansions after 2004, as shown in Figure 8.5-1, were used in the analysis of the build-up of facilities to determine the Proposed Service Solution.

In addition to the above facilities, NGTL's potential use of the Kearl Lake pipeline will provide up to 3.1 $10^6 m^3/d$ (110 MMcf/d) of capacity to the Fort McMurray North Hub.

Q5. Do the Board's conservation requirements in the Wabiskaw-McMurray formation have any impact on these proposed facilities?

A5. NGTL has reviewed the impact of the loss of supply in the Fort McMurray area on the Alberta System as a result of the policy and conservation requirements set out in EUB General Bulletin 2003-16. The loss of the local supply in the region will require NGTL to transport gas supply from other parts of its system to meet market demand in this region. Based on its assessment, NGTL has determined that it will have to construct the Woodenhouse Compressor Station to meet delivery requests in 2004. This compressor will consist of a 10.5 MW Solar Mars unit, relocated from the existing Smoky Lake Compressor Station, Unit B6, to the west end of the North Central Corridor (Buffalo

Creek Section) in LSD 07-29-086-01-W5M. The cost for this work, estimated at approximately $19 million, has been included in the 2004 rate base, as presented in Sub-section 3.4, Capital Expenditures. NGTL will apply for approval to construct this facility in a separate application in late 2003 or early 2004.

In addition to the impact on capability to the area, the Board's conservation requirements will also impact the incremental receipt revenue that NGTL may receive following its acquisition of the Simmons pipeline. This impact is discussed in Sub-section 8.7.

Regardless of the ultimate outcome of the policy in EUB General Bulletin 2003-16, the Proposed Service Solution remains the most orderly, efficient and effective way for NGTL to provide additional delivery service to the Fort McMurray area.

8.6 DETERMINATION OF POSSIBLE ALTERNATIVES TO MEET DELIVERY SERVICE REQUIREMENTS

Q1. Please describe the process NGTL used to determine the optimal solution to serve the Fort McMurray area delivery service requirements.

A1. Since February 2002, NGTL has held more than 90 meetings with a total of 27 stakeholders, including the Canadian Association of Petroleum Producers (CAPP), the Industrial Gas Consumers Association of Alberta (IGCAA), receipt and delivery shippers, and other affected parties, to discuss available alternatives for NGTL to serve the growing demand in the Fort McMurray area. These meetings were the result of NGTL's commitment to a consultative approach for exploring and evaluating service alternatives. NGTL shared as much information as possible about its plans with key stakeholders and gathered feedback from them which assisted in the development of its comprehensive plan. As a result of this extensive consultation process, stakeholders are aware of NGTL's development plans.

NGTL and parties developed several key objectives through this consultative process. These include:

- utilization of existing infrastructure wherever possible;
- engagement of all interested pipeline participants in arm's-length negotiations;
- development of the least cost alternative based on cumulative present value cost of service (CPVCOS) and first-year capital costs;
- application of the Guidelines for New Facilities; and
- application of the Acquisition Guidelines.

Q2. How did NGTL identify the existing infrastructure that could potentially be available for its use in meeting delivery service requirements?

A2. NGTL issued a Request for Proposal (RFP) on March 28, 2003 to ATCO Pipelines, Ventures, Chevron Canada Resources as operator of the Kearl Lake pipeline (Chevron), and Suncor inviting them to provide service bids or sale offers for their respective facilities. NGTL outlined in the RFP certain service parameters, such as pressure and required capacity. A copy of the RFP is provided in Appendix A.

Q3. Was Simmons involved in NGTL's overall assessment of existing infrastructure?

A3. Yes. During the early stages of its assessment of alternatives to the construction of the North Central Corridor (Peerless Lake Section), NGTL had discussions with Simmons to explore the use of the south section of the Simmons pipeline system to transport gas onto the Liege Header.

NGTL also entered into discussions with Suncor as owner and operator of Albersun, which is also connected to the Alberta System. Suncor advised NGTL that it did not wish to provide capacity to NGTL due to pipeline pressure concerns and the large amount of capital that would be required to address those concerns. Therefore, NGTL continued discussions with Simmons having concluded that the Simmons pipeline was the only pipeline able to provide service onto the Liege Header.

NGTL and Simmons reached an agreement to negotiate the purchase of the Simmons pipeline facilities in a Letter of Intent executed March 16, 2003. During subsequent negotiations, it appeared that a purchase might not be possible. Therefore, on April 17, 2003, NGTL issued Simmons the RFP for TBO service that had been issued to the other pipelines. Simmons did not submit a bid to provide a TBO service, preferring instead to continue with negotiations for the sale of its pipeline assets.

Q4. Did all parties who received the RFP respond with a bid?

A4. No. Suncor, Husky as part owner of the Kearl Lake pipeline, and ATCO did not provide a bid. Copies of their responses are included in Appendix B.

Q5. Was NGTL successful in negotiating an arrangement with any of the parties who submitted bids?

A5. Yes. NGTL reached an agreement with Simmons to acquire its pipeline facilities and an arrangement with Ventures for new TBO service on its Oil Sands Pipeline.

8.7 THE SIMMONS PIPELINE SYSTEM ACQUISITION

Q1. Please describe the physical configuration of the Simmons pipeline system.

A1. The Simmons pipeline system is a gas pipeline located in northeastern Alberta that transports gas received from the Alberta System, as well as gas received from receipt points connected directly to its system, to a number of delivery points in the Fort McMurray area. The facilities are owned by Pelican Pipelines Ltd. (Pelican) and Ptarmigan Pipeline Ltd. (Ptarmigan) which are wholly owned subsidiaries of Simmons.

The Simmons pipeline system was constructed in 1977 and expanded in 1979 to transport gas to Syncrude's bitumen processing facility (Base Plant) north of Fort McMurray.

Q2. Please describe the facilities that NGTL proposes to acquire from Simmons.

A2. The Simmons pipeline system consists of approximately 380 km of pipeline, four compressor units and several meter/regulating stations.

Table 8.7-1 lists the facilities that NGTL will acquire from Simmons.

Table 8.7-1

List of Facilities to be Acquired from Simmons

Facility	Description
1	Mainline or Pelican Pipeline consisting of approximately 260.9 km x 406.4 mm (NPS 16) pipeline
2	16 Inch Backup Loop consisting of approximately 14.3 km x 406.4 mm (NPS 16) pipeline
3	Mainline to Syncrude's Pipeline
4	10 Inch Backup Loop consisting of approximately 7.6 km x 273.1 mm (NPS 10) pipeline and approximately 1.0 km x 406.4 mm (NPS 16) pipeline
5	North Termination or Chevron Connection consisting of approximately 2.6 km x 406.4 mm (NPS 16) pipeline
6	X-tie Site consisting of approximately 0.03 km x 219.1 mm (NPS 8) pipe
7	Mildred Lake Meter Station located in LSD 03-07-093-10 W4M
8	South Termination X-tie Meter Station or the Simmon's Albersun Meter Station located in LSD 13-21-092-10 W4M
9	Leismer Compressor Station consisting of 1.0 MW compressor unit located in 08-04-081-13 W4M
10	Wandering River Compressor Station consisting of three compressor units totaling 2.8 MW located in LSD 06-18-072-16 W4M
11	Wander Lateral consisting of approximately 21.7 km x 168.3 mm (NPS 6) pipeline
12	Wander Tower Meter Station located in LSD 09-30-072-14 W4M
13	Thornbury North and Albersun Crossover consisting of approximately 0.02 km x 114.3 mm (NPS 4) pipe
14	Leismer Lateral or the Ptarmigan Pipeline consisting of approximately 57.0 km x 355.6 mm (NPS 14) pipeline and 3.0 km x 406.4 mm (NPS 16) pipeline
15	Leismer Meter Station located in LSD 16-23-077-09 W4M
16	Leismer Lateral Regulating Station located in LSD 03-04-081-13 W4M
17	AOSPL Meter Station located in LSD 14-33-080-13 W4M

Additional details regarding the facilities to be acquired from Simmons are provided in Appendix C.

Figure 8.7-1

Simmons Pipeline System

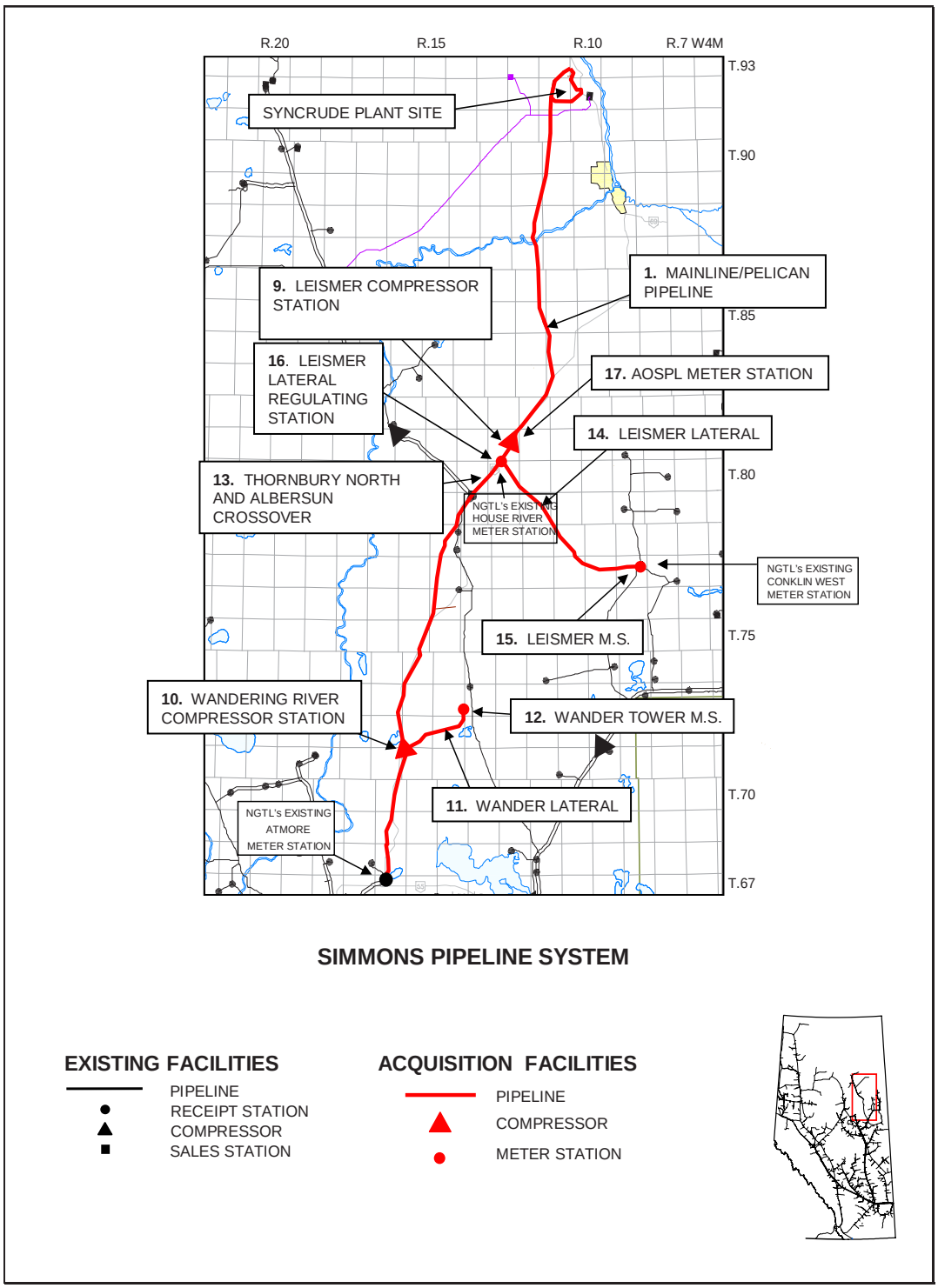
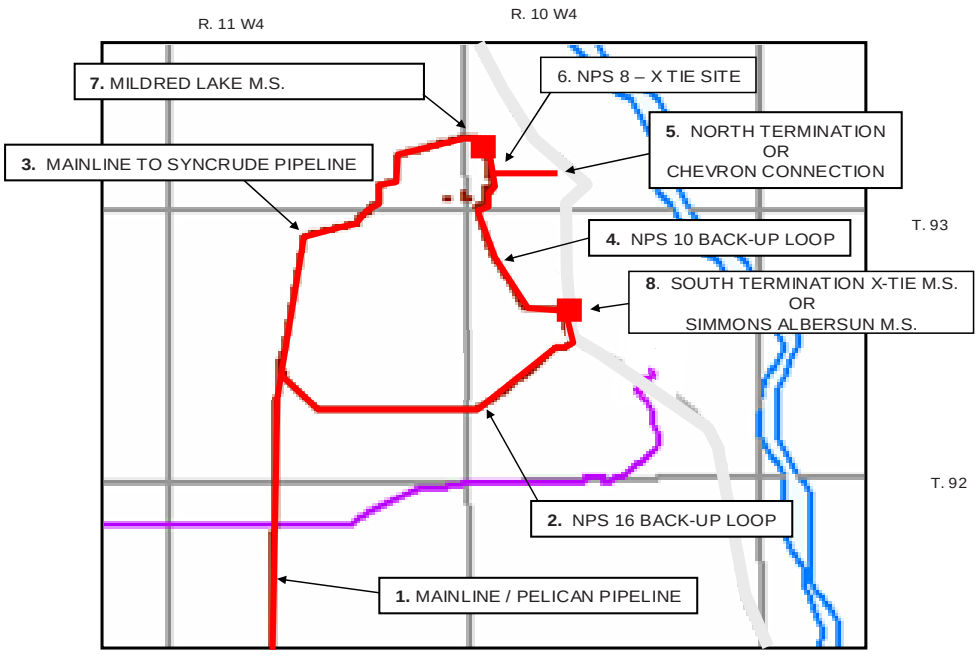


Figure 8.7-2

Northern Terminus of the Simmons Pipeline System

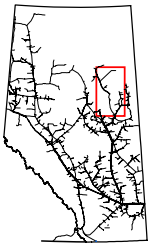


SIMMONS PIPELINE SYSTEM

ACQUISITION FACILITIES

PIPELINE

METER STATION



Q3. Has NGTL utilized the Simmons pipeline system in the past?

A3. Yes. NGTL utilized the Simmons pipeline system from 1982 through October 31, 2001 under TBO arrangements. Prior to 1994, the TBO arrangements were for transportation of gas from the north at House River Meter Station to the south at Atmore C Meter Station. Since 1994, with Fort McMurray market growth and the volume of receipt gas in the Fort McMurray area decreasing, NGTL has used the Simmons pipeline system to transport gas in the opposite direction, from the south, at Conklin West and Atmore B Meter Stations, north to the House River Meter Station.

Q4. Describe how NGTL presently utilizes the Simmons pipeline system.

A4. NGTL entered into a new TBO arrangement with Simmons commencing November 1, 2003 and expiring March 31, 2004 to enable NGTL to meet maximum day delivery demand in the winter season of the 2003/04 Gas Year and defer the construction of alternative facilities. The TBO arrangement with Simmons will allow NGTL to move gas from the Atmore B and Conklin West Meter Stations to the House River Meter Station.

Q5. Did NGTL consider an extension of its recent TBO arrangement with Simmons instead of acquiring the Simmons facilities?

A5. Yes. After the termination of the original Simmons TBO arrangement in October 2001, Simmons approached NGTL to determine if NGTL was interested in utilizing the Simmons pipeline system to meet NGTL's requirements to provide delivery service in the growing Fort McMurray area.

NGTL subsequently determined during its facility planning process that if it utilized the southern portion of the Simmons pipeline system to transport volumes of gas north from NGTL's Atmore B Meter Station and Conklin West Meter Station to NGTL's House River Meter Station it could reduce the mainline facilities required on NGTL. NGTL also determined that use or acquisition of the northern portion of the Simmons pipeline system

between the House River Meter Station and the Simmons delivery points would assist NGTL in meeting the requests for delivery service beyond the Mildred Lake Meter Station. Accordingly, NGTL and Simmons agreed in March 2002 to enter into exclusive discussions for NGTL's use of the Simmons pipeline system.

NGTL explored with Simmons the possibility of a long-term TBO arrangement as well as the possibility of purchasing just the southern portion of the pipeline system. Simmons advised NGTL that it was not interested in either a long term TBO arrangement or splitting its system into portions and divesting these portions separately. Simmons told NGTL that it wanted to sell the entire asset, either to NGTL or others.

Due to the complexity and length of its discussions with Simmons, NGTL entered into a short-term TBO arrangement with Simmons for the period from November 1, 2003 to March 31, 2004. As described in NGTL's December 2002 Annual Plan, Section 5.4.1, this TBO arrangement enabled NGTL to delay the construction of the North Central Corridor (Peerless Lake Section) from the previously identified required in-service date of November 1, 2003 to a required in-service date of April 1, 2004. The ability to delay construction by one year resulted in significant cost savings for NGTL over the cost of the short-term TBO arrangements.

NGTL and Simmons ultimately agreed on a sale of the pipeline assets and executed a Share Purchase and Sale Agreement, dated July 9, 2003, establishing the terms and conditions of the transaction. A copy of the Share Purchase and Sale Agreement is provided in Appendix D. A summary of the terms and conditions of the Share Purchase and Sale Agreement is provided in Table 8.7-2.

Table 8.7-2

Simmons Share Purchase and Sale Agreement

Summary of Terms

Terms and Conditions	
Expected Close	• April 1, 2004, subject to regulatory approval
Pipeline Length	• Approximately 380 km
General Description of Key Assets	• Pelican Mainline: 272 km x NPS16 MOP 9650 kPa • Leismer Lateral: 60 km x NPS14 MOP 9650 kPa • 2 compressor stations with 4 units totaling 3.8 MW
Pipeline Capability	• Approximately 180 MMcf/d for the north section and 281 MMcf/d for the south section.

Interconnection Points	• 3 interconnects with the Alberta System:
	  • House River Sales (Pelican Mainline)
	  • Atmore B Sales (Pelican Mainline)
	  • Conklin West Sales (Leismer Lateral)

Purchase Price*	• $21,375,000 subject to adjustments :
	  • Real property taxes and prepaid annual surface rights rentals to be apportioned between Seller and Buyer for actual transaction date.
	  • Linepack included.

Existing Simmons Contracts	• All Simmons capacity currently contracted to Syncrude. • Gas Transportation Agreements (GTA) are receipt point contracts that shippers have in place with Simmons. • All current contracts with Simmons to be terminated prior to closing. It is anticipated that going forward current GTA contract holders will utilize NGTL.
Employment	• Includes 5 field employees
Transaction Format	• Simmons transfers the Pelican/Ptarmigan asset to Newco. NGTL acquires the shares of Newco and consolidates in to NGTL.
Other	• Receipt of environmental audit satisfactory to Buyer

*This Simmons Share Purchase and Sale Agreement does not include the additional transition costs of $1.325 million, which NGTL also proposes to add to rate base.

Q6. Is the acquisition of the Simmons pipeline system NGTL's least cost alternative to meet customer and requirements for delivery service in the Fort McMurray area?

A6. Yes. Please refer to the analysis described in sub-section 8.10, Assessment of Alternatives.

Q7. Will the acquisition of the Simmons pipeline system provide NGTL with incremental receipt revenues?

A7. Yes. Approximately 1.8 10^6m^3/d (64 MMcf/d) of indigenous gas supply is currently connected to the Simmons pipeline system. NGTL expects the owners of this supply will seek receipt service on NGTL following its acquisition of the facilities. These receipt volumes would result in annual revenues to NGTL of approximately $3 million/year. Estimates of the three-year and total net present values for the receipt revenue stream are shown in Table 8.7-3. Also shown are the effects of the shut-in of the Wabiskaw-McMurray gas volumes.

Table 8.7-3

Estimated Receipt Revenue from the Simmons Pipeline Purchase*

Scenario	1st Year Volume[1] (10^6m^3)	1st Year Revenue ($MM)	2nd Year Volume (10^6m^3)	2nd Year Revenue ($MM)	3rd Year Volume (10^6m^3)	3rd Year Revenue ($MM)	Total Net Present Value[2] ($MM)
No Shut-in	498	2.5	595	3.1	535	2.8	13.6
EUB 938 Wells shut-in[3]	402	2.0	480	2.5	432	2.3	10.7

Note:

1. First year volume is from April 1 to December 31, 2004, whereas second and subsequent years are from January 1 to December 31.
2. "Total net present value" is the present value of receipt revenue from April 1, 2004 to December 31, 2028 minus the present value of meter station operation and maintenance expense.
3. The "EUB 938" scenario describes the volumes and value of receipts net of the shut-in of the 938 well identified by the Board.

* Receipt revenue is based on an estimate of the average point to point receipt toll to transport gas to the Fort McMurray area of 13.9 cents/Mcf. Simmons forecast volumes for the "No Shut-in" case are from information available at the time of the December 2002 Annual Plan.

Q8. Describe the terms under which NGTL will purchase the Simmons pipeline system?

A8. Under the terms of the Share Purchase and Sale Agreement, NGTL agrees to acquire all the shares of a new company (Newco) that will be incorporated by Simmons. Once Newco is incorporated, Simmons will make an application to the Board for authorization to transfer operating licences, which are currently held by Pelican and Ptarmigan, to Newco. Then Simmons will transfer ownership of the corresponding assets to Newco. NGTL will then purchase all the shares of Newco and Newco will become a wholly owned subsidiary of NGTL. NGTL will subsequently seek authorization from the Board to transfer operating licences from Newco to NGTL and then dissolve Newco. As a result NGTL will directly own the assets.

Q9. Are there any tax implications arising from the purchase of the shares from Newco?

A9. Yes. The purchase price to be paid to Simmons for the shares of Newco is $21,375,000. Notwithstanding the share purchase price, the undepreciated capital cost for income tax purposes of the facilities owned by Newco immediately after the acquisition of the Newco shares by NGTL is expected to be $12,662,345. The Income Tax Act does not permit an increase in undepreciated capital cost from the amount of $12,662,345 to reflect an indirect purchase price of $21,375,000, even if Newco is subsequently wound up into its parent, NGTL. As a result, NGTL will only be entitled to claim Capital Cost Allowance (CCA) for income tax purposes based on $12,662,345.

As a result of the above, the NGTL rate base will increase by $21,375,000 plus transition costs of $1,325,000 or $22,700,000 in total. However, the CCA pools that are available to shelter the tax burden associated with the $22,700,000 rate base will be limited to $12,662,345. The fact that the CCA pools are limited to $12,662,345 has been reflected in NGTL's CPVCOS analysis and was a factor considered in arriving at the final purchase price. The tax basis is reflected in the 2004 revenue requirement.

8.8 THE TRANSCANADA PIPELINE VENTURES LIMITED PARTNERSHIP ARRANGEMENT

Q1. Please describe NGTL's proposed use of the Ventures Oil Sands Pipeline.

A1. NGTL proposes to use the Ventures Oil Sands Pipeline to facilitate the transportation of gas from the Buffalo Creek North Compressor Station interconnect with NGTL to the Fort McMurray North Hub and to markets along the flow path. NGTL does not intend to use capacity on Ventures' Moosa lateral.

Q2. Did NGTL explore other ways of using the Ventures capacity?

A2. Yes. NGTL explored the acquisition of all or a portion of the Oil Sands Pipeline capacity, as well as TBO arrangements for all available capacity on the Oil Sands Pipeline.

Q3. Why is NGTL not seeking to purchase the Ventures Oil Sands Pipeline?

A3. Although NGTL pursued a purchase option, the purchase price required by Ventures for all of the capacity of the Oil Sands Pipeline exceeded the CPVCOS value of an NGTL-build option.

NGTL also explored the purchase of a portion of the Ventures Oil Sands Pipeline capacity. However, Ventures was not prepared to sell a portion of the pipeline capacity.

Q4. What were the characteristics of the initial Ventures bid in response to the RFP?

A4. Ventures offered terms of either five or 25 years in the TBO bid it originally submitted in response to the RFP. NGTL determined that the CPVCOS of these offers was greater than the CPVCOS of NGTL's build option.

Q5. How did NGTL respond to Ventures' original TBO bid?

A5. NGTL's alternative to the Ventures TBO bid was the construction of a new line that bypassed the Oil Sands Pipeline. NGTL discussed this option with its stakeholders and

they encouraged NGTL to re-enter negotiations with Ventures to prevent the bypass of the existing Ventures infrastructure. Accordingly, NGTL continued negotiations with Ventures to determine if acceptable TBO arrangements could be reached. Ultimately, the parties agreed on terms for a new TBO arrangement.

Q6. What are the terms and conditions of the proposed new TBO arrangement with Ventures?

A6. The terms of the arrangement are summarized in Table 8.8-1. A copy of the TBO agreement between NGTL and Ventures is included in Appendix E.

Table 8.8-1

Summary of Ventures TBO Terms and Conditions

Terms and Conditions	Description
Commencement Date	• Target commencement date of April 1, 2004 depending on regulatory and industry approvals, but no later than April 1, 2005.
Term	• 25 years from Commencement Date.

Firm Service (FS) Volume rights	• Dependent on NGTL interconnect pressure, ranging from:
	  • 336 MMcf/d @ 900 psig; to
	  • 533 MMcf/d @ 1200 psig

Interruptible Service	• Volumes determined to be in excess of the total monthly FS Volume charged to NGTL @ $0.12/Mcf
Receipt Point	• Buffalo Creek interconnect with NGTL.

Delivery Point Terminus	• To be specified by NGTL prior to commencement date as either:
	  • Mildred Lake delivery point; or
	  • Oil Sands Meter Station delivery point.
	  • Moosa lateral not included.
	• NGTL has the ability to deliver to any point between the Receipt Point and the specified Delivery Point Terminus.

Minimum Delivery Point Pressure	• 4465 kPag (650 psig)

Price	• Annual fee with Year 1 costs of $5.49 million at the Mildred Lake Delivery Point, or $6.10 million at the Oil Sands Sales Meter Station Delivery Point, plus:
	  • O&M costs (payable on a monthly basis); and
	  • Fuel (provided in kind).
	• Option for NGTL to acquire meter stations at a price equal to the net book value at the date of acquisition with commensurate reduction of the annual fee.
	• Option for Ventures to expand to provide additional required service for increase in FS provided by Ventures under TBO service with annual fee to NGTL adjusted to reflect actual costs incurred by Ventures.

Lease to own provision	• During the three-month period commencing on the date that is six months prior to the expiry of the term of service. NGTL has the option to acquire Ventures Fort McMurray pipeline and associated facilities assets at an "option price" equivalent to the replacement cost of the Ventures assets on the commencement date less accumulated depreciation (at depreciation rates in effect for NGTL). • In the event that NGTL does not exercise its option to acquire Ventures' Oil Sands pipeline, Ventures has the option to sell to NGTL at the option price. • NGTL has the right to unilaterally cancel the above provisions within a period of one year from the date of execution of the letter agreement.
Other	• Letter agreement to be superseded by a definitive TBO Service Agreement. • Existing TBO agreement between NGTL and Ventures terminates as of commencement date of TBO Service Agreement. • Upon commencement of the TBO Service Agreement, should NGTL terminate the agreement prior to April 1, 2006, NGTL will pay Ventures an agreed estimate ($2.5 million) of the amount that would have otherwise been payable under the existing TBO. • Ventures agrees to work in good faith with NGTL and its shippers for a period extending to April 1, 2006 to negotiate the sale of Ventures assets to NGTL.

Q7. Is the arrangement for the proposed new TBO service with Ventures NGTL's least cost alternative to meet customer requirements for delivery service in the Fort McMurray area?

A7. Yes. Please refer to the analysis described in Section 8.10, Assessment of Alternatives.

Q8. Are there any options in the TBO Ventures arrangement?

A8. Yes. As a result of industry feedback that a long-term TBO arrangement was a second best alternative to simply purchasing the pipeline, NGTL negotiated two options as part of the TBO arrangement. These are:

- an option to purchase the pipe at the end of the 25-year TBO term at an agreed-to option price; and
- an option that allows NGTL to terminate the TBO arrangement within two years if an acceptable purchase is negotiated. Ventures has committed to work with industry and NGTL to develop an acceptable purchase and sales agreement within two years.

8.9 KEARL LAKE PIPELINE

Q1. Please provide a description of the Kearl Lake pipeline.

A1. The NPS 10 Kearl Lake pipeline starts at the terminus of the Simmons pipeline and goes north 22 km to the location NGTL is defining as the Fort McMurray North Hub. The pipeline then extends east another 34 km to serve Husky Oil Operations Ltd. (Husky) and Imperial Oil Resources Limited (Imperial) at their oil sands project sites.

The Kearl Lake pipeline is owned by Chevron, Husky and Imperial.

Q2. How ~~does~~ did NGTL propose to use the Kearl Lake pipeline?

A2. NGTL ~~is~~ was seeking an arrangement that ~~will~~ would allow it to use the capacity on the Kearl Lake pipeline from the terminus of the Simmons line to the Fort McMurray North Hub. This would ~~allow~~ have allowed NGTL to meet contracted customer service requirements of 110 MMcf/d at the Fort McMurray North Hub.

NGTL ~~does~~ did not ~~currently~~ plan to use the portion of the Kearl Lake pipeline that extends east downstream of the Fort McMurray North Hub.

~~**Q3. What are NGTL's next steps to determine whether it can utilize capacity on the Kearl Lake pipeline?**~~

~~A3. NGTL is in discussions with the Kearl Lake pipeline owners to determine whether acceptable capacity arrangements can be negotiated. NGTL will seek Board approval, as necessary, for any new facilities or costs.~~

Q3. Please provide an update on the negotiations regarding NGTL's use of the Kearl Lake pipeline.

A3. NGTL and the Kearl Lake pipeline owners have been negotiating since April 2003. To date, NGTL has not been able to reach acceptable arrangements regarding either the purchase or the lease of capacity on the Kearl Lake pipeline with the Kearl Lake pipeline owners. As the option of utilizing existing capacity in the area is not available, NGTL is now in the process of reviewing the necessary construction of new facilities to enable it to meet NGTL's customers' needs.

NGTL will submit an application to the Board, in accordance with the Board's Guide 56, for approval of the new facilities when the selection of the required facilities is complete. NGTL anticipates this application will be submitted within the first half of 2004.

8.10 ASSESSMENT OF ALTERNATIVES

Q1. Please describe the Proposed Service Solution for the Fort McMurray area and the alternatives considered.

A1. The Proposed Service Solution consists of:

- the acquisition of the Simmons pipeline system;
- the construction of the North Central Corridor (Peerless Lake Section) Phase 1; and
- a new TBO arrangement with Ventures on the Oil Sands Pipeline.

The first year capital cost, long term capital cost and CPVCOS are shown for the Proposed Service Solution (described as Case A – Proposed Service Solution) in Tables 8.10-1 and 8.10-2.

NGTL conducted analyses based on the forecast growth over both five year and 10 year time periods to examine the potential impact of the addition of the North Central Corridor which is forecast to be required within the decade.

NGTL also examined two other alternatives, described as Cases B and C in Tables 8.10-1 and 8.10-2:

- The construction of a pipeline bypassing Ventures Oil Sands pipeline. This alternative allowed an examination of the value of the Ventures TBO. This alternative is referred to as “Case B - Alternative Service Solution Without Ventures TBO.”

- Replacement of the new Ventures TBO arrangement and the Simmons acquisition with a scenario in which NGTL builds all new facilities to serve its market requirements. This alternative allowed an examination of the value of the Simmons pipeline system acquisition and the overall value of the proposed

service solution. This alternative is referred to as "Case C - Alternative Service Solution Without Ventures TBO and Simmons Acquisition."

The results of the analyses of these alternatives over the five and 10 year time periods are shown in Tables 8.10-1 and 8.10-2.

Q2. Please describe Case B.

A2. This alternative includes the following facilities:

- the acquisition of the Simmons pipeline system;
- 17.7 km of the NPS 24 North Central Corridor (Peerless Lake Section) Phase 1,
- 106 km of 610 mm (NPS 24) pipe from the Liege Header to the Mildred Lake meter station paralleling the existing Ventures Oil Sands pipeline;
- 11 km of 610 mm (NPS 24) pipe from the Mildred Lake Meter Station to the Syncrude Base Plant; and
- 4 meter stations in the Fort McMurray market area.

NGTL selected Case A, the Proposed Service Solution over the Case B alternative because the first year capital cost is $77 million lower and the CPVCOS is $2.6 million lower. These results were based on a five year build-up of facilities.

A 10 year build-up onto the Liege Header combined with a five year build-up off of the Liege Header to the Fort McMurray market was also considered. The longer-term build-up analysis revealed that the Case A, Proposed Service Solution, continued to provide a lower first year capital cost and a CPVCOS that was lower than the Case B alternative build-up by $9.2 million, as shown in Table 8.10-2.

Q3. Please describe Case C.

A3. This alternative includes the following facilities:

- 88.8 km of the NPS 24 North Central Corridor (Peerless Lake Section) Phases 1, 2, and 3;
- Woodenhouse Compressor Station;
- 106 km of 762 mm (NPS 30) pipe from the Liege Header to the Mildred Lake Meter Station paralleling the existing Ventures Oil Sands pipeline;
- 11 km of 610 mm (NPS 24) pipe from the Mildred Lake Meter Station to the Syncrude Base Plant; and
- 4 meter stations in the Fort McMurray market area.

NGTL selected Case A, the Proposed Service Solution, over Case C because the first year capital cost is $145 million lower and the CPVCOS is $72.9 million lower. These results were based on a 5 year build-up of facilities.

A 10 year build-up onto the Liege Header combined with a five-year build-up off of the Liege Header to the Fort McMurray market was also considered. The longer-term build-up analysis revealed that Case A, the Proposed Service Solution, continued to provide a lower first year capital cost and a CPVCOS that was lower than the Case C alternative build-up by $18.1 million as shown in Table 8.10-2.

Q4. Please describe how NGTL determined the value of the Simmons acquisition.

A4. NGTL determined the value of the Simmons acquisition by comparing the costs of Cases B and C. The difference in value between these two cases represents the incremental value of the Simmons pipeline acquisition.

Specifically, Case B results in a first year capital cost that is $68.1 million ($180.72 minus $112.61 million) lower and a CPVCOS that is $70.3 million lower than Case C. These results were based on a five year build-up of facilities.

A 10 year build-up onto the Liege Header combined with a five year build-up off of the Liege Header to the Fort McMurray market was also considered. The longer-term build-up analysis revealed that Case B continued to provide a lower first year capital cost and a CPVCOS that was lower than Case C by $8.9 million.

Note that the CPVCOS values in Tables 8.10-1 and 8.10-2 do not include the value of potential receipt revenues associated with the Simmons pipeline. This value is shown in Table 8.7-3.

Table 8.10-1

Five Year CPVCOS Comparison of Proposed and Alternative Service Solution

	Capital Cost ($ million)		CPVCOS Relative to Case A ($ million)	CPVCOS Relative to Case B ($ million)	km	NPS
	First Year	Long Term				
Case A. Proposed Service Solution						
Acquire Simmons Pipeline System*	22.70				See section 8.6	See section 8.6
17.7 km Peerless Phase 1	12.36				17.7	24
Ventures TBO	0.00				N/A	N/A
Compressor Yard Modifications	0.62					
Total	**35.68**	**138.23**	**0**	**N/A**	**N/A**	**N/A**
Case B. Alternative Service Solution Without Ventures TBO						
Acquire Simmons Pipeline System*	22.70				See section 8.6	See section 8.6
17.7 km Peerless Phase 1	12.36				17.7	24
Bypass of Ventures Oil Sands Pipeline	63.58				106	24
Bypass of Ventures Oil Sands Pipeline Extension	10.72				11	24
Meter Stations (4)	2.63					
Compressor Yard Modifications	0.62					
Total	**112.61**	**204.74**	**+2.6**	**0**	**N/A**	**N/A**
Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition						
88.8 km Peerless Phases 1, 2 and 3	60.02				88.8	24
Woodenhouse Compressor Station	18.76					
Bypass of Ventures Oil Sands Pipeline	87.97				106.0	30
Bypass of Ventures Oil Sands Pipeline Extension	10.72				11.0	24
Meter Stations (4)	2.63					
Compressor Yard Modifications	0.62					
Total	**180.72**	**288.06**	**+72.9**	**+70.3**	**N/A**	**N/A**

* The CPVCOS calculations do not include the additional receipt revenue shown in Table 8.7-3.

Table 8.10-2

Ten Year CPVCOS Comparison of Proposed and Alternative Service Solution

	Capital Cost ($ million)		CPVCOS Relative to Case A ($ million)	CPVCOS Relative to Case B ($ million)	km	NPS
	First Year	Long Term				
Case A. Proposed Service Solution						
Acquire Simmons Pipeline System*	22.70				See section 8.6	See section 8.6
17.7 km Peerless Phase 1	12.36				17.7	24
Ventures TBO	0.00				N/A	N/A
Compressor Yard Modifications	0.62					
Total	**35.68**	**575.62**	**0**	**N/A**	**N/A**	**N/A**
Case B. Alternative Service Solution Without Ventures TBO						
Acquire Simmons Pipeline System*	22.70				See section 8.6	See section 8.6
17.7 km Peerless Phase 1	12.36				17.7	24
Bypass of Ventures Oil Sands Pipeline	63.58				106	24
Bypass of Ventures Oil Sands Pipeline Extension	10.72				11	24
Meter Stations (4)	2.63					
Compressor Yard Modifications	0.62					
Total	**112.61**	**642.13**	**+9.2**	**0**	**N/A**	**N/A**
Case C. Alternatives Service Solution Without Ventures TBO and Simmons Acquisition						
88.8 km Peerless Phases 1, 2 and 3	60.02				88.8	24
Woodenhouse Compressor Station	18.76					
Bypass of Ventures Oil Sands Pipeline	87.97				106.0	30
Bypass of Ventures Oil Sands Pipeline Extension	10.72				11.0	24
Meter Stations (4)	2.63					
Compressor Yard Modifications	0.62					
Total	**180.72**	**627.01**	**+18.1**	**+8.9**	**N/A**	**N/A**

* The CPVOS calculations do not include the additional receipt revenue shown in Table 8.7-3.

8.11 APPROVAL AND TIMING ISSUES

Q1. When does NGTL require a decision on the proposed Simmons acquisition?

A1. NGTL requests that the Board issue its decision by March 1, 2004 to allow NGTL time to finalize the acquisition prior to the required in-service date of April 1, 2004. NGTL requests that the Board render its decision on this component of the Application independent of its decision on the Application as a whole in the event that the latter will not be available by March 1, 2004.

Q2. What is the impact to NGTL and its customers if a decision on the proposed Simmons pipeline is delayed beyond March 1, 2004?

A2. If a decision on the Simmons acquisition is delayed beyond March 1, 2004, NGTL will be unable to meet its customers' service requirements both onto and off the Liege Header. As a result, either NGTL will have to negotiate a short-term TBO with Simmons or its customers will have to contract directly with Simmons for their requirements until a decision is rendered.

Q3. What is the impact to NGTL and its customers if the proposed acquisition of the Simmons pipeline and the proposed new TBO arrangements with Ventures on the Oil Sands Pipeline are not approved?

A3. If the Simmons acquisition and the Ventures TBO arrangements are not approved as applied-for, the existing Ventures TBO arrangement will remain in existence until October 31, 2004.

As the area served is a winter access area, NGTL will be unable to build facilities in time to serve the market with volumes in excess of those under the existing TBO (170 MMcf/d) for the remainder of its term and shippers will be faced with obtaining alternative service arrangements directly with Ventures and Simmons.

8.12 CONFORMANCE WITH GUIDELINES

Q1. Does the acquisition of the Simmons pipeline conform with NGTL's Acquisition Guidelines?

A1. Yes. The acquisition of the Simmons pipeline system conforms with the requirements of NGTL's Acquisition Guidelines. The acquisition, in combination with the proposed North Central Corridor (Peerless Lake Section) Phase 1 and the TBO arrangement with Ventures, provides:

- the lowest CPVCOS alternative;
- the lowest first-year capital;
- access to incremental production/reserves (in this case incremental markets); and
- the operability of the facilities being confirmed through due diligence.

A copy of the Acquisition Guidelines is provided in Appendix F.

Q2. Does NGTL's overall development plan for the Fort McMurray area meet the requirements of the Guidelines for New Facilities?

A2. Yes. The components of NGTL's area development plan upstream of the Mildred Lake Meter Station represent a mainline expansion and the components downstream of the Mildred Lake meter station represent a mainline extension, as these terms are defined in the Guidelines for New Facilities.

Specifically, the mainline extension components of the plan satisfy the Guidelines because:

- NGTL would require, if constructing, a pipeline greater than or equal to NPS 12;
- the forecast maximum day delivery exceeds 100 MMcf/d;
- NGTL will serve more than one customer; and

- the length of a constructed line would be greater than 20 km.

A copy of the Guidelines for New Facilities is provided in Appendix G.

Q5. Does this conclude NGTL's evidence on Fort McMurray Area Delivery Service?

A5. Yes.